

CHAPTER 19

WORKING CAPITAL FUNDS

1901 GENERAL

This chapter provides the policies and procedures to guide budget execution for working capital funds.

1902 BACKGROUND

190201. This guidance is applicable to working capital funds.

190202. Appropriations usually are provided to start, increase the size, or replace significant losses of a public enterprise or working capital fund. Also, existing resources in other accounts may be transferred to a working capital fund as capitalized assets to serve these same purposes in lieu of an appropriation. The resources used to commence or increase the size of a working capital fund are commonly referred to as “the corpus of the revolving fund.” The corpus forms the nucleus of resources used to acquire the items needed to perform the mission of the working capital fund.

190203. Revenues are generated in DoD revolving funds from customers buying goods or services. The funds collected from customers are used to pay for the acquisition of resources needed to operate the working capital fund. In working capital funds that are apportioned by the OMB, the ability to incur obligations is limited to the amount of authority approved for obligation during the budget review as amended by unanticipated events during execution. A DD Form 1105, “Apportionment and Reapportionment Schedule,” is required to be submitted to the OMB for approval of the amount of obligation authority needed for the operation of the working capital fund for a fiscal period, usually a full fiscal year.

Budgetary resources available for apportionment action include:

- A. New budget authority (appropriations).
- B. Available unobligated balances at the beginning of the fiscal period.
- C. Reimbursements and other income (also known as offsetting collections credited to the appropriation or fund account).
- D. Recoveries of prior year obligations.
- E. Restorations.
- F. Anticipated contract authority.

190204. The apportionment of anticipated reimbursements as obligational authority in no way authorizes a working capital fund to obligate in excess of the orders received from within the Federal Government and advances received for orders outside the Federal Government. Orders from state, local, and foreign governments are considered to be orders from the public.

190205. Other assets, whether of a working capital nature such as inventories of stock or of a fixed asset nature, are not considered as a budgetary resource. Such assets, therefore, do not enter into the determination of unobligated balances. However, claims against budgetary resources, such as accounts payable and undelivered orders, are obligations of a working capital fund and must be subtracted from unobligated balances when incurred. Obligations for the procurement of inventories, as well as for the acquisition of other working capital fund assets, must be recognized, recorded, and reported along with other obligations.

190206. The amount of contract authority apportioned or the available balance of contract authority may be less than the total budgetary resources available in a working capital fund. The difference, which cannot be obligated unless it is apportioned, may be characterized as either an unapportioned balance of a revolving fund or a restrictive withholding. The concept of an unapportioned balance is one of preserving a portion of the fund's capital so it may continue to revolve or represents those resources not scheduled for obligation within a fiscal year.

190207. The incurring of obligations or authorizing the incurrence of obligations in excess of apportioned budgetary resources must be reported as an apparent violation of the Antideficiency Act, as required by DoD Directive 7200.1. This reporting requirement applies whether or not a working capital fund has unapportioned budgetary resources or nonbudgetary assets greater than the amount of the deficiency.

1903 EXECUTION REQUIREMENTS

190301. Apportionment The OMB apportions to the USD(C) the Working Capital Funds appropriation and contract authority for the current fiscal year by means of a DD Form 1105 as shown later in the chapter. The DD Form 1105 is prepared by the Revolving Funds Directorate, reviewed by the Deputy Comptroller (Program/Budget), and submitted to the OMB for approval. Contract authority on the DD Form 1105, authority to obligate funds in anticipation of receipt of customer orders, is provided for Supply-type business area operations (Supply Management, Distribution Depots, the Defense Reutilization and Marketing Service, Navy Logistics Support, and DeCA Resale Operations), and the capital purchase authority of all business areas.

The initial apportionment of contract authority for a year normally is based on the operating and capital budget (obligation) estimates for each Supply-type business area and the Working Capital Funds appropriation request reflected in the budget year column of last year's President's budget (the Program and Financing statement). Contract authority is also requested and provided for Supply-type business area commitments based on the level of actual commitments incurred as reflected in current year accounting reports. Requested adjustments to the initial apportionment

are provided to OMB in February/March reflecting revised estimates in the current year column of the President's budget submission just provided to Congress, and at subsequent times during the year reflecting significant changes that are anticipated to occur as a result of budget execution experience.

The Defense Finance and Accounting Service receives a document from the Revolving Funds Directorate that notes 1105-approved resources and customer orders by business area reflected in the relevant President's budget, entitled "Working Capital Funds 1176 Controls" (shown later in this chapter). It is used to establish the level of anticipated resources on lines 1.D. (contract authority available) and 3.C. (anticipated orders for the rest of the year) of the DD Form 1176 and therein are part of the equation in determining budgetary resource totals.

190302. Annual Operating Budget The Revolving Funds Directorate issues initial Annual Operating Budgets (AOBs) for each Component's Working Capital Funds business area prior to the beginning of the fiscal year. A sample is shown later in this chapter. The AOB identifies an operating budget, net operating result, and unit cost(s) targets and capital budget limitation (subject to 31 U.S.C. 1517) for each business area.

Cash is centrally managed by the Army, Navy, Air Force, USTRANSCOM, and DLA for the Defense Agencies. Each is responsible for taking actions that enable their Component to maintain a positive balance in order to remain solvent and allow operations (disbursements) to continue. It is a violation of the Antideficiency Act if a Component's cash goes below zero at any time. Components shall maintain a positive budgetary resource balance, i.e., obligations do not exceed resources comprised of any appropriation, unobligated balances carried forward from a previous period, current or prior year transfers of balances from other accounts, current year unobligated balances, and recoveries from the de-obligation of prior year obligations. Additionally, the level of OMB-apportioned contract authority may be delineated specifically on applicable AOBs that provide authority for which budgetary resources are not required.

190303. Budgetary Resources Obligations or accrued expenses should not be authorized or incurred in a working capital fund business area unless available resources, or the "bank balance" as reflected in line 8.D. of the DD Form 1176 or the sum of lines 9.A.1., 9.B., and 9.C. of the SF 133 exceed the proposed obligation or accrued expense. Obligating funds or incurring an accrued expense that results in the business area account being "overdrawn" can result in a violation of the Antideficiency Act for the account manager. Such violations are reportable to the President and the Congress, and can involve criminal prosecution for the responsible person or people as well.

Calculating budgetary resources, which must remain positive at all times, is as follows:

DD Form 1176 Report Lines

Add: Line 6 - Total Budgetary Resources

Less: Line 1D - Anticipated Resources

Less: Line 2C - Anticipated Transfers of Prior Year Balances

Less: Line 3C - Anticipated Orders for the rest of the Year
Less: Line 7 - Obligations Incurred
Less: Line 9 - Unobligated Balances not Available
Less: Line 8A - Commitments Outstanding
Equals: **Line 8D - Budgetary Resources Available for Obligations**

SF133 Report Lines

Add: Line 7 - Total Budgetary Resources
Less: Anticipated Borrowing Authority in Line 1B
Less: Anticipated Contract Authority in Line 1C
Less: Line 1E - Other (Anticipated) Budget Authority
Less: Line 2C - Anticipated Transfers of Prior Year Balances
Less: Line 3C - Anticipated Spending Authority
Less: Line 3D - Anticipated Transfers from Trust Funds
Less: Line 4B - Anticipated Recovery of Prior Year Obligations
Less: Line 8 - Obligations Incurred
Less: Line 9A2 - Anticipated Unobligated Apportionment
Less: Line 10 - Unobligated Balances not Available
Equals: **Line 9A1 - Available Unobligated Apportionment**
Plus: Line 9B - Balance Exempt from Apportionment
Plus: Line 9C - Other Available Unobligated Balances

190304. Adjusting Component Resources Based on budget execution experience, Components periodically request the Revolving Funds Directorate to adjust their targets and/or capital budget limitation. Unless the Congress has provided a capital purchase limitation or other direction that would preclude making a requested adjustment, a Component's request will be evaluated and approved or disapproved and reflected in a revised AOB based on the merit of the justification provided.

190305. Execution Review The Revolving Funds Directorate receives from DFAS a monthly DD Form 1176 (Report on Budget Execution) and AR(M)1307 Report (Working Capital Funds Accounting Report). See, respectively, Chapter 4, Volume 6, and Chapter 70, Volume 11B, of this Regulation. In some cases, a unit cost report also is delivered from a Component. Each is reviewed by the Revolving Funds Directorate to determine actual results of operation in comparison with plans by month for disbursements, collections, revenue, expense, net operating results, and unit costs. Typically in February, May, and August, each Component's results of operation (through the latest available accounting period) are formally reviewed by the Principal Deputy Under Secretary of Defense (Comptroller), Deputy Comptroller (Program/Budget), and Director for Revolving Funds to determine the financial operations that are proceeding according to plan and, when there are significant deviations from plan in actual execution, to determine the management actions that may be required to bring execution back into line with the plan or revise plans consistent with current and more realistic financial expectations.

APPORTIONMENT AND REAPPORTIONMENT SCHEDULE

FISCAL YEAR 1996

AGENCY APPROPRIATION TITLE AND SYMBOL APPROPRIATION SERIAL NO.
DEPARTMENT OF DEFENSE
 Working Capital Funds COMPONENT NO. 5
 97 X 4930 OSD NO. 5

DESCRIPTION a	AMOUNT ON LATEST DD FORM 1105 b	SUBMITTED BY COMPONENT SECDEF c	REQUESTED BY OMB d	ACTION BY e
BUDGETARY RESOURCES				
BUDGET AUTHORITY				
1A APPROPRIATIONS REALIZED	878,700,000	878,700,000	878,700,000	
1B OTHER NEW AUTHORITY REALIZED ()		4,100,218,794	4,100,218,794	
1C NET TRANSFER OF CY AUTH REALIZED				
1D ANTICIPATED	43,631,490,000	30,721,876,469	30,721,876,469	
1 TOTAL BUDGET AUTHORITY	44,510,190,000	35,700,795,263	35,700,795,263	
UNOBLIGATED BALANCE				
2A BROUGHT FORWARD OCTOBER 1				
2B NET TRANSFERS OF PY BALANCES				
2C ANTICIPATED TRANSFERS OF PY BALANCES				
2 TOTAL UNOBLIGATED BALANCE				
REIMBURSEMENTS AND OTHER INCOME				
3A EARNED		9,338,251,428	9,338,251,428	
3B CHANGE IN UNFILLED CUSTOMER ORDERS		(299,181,890)	(299,181,890)	
3C ANTICIPATED ORDERS FOR REST OF YEAR				
3 TOTAL REIMBURSEMENTS AND OTHER INCOME		9,039,069,538	9,039,069,538	
RECOVERIES OF PRIOR OBLIGATIONS				
4A ACTUAL RECOVERIES		160,160	160,160	
4B ANTICIPATED RECOVERIES REST OF YEAR		38,474,039	38,474,039	
4 TOTAL RECOVERIES OF PRIOR OBLIGATIONS		38,634,199	38,634,199	
5A PORTION NOT AVAILABLE TO P.L. () ()				
5B ()				
5 TOTAL				
6 RESTORATIONS				
7 TOTAL BUDGETARY RESOURCES	44,510,190,000	44,778,499,000	44,778,499,000	44,778,499,000
APPLICATION OF BUDGETARY RESOURCES				
APPORTIONMENTS MEMORANDUM				
OBLIGATIONS INCURRED				
\$9,316,831,243				
8A _____				
8B _____				
8C _____				
8D _____				
8E _____				
8F _____				
8 TOTAL APPORTIONMENTS	44,510,190,000	44,778,499,000	44,778,499,000	44,778,499,000
WITHHOLDINGS				
9A DEFERRED				
9B WITHHELD PENDING RESCISSION				
9 TOTAL WITHHOLDING				
10 UNAPPORTIONED BAL OF REVOLVING FUNDS				
11 TOTAL BUDGETARY RESOURCES	44,510,190,000	44,778,499,000	44,778,499,000	44,778,499,000

a/ In addition to amounts apportioned herein, recoveries of prior year obligations are automatically apportioned.
 b/ Amounts apportioned herein are applicable to Working Capital Funds Supply Management, Distribution Depots, Reutilization and Marketing Services, Commissary Resale Stocks, and Logistics Support Activities business area operating expenses, appropriations, and the entire Working Capital Funds capital investment budget.
 c/ Pursuant to 10 U.S.C. 2210(b), obligations and commitments may be incurred in excess of apportioned resources actually realized in the amount of contract authority approved, but not in excess of the total apportioned. The actual unfunded balance of contract authority of \$9,529,049,107 on October 1, 1995 is increased by \$30,721,876,469 provided that this amount is automatically reduced to the extent that orders are received.

SUBMITTED TO OSD (Col c)	
SIGNATURE (Authorized Officer - DoD Component) OSD (Director for Revolving Funds)	
REQUESTED OF OMB (Col d)	APPORTIONED
SIGNATURE (Authorized Officer - OSD) Deputy Comptroller (Program/Budget)	SIGNATURE(OMB) Dep. Assoc Dir. for Nat. Security DATE

FY 1996 Working Capital Funds 1176 Controls, per Apportionment 96-5, dated March 25, 1996
(\$000)

	Oper Obs	Cap Obs	Commitments	CA	New Cust Orders
<u>ARMY</u>					
Supply Management	6,585,300	15,523	800,000	7,400,823	-
Depot Maintenance Other	-	53,158	-	53,158	1,467,400
Depot Maintenance Ord	-	21,762	-	21,762	494,800
Info Services	-	-	-	-	173,800
<u>NAVY</u>					
Supply Management	5,272,179	18,021	400,000	5,690,200	-
Logistics Support Act	100,048	20,152	-	120,200	-
Depot Maintenance Shipyards	-	43,336	-	43,336	2,714,200
Depot Maintenance Aviation	-	31,851	-	31,851	1,770,500
Depot Maintenance Ordnance	-	13,631	-	13,631	631,700
Depot Maintenance Other	-	4,160	-	4,160	150,000
Base Support	-	13,768	-	13,768	1,923,900
Transportation	-	5,950	-	5,950	1,252,800
RDT&E	-	105,945	-	105,945	6,877,600
Printing	-	8,400	-	8,400	393,700
Info Services	-	561	-	561	218,100
<u>AIR FORCE</u>					
Supply Management	9,228,494	8,311	300,000	9,536,805	-
Depot Maintenance	-	51,900	-	51,900	4,138,100
Info. Services	-	-	-	-	252,900
<u>DLA</u>					
Supply Management	10,327,900	51,600	2,800,000	13,179,500-	-
Distribution Depots	1,329,200	70,100	-	1,388,300	-
DRMS	402,800	22,500	-	425,300	-
DIPEC	-	1,100	-	1,100	12,200
Info Services	-	3,000	-	3,000	130,800
<u>DFAS</u>					
Financial Services	-	233,844	-	233,844	1,597,500
Info Services	-	23,056	-	23,056	190,100
<u>DISA</u>					
CISA	-	41,100	-	41,100	1,619,400
DISO	-	109,600	-	109,600	674,300
<u>DeCA</u>					
Operations	-	-	-	-	-
Resale	5,000,000	-	-	5,000,000	-
<u>JLSC</u>					
	-	205,249	-	205,249	-
<u>USTRANSCOM</u>					
	-	176,300	-	176,300	4,012,200
	38,245,921	1,353,878	4,300,000		43,899,799

WORKING CAPITAL FUNDS			
AIR FORCE DEPOT MAINTENANCE FISCAL YEAR <u>1996</u> COST AUTHORITY			
BUSINESS AREA Output Measure	OPERATING BUDGET		
	Unit Cost (\$)	Number of Units (000)	Total Cost Approved (In Millions)
OPERATING BUDGET			
ORGANIC Maintenance Cost Per Direct Labor Hour	\$111.00	29,657	\$3,291.9
CONTRACT Maintenance			\$1,187.5
Direct Reimbursables/Other:	N/A	N/A	\$0.0
Total Operating Cost: <u>2/</u> <u>3/</u>			\$4,479.4
CAPITAL OBLIGATION AUTHORITY: <u>4/</u>			
FY 1992 (AFMC)			\$.4
FY 1993 (AMC)			\$.065
FY 1995 (AFMC)			\$ 1.63
FY 1996 (AFMC)			\$ 40.3
NET OPERATING RESULT: (NOR GOAL) <u>5/</u>			\$ -93.9
Authorization Number: AFDM-96-2	Date:		Approved:

LIMITATIONS AND GUIDANCE:

1. This AOB revision reflects estimates contained in the FY 1996 column of the FY 1997 President’s budget and \$.4 million in additional FY 1992 capital purchase authority as noted in a February 28, 1996 memo from the Director for Revolving Funds, subject: Request for \$3.2 Million Depot Maintenance Business Area FY 1996 Capital Funds. This AOB revision also includes \$65,000 in additional FY 1993 capital purchase authority for the Air Mobility Command to finance an Intrusion Detection System that the Air Force Audit Agency determined should have been a capital rather than operating budget requirement.
2. Operating costs are not to be incurred beyond the total approved amount shown for the Operating Budget without the specific prior approval of this office.
3. Major Maintenance and Repair. The FY 1996 obligations for major maintenance and repair will be treated as a direct expense within the operating budget authority.
4. The amount listed in the Total Cost Column for the Capital Obligation Authority represents a limitation subject to the provision of 31 U.S.C. 1517, the Antideficiency Act. Obligations are not to be incurred beyond the total approved amount shown for each year for the Capital Budget (as modified by reprogramming per authority provided in Chapter 9, Volume 2B, of this Regulation) without the specific prior approval of the ODC(P/B). No other funds are available for Capital Obligations except as provided in this document.
5. NOR: The NOR provides the overall net operating results expected to be achieved in the Business by the end of the year. The NOR provides a primary financial management goal and will be used in conjunction with other performance measures to assess the overall operational effectiveness of the business area, as identified and reported monthly on the AR 1307 Report. For each business area, the Component is responsible for preparing a monthly Revenue and Cost Plan. Joint execution reviews of this plan will be conducted by ODC(P/B) and the cognizant Component in May and August 1996.
6. CASH MANAGEMENT: The January 5, 1995, USD(C) memorandum, subject : Working Capital Funds Cash Management Responsibility, assigned the Services and DLA the responsibility for Working Capital Funds cash management for designated business areas effective February 1, 1995. This cash management responsibility for the Air Force entails taking action to maintain a positive cash balance for Air Force business areas, in total, at all times. Failure to maintain a positive balance will result in a statutory violation of 31 U.S.C. 1517 by the Component. The Component may require DFAS to vary its billing cycle or advance bill, when it is deemed necessary to do so, in order to maintain cash solvency. The magnitude, duration, and reason for advance billing by business area must be reported by the initiating Component to the Director for Revolving Funds within 15 calendar days of the end of the month in which the advance billing took place. The Component remains responsible for compliance with monthly execution of collections and disbursements in accordance with the monthly approved plan.
7. UNIT COST: The total cost for those outputs identified by a unit cost is predicated on a projected level of work load. Components may request increases in Cost Authority based on an increase in the number or value of orders accepted. Conversely, if actual work load declines below levels anticipated, appropriate reductions will be made to the total costs shown in this document.
8. PERFORMANCE GOALS: Descriptions of performance effectiveness measures are contained in the Working Capital Funds Milestone II report submitted to Congress on March 1, 1993.

<u>Measure</u>	<u>Goal</u>
Schedule Conformance	TBD
Quality Deficiency Reports (QDRs)	TBD
Net Operating Results	\$-93.9M

9. OTHER:

- a. No cost may be incurred to fund Base Realignment and Closure Program expenses.
- b. Included in the total operating cost authority in this document is \$105.8 million in anticipated depreciation costs, based on current estimates of actual depreciation expenses.
- c. By DoD policy, FY 1996 working capital fund costs for civilian separation incentives are to be financed by working capital funds.
- d. This document reflects capital program threshold of \$100,000.
- e. The procedures for the release of JLSC-related hardware capital authority are as follows: JLSC will identify the hardware required, the dollar value of the hardware, the site where the hardware will be installed, and the required installation date to the USD(C). DISA and the Component Comptroller will be notified and requested to verify the requirement. Subsequent to the DISA/Component Comptroller verification of the requirement, the capital authority will be released in an update to the AOB. \$11.6 million for DMSS is withheld pending the above-noted verification of requirement.

CAPITAL BUDGET PROGRAM

The Capital Budget is to be executed based on the approved annual programs contained in the President's budget as modified by approved budget decisions. Deviations from the President's budget, that are consistent with approved reprogramming criteria, must be identified to the ODC(P/B) Director for Revolving Funds during the scheduled execution review. Listed below is the approved project list for capital budget obligations.

Capital Project Within Scope Obligation Adjustments

Capital obligation adjustments must be charged to the program year cited for the original project. Capital obligation authority can be provided for any program year for within-scope increases if the following conditions are met; (1) the original program year must have sufficient unobligated budget authority (original program plus program adjustments less actual obligations) to accommodate the adjustment, and (2) the total obligations, including both new obligations and all adjustments, cannot exceed the total obligation authority for all program years issued on the AOB. If these conditions are met, this AOB automatically provides the authority to obligate prior year program funds for within scope capital adjustments of less than \$100,000. Since the adjustments must cite the original program year, the obligation authority for a currently issued program year must be reduced to offset the adjustments if sufficient funding for the original program year is not available on the AOB. The offset must be sufficient to limit total capital obligations during the fiscal year to the total obligation authority issued on the AOB. Subsequent AOBs may restore this authority by issuing the prior year program funds if appropriate.

Program Year FY 1992 - AFMC	
Program Year Total	.4
Program Year FY 1993 - Air Mobility Command	
Program Year Total	
AMC - Intrusion Detection System	.065
Program Year FY 1995 - AFMC	
Equipment - ADPE & TELCOM	
SAALC: TIMA (\$13,147) & LIMS (\$326,354)	
WRALC: FEM (\$895,173)	
SMALC: LIMS (\$142,820) & TIMA (\$49,889)	
OCALC: TIMA (\$23,927)	
OOALC: LIMS (\$145,066)	
AMARC: TIMA (\$31,270)	
Program Year Total	1.63
Program Year FY 1996 - AFMC	
Equipment - Except ADPE & TELCOM	
>\$.5 M	
Automated Test Stand, Medium Press (2) Replacement)	5.7
Advanced Fuel Accessories test System (Replacement)	.6
Deep Draw Stretch Press, 250 Ton (1) (Replacement)	1.3
Centralized Aircraft Support System (1) (Replacement)	3.1
Auto Shot Peening System (1) (Productivity)	.7
GCATS (3) (Replacement)	5.7
Servo Component Test Stand (1) (Replacement)	.8
VXIATS & MDA (1) (Replacement)	1.2
Servo Valve Hydraulic Test System (2) (Productivity)	.8
5-Axis CNC Machining Center (1) (Productivity)	<u>1.9</u>
Subtotal	21.8
</.5M	
Subtotal	<u>11.5</u>
Equipment - ADPE & TELCOM	
DMBA Budget & Price Dev. System	<u>1.6</u>
Subtotal	1.6
Minor Construction	5.4
Program Year Total	40.3
Grand Total	(AFMC) 42.33 (AMC) .065