

UNCLASSIFIED

**DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY OF THE NAVY
(FINANCIAL MANAGEMENT AND COMPTROLLER)**



**FINANCIAL MANAGEMENT
POLICY MANUAL**

**NAVSO P-1000 Rev through Change 67
12 December 2002**

UNCLASSIFIED



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
1000 NAVY PENTAGON
WASHINGTON, D. C. 20350-1000

DEC 12 2002

DEPARTMENT OF THE NAVY
FINANCIAL MANAGEMENT POLICY MANUAL
(NAVSO P-1000)
CHANGE 67

The Department of the Navy Financial Management Policy Manual is hereby updated, as Change 67, to reflect a compendium of many recent policy and procedures changes.

Instructions herein are issued for the information, guidance, and compliance of all persons in the Department of the Navy. Comments, questions and recommended changes to the Department of the Navy Financial Management Policy Manual should be addressed to:

Office of the Assistant Secretary of the Navy (Financial Management and Comptroller)
Budget Policy and Procedures Division (FMB-5)
1000 Navy Pentagon
Washington, DC 20350-1000
703-693-6590 or DSN 223-6590

A brief of revisions and chronological list of prior changes appear on the following pages.

A handwritten signature in black ink, appearing to read "A.T. Church, III".

A.T. CHURCH, III
Rear Admiral, U.S. Navy
Director, Office of Budget

Brief of Revisions

Following are the major changes in policy and procedures incorporated by Change 67 to the Department of the Navy Financial Management Policy Manual (DON FMPM):

1. **073002.** Adds paragraph to provide Comptroller organizational and functional guidance, as governed by the 8 April 2002 SECNAVINST on “Comptroller Organizations”.
2. **073302.** Adds paragraph on the policy and procedures governing administration of expired and canceled accounts and adjustments thereto.
3. **073303.** Adds paragraph on the policy and procedures governing reimbursement for claims paid on behalf of the Department of the Navy from the Department of the Treasury Judgment Fund.
4. **074005 and 075180.** Revises paragraphs to reflect the disestablishment in FY 1997 of the Navy Management Fund.
5. **074006, 074700.** Revises paragraph to reflect the merger of the U.S. Naval Academy Museum Fund into the U.S. Naval Academy General Gift Fund, as well as the merger of the Office of Naval Records and History Fund with the Department of the Navy General Gift Fund.
6. **074101, 074121, 074141, 074161.** Revises paragraphs to include active and reserve cost categories of Defense Health Program accrual and partial dislocation allowance.
7. **074361.** Revises paragraph to change reference to information technology versus automated data processing equipment and to reflect the current line item structure of Budget Activity 7 of the OPN appropriation.
8. **074401, 075401.** Revises paragraphs to incorporate updates to the titles and definitions of the RDT&E Budget Activities as well as provide information on the program element structure of the RDT&E appropriation.
9. **074501, 074521, 075386.** Revises paragraphs to reflect increased threshold for Minor Construction notification to \$750,000 and increased limit for Minor Construction projects funded from operation and maintenance appropriations to \$750,000. Also revises paragraph 074501 to clarify that the authority to use maintenance or construction funding for the acquisition of land is in Title 10, U.S. Code, Sections 2672a and 2673. Paragraph 075386 further revised to reflect change from the Real Property Maintenance (RPM) program to the Sustainment, Restoration and Modernization (SRM) program.
10. **074542.** Revises paragraph to incorporate the change to the reporting limit for general and flag officer’s quarters repair and maintenance from \$25,000 to \$35,000.

11. **074560.** Revises paragraph to add clarifying guidance regarding the use of BRAC funds after the 6-year implementation period ending 13 July 2001. Also adds subparagraph for BRAC, Part IV.
12. **074602, 074603.** Revises paragraph to reflect revised minor construction limitations as well as the revised cross-reference to the depreciation schedule. Also revises paragraph 074602 to reflect use of Sustainment, Restoration and Modernization (SRM) in place of Real Property Maintenance (RPM).
13. **074801.** Revises paragraph to refer claimants to reimbursable policy guidance contained in DOD FMR and to remove reference to NAVCOMPT Volume 3, which has been cancelled.
14. **075001.** Revises paragraph to align conditional case for determining expense versus investment regarding Technology Refresh to the modification and maintenance section where it more logically fits; also deletes reference to IT in Technology Refresh subparagraph since the policy is not limited to IT cases. Also revises paragraph 074602 to reflect use of Sustainment, Restoration and Modernization (SRM) in place of Real Property Maintenance (RPM).
15. **075004.** Revises paragraph on transfer of functions to reflect current procedures and approval requirements.
16. **075120, 075121, 075123.** Revises paragraphs to reflect use of Sustainment, Restoration and Modernization (SRM) in place of Real Property Maintenance (RPM). Also reflects realignment of functions from the Naval Computer and Telecommunications Command to the Naval Network Warfare Command.
17. **075141.** Revises paragraph to address situation where revenues from the sale of recyclable materials are insufficient to fully reimburse the expenses to operate the Qualified Recycling Program.
18. **075153.** Revises paragraph to include CONUS as well as overseas activities.
19. **075157.** Revises paragraph to clarify that the appropriate source of funding for interim lodging costs is the base operating account.
20. **075183 and 075185.** Revises paragraphs to reflect appropriation chargeable for travel associated with leave canceled due to contingency operations, and for transportation of student dependents for the purpose of attending school.
21. **075214.** Revises paragraph to reflect replacement of the State Department Foreign Affairs Administrative Support (FAAS) system with the International Cooperative Administrative Support Services (ICASS) system.

22. **075322.** Revises paragraph to provide amplifying guidance concerning contract modifications and funds clauses and their treatment under the full funding concept.
23. **075325.** Revises paragraph on multiyear procurement to specify that the full funding policy shall apply to each individual year of the multiyear contract.
24. **075327.** Deletes paragraph on incremental construction. Most recent guidance on circumstances under which incremental funding of military construction is appropriate is addressed in paragraph 075385.
25. **075361.** Revises paragraph to clarify policy for funding of personal property equipment.
26. **075371.** Deletes section under general guidance concerning General Purpose Communications and Information Systems Procurement. Revises budgeting section to expand discussion of conditions under which use of procurement appropriation funding is appropriate for the purchase of IT, AIS and general communication equipment. Includes reference to the DOD FMR for capital investments in the NWCF.
27. **075402.** Revises paragraph to add guidance on budgeting for termination liability on incrementally funded RDT&E contracts.
28. **075403.** Revises paragraph to reflect higher dollar threshold (\$750,000) for unspecified minor construction; change to the threshold for installation cost; changes to the title of the director for and appropriation financing Joint Test and Evaluation. Also specifies that LRIP quantities are determined as part of Production and Deployment approval.
29. **075521.** Revises paragraph to delete certain circumstances, effective only until 1 October 1990, under which selected Category C activities were authorized to use appropriated funds.
30. **075523.** Revises paragraph to delete outdated information regarding military personnel within four years of retirement or completion of an active duty service commitment.
31. **075525.** Revises paragraph to provide the policy and procedures governing the Utilization, Support and Accountability (USA) Practice for MWR non-appropriated fund instrumentalities.

Technical Corrections. Deletes references to Commanders In Chief (CINC); deletes references to certain NAVCOMPT and financial management of resources manuals that have been canceled; replaces Navy International Logistics Control Office (NAVILCO) with Naval Inventory Control Point (NAVICP); deletes Chapters 1 and 2 of the FMPM in their entirety.

Change Numbers And Issuance Dates	
66	January 29, 2002
65	December 7, 2001
64	August 15, 1995
63	July 22, 1993
62	January 27, 1992
61	August 6, 1991
60	April 8, 1991
59	January 16, 1991
58	July 27, 1990
57	June 19, 1990
56	May 11, 1988
55	December 4, 1986
54	February 20, 1986
53	July 15, 1985
52	February 8, 1985
51	October 24, 1984
50	July 15, 1984
49	May 22, 1984
48	April 17, 1984
47	January 6, 1984
46	October 31, 1983
45	August 2, 1983
44	February 23, 1983
43	October 25, 1982
42	August 23, 1982
41	February 22, 1982
40	October 21, 1981
39	June 19, 1981
38	March 23, 1981
37	November 25, 1980
36	September 2, 1980
35	May 22, 1980
34	March 26, 1980

Change Numbers And Issuance Dates	
33	January 22, 1980
32	September 27, 1979
31	March 1, 1979
30	October 30, 1978
29	August 18, 1978
28	July 28, 1978
27	December 27, 1977
26	June 27, 1977
25	December 28, 1976
24	August 26, 1976
23	March 23, 1976
22	November 28, 1975
21	July 18, 1975
20	February 24, 1975
19	November 27, 1974
18	July 24, 1974
17	June 28, 1974
16	May 28, 1974
15	February 26, 1974
14	December 27, 1973
13	September 21, 1973
12	July 30, 1973
11	May 1, 1973
10	December 26, 1972
9	July 1, 1972
8	March 30, 1972
7	January 3, 1972
6	November 2, 1971
5	June 1, 1971
4	February 1, 1971
3	November 2, 1970
2	August 3, 1970
1	June 24, 1970

Change Numbers And Issuance Dates	

Change Numbers And Issuance Dates	
Basic	April 2, 1970

Chapters in Force	
Introduction	Change 67
Chapter 1	Change 67
Chapter 2	Change 67
Chapter 3	Change 67

A revised Foreword and Table of Contents will be issued with each change.

FINANCIAL MANAGEMENT POLICY MANUAL

NAVSO P-1000

CONTENTS

Introduction Introduction to Financial Management Policy

PURPOSE	1
AUTHORIZATION	1
RELATIONSHIP TO OTHER VOLUMES	2
TABLE OF CONTENTS	2
CHANGES	2
DISTRIBUTION	2

Chapter 1 Budget Execution

PART A: GENERAL	1-1
073000 Definitions	1-1
073001 Responsibilities	1-1
073002 Comptroller Organizations	1-2
073003 Procedures for Establishing Availability	1-2
PART B: APPORTIONMENT	1-6
073100 General	1-6
073101 Approval Procedure	1-7
073102 Reporting	1-9
073103 Reapportionment	1-11
PART C: ALLOCATIONS AND OPERATING BUDGETS	1-11
073200 Definitions	1-11
073201 Allocation	1-15
073202 Operating Budget Procedure	1-18
073203 Financial Responsibilities for Allocations	1-22
PART D: REVIEW AND REPROGRAMMING	1-24
073300 Review	1-24
073301 Reprogramming	1-25
073302 Fiduciary Responsibilities for Expired and Closed Accounts	1-27
073303 The Judgment Fund	1-32
PART E: ADMINISTRATIVE CONTROL OF FUNDS AND ANTIDEFICIENCY ACT VIOLATIONS	1-34
073400 Administrative Control of Funds	1-34
073401 Antideficiency Act Investigations and Reporting Requirements	1-34

Chapter 2 Appropriations and Funds

PART A: GENERAL CONCEPTS	2-1
Section I: Types and Purposes of Appropriations and Funds	2-1
074000 General	2-1
074001 Annual Appropriations	2-1
074002 Multiple-Year Appropriations	2-1
074003 Continuing Appropriations	2-2
074004 Revolving Funds	2-2

074005	Management Funds	2-2
074006	Trust Funds	2-2
Section II: Appropriation Language	.....	2-3
074020	General	2-3
074021	Statutory References	2-3
074022	General Provisions	2-3
074023	Language Changes	2-4
074024	Implementation of Congressional Committee Reports	2-4
Section III: Appropriation Structure	.....	2-4
074040	Purpose.....	2-4
074041	Uses.....	2-7
074042	Procedure for Changing.....	2-7
PART B: MILITARY PERSONNEL APPROPRIATIONS	.....	2-8
Section I: Military Personnel, Navy	.....	2-8
074100	Scope.....	2-8
074101	Structure and Content.....	2-8
074102	Budget Activity Subheads.....	2-11
074103	Administration	2-11
Section II: Reserve Personnel, Navy	.....	2-12
074120	Scope.....	2-12
074121	Structure and Content.....	2-13
074122	Budget Activity Subheads.....	2-20
074123	Administration	2-20
Section III: Military Personnel, Marine Corps	.....	2-21
074140	Scope.....	2-21
074141	Structure and Content.....	2-22
074142	Budget Activity Subheads.....	2-24
074143	Administration	2-25
Section IV: Reserve Personnel, Marine Corps	.....	2-25
074160	Scope.....	2-25
074161	Structure and Content.....	2-26
074162	Budget Activity Subheads.....	2-32
074163	Administration	2-33
PART C: OPERATION AND MAINTENANCE APPROPRIATIONS	.....	2-33
Section I: Operation and Maintenance, Navy	.....	2-33
074200	Scope.....	2-33
074201	Structure and Content.....	2-34
074202	Budget Activity Subheads.....	2-35
074203	Administration	2-37
Section II: Operation and Maintenance, Navy Reserve	.....	2-38
074220	Scope.....	2-38
074221	Structure and Content.....	2-38
074222	Budget Activity Subheads.....	2-39
074223	Administration	2-40
Section III: Operation and Maintenance, Marine Corps	.....	2-41
074240	Scope.....	2-41
074241	Structure and Content.....	2-41
074242	Budget Activity Subheads.....	2-42
074243	Administration	2-43
Section IV: Operation and Maintenance, Marine Corps Reserve	.....	2-44
074260	Scope.....	2-44
074261	Structure and Content.....	2-44
074262	Budget Activity Subheads.....	2-45
074263	Administration	2-46

PART D: PROCUREMENT APPROPRIATIONS	2-46
Section I: Aircraft Procurement, Navy	2-46
074300 Scope.....	2-46
074301 Structure and Content.....	2-48
074302 Budget Activity Subheads.....	2-49
074303 Administration.....	2-50
Section II: Shipbuilding and Conversion, Navy	2-51
074320 Scope.....	2-51
074321 Structure and Content.....	2-54
074322 Budget Activity Subheads.....	2-55
074323 Administration.....	2-55
Section III: Weapons Procurement, Navy	2-59
074340 Scope.....	2-59
074341 Structure and Content.....	2-60
074342 Budget Activity Subheads.....	2-61
074343 Administration.....	2-61
Section IV: Procurement of Ammunition, Navy and Marine Corps	2-62
074350 Scope.....	2-62
074351 Structure and Content.....	2-63
074352 Budget Activity Subheads.....	2-64
074353 Administration.....	2-64
Section V: Other Procurement, Navy	2-66
074360 Scope.....	2-66
074361 Structure and Content.....	2-67
074362 Budget Activity Subheads.....	2-69
074363 Administration.....	2-69
Section VI: Procurement, Marine Corps	2-70
074380 Scope.....	2-70
074381 Structure and Content.....	2-72
074382 Budget Activity Subheads.....	2-73
074383 Administration.....	2-73
PART E: RESEARCH, DEVELOPMENT, TEST AND EVALUATION, NAVY	2-74
074400 Scope.....	2-74
074401 Structure and Content.....	2-75
074402 Budget Activity Subheads.....	2-76
074403 Administration.....	2-77
PART F: MILITARY CONSTRUCTION APPROPRIATIONS	2-78
Section I: Military Construction, Navy	2-78
074500 Scope.....	2-78
074501 Structure and Content.....	2-80
074502 Budget Activity Subheads.....	2-83
074503 Administration.....	2-83
Section II: Military Construction, Naval Reserve	2-85
074520 Scope.....	2-85
074521 Structure and Content.....	2-86
074522 Budget Activity Subheads.....	2-88
074523 Administration.....	2-88
Section III: Family Housing, Navy and Marine Corps	2-90
074540 Scope.....	2-90
074541 Structure and Content.....	2-90
074542 Administration.....	2-93
Section IV: Base Realignment and Closure	2-97
074560 Scope.....	2-97
074561 Structure and Content.....	2-99

074562	Budget Formulation	2-100
074563	Financial Policy	2-102
074564	Budget Activity Subheads	2-104
074565	Administration	2-105
PART G:	REVOLVING AND MANAGEMENT FUNDS	2-105
	Section I: Navy Working Capital Fund	2-105
074600	Scope	2-105
074601	Structure and Content	2-106
074602	Budget Formulation	2-107
074603	Financial Policy	2-109
	Section II: Other Funds	2-114
074642	Midshipmen's Store, United States Naval Academy	2-114
074643	National Defense Sealift Fund	2-115
PART H:	OTHER ACCOUNTS	2-119
	Section I: Trust Funds	2-119
074700	Trust Funds	2-119
	Section II: Special Accounts	2-122
074720	Retired Pay, Defense, Navy Portion	2-122
074721	Retired Pay, Defense, Marine Corps Portion	2-125
074723	Wildlife Conservation, Military Reservations, Navy	2-125
074724	Nonappropriated Funds	2-126
074726	North Atlantic Treaty Organization Infrastructure	2-128
074727	Kaho'Olawe Island Conveyance, Remediation, and Environmental Restoration Fund	2-130
074728	Defense Health Program	2-130
074729	Quality of Life Enhancements, Defense	2-130
074730	Operation and Maintenance, Defense-wide	2-130
074731	Procurement, Defense-wide	2-130
	Section III: Security Assistance	2-131
074740	Security Assistance Program	2-131
074741	Military Assistance (Transfers to Navy) – Administration	2-132
074742	International Military Education and Training	2-133
074743	Foreign Military Sales	2-133
PART I:	REIMBURSEMENTS	2-136
074800	General	2-136
074801	Definitions	2-136
074802	Reimbursable Budget Program Administration	2-138
PART J:	TRANSFER ACCOUNTS	2-143
074900	Transfer Accounts	2-143
074901	Drug Interdiction and Counter-Drug Activities, Defense	2-143
074902	Environmental Restoration, Navy	2-143
074903	Overseas Contingency Operations Transfer Fund	2-143

Chapter 3 Financial Responsibility

PART A:	GENERAL FUNDING POLICY	3-1
075000	Scope	3-1
075001	Expense/Investment Criteria	3-1
075002	Alignment of Command and Funding Responsibilities	3-9
075003	Cross or Common Service	3-10

075004	Transfer of Functions.....	3-11
PART B:	OPERATION FUNDING POLICY	3-15
Section I: General		3-15
075100	Scope.....	3-15
Section II: Host-Tenant Relationship.....		3-15
075120	Definitions	3-15
075121	Budget Policy.....	3-16
075122	Significant Costs	3-19
075123	Funding Guide	3-19
Section III: Consolidated Support Activities.....		3-23
075130	Human Resources Offices.....	3-23
075131	Public Works Centers	3-25
075132	Medical and Dental Activities.....	3-27
075134	Printing Services.....	3-30
075135	Intellectual Property Attorneys.....	3-31
Section IV: Administrative/Functional Funding Assignments		3-31
075140	Security Forces.....	3-31
075141	Real/Personal Property Disposal Programs.....	3-33
075142	Plant Property in an Inactive Status	3-36
075143	Military Land Utilization Programs	3-37
075144	Awards.....	3-38
075145	Rewards.....	3-39
075146	Solatia.....	3-40
075147	Long-Term Training and Education for Civilian Employees	3-41
075148	Active Naval and Reserve Force Ships and Craft (Operating Costs)	3-42
075149	Port Services.....	3-44
075150	Mobile Utility Support Equipment.....	3-46
075151	Customs, Immigration, and Agricultural Inspections	3-47
075152	Dining Facility Operations.....	3-48
075153	Community Relations.....	3-49
075154	Disasters or Emergencies	3-49
075155	Health and Comfort Items for Prisoners	3-51
075156	Commissary Stores	3-52
075157	Interim Lodging.....	3-53
075158	Berthing and Messing Costs When Ships are Uninhabitable.....	3-53
075159	Legal Costs.....	3-55
075160	Death Gratuity Payments.....	3-60
075161	Business Cards.....	3-61
Section V: Transportation and Travel Costs		3-62
075180	Costs of Transportation and Handling of Household Goods and Privately Owned Vehicles	3-62
075181	First and Second Destination Transportation	3-69
075182	Transportation of Marine Corps Units.....	3-73
075183	Temporary Additional Duty Travel	3-74
075184	Travel in Connection with Temporary Duty	3-82
075185	Transportation While in a Leave Status.....	3-83
075186	Travel and Transportation Allowances During Ship Overhaul, New Construction or Inactivation Away From Home Port.....	3-85
075187	Permanent Change of Station	3-86
075188	Travel in Connection with Reserve Duty	3-89
075189	Transportation Rates for Non-DOD Missions.....	3-89

Section VI: Interservice and Interdepartmental Relationships	3-90
075200 General	3-90
075201 Policies and Principles for Interservice and Interdepartmental Support.....	3-90
075202 Financial Administration of Interservice Support	3-92
075203 Unified/Specified Commands	3-95
075204 Single Managers.....	3-96
075206 Major Range and Test Facilities	3-98
075207 Dependent Schools	3-100
075208 Defense Logistics Agency	3-103
075209 Packing, Crating, Handling, Transportation, Storage, and Removal of Industrial Plant Equipment	3-104
075210 General Services Administration	3-106
075211 United States Postal Service	3-107
075212 Department of Labor.....	3-108
075213 United States Coast Guard.....	3-109
075214 State Department.....	3-109
075215 National Aeronautics and Space Administration	3-111
075216 Maritime Administration	3-112
075217 Secret Service.....	3-113
075218 National Science Foundation.....	3-114
075219 Defense Health Program	3-116
075220 Special Operations	3-116
Section VII: International Relationships	3-118
075240 General	3-118
075241 Support of International Military Activities.....	3-118
075242 North Atlantic Treaty Organization Infrastructure Program	3-119
075243 Supplies and Services to Foreign Governments	3-121
075244 Fuel Exchange Agreements	3-122
075245 Latin American Cooperation Funds	3-123
Section VIII: Private Parties and Organizations	3-123
075260 Private Parties.....	3-123
075261 Private Organizations	3-124
PART C: INVESTMENT FUNDING POLICY	3-127
Section I: General	3-127
075300 Scope	3-127
Section II: Investment Funding Policy	3-127
075320 Scope.....	3-127
075321 Definitions	3-128
075322 Full Funding	3-130
075323 Time-Phased Procurement.....	3-131
075324 Advance Procurement of Long Lead-Time Items	3-134
075325 Multiyear Procurement.....	3-135
075326 Termination Liability Advance Procurement.....	3-138
075328 Approval for Production	3-139
Section III: System Costs	3-139
075340 Scope	3-139
075341 Cost Definitions.....	3-140
075342 Production Support Services	3-141
075343 Interim Contractor Support	3-143
Section IV: Equipment Procurement and Support	3-144
075360 Real Property Facility Equipment	3-144
075361 Personal Property Equipment.....	3-147
075363 Major Equipment or Component.....	3-149

075364	Initial Outfitting	3-149
075365	Military Training Facilities, Equipment and Support Costs	3-152
075366	Contractor Engineering and Technical Services	3-156
075367	Boats and Craft	3-157
075368	Fleet Moorings	3-158
075369	Cryptographic Devices	3-158
075370	Aerial Targets	3-160
075371	Information Technology, Automated Information Systems, and General Purpose Communication Systems	3-161
075372	Tactical/Strategic Information Technology	3-163
075373	Ship Investment, Overhaul and Modernization	3-165
075374	Recreation Equipment	3-171
Section V: Military Construction	.....	3-172
075380	Scope	3-172
075381	Definition	3-173
075382	Installed Equipment	3-173
075383	Supervision, Inspection and Overhead	3-174
075384	Program Restrictions	3-175
075385	Continuing Authorizations	3-176
075386	Exclusions	3-178
075387	Demolition Work	3-181

PART D: RESEARCH, DEVELOPMENT, TEST AND EVALUATION (RDT&E)

FUNDING POLICY	.....	3-181
075400	Scope	3-181
075401	Categories of RDT&E Work	3-181
075402	Incremental Funding Policy	3-184
075403	Program and Budget Costs	3-190
075404	Studies and Analyses	3-204

PART E: MORALE, WELFARE AND RECREATION 3-205

Section I: General	.....	3-205
075500	Scope	3-205
075510	Program Management	3-206
075511	Definitions	3-207
075512	Classifications of Activities	3-208
Section II: Budget Policy for Operations	.....	3-211
075520	General	3-211
075521	Direct Operating Costs	3-211
075522	Common Support Costs	3-213
075523	Personnel Costs	3-214
075524	Special Situations	3-215
075525	Utilization, Support and Accountability Practice for Morale, Welfare, and Recreation Nonappropriated Fund Instrumentalities	3-218
Section III: Budget Policy for Construction	.....	3-222
075530	General	3-222
075531	Use of Appropriated Funds	3-222

Index Index - 1

FINANCIAL MANAGEMENT POLICY MANUAL - NAVSO P-1000



**Department of the Navy
Assistant Secretary of the Navy
(Financial Management & Comptroller)**

INTRODUCTION TO FINANCIAL MANAGEMENT POLICY

PURPOSE

The Department of the Navy Financial Management Policy Manual (FMPM) prescribes Department of the Navy budgetary policies, procedures, and technical direction necessary to comply with financial management statutory and regulatory requirements. It also contains information about budget execution, including the continuous review of status of funds with a view to appropriate adjustments; and for the delineation of financial responsibility between components of the Department of the Navy, between appropriations and funds, and between the Department of the Navy and other Department of Defense components or Federal departments.

AUTHORIZATION

The manual is issued by the Assistant Secretary of the Navy (Financial Management & Comptroller) under authority of U.S. Navy Regulations, 1990, pars. 0311, 0323, and 0103-0107 and is for the information and guidance of all persons in the Department of the Navy. Compliance with the instructions appearing therein is mandatory except in the case of specific authority from the ASN (FM&C) for deviation there from.

RELATIONSHIP TO OTHER VOLUMES

The DON FMPM provides a compendium of the requirements, principles, standards, systems, procedures and practices governing financial management as well as a discussion of organizational and appropriation responsibility for funding of particular types of costs and functions. Reference is made to the DON Budget Guidance Manual (BGM) as the authoritative source of detailed information and instructions with respect to formulation and presentation of the DON budget. Information formerly contained in Chapters 1 and 2 of the FMPM can now be found in Part 1 of the BGM as well as in the FMPM chapter on Budget Execution. The Joint Travel Regulation is also referenced as the source of detailed entitlement and funding data with respect to travel and related costs. Guidance promulgated in various volumes of the DOD Financial Management Regulations is referenced where appropriate.

TABLE OF CONTENTS

The organization of this volume is such as to make it possible to locate desired information easily by referring to the table of contents to the left of this window to determine a specific location. It is suggested that the reader follow the organization of the table of contents in locating desired information.

Table of Contents pages have been included to assist readers in navigating this publication when printed locally.

CHANGES

Changes, numbered consecutively, are issued in the form of affected chapters reprinted in their entirety. When a paragraph is revised from the original issuance, a change number is indicated at the end of the paragraph on the bottom right-hand corner in parentheses. This number indicates the most recent change publication in which that paragraph's policy was revised. A chronology of change numbers with issuance dates and a list of chapters in force is included with the foreword of each issuance.

The current text of the DON FMPM is also available in electronic form to interested parties.

Recommended changes to the FMPM should be forwarded through appropriate channels to the OASN (FM&C) Budget Policy and Procedures Division (FMB-5), 1000 Navy Pentagon, Washington, D.C. 20350.

Distribution

The DON FMPM is available on the Internet at <http://dbweb.secnav.navy.mil/FMB5/regmanmis.htm>. Copies of the DON Financial Management Policy Manual (NAVSO P-1000) CD-ROM can be requisitioned from the Navy Inventory Control Point - Cog "I" Material, 700 Robbins Avenue Bldg 1, Philadelphia, PA 19111-5098 through normal supply channels in accordance with

NAVSUP P-409 or P-437 using AUTODIN, DAMES or MILSTRIP message format to DAAS Dayton, OH.

Cite stock number **0512-LP-1013057**.

Chapter 1

BUDGET EXECUTION

PART A: GENERAL

073000 DEFINITION

Budget execution is that phase of the budget cycle which encompasses all the actions required to accomplish effectively, efficiently, and economically the programs for which funds were requested and approved by competent authority. The budget execution phase overlaps the formulation and review phases and continues throughout the period of availability of the appropriations for obligation or expenditure. Effective budget execution requires procedures for control and evaluation which will ensure compliance with regulations and limitations established by the Congress, the General Accounting Office, the Treasury Department, the Office of Management and Budget (OMB) and the Secretary of Defense, as well as by all echelons of responsibility and command within the Department of the Navy.

073001 RESPONSIBILITIES

1. OFFICE OF MANAGEMENT AND BUDGET.

The Director of the Office of Management and Budget is required by 31 U.S. Code 1512 to apportion appropriations or funds so "as to prevent obligation or expenditure thereof in a manner which would indicate a necessity for deficiency or supplemental appropriations." The apportionment may be in terms of time periods or "by activities, functions, projects, or objects," as deemed appropriate.

2. SECRETARY OF DEFENSE.

Title IV of the National Security Act amendments of 1949 (10 U.S. Code 2204) requires that the Secretary of Defense control the rates of obligations to prevent overdrafts and deficiencies. Based on the provisions of 31 U.S. Code 1512, the current issuance of DODDIR 7200.1, "Administrative Control of Appropriations" (see Volume 2, Appendix A), provides regulations for the restriction of obligations and expenditures. Among other things, the directive requires that apportionment or reapportionment requests be submitted through the Office of the Comptroller, Department of Defense for review and decision.

3. DEPARTMENT OF THE NAVY.

The same DODDIR 7200.1 on the administrative control of appropriations charges the Secretaries of the Military Departments, or other designated officials, with responsibility for preparation and submission of

apportionment requests for appropriated and revolving funds as prescribed by the Director of the Office of Management and Budget and the Under Secretary of Defense (Comptroller) and for allocating the apportioned funds in such manner as not to be in excess of the available amounts, maintaining appropriate accounting records, and reporting on the basis of those records. The Secretary of the Navy has assigned the responsibility for allocation of funds and administration of apportionments to the Comptroller of the Navy (Navy Regulations, 1990, par. 0323). The Comptroller allocates funds to the Chief of Naval Operations, to the Commandant of the Marine Corps, or to other responsible officials within the Department of the Navy, each of whom is required to exercise effective control of financial operations within the procedures and systems established by the Comptroller. The Comptroller also has the responsibility, vested in the Director, Office of Budget, for the continuous review of rates of obligation and expenditure of appropriated funds, including the consideration and review of reprogramming proposals, and for the submission of reports to the Secretary of Defense, the Office of Management and Budget, and the Treasury Department regarding the status of appropriations and apportionments.

(Change 30)

073002 COMPTROLLER ORGANIZATIONS

1. In order to support sound financial management and prevent violation of the Antideficiency Act, the Department of the Navy has established policies and procedures governing the establishment, organization placement, and responsibilities of comptrollers. Detailed information relating to Comptroller Organizations is contained in SECNAVINST 7000.27 and is available at <http://neds.nebt.daps.mil/Directives>.

(Change 67)

073003 PROCEDURES FOR ESTABLISHING AVAILABILITY

1. PRIOR TO APPROPRIATION ENACTMENT

a. General.

Provisions of the Congressional Budget and Impoundment Control Act of 1974 (P.L. 94-344) require the Congress to pass the annual appropriations acts by 1 October. In the event an act has not been passed by this time, the Congress provides funding authority through a Continuing Resolution Authority (CRA) making interim appropriations available. The intent of the CRA is to provide funds to maintain operations at a rate necessary for the orderly continuation of activities until regular appropriations are enacted. The CRA language normally provides for the amounts the Congress deems necessary to

continue operations in support of projects or activities until appropriation bills can be enacted. Based on the CRA and the Department of the Navy request, the Treasury Department prepares temporary appropriation warrants which are forwarded to the Department of the Navy as certification that the specified amounts are available for commitment, obligation, and expenditure against the direct budget programs. Specific rates of obligation are prescribed by the Secretary of Defense as required by 10 U.S. Code 2204. Customarily, an integral part of the obligation rates so prescribed is a listing of approved items or programs for which obligational authority is released. The listing also reflects items or programs for which obligational authority is restricted or prohibited. The Under Secretary of Defense (Comptroller) (USD(C)) allocates funds at a level of availability which, at the appropriation total, conforms to the most restrictive amount established thus far in the allocation process by either temporary warrants, rates of obligation, or approved restricted lists. Carry-over apportionments of multiple-year and continuing appropriations also are continued by the Secretary of Defense for obligations at a rate necessary to support approved programs for which apportionments were made in the preceding fiscal year. Heads of appropriate responsible components are authorized to suballocate funds, issue allotments and such other funding documents as necessary within funding grants, limitations, and policies expressed by the USD(C). See par. 073201 for procedures applicable to continuation of financial operations under authority of a CRA.

b. Congressional Prerogatives.

The House Appropriations Committee has stated its philosophy underlying the apparent broad grant of funding authority under a CRA in part:

"Without laying down any hard and fast rules and short of encumbering administrative processes with detailed fiscal controls, the Committee nonetheless thinks that to the extent reasonably possible, departments and agencies should avoid the obligations of funds for specific budget line items or program allocations, on which congressional committees have expressed strong criticism, at rates which unduly impinge upon discretionary decisions otherwise available to the Congress. Otherwise, it may become necessary to curtail the interim flexibility now provided in continuing resolutions - a procedure which over the years has generally served its purpose rather satisfactorily."

Operating officials must take administrative actions in consonance with limitations on rates of obligation while operating under a CRA.

2. TEMPORARY LAPSE IN APPROPRIATIONS.

In the absence of both a CRA and appropriations, guidance will be provided by message.

3. PURSUANT TO APPROPRIATION ENACTMENTS.

On the basis of the enacted Department of the Navy appropriations, the Treasury Department prepares appropriation warrants which are forwarded to the Department of the Navy as certification that the specified amounts are available for obligation and expenditure. Fund availability is established through compliance with procedures for submission, review, and Office of Secretary of Defense (OSD)/Office of Management and Budget (OMB) approval of apportionments and/or financial plans. In conjunction with the apportionment procedure, the Office of the Under Secretary of Defense (Comptroller) establishes the authorized level of obligation and expenditure for each appropriation, as well as any controls or limitations required below the appropriation level, as a means of requiring compliance with the terms of approved programs and budgets. In passing obligational authority (as an allocation or as a limitation within operating budget authority) to other echelons of command, the USD (C) creates administrative subdivisions of appropriated funds with clearly defined responsibility for 31 U.S. Code 1517 violations, i.e., for the creation of any obligation or making of any expenditure in excess of an apportionment or reapportionment, or of an amount specified in an administrative subdivision thereof. The process of distributing financial authority is continued through the chain of command in the form of suballocations, allotments, operating budgets, or operating targets. Allotments, as well as the specified obligational authority within operating budgets, constitute administrative subdivisions of appropriated funds, subject to the sanctions of the Anti-Deficiency Act (31 U.S. Code 1518 and 1519) for the holders of allotments or operating budgets. Operating targets (e.g., those established for individual ships by type commanders) are administrative limitations of funds for which the legal responsibility is retained by the grantor.

4. EMERGENCY CIRCUMSTANCES

a. Title 41 U.S. Code 11 (Section 3732, R.S.) and 10 U.S. Code 2201 Authorities.

In addition to appropriated funds, the Military Departments may be authorized by the Secretary of Defense under the provisions of 41 U.S. Code 11 to incur obligations in excess of available appropriations in procuring or furnishing clothing, subsistence, forage, fuel, quarters, transportation, or medical and hospital supplies not to exceed the necessities of the current fiscal year. Also under the provisions of 10 U.S. Code 2201(b) and (c) respectively, if the President determines that such action is necessary, the Secretary of Defense (SECDEF) is authorized to provide for the following costs as an excepted expense

under the provisions of 41 U.S. Code 11:

1. the cost of an airborne alert,
2. the costs necessary for an increase in the number of military personnel on active duty beyond the number for which funds have been provided in the applicable appropriations act.

When SECDEF exercises the authority to incur the costs in item 1 or 2, he must immediately advise Congress and report monthly thereafter on the estimated obligations. OSD limits the use of Sec. 3732 R.S. authority to emergency circumstances requiring immediate action that cannot be delayed due to the nonavailability of sufficient funds. The responsible officer or official who exercises this authority to incur overobligations, over commitment, or overexpenditure of funds is required to report immediately to the next higher echelon. These reports are handled expeditiously through the chain of command to permit prompt submission to OSD. Subsequently, if such overobligations cannot be covered through reprogramming of funds, it is necessary to request an appropriation from Congress for the required liquidation.

b. Exemption From Apportionment.

Under authority of 10 U.S. Code 2201(a) the President has authority to exempt from apportionment appropriations, available for military functions under DoD, from the provisions of 31 U.S. Code 1512, if the President determines this is necessary in the interest of national defense.

c. Secretary of Defense Controls.

Notwithstanding the authority contained in 41 U.S. Code 11, OSD requires that prior approval be obtained from SECDEF in situations where recourse to the exemption provisions is contemplated. In the situations cited in subpar. b, SECDEF prior approval is required; in the emergency circumstances cited in subpar. a, every reasonable communications effort must be made to secure prior SECDEF approval before unilateral action may be taken by a subordinate command to exercise the authority of 41 U.S. Code 11.

5. BUDGETARY TRANSFER AUTHORITY.

The Department of Defense Appropriations Act annually contains language which grants to the Secretary of Defense authority, with the approval of the Office of Management and Budget, to transfer funds between appropriations or funds in the current fiscal year upon determination that such action is necessary and in the national interest. The transfer authority normally is stated as a dollar limitation not to exceed a specified amount available to the Department of Defense for

military functions covered by the act. Transferred amounts will be merged with and be made available for the same purpose and time period as the appropriation or fund to which transferred. Transfers shall not be authorized or requests for reprogramming made unless for higher priority items, based on unforeseen military requirements, than those for which originally appropriated and in no case where the item for which funds are requested has been denied by the Congress. The Secretary of Defense must notify the Congress promptly of all transfers. Requests for transfers are handled as reprogramming actions as outlined in par. 073301.

6. CONTROL OF YEAR-END OBLIGATIONS.

The General Provisions of the DoD Appropriations Act contain a section which provides that, except for certain specifically delineated programs, not more than 20 percent of an annual appropriation shall be obligated during the last 2 months of the fiscal year. The USD(C) applies and monitors this restriction at the appropriation level. In addition, the USD(C) annually implements guidance provided by the Office of Management and Budget to control annual accounts at the end of a fiscal year. As a general policy, operations are to be carried out in the most effective and economical manner possible. The following general guidelines will govern the incurrence of obligations at year-end. Obligations for the fourth quarter of the fiscal year will not exceed obligations for the third quarter, except where a higher level is fully justified to carry out a seasonal requirement or an essential program objective. Orders for supplies, materials, and equipment for the balance of a fiscal year will be kept to the minimum required to meet approved program needs. Purchases for inventory will be managed so that inventories are maintained at no higher than normal levels. Generally, it would be expected that the number of weeks of inventory supply at the end of the year would not exceed the average end-of-month inventory for the first three quarters of a fiscal year. Additional purchase orders and contracts for goods or services (for delivery extending into the next fiscal year) may be entered into in cases that provide a comparative cost advantage to the Government. Employment will be held to the minimum necessary to accomplish the job.

(Change 64)

PART B: APPORTIONMENT

073100 GENERAL

The action required to obtain release of appropriated funds by means of the apportionment process is the initial step in the budget execution phase. Apportionment is defined in DODDIR 7200.1 (see Volume 2, Appendix A) as "a determination by the Director of the Office of Management and Budget as to the amount of obligations which may be incurred during a specified period

under an appropriation, contract authorization, other statutory authorizations, or a combination thereof, pursuant to 31 U.S. Code 1512." The law provides that appropriations or funds shall be apportioned so as to prevent obligation or expenditure of an account in a manner that would require a deficiency or supplemental appropriation and so as to achieve the most effective and economical use of the amounts made available. It also authorizes, in connection with the apportionment of any appropriation, the establishment of reserves to provide for contingencies or to effect savings whenever possible. It prohibits any apportionment or reapportionment which would indicate a necessity for a deficiency or supplemental estimate except as requirements arise from laws enacted by Congress subsequent to the original budget request or from emergencies involving the safety of human life, protection of property, or certain other unusual circumstances. In such instances, a detailed report of the facts of the case must be submitted to Congress. Under some circumstances, the Office of Management and Budget exempts certain appropriations from apportionment relying on other financial controls in lieu thereof. Office of Management and Budget Circular No. A-11, Part 4, issued pursuant to 31 U.S. Code 1512, prescribes the forms and procedures for the required apportionment and reporting there under.

073101 APPROVAL PROCEDURE

I. TIMING

a. Formal Submission.

The Under Secretary of Defense (Comptroller) (USD (C)) requires the submission of an Apportionment and Reapportionment Schedule (DD Form 1105). USD (C) prescribes the specific timing of submission requirements as imposed by the Office of Management and Budget in compliance with the Congressional Budget and Impoundment Control Act (P.L. 94-344).

b. Prior Review.

USD (C) requires the submission of proposed operating budgets and financial plans for review by his staff in anticipation of the formal submission of an apportionment request based on the enacted appropriation. This review provides an opportunity for a reassessment of budgetary requirements for the fiscal year which will begin on 1 October. The whole process begins several months prior to 1 October when the headquarters components (offices, bureaus, commands, or Headquarters, U.S. Marine Corps) direct shore activities and other command echelons to prepare operating budgets.

2. SUBMISSION REQUIREMENTS.

Development of operating budgets and apportionment data is undertaken by the offices designated as responsible offices and/or administering offices for the various appropriations as well as by their component

commands or activities, prior to receipt by the Comptroller of specific guidance from USD (C). As soon as the Department of Defense Planning Guidance is available, the Comptroller issues a call for submission of apportionment material to his office in sufficient time for review prior to the submission to USD (C). Additionally, to assist in determining the dollar needs by month prior to enactment of the annual appropriations, a monthly phasing of the total of cumulative obligations for the period October through March for both the direct and reimbursable programs of general fund appropriations is included as part of the initial apportionment request. Similar phasing for the OSD transfer accounts to the DON, excluding the Military Assistance accounts, are required to be submitted to the Comptroller. When the formal apportionment request is submitted subsequent to passage of the appropriations act, the DD Form 1105 for each appropriation must be accompanied by supporting schedules, including a Proposed Financial Plan for Obligations, a Proposed Financial Plan for Expenditures, and an Analysis of Reimbursements. Instructions for preparation of the DD Form 1105 and the additional supporting schedules are included in the Budget Guidance manual. Each headquarters component responsible for preparation of any part of the Apportionment Submission (either that required in the review prior to enactment or that required after the enactment of the appropriation), calls for participation by its component commands or by shore activities as required.

3. REVIEW AND AUTHORIZATION.

As estimates flow from the shore activity to the headquarters level with review, revision, and consolidation occurring at each level of command, the latest guidance from appropriation/program sponsors and current estimates of requirements are reflected in the decisions made. The process of review of apportionment submissions within the Department of the Navy is described in the Department of the Navy Budget Guidance Manual. The Comptroller forwards the approved operating budget/financial plan/apportionment estimates to OSD. OSD is concerned with the substantive detail of the apportionment request as well as the dollar levels; accordingly, decisions are based on evaluations of program proposals (feasibility, desirability, priorities, timing, etc.) and procurement and research and development line items. With respect to the latter items, decision is required as to current release of funding authority or later release pending further study of need and justification. At the conclusion of this review process, determinations are made as to the approved funding for the Military Departments with appropriate documentation of obligational authority, based either on enacted appropriations or on a CRA.

4. DOCUMENTATION OF OBLIGATIONAL AUTHORITY.

In addition to the approved DD Form 1105 (if received from the Office of

Management and Budget), USD (C) provides the Department of the Navy (DON) with a document which establishes authorized funding levels; i.e., obligational authority for direct and in some case reimbursable programs for each appropriation. For annual appropriations, the document reflects quarterly distributions, which are subject to 31 U.S. Code 1512 at the overall appropriation level. If the approved apportionment has not been received because the appropriation has not been enacted or because the appropriation has been exempt from apportionment, it is nevertheless, incumbent upon USD (C) to establish authorized funding levels as of the beginning of the fiscal year. Generally, the OSD funding authorization document establishes applicable program/budget activity/procurement line item/program element distributions of the total resources for the year. These documents are revised during the course of the year to reflect appropriation enactment, releases from deferral, reprogramming or other actions that affect the funding authority. The program/budget distribution amounts, which, in most cases, are in the nature of administrative limitations or targets, provide a base for reprogramming subject to stated limits for deviation without recourse to the issuing authority. The authorization documents vary with the appropriation involved. USD (C) conveys obligational authority for the personnel, and Operation and Maintenance appropriations by means of a memorandum that approves obligational authority by quarter. For the Procurement appropriations, USD (C) transmits a Procurement Program/Fund Approval for Direct Obligation (SD Form 487) which provides specific guidance as to line items that are approved for obligation and those line items which require further consideration as to timing, need, justification, etc., to be approved for obligation. As the latter items are approved for obligation, USD (C) issues amendments to the initial SD Form 487. For Research and Development appropriations, USD (C) issues RDT&E Program/Fund Authorization (SD Form 440) which establishes obligation limitations by budget subactivities (program elements). These RDT&E subactivity limitations constitute administrative subdivisions of funds subject to 31 U.S. Code 1512 constraints.

(Change 61)

073102 REPORTING

1. MONTHLY

a. General.

Monthly reports, required by the Office of Management and Budget (OMB) and the Office of the Secretary of Defense (OSD) to reflect the status of available funds, are submitted on the Report on Budget Execution (DD Form 1176), supplemented by the Report on Reimbursements (DD Form 725). In addition, the DD Form 1176 is supported by a subsidiary report of transactions below the

appropriation level, prepared on an Appropriation Status by Fiscal Year Program and Subaccounts (DD Form 1002). These reports are prepared monthly by the responsible office for each appropriation in accordance with Comptroller instructions and implementing directives of other headquarters components. The Director, Fiscal Management Division (N82) prepares the reports for Navy appropriations for which CNO is designated as responsible office. Subsidiary reports, often using the same forms, are prepared by administering offices and forwarded to the responsible office for its use in preparing a consolidated report for the appropriation. Upon receipt of all reports, the Office of Budget (FMB), on behalf of the Comptroller, coordinates the total Department of the Navy reports and forwards them to OSD, OMB, Congressional Budget Office, and the House Appropriations Committee.

b. Special Procedures.

Prior to enactment of appropriations when operating under the authority of a CRA, the amounts of temporary warrants will be reflected on line 1A of DD Form 1176 each month beginning with October reports. Concurrently, the DD Form 1002 reports will be prepared on the basis of detailed authorizations allocated by Program/Fund Allocation (NAVCOMPT Form 2058) with a one-line adjustment at the appropriation level reducing, if necessary, to the level authorized by the temporary warrants the total available for obligation and commitment. (In the absence of a temporary warrant, adjust to the amount entered on line 1A of the related DD Form 1176.) Such adjustment is identified as "Unallocated NAVCOMPT Reserve" in column a, and appropriate minus amounts will be entered in columns b, c, d, and i. The summary totals at the end of the report are in the following format:

Subtotal Direct Program
Unallocated NAVCOMPT Reserve
Total Direct Program
Total Reimbursable Program
Undistributed Disbursements
Total FY___, Appropriation Title.

2. YEAR-END CLOSING STATEMENT.

An annual report is prepared by the Comptroller's staff for the Treasury Department and submitted to OSD under the certification of the Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN(FM&C)) as to the end-of-year (30 September) unobligated and

unexpended balances, as well as the unpaid obligations, of all appropriations and funds. The Treasury Department uses the report to establish year-end balances, withdraw or restore funds as necessary and close accounts when the statutory period following availability has passed. The report, which meets the requirements of Section 1311 of Public Law 663, 83rd Congress (31 U.S. Code 1501), as well as other legal and regulatory provisions, is submitted on the Year-End Closing Statement (Treasury Department Form (TFS 2108)). The report is prepared, certified, and forwarded to the Comptroller from the responsible office for each appropriation or fund account, based on subsidiary certifications from administering offices or suballocation holders as appropriate. The reports for appropriation accounts for which CNO is responsible office are prepared by N82 as staff for CNO. Copies of the report for all appropriations, as certified by ASN(FM&C), are furnished to the offices, bureaus, commands, and Headquarters, U.S. Marine Corps for use as the source of amounts to be shown in prior year columns of financial reports, budget status reports, apportionment and reapportionment schedules, and budget schedules and statements.

(Change 61)

073103 REAPPORTIONMENT

A reapportionment is a request for a change to the latest approved apportionment/reapportionment. Request for reapportionment requires the same documentation as the initial apportionment and follows the same channels for preparation and approval.

PART C: ALLOCATIONS AND OPERATING BUDGETS

073200 DEFINITIONS

1. ALLOCATION.

An allocation is an authorization by a designated official of a component of the Department of Defense, which makes funds available within a prescribed amount to an operating agency. In the Department of the Navy, allocations are made by the Comptroller to the head of the responsible office for the appropriation or, if the Comptroller is the responsible office, to the head of the administering office.

2. SUBALLOCATION.

A suballocation is a transfer or delegation to the head of another office, bureau, or command of some portion of the authorization granted to an allocation holder. When the administration of an appropriation is divided, the allocation holder suballocates the entire amount of a budget activity, or

other subdivision of the appropriation to the head of another office, bureau, or command when that organization has been designated as administering office for the budget activity. The suballocation document states that all financial control of jurisdiction of, and responsibility for amounts allocated are passed to the recipient. Generally, suballocation is made to an official who exercises overall administrative responsibility for the execution of the programs funded by the applicable subdivision of the appropriation. Normally, the suballocation holder issues allotments to another official in the chain of command who exercises immediate supervision of some portion of the program for which the suballocation is provided. Suballocations are used only in the instances of appropriations not administered under the Resource Management Systems (RMS) concept of operating budgets.

3. ALLOTMENT.

An allotment is an authorization granted within and pursuant to an allocation or suballocation for the purpose of incurring commitments, obligations, and expenditures. An allotment may be made to a subordinate of a headquarters component by name or to the commanding officer of a shore activity by title. Allotments are used only for appropriations not administered under the RMS concept of operating budgets. Suballotments may be issued by an allotment holder to transfer responsibility for administration of some portion of the funds to another activity. In such cases, the suballotment is in a fixed amount and carries the same responsibility for administrative control as a primary allotment.

4. OPERATING BUDGET.

The operating budget under the RMS concept consists of an approved operating plan that is the basis of authorization and financial control of resources available for the execution of program or programs of the indicated organizational or command level. The authorizations under RDT&E,N and the operation and maintenance accounts vary in format but both identify appropriation obligational authority for direct program costs and an amount for any approved reimbursable program, which may be increased to the extent of accepted reimbursable orders which qualify for automatic apportionment. In addition, military personnel expense authority is indicated as necessary. Footnotes on the operating budget state the nature and amount of all administrative and statutory limitations.

5. OPERATING TARGET.

Operating targets are in the nature of planning estimates that provide a convenient mechanism for measuring performance of subordinate commands or departments of activities that hold operating budgets or for measuring performance of command levels that hold allotments or suballotments. The operating target grantor retains the responsibility for administrative control of the funds.

6. LIMITATIONS

a. Statutory.

Statutory limitations are those fiscal constraints on the obligation and expenditure of appropriated funds imposed by restrictions stated in law. The major statutory limitation is that contained in 31 U.S. Code 1517, which prohibits any act which will cause an obligation or expenditure in excess of the apportionment or reapportionment made for an appropriation or any administrative subdivision thereof, including allotments. Title X of the Congressional Budget and Impoundment Control Act of 1974, P.L. 94-344, impacts on the ability of the Executive Branch to impound (rescind or defer) funds. Detailed interpretive and procedural guidance on these impoundments is contained in the current issuance of NAVCOMPTINST 7300.104 and DON Budget Guidance Manual. Another significant statutory limitation is contained in 31 U.S. Code 1301. This provision of law pertaining to the application of monies appropriated requires that appropriated funds be used only for the programs and purposes for which the appropriation is made. In addition, certain other provisions of law that must be administered as limitations establish the maximum or minimum amount that may be used under an appropriation or appropriations for a specified purpose. These limitations include such items as the amount available in the Operation and Maintenance, Navy, appropriation for emergency and extraordinary expenses, also called Contingencies of the Navy and available for purposes certified by the Secretary of the Navy, or the floor established in the operation and maintenance appropriations for maintenance of real property facilities (i.e., a specified amount available only for that purpose). These limitations, whether they establish maximum or minimum amounts, require special systems for administration, accounting, and reporting to insure compliance. There are other legal limitations unrelated to specific amounts. For example, there is a basic prohibition against the expenditure of Federal funds for purposes not authorized by law. In the Department of the Navy an example of such expenditure is that incurred for entertainment. If such costs are not within the authorization granted under Contingencies of the Navy, they may not be funded by appropriations.

b. Limitations Imposed by Grantors.

Other limitations or constraints on financial authority (operating budget authority or obligational authority) may be imposed by the grantor at any level as further subdivisions of funds are made to the next subordinate level. These constraints may be separated into two major divisions: those which carry the applicability of statutory constraints, under 31 U.S. Code 1512, as specific and absolute limitations; and those which are subject to flexibility without the

intention that they be considered as separate subdivisions of funds and are therefore exempt from the consequences of legal limitations.

(1) Legal.

Constraints to which the statutory limitations of 31 U.S. Code 1512 apply carry firm dollar limitations established by either program categories, cumulative quarterly limitations by program category or budget activity, or other limitations on items of interest to Congress or some command or management level. These substantive limitations, which restrict the availability of fund authorizations (passed to a subordinate level limiting authority to incur obligations or make expenditures), may not be levied unless they are extensions of identical restrictions imposed by the preceding funding authority or have the documented approval of that authority.

(2) Other.

Restrictions not subject to legal limitations are stated in terms of advisory guides to the recipients, allowing options or an amount of flexibility (usually as stated percentage of an initial amount) in the use of funding. Restrictions of this nature may be imposed on a subordinate level without the authorization of a higher funding level. However, the use of such restrictions should be limited to situations where normal management type reporting cannot accomplish the desired control of expenses. It is important to note that the basic tenet of the RMS financial management systems is that fencing restrictions be kept at a minimum necessary to adhere to statutory or other regulatory requirements. Authorizations to which these restrictions are applied usually require the recipient/holder to report to grantors any anticipated variances or need for adjustments in such constraints. Requests for the desired modifications or adjustments usually are submitted via a plan that would permit them to be accomplished within current availabilities.

7. REIMBURSEMENTS.

Reimbursements are the amounts received or to be received by an agency or activity for the cost of material, work, or services furnished or to be furnished to others for credit to an appropriation or other fund account or subdivision thereof. For all appropriations in which a reimbursable program is administered, the allocation includes amounts for anticipated reimbursements, exclusive of work and service reimbursable orders which are subject to automatic apportionment and therefore provide an automatic

increase to the allocation.

(Change 53)

073201 ALLOCATION

1. GENERAL.

The Department of the Navy system for the administration of funds is designed to provide for the allocation and use of resources by appropriate organizational components in accordance with currently approved plans and decisions of the Secretary of the Navy, the Chief of Naval Operations, and the Commandant of the Marine Corps, as modified by decisions and actions of the Secretary of Defense, the Office of Management and Budget, the President, and Congress, and in compliance with any requirements of law or regulations. This paragraph describes procedures of general applicability.

2. PURPOSE.

Allocations provide a means of establishing responsibility for fund administration and of ensuring compliance with congressional intent and Office of the Secretary of Defense (OSD) constraints in the use of funds for programs below the appropriation level. The amounts allocated, within the program/budget distributions applicable to each appropriation, provide dollar limitations for use in administration, accounting, and control. They are subject to reprogramming limitations established by OSD and the Comptroller as described in par. 073301.

3. DOCUMENTATION.

The document generally used to convey authority from the Comptroller to the head of the responsible office for each appropriation to make commitments, obligations, and expenditures is the Program/Fund Allocation (NAVCOMPT Form 2058). These allocations establish availability based on the budget as submitted to Congress and modified by congressional action on the budget request, by apportionment action of the Office of Management and Budget and the OSD, and by approved reprogramming actions. Prior to enactment of the annual Appropriations Act, the NAVCOMPT Form 2058 establishes the level of programs authorized under the continuing resolution and provides interim funding for general fund appropriations of the Department of the Navy (DON). Amounts are established within the authority of the restrictive limitations as stated on the USD (C) memorandum for the personnel, and operation and maintenance appropriations; RDT&E Program/Fund Authorization (SD Form 440); and the Procurement Program/Fund Approval for Direct Obligation (SD Form 487); and other schedules issued by OSD in the fund authorization process. Upon enactment of the appropriations, amounts established as limitations subject to 31 U.S. Code 1512 through the interim funding procedures are rescinded and replaced by the amounts

newly authorized. Distribution of availability within an appropriation is made by budget activity, procurement line item, construction category, program element or other program category as appropriate to the administration of each appropriation.

4. SCOPE.

The allocation includes both appropriated funds and anticipated reimbursements other than those for work and service orders which are subject to automatic apportionment and therefore, automatically increase the allocation. It specifies the amounts that are available for obligation and the amounts that are not available for obligation. The amounts not available for obligation are categorized by OMB, OSD, and OASN (FM&C). Statutory or other limitations are indicated by footnotes. The amount of reimbursable work or service orders received and accepted is automatically allocated when apportionment is automatic and as a result is not part of the amount allocated on the NAVCOMPT Form 2058. However, in the second and subsequent years of availability the unobligated balance apportioned reflects the unobligated balance of reimbursable work and service orders from the prior year and thus becomes a part of the allocated amount. While operating under the authority of a continuing resolution, a reserve is established in Section IA and II of the NAVCOMPT Form 2058 to balance authorized program amounts with financial resources contained in temporary warrants. Obligations and commitments may be incurred by procurement line item or other appropriation subdivision in the program amounts indicated on NAVCOMPT Form 2058 provided that the appropriation level limitations are not exceeded.

5. PREPARATION AND APPROVAL.

NAVCOMPT Forms 2058 and 2058-CT are prepared and approved by the Office of Budget (FMB), on behalf of the Comptroller of the Navy. After approval, they are forwarded to the responsible office for the appropriation for implementation.

6. CONSTRAINTS.

Generally, the NAVCOMPT Form 2058 establishes distributions for each program/budget category as applicable and indicates, by footnotes, the quarterly limitations at the overall appropriation level for those appropriations which are subject to quarterly apportionment. The recipient of the allocation is responsible for distributing the quarterly limitations as appropriate below the appropriation level, ensuring that the cumulative total of quarterly limitations does not exceed the quarterly apportionment for the appropriation. He is also responsible for establishing controls to ensure that any further subdivisions of allocated funds, as well as allotments, commitments, obligations, and expenditures, do not exceed the quarterly and annual limitations established by the

NAVCOMPT Form 2058. Subsidiary constraints are shown as footnotes to the NAVCOMPT Form 2058, as appropriate, to reflect statutory and/or administrative requirements. The administration of these constraints is the responsibility of the allocation recipient.

7. ALLOTMENTS

a. General.

As stated in par. 073200-3, allotments are used in connection with those appropriations not administered under the Resource Management Systems concept of operating budgets. They convey the authority to incur commitments and obligations and to make expenditures from the allocation or suballocation holder to an official who is charged with a specific function or mission. The allotment, prepared on the Allotment/Suballotment Authorization (NAVCOMPT Form 372), provides the basis for establishment of the accounts against which obligation and expenditure documents are charged.

b. Limitations.

Since an allotment is an administrative subdivision of funds, the total amount is a limitation within the meaning of 31 U.S. Code 1512. However, in the case of allotments from appropriations for which the Office of Management and Budget (OMB) has granted automatic apportionment of anticipated reimbursements for work or service orders accepted, such orders provide an automatic increase to the allotment. Although no more than one allotment is issued to an allottee from a given budget activity, the allotment may provide information as to further subdivisions at lower levels with stated degrees of flexibility as to adjustments between those subdivisions.

c. Centrally Managed Allotments.

A centrally managed allotment is an allotment in a specific amount made available by the holder of an allocation or suballocation for charges for specified purposes by designated officials, without specific limitations as to any individual official. Such allotments are established subject to the approval of the Comptroller when regular allotments are impractical. Charges to the centrally managed allotments must be limited to those for the specific functions for which the allotment is designated and must be restricted to transactions that fall within one budget activity. An allocation or suballocation holder may establish no more than one centrally managed allotment under a given budget activity. Adequate systems of control must be employed to prevent overobligation or overexpenditure. If absolute controls are not available, there must be at least a system of frequent accounting and reporting that will provide sufficient notice of the need for

increasing the allotment or for imposing restrictions.

(Change 61)

073202 OPERATING BUDGET PROCEDURE

1. GENERAL.

When organizational components and activities are funded from the Operations accounts of the Navy or Marine Corps and Research, Development, Test and Evaluation, Navy (RDT&E,N) obligational authority and expense authority for military personnel of the Active Forces, which is applicable to activities funded under Operations accounts, are established by a system of development, submission, review, and approval of operating budgets. The process is similar to that followed in the budget formulation phase when the planning for a given budget year occurs 15 to 18 months prior to its beginning. As the budget cycle moves closer to the given budget year and assumes the place of "current year" in financial planning, more realistic estimates at all echelons afford a basis for consideration and approval of operating budgets and conveyance of expense and obligational authority.

2. DEVELOPMENT.

The development of an operating budget is a process of determining resource requirements at the lowest echelon (i.e. cost center or subcost center) and summarizing the requirements for all cost centers to arrive at the estimate for the total activity. The cost center manager, as well as the activity commander, utilizes guidance provided to him by higher authority and, in addition, considers the potential reimbursable work, if applicable. The requirements of individual shore activities are summarized and reviewed at the intermediate command level, and at all succeeding levels, until the estimates are ultimately summarized for total Department of the Navy review by the Office of Budget (FMB) as staff for the Comptroller.

3. SUBMISSION.

Activities which are funded by operating budgets submit their estimated requirements to higher authority for approval in accordance with guidance forwarded via command channels from the Chief of Naval Research (CNR), acting as staff for the Assistant Secretary of the Navy for Research, Development and Acquisition (ASN(RD&A)), the Fiscal Management Division (N82) as staff for the Chief of Naval Operations (CNO), or the Commandant of the Marine Corps (CMC), as appropriate. For the Operations accounts, the submission is comprised of the Operating Budget/Expense Report (NAVCOMPT Form 2168) which distributes the estimates by activity/subactivity group, functional/subfunctional category, and cost account and the Activity Budget/Appportionment Submission (NAVCOMPT Form 2179-1) which arrays the estimates by element of expense within functional category and activity/subactivity group, with

additional data and narrative that are required for review purposes. For the RDT&E,N account, the submission is comprised of the Request for Operating Budget (NAVCOMPT Form 2189) supported by a Direct Cost Budget Operating Report (NAVCOMPT Form 2190) and, for activities which distribute overhead, an Overhead Expense Budget (NAVCOMPT Form 2191). The NAVCOMPT Form 2189 is arrayed by program year, subhead, program element, project, and task. These budget forms contain total resource requirements, obligation plans, and targets for accrued expenditures and statistical costs for both direct program and reimbursable program. As the estimates are reviewed, adjusted, and compiled at higher command echelons, the submissions are aggregated and summarized.

4. REVIEW.

Operating budget requirements for the fiscal year beginning 1 October of each year flow upward via the command chain to CNO, CMC, or CNR, as appropriate. The estimates are reviewed with the assistance of appropriation/program sponsors, and revisions are made as necessary to meet the apportionment submission requirements of the Comptroller. Upon completion of the Comptroller's staff review, the operating budget apportionment requirements of the two Services, together with the estimates for all other Navy and Marine Corps appropriations, are forwarded to the Office of the Secretary of Defense (OSD) as the proposed financial plan of the Secretary of the Navy when apportionment review is required. As stated in par. 073101, the planning at this point in time take into account any congressional action on appropriation or authorization requests, either by the committees or the two congressional bodies. The OSD analysts review the details of estimated Navy and Marine Corps operating budget requirements and hold joint hearings with Office of Management and Budget (OMB) examiners.

5. FINANCIAL AUTHORITY

a. OSD

(1) Operations.

For operating budgets applicable to Operations accounts, OSD conveys financial authority to the Department of the Navy by means of a "Schedule of Cumulative Obligation and Expense Authority." As applicable to the four Operations accounts of the Navy and Marine Corps, each Schedule provides direct program obligational authority in terms of the primary programs of the Future Years Defense Program (FYDP), the specifically authorized reimbursable program, and direct military personnel expense authority for the Active Forces, including interservice assignments of military personnel between the Navy and the Marine Corps, and excluding military personnel assigned to Defense agencies, the Office of the Secretary of Defense, the Organization of the Joint

Chiefs of Staff, and to activities financed by DoD appropriations for civil functions. Administrative and statutory limitations are stated by footnote. In addition, OSD authorizes a second operating budget for each military service that provides expense authority for "Other Military Personnel Operations." This operating budget contains expense authority for military personnel costs, applicable to the Active Forces, which are not covered in the military personnel standard rates (e.g., permanent change-of-station travel, personnel assigned to "Support of Allies," and the reimbursable program of the respective military personnel (Active Forces) appropriation) and it is not applicable to operating budget procedures under Operations accounts or RDT&E,N.

(2) Research, Development, Test and Evaluation, Navy.

For operating budgets applicable to RDT&E,N, OSD conveys financial authority to the Department of the Navy by means of a RDT&E Program/Fund Authorization (SD Form 440) which establishes obligation limitations by program element. Expense authority for military personnel of the Active Forces applicable to research and Budgeting development effort is included in the financial authority provided for the Operations accounts, as described in subpar. (1), and consequently it is not identified to RDT&E,N operating budgets during the OSD allocation process.

b. Comptroller of the Navy.

The Comptroller allocates funds for operating budgets under the RDT&E,N and the Operation and Maintenance appropriations of the Navy and Marine Corps to the responsible office for the appropriation (CNR, CNO, and CMC, as appropriate) by means of a Program/Fund Allocation (NAVCOMPT Form 2058). The NAVCOMPT Form 2058 conveys the obligational authority and expense authority applicable to Operations accounts, together with constraints and limitations, as transmitted by OSD, as outlined in subpar. a. The expense authority for "Other Military Personnel Operations" is passed to the responsible offices for the military personnel appropriations by inclusion in footnotes on the NAVCOMPT Form 2058 making allocations for these accounts. For RDT&E,N the NAVCOMPT Form 2058 conveys the obligational authority and appropriate constraints and limitations and carries the SD 440 as an enclosure. The NAVCOMPT Form 2058 also establishes a base for reprogramming actions based on amounts reflected in the President's budget, as amended by the apportionment review.

c. Chief of Naval Operations.

After receiving the allocations signed by the Director, Office of Budget (FMB) for the Operation and Maintenance, Navy (O&MN)

and Operation and Maintenance, Navy Reserve (O&MNR) appropriations, the staff of the Fiscal Management Division (N82), acting on behalf of the Chief of Naval Operations (CNO), issues operating budgets for the O&MN and O&MNR accounts to the organizational components designated as major claimants. Operating budgets reflect the same categories of obligational authority and constraints as were transmitted from the Comptroller, as well as additional clarifying information of interest to the particular claimant. The Claimants Operating Activity for the Navy, under the command of the Chief of Naval Personnel, acts in a staff capacity for CNO in the management of the target amounts for military personnel expenses.

d. Commandant of the Marine Corps.

After receiving the allocations from the Director, Office of Budget (FMB) for the Operation and Maintenance, Marine Corps and the Operation and Maintenance, Marine Corps Reserve appropriations, the Commandant of the Marine Corps issues operating budgets to responsibility centers. These operating budgets reflect the obligational authority and constraints imposed by the Comptroller and Headquarters, U.S. Marine Corps. Designated Marine Corps responsibility centers are authorized to issue suboperating budgets. The Central Operating Activity of the Marine Corps acts in a staff capacity for the management of the target amounts for military personnel expenses of the Active Forces.

e. Chief of Naval Research.

The Chief of Naval Research (CNR), acting as staff for ASN(RD&A), receives the allocation for RDT&E,N from the Director, Office of Budget (FMB). As responsible office for the appropriation, and in accordance with the direction of ASN(RD&A) and his principal assistants, CNR suballocates the amounts approved for obligation to the sponsoring commands at the headquarters level, specifying the same categories of obligational authority and constraints as were transmitted from the Comptroller and providing additional detailed information, as necessary. The sponsoring commands, in turn, issue operating budgets to activities based on approved funding by program year, program element, project, and task.

f. Major Claimants

(1) General.

The operating budget received by a major claimant is available for issuance as prescribed in subpars. (2), (3), and (4).

(2) Subclaimant Operating Budget.

The subclaimant operating budget is a subdivision of major

claimant financial authority made available to a subordinate command. These budgets are prepared in format similar to the Resource Authorization (NAVCOMPT Form 2168-1) for use in the responsibility center operating budget. They reflect a distribution of authority at such program/budget levels as are desired by the major claimant for purposes of control and reporting. The subclaimant's operating budget is available for issuance of appropriate segments to expense limitation holders and for issuance of operating budgets to responsibility centers.

(3) Expense Limitation Operating Budget.

Either the major claimant or subclaimant may issue financial authority to an intermediate level of command, such as a type commander, functional commander, or similar command, as an expense limitation operating budget. A format similar to the NAVCOMPT Form 2168-1 is used to establish the expense limitation operating budget from which the expense limitation holder issues operating budgets to responsibility centers.

(4) Responsibility Center Operating Budget.

A responsibility center operating budget may be established by the major claimant, the subclaimant, or the expense limitation holder. Ordinarily, the term "responsibility center" is applied to shore activities; however, responsibility center operating budgets also may be issued for headquarters operations of a major claimant/subclaimant, for centrally managed programs at any command level, or for Navy-wide (open) operating budgets. The NAVCOMPT Form 2168-1 is used to establish authorized levels of financial authority and appropriate limitations and constraints for the foregoing purposes. The holder of the responsibility center operating budget may subdivide the expense authority among the various cost centers that comprise the organization, but he continues to hold 31 U.S. Code 1517 responsibility with respect to obligational authority.

(Change 44)

073203 FINANCIAL RESPONSIBILITIES FOR ALLOCATIONS

1. GENERAL.

Allocations made to the head of an office, bureau or command constitute authorizations establishing financial and program control, jurisdiction, and responsibility which is concurrent with authority to authorize or create obligations within the meaning of Title 31 U.S. Code 1517(a). This financial responsibility under 31 U.S.C. 1517(a) for these allocations may,

at the direction of the head of the office or command, be retained or passed in whole or in part, specifically in writing, to another official. The Director, Office of Budget, as agent for the Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN (FM&C)), is authorized to approve subsidiary fund authorization documents, as necessary, in the administration of allocations of funds and financial authority to the Department of the Navy. This authority extends to approval of fund authorization documents by electronic signature.

2. BLANKET ALLOCATION BY HEAD OF OFFICE, BUREAU OR COMMAND.

When the head of an office, bureau or command elects to pass to the organizational comptroller, or any other appropriate official within the office, bureau or command, all financial responsibility under 31 U.S.C. 1517(a), for all, or for those accounts which may be designated specifically, in writing by name and position title. This blanket allocation will designate the appropriation accounts involved and clearly state that all financial and program control, jurisdiction, and responsibility for amounts allocated to the head of the office, bureau or command for such accounts subject to any legal limitation thereon is passed to the named recipient of such blanket allocation.

3. SUBALLOCATION OF FUNDS.

The head of an office, bureau or command, or the official holding a blanket allocation in accordance with subpar. 2, will reallocate the entire amount of a budget activity to the head of another office, bureau or command when such office, bureau or command has been designated by the ASN (FM&C) to administer the budget activity involved. Further, portions of an allocation may be suballocated to another official within the office, bureau or command or to the head of a subordinate command. All such allocations will be made in writing, by name and title to the heads of offices, bureaus or commands. These allocations will be made in a specific amount within a specific account and will clearly impose upon the recipient the legal limitations applicable to the administration of the funds. The documents will unequivocally state that all financial and program control of, jurisdiction of, and responsibility for, amounts allocated are passed to the recipient. The recipient of a suballocation may make a blanket allocation to a subordinate official within the organization in the same manner as that prescribed in subpar. 2.

4. ASSIGNMENT OF FUNCTIONS AS AGENT.

The recipient of an allocation may elect to retain financial and program control of, jurisdiction of, and responsibility for all amounts allocated. In such event, the holder of an allocation may authorize agents to act by direction on his/her behalf. Each authorization to act as agent will be made in writing and allocations and operating budgets/allocations

authorized by the agent will be signed by the agent in his/her own name and the words, "By direction of (the holder of the allocation)", will appear below the signature except where the "By direction" refers to the head of the command, bureau, or office. When this system is used, the holder of the allocation will be considered prima facie responsible for any act, incurred by himself/herself or by any agent, which authorizes allocations or allotments in excess of the available amount, except that the agent also will be deemed responsible under 31 U.S.C. 1517(a), for making authorizations in excess of the allocation.

(Change 65)

PART D: REVIEW AND REPROGRAMMING

073300 REVIEW

1. CONTINUING REVIEW.

Program and comptroller personnel at all levels of financial and operating responsibility receive and analyze reports of operational or spending levels to determine needs for adjustment upward or downward or for reprogramming of resources in line with changes in timing, program emphasis, pricing, or other determinants of financial requirements.

Accounting status reports used in conjunction with reports of performance, as well as the consistent exchange of data in connection with management decisions, indicate needs for additional funds or for deceleration of program activity, or may reveal the availability of savings for diversion to other urgent requirements.

2. MIDYEAR REVIEW.

A concentrated review of performance under the Operation and Maintenance accounts (both Navy and Marine Corps) is conducted by major claimants in March through May of each fiscal year. A comprehensive review of the Other Procurement, Navy account is also conducted. On a case-by-case basis, other accounts also undergo regularly scheduled, in-depth execution reviews. Detailed analyses for each budget category consider obligations to date and projected requirements for the balance of the year. Particular attention is directed toward providing resources for previously unfunded requirements caused by unforeseen program or pricing changes. Savings arising from budgeted programs which have experienced delay in implementation may be reapplied to provide for these new demands. This midyear review, beginning at the subordinate operating echelons, is carried through the chain of command.

(Change 44)

073301 REPROGRAMMING

1. GENERAL.

The congressional committees concerned with Department of Defense Appropriations Acts and the Authorization Acts related thereto are desirous that the Department of Defense carry out the programs for which funds have been justified and authorizations obtained. They have, however, accepted the view that rigid adherence to the amounts justified for budget activities or for subsidiary items or programs may unduly jeopardize the effective accomplishment of planned programs in the most business like and economical manner, and that unforeseen requirements, changes in operating conditions, revisions in price estimates, wage rate adjustments, etc., require some diversion of funds from the specific purposes for which they were justified. Reprogramming measures developed in consultation with the committees are, therefore, not only necessary and desirable but also provide firm basis for retention of congressional control over the utilization of Defense appropriations by assuring that the congressional intent is carried out while, at the same time, providing a timely device for achieving flexibility in the execution of Defense programs.

2. DEFINITION.

Reprogramming encompasses changes in the application of financial resources from the purposes originally contemplated and budgeted for. The term "reprogramming", however, has been extended to include actions at any level within the Department of Defense to reallocate or redistribute resources among program/budget categories. These reprogramming decisions are subject to constraints involving thresholds which establish the level of approval according to the scope of the proposed change.

3. PROCEDURES.

Detailed guidance and procedures for reprogramming of Department of Defense appropriated funds is found in DOD 7000.14-R, Financial Management Regulation, Volume 3, Chapter 6.

A summary of reprogramming requirements is provided below:

a. Prior Approval Reprogramming Actions

1. Procurement quantity increase of a major end item (unless specific congressional language allows additional quantities).
2. Affects a congressional special interest item.
3. Involves the use of general transfer authority.
4. Exceeds established thresholds.

- a. Military Personnel: Cumulative increase of \$10 million or more in a budget activity.
 - b. Operation and Maintenance: Cumulative increase of \$15 million or more in a budget activity.
 - c. Procurement: For any program year:
 - (1) Cumulative increase of \$10 million or more in a procurement line item;
 - (2) Cumulative decrease of \$10 million or more; or 20 percent of the appropriated amount, whichever is greater, in a procurement line item;
 - d. RDT&E: for any program year:
 - (1) Cumulative increase of \$4 million or more in an existing program element;
 - (2) Cumulative decrease of \$4 million or more; or 20 percent of the appropriated amount, whichever is greater, in an existing program element.
5. New Starts.
- a. Establishes new procurement program, procurement subprogram, RDT&E program element, RDT&E project or RDT&E subproject estimated to cost \$10 million or more (all appropriations) within the first 3 years.
 - b. Although new starts seldom occur in Military Personnel and Operation and Maintenance programs, they would constitute significant new programs, contracts, or activities not explicitly justified to the Congress in budget justification material.
 - c. Any new modification. Exceptions are safety modifications costing less than \$10 million in total (all appropriations).
6. New Line Items (for any program year).
- a. Establishes new procurement line item, procurement program or procurement subprogram of \$2 million or more.
 - b. Establishes new RDT&E program element, project, or subproject of \$2 million or more.
7. Terminations.
- a. Eliminates a procurement program or subprogram of \$10

million or more.

b. Eliminates an RDT&E program element, project, or subproject that is equal to the total amount of the program element.

c. Eliminates an RDT&E project or subproject within a program element of \$10 million or more.

b. Internal Reprogramming Actions

1. Realigns funds to a different line item or appropriation for proper execution of the same requirement (no change in purpose).

2. Transfers funds from the transfer accounts - Foreign Currency, Environmental Restoration, Drug Interdiction, Overseas Contingency Operations Transfer Fund, etc.

3. Approves increases to procurement quantities for major end items, not otherwise requiring prior approval of the congressional committees.

c. Notification Letters (in advance of initiating)

1. New programs or line items not otherwise requiring prior approval action.

2. New programs costing less than \$2 million for the entire effort.

3. Safety modifications costing less than \$10 million for the entire effort can be initiated in advance of the congressional notification.

4. Termination of programs falling within the below threshold reprogramming amounts (procurement programs or subprograms costing less than \$10 million; RDT&E programs, projects, or subprojects costing less than \$4 million) as long as the procurement line item or program element is not eliminated.

(Change 65)

073302 FIDUCIARY RESPONSIBILITIES FOR EXPIRED AND CLOSED ACCOUNTS

1. GENERAL.

The annual and multiple year appropriations of the Department of the Navy (DON) are available for new obligation for a period of one or more years, based on the statutory life of the appropriation, unless extended for a specific purpose. For five years after the time an appropriation expires for new obligation, both the obligated and unobligated balances of that appropriation are available to liquidate and adjust obligations properly chargeable to that account. Approval authorities have been established for

upward obligation adjustments during this five-year “expired” period, depending on their dollar value. On 30 September of the fifth fiscal year after the expiration of an appropriation, both the obligated and the unobligated balances of the appropriation are canceled, and are no longer available for obligation or expenditure for any purpose. In some instances, however, it becomes necessary to adjust an obligation that otherwise would have been properly chargeable (both as to purpose and to amount) to an appropriation before cancellation. This paragraph outlines the policy and procedures for the administration of appropriations in an expired or closed status.

2. DEFINITIONS.

a. Adjustment to Expired or Closed Accounts.

Increases or decreases to commitments, obligations or expenditures to include recording of obligations or expenditures that were made or incurred during the period prior to expiration or closure of the account but not recorded.

b. Closed Account.

Accounts with balances that have been canceled under Title 31, United States Code, Sections 1552, 1555, or 1557. Once balances are canceled, the amounts are not available for obligation or expenditure for any purpose.

c. Expired Accounts.

Appropriation or fund accounts in which the balances are no longer available for incurring new obligations because the time available for incurring such obligations has expired. Pursuant to 31 U.S.C. 1553, expired accounts contain unliquidated obligated and unobligated balances, maintain their fiscal year identity and are available for recording, adjusting and liquidating obligations properly chargeable to that account. Other types of expired accounts are described in Appendix C to Volume 3, Chapter 10 of the DOD 7000.14-R Financial Management Regulation (FMR).

3. Procedures Governing Expired Accounts.

Absent statutory authority, new obligations may not be incurred during the five-year period after expiration of an appropriation. Legitimate obligation adjustments and disbursements, however, may be made from the account. Prior approval requirements for these upward obligation adjustments have been established by Congress, the USD (Comptroller), and the Secretary of the Navy. There shall be no “netting” of upward adjustments against downward adjustments to avoid prior approval requirements.

Subject to the prior clearance requirements designated in the table below, fund authorization holders may approve individual obligation adjustments less than \$1,000,000. Each individual adjustment equal to or greater than \$1,000,000 must be approved by the head of the DOD component (within the DON, this authority is delegated to the ASN (FM&C)).

31 U.S.C. 1553 established the requirement for any upward obligation adjustment(s) that would cause the cumulative amount of charges for contract changes for a single program, project or activity (PPA) to exceed \$4 million in any fiscal year to first be approved by the head of the agency involved (within the DOD, this authority is delegated to the DOD Comptroller). The law further requires Congressional approval for those contract changes with a cumulative value by PPA in any fiscal year in excess of \$25 million. Once the cumulative value has been reached, all adjustments for contract changes, regardless of dollar amount, require prior approval and possibly notification. A contract change is defined as any change under which a contractor is required to perform additional work.

PPA and prior clearance authorities for DON appropriations are prescribed in the following table:

Appropriation	Program, Project and Activity	Prior Clearance Office (PPA Manager)
Operation and Maintenance, Navy	Activity group, except for ship overhauls. Hull number is PPA for ship overhauls.	CNO (N82)
Operation and Maintenance, Navy Reserve		CNO (N82)
Operation and Maintenance, Marine Corps		HQMC (RF)
Operation and Maintenance, Marine Corps Reserve		HQMC (RF)
Military Personnel, Navy	Budget Activity	CHNAVPERS
Military Personnel, Marine Corps		HQMC (RF)
Reserve Personnel, Marine Corps		HQMC (RF)
Reserve Personnel, Navy		CNO (N82)
Research, Development, Test & Evaluation, Navy	R1, Program Element	CNR
Military Construction, Navy	C1, MILCON project	COMNAVFACENGCOM
Military Construction, Navy Reserve		COMNAVFACENGCOM
Aircraft Procurement, Navy	P1 line item	COMNAVAIRSYSCOM
Weapons Procurement, Navy		CNO (N82)
Other Procurement, Navy		CNO (N82)
Procurement of Ammunition, Navy and Marine Corps		FMB
Procurement, Marine Corps		HQMC (RF)

Appropriation	Program, Project and Activity	Prior Clearance Office (PPA Manager)
Shipbuilding and Conversion, Navy	Hull number	COMNAVSEASYSKOM
National Defense Sealift Fund	Sealift Acquisition: Hull number	COMNAVSEASYSKOM
	Other NDSF: Budget Activity	Director, FSA
Family Housing, Navy and Marine Corps, Operations (definition in Military Construction Appropriation Bill)	Budget Activity: Furnishings Management Services Utilities Leasing Maintenance Insurance Premium Privatization Support	FMB
Family Housing, Navy and Marine Corps, Construction	Construction Project	COMNAVFACECOM
Base Realignment and Closure	Budget Activity, except for construction, which is by project.	FMB

4. Summary of Approval Requirements.

A matrix of funding and approval requirements for upward obligation adjustments is provided below:

Type of Adjustment (After Funds Have Expired for New Obligations)	Funding Source	USD(C) Approval (If Cumulative Change >= \$4M); and Congressional Notification (if Cumulative Change >= \$25M)
Incentive, Award Fees, and Target-to-Ceiling Cost Growth on Incentive Fee Contracts	Expired Funds	No
Price Inflation (Escalation, Economic Price Adjustments, Foreign Exchange Rate Adjustments)	Expired Funds	No
Within-Scope Contract Changes		
a. Within-scope contract amendment	Expired Funds	Yes
b. Within-scope error corrections or formalization of an informal agreement not resulting a new procurement	Expired Funds	Yes

Type of Adjustment (After Funds Have Expired for New Obligations)	Funding Source	USD(C) Approval (If Cumulative Change >= \$4M); and Congressional Notification (if Cumulative Change >= \$25M)
c. Within-scope claims and settlements	Expired Funds	Yes
Change-in-Scope Contract Changes		
a. Increases in quantities	Current Funds	No
b. Increases in required levels of service performance	Current Funds	No
c. Change-in-scope claims and settlements	Current Funds	No
Contract Defaults Resulting in Reprocurement Contract Actions	Expired Funds	Yes
Billings for Work Performed Before Fund Expiration (if an obligation is incurred but not documented before funds expire)	Expired Funds	Yes
Reimbursement to the Department of the Treasury for Claims for Contract Disputes (Judgment Fund)	Current Funds at the time of Judgment or future appropriation for the same purpose	No
Amounts Which Would Otherwise Be Chargeable to a Canceled Account Were It Not Canceled.	Current Funds	No

5. Procedures Governing Closed Accounts.

Following the closure of an appropriation on 30 September of the fifth year after expiration, it sometimes becomes necessary to record an obligation or an adjustment to an obligation that would otherwise have been properly chargeable, both as to purpose and to amount, to the closed appropriation. Should such an adjustment become necessary, the obligation is to be charged to an appropriation that is currently available for the same purpose. When a currently available appropriation is used, restrictions have been established governing the total of such payments allowable from that current appropriation. The total of all such payments may not exceed the lesser of one percent of the total appropriations for

each account being charged; or the unexpended and unobligated balance of the closed account appropriation. If the unobligated balance of the closed account would not have been adequate, then the adjustment may not be made and the current account is not available. Additionally, each individual adjustment equal to or greater than \$1,000,000 must be approved by the ASN (FM&C).

6. Applicability of Antideficiency Act.

The provisions of the Antideficiency Act are applicable to all appropriations both during and after the five-year expired period. Additional information regarding circumstances under which violations of the Antideficiency Act typically occur can be found in Volume 14, Chapter 2 of the DOD FMR.

7. Sources.

In addition to the sources cited above, detailed information for the financial administration, approval, accounting and reporting of appropriation balances and upward obligations to appropriations after the period of availability can be found in Volume 3, Chapters 8 and 10 of the DOD FMR as well as in the latest issuance of NAVCOMPTINST 7040.37.

(Change 67)

073303 THE JUDGMENT FUND

1. Background.

Under 41 U.S.C. Section 612, monetary judgments against the Department of the Navy (DoN) under the Contracts Disputes Act of 1978, as amended, that are awarded by either the Armed Services Board of Contract Appeals or the Court of Federal Claims, are initially paid by the Department of the Treasury. This payment is made from the permanent, indefinite appropriation known as the Judgment Fund, established by 31 U.S.C. 1304. After such payment, the DoN is required to reimburse this Judgment Fund.

2. Policy Governing Reimbursement.

After determining the appropriation(s) that originally funded the portion of the contract that led to the claim and subsequent judgment, the following policies apply when reimbursing the Department of the Treasury Judgment Fund:

- a. Since reimbursement is not an antecedent liability of the original contract, reimbursements are not charged back to the original appropriation unless that appropriation was still available for new obligation at the time of the judgment.

- b. A current, or future, appropriation available for the same purpose as the one that originally funded the contract is to be used as the funding source of the reimbursement.
- c. Expired appropriations that were current at the time judgment was rendered may be used for reimbursement.
- d. Closed Accounts may not be charged.
- e. Should more than one appropriation be involved in the monetary judgment, the reimbursement is to be prorated against those appropriations. Any proration must be based on the nature of the claim and the basis of the monetary judgment in that particular case.

3. Accounting and Reporting of Reimbursement.

A unique line of accounting, called “Judgment Fund Reimbursement”, is to be assigned for the recording and reporting of all such reimbursements in official accounting and reporting systems. Funds are to be reprogrammed into this line from existing allocated funds within the appropriation being charged for the reimbursement. Although these reprogrammed funds are not subject to normal reprogramming rules with respect to the increase, they must conform to reprogramming guidance governing delegated authority for program reductions.

4. Approval Authority.

Approval of the Assistant Secretary of the Navy (Financial Management and Comptroller) is required for all Judgment Fund reimbursements in excess of \$1 million. A copy of the signed monetary judgment, as well as the Department of the Treasury request for reimbursement, must accompany all requests submitted for approval to FMB-5.

5. Payment.

Once funds to be charged for reimbursement have been identified and reprogrammed, and any required approvals have been obtained, a Voucher for Transfer Between Appropriations and/or Funds (SF 1080) is to be prepared and forwarded to the appropriate Operating Location (OPLOC) of the Defense Finance and Accounting Service (DFAS) site for payment. The DFAS OPLOC can then process the transfer of funds for the payment to the Treasury Judgment Fund using the Treasury’s Intra-Governmental Payment and Collection (IPAC) system.

6. Applicability of Antideficiency Act.

Judgments should not cause violations of the Antideficiency Act.

7. Sources.

Additional information regarding Judgment Fund reimbursement can be found in Volume 3, Chapter 8 of the DOD Financial Management Regulation.

(Change 67)

PART E: ADMINISTRATIVE CONTROL OF FUNDS AND ANTIDEFICIENCY ACT VIOLATIONS

073400 ADMINISTRATIVE CONTROL OF FUNDS

1. General.

Department of Defense (DOD) Directive 7200.1 provides policy and responsibility for the administrative control of appropriations for use by all DOD components. The DOD Financial Management Regulation, Volume 14, (DOD FMR Vol. 14), issued by the Under Secretary of Defense (Comptroller) (USD(C)), also provides specific guidance concerning the administrative control of appropriations.

2. Applicability.

The instructions herein constitute the Department of the Navy (DON) implementing guidance applicable to all DON commands and activities.

3. Major Acquisition Systems.

For acquisition programs under a Program Executive Officer (PEO) or Direct Reporting Program Manager (DRPM), the commander of the systems command that provides administrative support and performs the administrative control of funds function for the program will act as the agent for the ASN(RD&A). Respective systems commanders will submit reports of violation of the Antideficiency Act (ADA) in these acquisition programs to the ASN(FM&C) through the ASN(RD&A). Reports of violation for acquisition programs other than those under PEOs and DRPMs should be forwarded through the official chain of command and include the ASN(RD&A) concurrently in the review process.

(Change 65)

073401 ANTIDEFICIENCY ACT INVESTIGATIONS AND REPORTING REQUIREMENTS

1. Roster of Individuals Qualified to Conduct ADA Violation Investigations.

The DON is required to establish and maintain a roster of individuals qualified to conduct ADA investigations. ASN(FM&C) will maintain the

roster of certified investigators. The Chief of Naval Operations (CNO), the Commandant of the Marine Corps (CMC), all major commands, and all Secretariat offices are required to identify individuals to serve as investigators. Mandatory service is required of all DON investigators.

2. Preliminary Review.

If the CNO, CMC, or a major command has evidence that a potential ADA has occurred, the major command should appoint a qualified investigator in writing to conduct a preliminary review to determine if, in fact, a violation has occurred. A copy of the appointing letter, the results of the preliminary review, and all supporting documentation are to be provided to OASN(FM&C), Budget Policy and Procedures Division, FMB-5, for final disposition.

3. Formal Investigation.

If it is determined that an ADA violation has in fact occurred, OASN(FM&C) will appoint a certified investigator(s) from the current roster to conduct a formal investigation. The formal investigation will be conducted in accordance with the provisions of the DOD FMR Vol. 14. The investigator is to be relieved of his or her day-to-day duties until the investigation is completed.

- a. Each command is to identify subject matter experts to provide assistance to the investigator, as required, in specific functional areas during the course of the investigation. These functional areas include contracting, accounting, funding document policies and procedures, legal, information technology systems, facilities management, and construction policies and procedures. While these individuals need not be certified ADA investigators, they should have adequate knowledge in the functional area and no vested interest in the outcome of the investigation.
- b. The activity where the potential violation occurred is to fund all costs associated with the investigation (travel, local travel, etc.) from activity operating funds. Additionally, the activity is to cooperate with the investigator, as required, to ensure a complete and expeditious conclusion of the investigation. This includes access to all documents, other information, individuals, and facilities within the activity that the investigator considers necessary in order to accomplish his or her mission.
- c. Each investigator is to submit monthly status reports describing the progress made on the investigation in the format of the DOD FMR Vol. 14, Chapter 6, Enclosure 6-1, Part II, to OASN(FM&C), FMB-5, by the end of each month.
- d. The formal ADA investigation report must be submitted to OUSD(C) by OASN(FM&C) no later than 9 months from the

appointment of the ADA investigator(s). To meet that deadline, OASN(FM&C) will establish a timeline with the ADA investigator to ensure the formal investigation is completed in time to allow for OASN(FM&C) review and submission.

(Change 65)

Chapter 2

APPROPRIATIONS AND FUNDS

PART A: GENERAL CONCEPTS

Section I:

TYPES AND PURPOSES OF APPROPRIATIONS AND FUNDS

074000 GENERAL

An appropriation is the authority provided by an Act of Congress to incur obligations for specified purposes and to make payments therefore out of the Treasury. Appropriations are classified in several different categories based on their purpose and length of availability. The Department of the Navy receives appropriations which are included in the Department of Defense Appropriations Act and in the Military Construction Appropriations Act. These appropriations are either annual, multiple year, or no-year, as defined in pars. 074001, 074002, and 074003. In addition to financing by means of appropriations, certain operations of the Department of the Navy are financed by funds such as revolving funds, management funds, and trust funds. After the initial legislated availability for obligation purposes of an appropriation or account is over, the account is referred to as an account no longer available. The procedures for the administration of appropriations after the period of availability are provided in the current issue of NAVCOMPTINST 7040.37.

(Change 61)

074001 ANNUAL APPROPRIATIONS

Annual appropriations are provided for active and Reserve military personnel expenses as well as for operation and maintenance expenses. The appropriations become available for obligation and expenditure at the beginning of the fiscal year designated in the Appropriations Act. Obligations may be incurred only during this designated fiscal year; however, the appropriations may be used to effect authorized obligation adjustments and payment of such obligations for 5 years after the period of availability for incurring new obligations.

(Change 61)

074002 MULTIPLE-YEAR APPROPRIATIONS

Multi-year appropriations are provided for the procurement of investment items including aircraft, shipbuilding, and weapons procurement. They are

also provided for research, development, test, and evaluation as well as for military construction. The appropriations become available for obligation and expenditure at the beginning of the fiscal year designated in the Appropriations Act and remain available for a definite period in excess of one fiscal year. Obligations may be incurred only during the fiscal years specified in the act; however, the appropriations may be used to effect authorized obligation adjustments and payment of such obligations for 5 years after the period of availability for incurring new obligations.

(Change 61)

074003 CONTINUING APPROPRIATIONS

Continuing (no-year) appropriations have been provided for procurement, military construction, and research and development test and evaluation programs. These appropriations are available for obligation and expenditure until the funds were exhausted or until the purpose for which they were made available has been accomplished.

(Change 61)

074004 REVOLVING FUNDS

A revolving fund is one established to finance a cycle of operations to which reimbursements and collections are returned for reuse in such a manner as to maintain the principal of the fund. It also may be known as a working capital fund, established to finance inventories of supplies or to provide working capital for industrial-type activities. The revolving funds for the Department of the Navy include the Navy Working Capital Fund and the National Defense Sealift Fund.

(Change 63)

074005 MANAGEMENT FUNDS

A management fund is a fund authorized by law to facilitate accounting for, and administration of, intra-governmental activities which are financed by two or more appropriations. In the case of the Department of Defense, such funds have been authorized for each military department by 10 U.S. Code 2209. There is currently no management fund within the Department of the Navy since disestablishment in FY 1997 of the Navy Management Fund, which had previously been maintained for transportation of things.

(Change 67)

074006 TRUST FUNDS

A trust fund is a fund established to account for receipts held in trust for use in carrying out specific purposes and programs in accordance with an agreement or statute. Amounts deposited in these accounts may be used only in

accordance with the terms of the trust or the statute. Department of the Navy trust funds include the Department of the Navy General Gift Fund, the United States Naval Academy Gift and Museum Fund, and the Ship's Stores Profits, Navy. In addition, there are trust revolving funds for the Midshipmen's Store of the United States Naval Academy and Surcharge Collections, Sales of Commissary Stores, Navy and Marine Corps.

(Change 67)

Section II: APPROPRIATION LANGUAGE

074020 GENERAL

The language of each appropriation has evolved over the years to express precisely the purposes for which the funds are legally available in accordance with the intent of Congress regarding the use of appropriated funds. Despite the wide variety of naval programs, the text for each appropriation is relatively brief. Such brevity is possible because of the statutory references to basic authorizing legislation and because of the cumulative history of legal interpretation behind the words and phrases. Any proposed departure from established practice, therefore, requires careful legal scrutiny of authorizations and precedents. When authority for desired action cannot be found in existing language and the cumulative interpretations thereof, it becomes necessary to seek additions or changes in the next budget submission to Congress.

074021 STATUTORY REFERENCES

In the President's budget as submitted to Congress, the text of each appropriation is followed by references to all existing authorizing legislation (including currently effective amendments), treaties, or executive orders which continue in effect during the budget year. Statutory citations are usually by reference to the title and section of the United States Code. Executive orders are cited by date and number. In addition to the basic authorizing legislation, a citation is required to the regular and/or supplemental appropriations act or acts from which the text of the appropriation language has been taken. Wherever additional authorizing language is proposed, a notation to that effect is included at the end of the statutory references.

074022 GENERAL PROVISIONS

The annual Department of Defense Appropriations Act also includes General Provisions which set forth special instructions, restrictions, and permissive authority applying to the act as a whole. The DoD Military Construction Appropriations Act also contains General Provisions which govern the use of funds appropriated in the act. Following the passage of the appropriations acts each year, the Comptroller issues guidance in the current issuance of

SECNAVINST 7040.10 as to primary and secondary responsibility assignments to organizational components for implementation of the General Provisions contained in the acts. Such assignments within the Department of the Navy are subject to, and must be consistent with, action taken by the Office of the Secretary of Defense.

074023 LANGUAGE CHANGES

The Office of Management and Budget Circular No. A-11 provides for agency proposals for changes to appropriation language to promote clarity and uniformity. In order to permit adequate consideration of substantive revisions, such propose changes must be discussed with OMB representatives as soon as possible after the passage of the current year's Appropriations Act. The Office of the Secretary of Defense (OSD), unless it adjusts the timing requirement by memorandum, requires the submission of recommendation on such items from the military departments within 1 week after passage of the act. The Comptroller advises the responsible offices for the various appropriations of the requirement for such submission and establishes the related deadlines in accordance with OSD guidance. Proposed changes in language require adequate explanation of justification of the need.

074024 IMPLEMENTATION OF CONGRESSIONAL COMMITTEE REPORTS

Policies and procedures have been prescribed by the Department of Defense, and implemented for the Department of the Navy by the Comptroller, to ensure review of, and action on, all provisions of congressional committee reports - i.e., reports of House of Representatives and Senate Armed Services and Appropriations Committees, as well as conference committees, on authorization and appropriations acts for the Department of Defense. Responsibilities for the review and coordination of these reports are contained in the current issuance of NAVCOMPTINST 7130.25.

(Change 5)

Section III: APPROPRIATION STRUCTURE

074040 PURPOSE

1. APPROPRIATIONS.

Funds authorized by the Congress for use by the various Government departments are made available by appropriation. The appropriation provides both the framework for formulating budget requirements and the legal source from which to execute and subsequently account for authorized programs. They are made for specified purposes and cannot be expended for other than the purpose stipulated.

2. BUDGET ACTIVITY

a. General.

Appropriations are divided into smaller accounts for various purposes. These divisions, called budget activities, appear in the program and financing schedule of the President's budget. For the direct program, budget accounts are established within each appropriation account to classify in a meaningful manner the specific functions contained in the budget as approved by the Congress. One budget activity covers the entire reimbursable program of an appropriation account. In the accounting system, a budget activity is identified by a symbol called a subhead; however, if necessary for administration, accounting, and control, subdivisions of a budget activity may be identified by individual subhead symbols, in which case, the budget activity is an aggregation of subheads.

b. Military Personnel Appropriations.

(1) Active Duty Military Personnel Appropriations.

The Military Personnel, Navy and Military Personnel, Marine Corps appropriations are organized under two structures. One structure is consistent with that of the major programs of the FYDP. This structure is used in distributing military personnel expense to the Operation and Maintenance, Navy and Operation and Maintenance, Marine Corps accounts for purposes related to operating budget expense authority and for providing summary budgetary data to the Congress. The second structure by budget activity conforms to uniform classification useful for manpower management, for providing detailed budget justification, for obtaining allocations, and for program execution.

(2) Reserve Personnel Appropriations.

The Reserve Personnel, Navy and the Reserve Personnel, Marine Corps appropriations are both divided into two uniform budget activities, "Unit and Individual Training" and "Other Training and Support." The subdivisions below the budget activity describe the several types of training programs within each budget activity.

c. Operation and Maintenance Appropriations.

Budget activities within the operation and maintenance appropriations for the active forces conform to the FYDP major programs to which the appropriation applies. e.g., Strategic Forces, General Purpose Forces, etc. Within this overall structure, there are budget program packages which form the framework of the justification material provided to the Congress. These program packages are significant aggregations of related budget line items and discrete program

elements of the FYDP structure. In some cases a budget line item equates to an individual program element; but, generally, budget line items, representing program responsibilities assigned to various program managers, aggregate to a program element. Program execution and performance reporting are keyed to the budget structure with necessary input aggregated from data provided by the major claimant by subhead for each element or aggregation of elements. The operation and maintenance appropriations for the Reserve forces have a uniform structure consisting of budget activities for Operating Forces and Administration and Servicewide Support. In total, these two budget activities equate to FYDP Program 5, Guard and Reserve Forces.

d. Procurement Appropriations.

Budget activities in the procurement appropriations are subdivided into line items as displayed in the justification material (Exhibit P-1), which is the basis of congressional review. For accounting and reporting purposes, each line item is assigned a minimum of one subhead within the general subhead for the budget activity.

e. Research, Development, Test and Evaluation.

The budget activities in the Research, Development, Test and Evaluation, Navy appropriation are divided into budget subactivities which equate to program elements as contained in the Future Years Defense Program (FYDP).

f. Military Construction Appropriations.

The Military Construction appropriations for Navy and Naval Reserve consist of budget activities for Major Construction, Minor Construction, Planning, and in the case of Military Construction, Navy an additional budget activity for Supporting Activities. The appropriation for Family Housing, Navy and Marine Corps provides for activities within the major categories of Construction, Operation and Maintenance, and Debt Payment.

g. Reimbursable Program.

In all appropriations in which a reimbursable program is administered, the reimbursable program is identified by at least one subhead. If the need arises as a result of an increase in the size, scope, or complexity of the program, the Comptroller may establish additional subheads for the purpose of improving fund administration or program control or of providing for more detailed accounting and reporting. Requests to the Comptroller from the administering office for the establishment of a subhead must have the approval of the responsible office.

(Change 59)

074041 USES

1. BUDGET FORMULATION.

The appropriation structure provides a formal framework within which to systematically develop and present budget estimates to higher authority for their review and approval. The structure also provides for consistent and orderly collection of historical data of the presentation and approval phases of the budget cycle.

2. BUDGET EXECUTION.

The appropriation structure provides a managerial and legal basis for budget execution in a program display of funds appropriated by the Congress. Funds are distributed from the appropriation structure to the appropriate organizational level for program execution. Program performance can be measured against a standard structuring of funds in the same terms as approved by the Congress from the lowest increment through the appropriation level, providing meaningful information to higher review authority. Financial data in accounting and reporting systems is recorded in the standard structure of the individual appropriation.

074042 PROCEDURE FOR CHANGING

1. APPROVAL.

Under the provisions of the Office of Management and Budget Circular No. A-11, the following types of changes must be cleared with the Office of Management and Budget:

- a. in the appropriation pattern, including proposed new accounts and changes in the titles and sequence of existing accounts;
- b. in the methods of funding a program;
- c. in program or budget activity classifications for the program and financing schedules for all appropriation accounts and funds.

2. TIMING.

Subsequent to the issuance of Circular A-11 by OMB each year, the Office of the Under Secretary of Defense (Comptroller), (USD (C)), will request that the DoD components submit by memorandum any proposals on the items listed above. If acceptable to USD (C), these proposals will be forwarded to OMB for approval.

3. PROCEDURE.

Annually, the Comptroller requests appropriate components to submit proposed changes to budget structure and content and appropriation language for the budget year under preparation. The request for changes

is sent to the Office of the Comptroller, Department of Defense (USD (C)) for review and approval. The USD (C) seeks Office of Management and Budget and congressional approval where necessary and advises the Navy of the changes approved, or if disapproved, provides the reasons therefore. Upon receipt of response from USD (C), the Comptroller provides components with appropriate guidance for implementation.

(Change 54)

PART B: MILITARY PERSONNEL APPROPRIATIONS

Section I: MILITARY PERSONNEL, NAVY

074100 SCOPE

1. APPROPRIATION LANGUAGE.

The Department of Defense Appropriations Act provides language for the Military Personnel, Navy (MPN) appropriation as follows:

"For pay, allowances, individual clothing, subsistence, interest on deposits, gratuities, permanent change of station travel (including all expenses thereof for organization movements), and expenses of temporary duty travel between permanent duty stations, for members of the Navy on active duty (except members of the Reserve provided for elsewhere), midshipmen, and aviation cadets; and for payments pursuant to Section 156 of Public Law 97-377, as amended (42 U.S.C. 402 note), to section 229(b) of the Social Security Act (42 U.S.C. 429(b)), and to the Department of Defense Military Retirement Fund; \$ _____."

2. END STRENGTH AUTHORIZATION.

As specified in 10 U.S. Code 115, authorizing legislation is required for active duty military personnel end strength.

(Change 65)

074101 STRUCTURE AND CONTENT

1. GENERAL.

The chart of accounts for the appropriation, Military Personnel, Navy is in terms of standard Department of Defense budget and fiscal accounting classifications, for uniform application by the military department in accomplishing the required budgeting, accounting, and reporting. Budget activities and subactivities within the budget program, which are listed and

described in subpars. 2 through 7, form the basic structure of the chart of accounts for this appropriation. Budget Activity (BA)/Budget Subactivity (BSA) and detailed chart of accounts can be downloaded from the DOD 7000.14-R, Financial Management Regulation, Volume 2A, Chapter 2 (<http://dtic.mil/comptroller/fmr/02a/Chapter02.pdf>).

2. BUDGET ACTIVITY 1, PAY AND ALLOWANCES OF OFFICERS.

Budget Activity 1 provides for the pay and allowances authorized by law to be paid to officers, including commissioned and warrant officers of the regular forces and officers of the Reserve components on extended active duty. These costs include:

1. basic pay;
2. retired pay accrual;
3. Defense Health Program accrual;
4. incentive pay for hazardous duty;
5. special pay;
6. basic allowance for housing;
7. basic allowance for subsistence;
8. station allowances, overseas;
9. CONUS COLA;
10. clothing allowances;
11. family separation allowances;
12. separation payments;
13. Social Security Tax - employer's contribution.

3. BUDGET ACTIVITY 2, PAY AND ALLOWANCES OF ENLISTED PERSONNEL.

Budget Activity 2 provides for the pay and allowances authorized by law to be paid to enlisted personnel of the regular forces and enlisted members of the Reserve components on extended active duty. These costs include:

1. basic pay;
2. retired pay accrual;
3. Defense Health Program accrual;
4. incentive pay for hazardous duty;
5. special pay;

6. special duty assignment pay;
7. reenlistment bonus;
8. enlistment bonus;
9. education benefits (College Fund);
10. basic allowance for housing;
11. station allowances, overseas;
12. CONUS COLA;
13. clothing allowances;
14. family separation allowances;
15. separation payments;
16. Social Security Tax - employer's contribution.

4. BUDGET ACTIVITY 3, PAY AND ALLOWANCE OF CADETS AND MIDSHIPMEN.

Budget Activity 3 provides for the pay and allowances for the midshipmen at the Naval Academy, and for aviation cadets.

5. BUDGET ACTIVITY 4, SUBSISTENCE OF ENLISTED PERSONNEL.

Budget Activity 4 funds the authorized basic allowance for subsistence and food allowance for enlisted personnel and the cost of procuring food and beverage supplies for issue as rations to enlisted personnel on extended active duty, including emergency and operational rations. It also provides for the payment of meals furnished under contract in certain instances. Costs in this group include:

1. basic allowances for subsistence
2. subsistence in kind

6. BUDGET ACTIVITY 5, PERMANENT CHANGE-OF-STATION TRAVEL.

Budget Activity 5 funds expenses incident to Permanent Change-of-Station (PCS) travel of both officer and enlisted personnel, individually or as an organized unit. See par 075187 for a detailed description of the types of travel. Costs include:

1. accession travel;
2. training travel;
3. operational travel between duty stations;
4. rotational travel to and from overseas;

5. separation travel;
6. travel of organized units.

7. BUDGET ACTIVITY 6, OTHER MILITARY PERSONNEL COSTS.

Budget Activity 6 funds costs incident to:

1. apprehension of military deserters, absentees, and escaped military prisoners;
2. interest on uniformed services savings deposits;
3. death gratuities;
4. unemployment benefits;
5. survivor's benefits;
6. education benefits;
7. adoption expenses;
8. special compensation;
9. partial dislocation allowance.

(Change 67)

074102 BUDGET ACTIVITY SUBHEADS

The first subdivision under the budget activity is the subhead, which divides each budget activity into definable and related programs or groups of programs for ease of administration. The Military Personnel, Navy appropriation four-digit subhead numbering system identifies the following data elements:

First two digits - Authorized accounting activity

Third digit - Budget activity

Fourth digit - Budget subactivity

(Change 30)

074103 ADMINISTRATION

1. APPORTIONMENT.

Based on a dollar planning figure at the appropriation level and approved strength figures, an apportionment request is prepared by the Chief of Naval Operations (CNO), as the responsible office for the appropriation. The dollar planning figure at the appropriation level will accommodate any program and pricing changes that have occurred since submission of

the President's annual budget. The content and format of the supporting material are similar to that required for the President's budget with an additional exhibit identifying quarterly obligation requirements.

2. EXECUTION.

Upon receipt of authority, the Comptroller allocates funds to CNO by means of a Program/Fund allocation (NAVCOMPT Form 2058). The appropriation is controlled by quarters and by activities. The CNO may adjust the distribution of funds allocated by the Comptroller, provided that the cumulative increase in any budget activity is within approved reprogramming constraints and that no increases in funds are allocated to items known to be, or that have been designated, items of special interest to the Congress. Funds for all costs except permanent change-of-station travel (PCS) is administered under centrally managed allotments. For PCS travel costs, CNO issues an operating target (OPTAR) to the Assistant Deputy Chief of Naval Operations for Military Personnel and Training, who subsequently issues sub-OPTARs for officer and enlisted PCS to the Bureau of Naval Personnel, reserving mandatory move funds and funds for procurement of demountable crates and unaccompanied baggage for direct application. Obligations under the centrally managed allotments are administratively established based generally on strength reports obtained from the Navy Manpower and Personnel Management Information System (MAPMIS); financial information reported through the Defense Joint Manpower System (DJMS); and related reports and data. Obligations for PCS are established on the basis of individually priced PCS orders at the sub-OPTAR/OPTAR level through the PCS Fund Control System. The CNO records actual experience data in terms of strengths, obligations, and expenditures, which are then measured against planned objectives. Program execution is monitored with a view toward recommending program adjustments and reprogramming proposals, as required.

(Change 61)

Section II: RESERVE PERSONNEL, NAVY

074120 SCOPE

1. APPROPRIATION LANGUAGE.

The Department of Defense Appropriations Act provides language for the Reserve Personnel, Navy (RPN) appropriation as follows:

"For pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for personnel for the Naval Reserve on active duty under section 10211 of title 10, United States Code, or personnel while serving on active duty under section 12301(d) of title 10, United States

Code, in connection with performing duty specified in section 12310(a) of title 10, United States Code, or while undergoing reserve training, or while performing drills or equivalent duty, and for members of the Reserve Officers' Training Corps, and expenses authorized by section 16131 of title 10, United States Code, and for payments to the Department of Defense Military Retirement Fund; \$ _____."

2. END STRENGTH AUTHORIZATION. LIMITATIONS.

As specified in 10 U.S. Code 115, authorizing legislation is required for the end strength of the Selected Reserve including the end strength for reserves on active duty in support of the Reserves of each Reserve component of the Armed Forces.

(Change 65)

074121 STRUCTURE AND CONTENT

1. GENERAL.

The chart of accounts for the appropriation Reserve Personnel, Navy, is in terms of standard Department of Defense budget and fiscal accounting classifications, for uniform application by the military departments in accomplishing the required budgeting, accounting, and reporting. Budget activities and subactivities within the two budget programs, which are listed and described in subpars. 2 and 3, form the basic structure of the chart of accounts for this appropriation. Budget Activity (BA)/Budget Subactivity (BSA) and detailed chart of accounts can be downloaded from the DOD 7000.14-R, Financial Management Regulation, Volume 2A, Chapter 2 (<http://dtic.mil/comptroller/fmr/02a/Chapter02.pdf>).

2. BUDGET ACTIVITY 1, UNIT AND INDIVIDUAL TRAINING

Pay groups A, B, F and P provide for the costs, including retired pay accrual and Defense Health Program accrual, associated with the uniform training pay categories within the Naval Reserve. DoDD 1215.6, Uniform Reserve, Training, and Retirement Categories and DoDI 1215.19, Uniform Reserve, Training and Retirement Category Administration provide additional guidance. Costs in these groups include:

a. Training, Pay Groups A and B.

1. basic pay and allowances, active duty for training, officers;
2. other pay and allowances, active duty for training, officers;
3. basic pay and allowances, active duty for training, enlisted;
4. other pay and allowances, active duty for training, enlisted;
5. basic pay, inactive duty training, officers;

6. basic pay, inactive duty training, enlisted;
7. individual clothing and uniform gratuities, officers;
8. individual clothing and uniform gratuities, enlisted;
9. subsistence of enlisted personnel;
10. travel, active duty for training, officers;
11. travel, active duty for training, enlisted;
12. retired pay accrual, officers;
13. retired pay accrual, enlisted;
14. Defense Health Program accrual, officers;
15. Defense Health Program accrual, enlisted.

b. Training, Pay Group F.

1. basic pay, active duty for training, enlisted;
2. other pay and allowances, active duty for training, enlisted;
3. individual clothing and uniform gratuities, enlisted;
4. subsistence of enlisted personnel;
5. travel, active duty for training, enlisted;
6. retired pay accrual, enlisted;
7. Defense Health Program accrual, enlisted.

c. Training Pay Group P

1. basic pay, inactive duty training, enlisted;
2. individual clothing and uniform gratuities, enlisted;
3. subsistence of enlisted personnel;
4. retired pay accrual, enlisted.

3. BUDGET ACTIVITY 2, OTHER TRAINING AND SUPPORT

a. Mobilization Training.

Mobilization Training provides for the total costs including retired pay accrual associated with the readiness training and mission support training of the Individual Ready Reserve (IRR). The costs associated with the allowance of annual muster duty as provided by 37 U.S.C. 433 are also included. Costs in this pay group include:

1. basic pay, active duty for training, officers;
2. other pay and allowances, active duty for training, officers;
3. basic pay , active duty for training, enlisted;
4. other pay and allowances, active duty for training, enlisted;
5. individual clothing and uniform gratuities, officers;
6. individual clothing and uniform gratuities, enlisted;
7. subsistence of enlisted personnel;
8. travel, active duty for training, officers;
9. travel, active duty for training, enlisted;
10. retired pay accrual, officers;
11. retired pay accrual, enlisted;
12. muster pay stipend, officers;
13. muster pay stipend, enlisted.

b. School Training.

School training includes tours of paid active duty for training as students at regular, refresher, and technical courses of service schools, area schools, unit schools, officer candidate schools, and other schools that provide training. Costs in this group include:

1. basic pay, active duty for training, officers;
2. other pay and allowances, active duty for training, officers;
3. basic pay, active duty for training, enlisted;
4. other pay and allowances, active duty for training, enlisted;
5. individual clothing and uniform gratuities, officers;
6. individual clothing and uniform gratuities, enlisted;
7. subsistence of enlisted personnel;
8. travel, active duty for training, officers;
9. travel, active duty for training, enlisted;
10. retired pay accrual, officers;
11. retired pay accrual, enlisted.

c. Special Training.

Special training includes all authorized paid active duty for training other than that covered by pay groups, mobilization, and school training. Costs include the staff and faculty for schools; special field, fleet and joint exercises; indoctrination training; promotion or policy boards; administrative support of training programs, and tours of 45 days or less for failure to perform reserve training satisfactorily. Costs in this group include:

1. basic pay, active duty for training, officers;
2. other pay and allowances, active duty for training, officers;
3. basic pay, active duty for training, enlisted;
4. other pay and allowances, active duty for training, enlisted;
5. individual clothing and uniform gratuities, officers;
6. individual clothing and uniform gratuities, enlisted;
7. subsistence of enlisted personnel;
8. travel, active duty for training, officers;
9. travel, active duty for training, enlisted;
10. retired pay accrual, officers;
11. retired pay accrual, enlisted.

d. Administration and Support.

Administration and support includes the costs of active duty military personnel authorized to be funded in the Naval Reserve personnel appropriation, all death and disability gratuities, reserve incentives and bonus programs. These costs include:

1. basic pay of officers;
2. other pay and allowances of officers;
3. basic pay of enlisted;
4. other pay and allowances of enlisted;
5. subsistence of enlisted personnel;
6. permanent change of station travel;
7. death gratuities, officers;
8. death gratuities, enlisted;

9. disability and hospitalization benefits, officers;
10. disability and hospitalization benefits, enlisted;
11. reenlistment bonus;
12. enlistment bonus;
13. educational assistance (other than Montgomery GI Bill);
14. loan repayment;
15. NROTC nuclear bonus;
16. affiliation bonus;
17. Individual Ready Reserve (IRR) enlistment/reenlistment bonus (PS);
18. Individual Ready Reserve (IRR) enlistment bonus (NPS);
19. health professionals stipend (SELRES);
20. health professionals stipend (IRR);
21. health professionals loan repayment;
22. retired pay accrual, officers;
23. retired pay accrual, enlisted;
24. adoption expenses;
25. \$30,000 lump sum bonus, officers;
26. \$30,000 lump sum bonus, enlisted;
27. Defense Health Program accrual, officers;
28. Defense Health Program accrual, enlisted.

e. Education Benefits.

Education Benefits provide for the payment to the Department of Defense Education Benefits fund, a trust fund prescribed by 10 U.S.C. 2006. The program is governed by 10 U.S.C. Chapter 1606 and is budgeted on an accrual basis. Payments for vocational/technical training under the Reserve Compensation G.I. Bill, as provided by 10 U.S.C. 2131 are also included.

1. Officer Personnel
2. Enlisted Personnel

f. Senior Reserve Officers' Training Corps (ROTC).

Senior Reserve Officers' Training Corps provides for the costs associated with the Senior ROTC (except the Scholarship program) in accordance with 10 U.S.C. 2101-2111. Costs in this group include:

1. subsistence allowance;
2. uniforms, issue-in-kind;
3. uniforms, commutation;
4. pay and allowances (summer training camp);
5. subsistence of reserve officer candidates;
6. travel of reserve officer candidates.

g. Scholarship ROTC.

The Scholarship ROTC provides for all costs associated with the financial assistance program for selected members of the Senior ROTC program. This program is intended to offer regular commissions to cadets and midshipmen successfully completing the academic and military requirements of the 4-year program. Authority for the program is contained in 10 U.S.C. 2107. Costs in this group include:

1. subsistence allowance;
2. uniforms, issue-in-kind;
3. uniforms, commutation ;
4. pay and allowances (summer training camp);
5. subsistence of reserve officer candidates;
6. travel of reserve officer candidates.

h. Platoon Leaders Class or Reserve Officer Candidates.

The Platoon Leaders Class or Reserve Officer Candidates provides for the costs associated with the Naval Reserve and other similar types of programs such as the Navy Officer Candidate Wave College Junior Program. Costs in the group include:

1. uniforms, issue-in-kind;
2. basic pay (summer training camp);
3. other pay and allowances (summer training camp);
4. subsistence of reserve officer candidates;

5. travel of reserve officer candidates;
6. retired pay accrual.

i. Branch Officer Basic Course.

The Branch Officer Basic Course provides for all costs associated with ROTC graduates designated on Reserve Forces Duty (RFD) to attend full-length resident Branch Officer Basic Course and ROTC Officer Basic Course. Costs in this group include:

1. basic pay, active duty for training;
2. other pay and allowances, active duty for training;
3. uniform allowance;
4. travel and per diem;
5. retired pay accrual.

j. Armed Forces Health Professions Scholarship/Financial Assistance Program.

The Armed Forces Health Professions Scholarship/Financial Assistance Program pays all costs associated with the financial assistance program to obtain an adequate number of officers who are qualified in various health programs. Costs in this group include:

1. stipend;
2. individual clothing and uniform gratuities, officers;
3. basic pay, active duty for training, officers;
4. other pay and allowances, active duty for training, officers;
5. travel, active duty for training, officers;
6. retired pay accrual, officers;
7. financial assistance grant;
8. nurse candidate bonus;
9. accession bonus.

k. Junior Reserve Officers' Training Corps (ROTC).

Junior ROTC provides for all the military costs associated with the Junior ROTC units at public and private secondary educational institutions in accordance with 10 U.S.C. 2031. Costs in this group include:

1. uniforms, issue in kind;

2. subsistence;
3. travel.

1. Chaplain Candidate Program.

The Chaplain Candidate Program provides funds for the Chaplain Officer Basic Course to qualify officers commissioned as Chaplain Candidates for future service as chaplains, either active or reserve. Costs in this group include:

1. basic pay, active duty for training;
2. other pay and allowances, active duty for training;
3. uniform allowances;
4. travel;
5. retired pay accrual.

(Change 67)

074122 BUDGET ACTIVITY SUBHEADS

The first subdivision under the appropriation is the budget activity, which is identified in the account structure by a separate subhead. The Reserve Personnel, Navy appropriation four-digit subhead numbering system identifies the following data elements:

First two digits - Administering office

Third digit - Budget activity

Fourth digit - Reserved for administering office use.

(Change 45)

074123 ADMINISTRATION

1. APPORTIONMENT.

Based on guidance provided by the Comptroller, which includes a dollar planning figure at the appropriation level and approved strength, an apportionment request is prepared by the Chief of Naval Operations (CNO) as the principal administering office for the appropriation. Generally, the content and format of the request are the same as required for the President's annual budget with an exhibit dividing the funds by quarter.

2. EXECUTION.

Upon receipt of authority, the Comptroller allocates funds to CNO by means of a Program/Fund Allocation (NAVCOMPT Form 2058). The

appropriation is controlled by quarters and by activities. CNO may approve a NAVCOMPT Form 2058 adjusting the distribution of funds allocated by the Comptroller, providing that the cumulative adjustment is within the approved reprogramming constraints. Funds are centrally held by CNO for the pay and allowances and travel costs to support:

- a. Training and Administration of Reserves (TAR) officers serving in selected billets;
- b. participation in DoD/Navy special projects, selection boards, and Reserve policy boards

Funds for the Reserve Component Personnel Activity are administered under an allocation granted by CNO to the Chief of Naval Reserve for:

- a. drill pay,
- b. annual active duty training pay and allowance and travel.

CNO allocates funds for the Reserve Officer Candidate Activity to the Commander, Naval Education and Training Command for the costs identified in par. 074121-3i. CNO allocates funds to the Chief, Bureau of Medicine and Surgery, for the Armed Forces Health Professions Scholarship Program as itemized in par. 074121-3j. Enlisted clothing obligations are established based on prior experience and expenditure data received through the Defense Finance and Accounting Service (DFAS). Officer clothing obligations are devised primarily from financial reports received from the DFAS, Cleveland, OH. Obligations for TAR officers at selected activities are established based on end-strength and expenditures. Death gratuities, disability and hospitalization benefits, and retroactive payments for Active Duty Training (ACDUTRA) obligations are based on expenditures received through the DFAS. Program and budget plans are revised consistent with the allocation of funds resulting from the apportionment process. Actual experience data in terms of end-strengths, tours, obligations, and expenditures are monitored by CNO during execution.

(Change 61)

Section III:

MILITARY PERSONNEL, MARINE CORPS

074140 SCOPE

1. APPROPRIATION LANGUAGE.

The Department of Defense Appropriations Act provides language for the Military Personnel, Marine Corps (MPMC) appropriation as follows:

"For pay, allowances, individual clothing, subsistence, interest on

deposits, gratuities, permanent change of station travel (including all expenses thereof for organizational movements), and expenses of temporary duty travel between permanent duty stations, for members of the Marine Corps on active duty (except members of the Reserve provided for elsewhere); and for payments pursuant to Section 156 of Public Law 97-377, as amended (42 U.S. Code 42 note), to section 229(b) of the Social Security Act (42 U.S. Code 429(b), and to the Department of Defense Military Retirement Fund; \$ _____."

(Change 65)

2. END STRENGTH AUTHORIZATION.

As specified in 10 U.S. Code 115, authorizing legislation is required for active duty military personnel end strength.

074141 STRUCTURE AND CONTENT

1. GENERAL.

The chart of accounts for the appropriation Military Personnel, Marine Corps, is in terms of standard Department of Defense budget and fiscal accounting classifications, for uniform application by the military department in accomplishing the required budgeting, accounting and reporting. Budget activities and subactivities within the budget program, which are listed and described in subpars. 2 through 6, form the basic structure of the chart of accounts for this appropriation. Budget Activity (BA)/Budget Subactivity (BSA) and detailed chart of accounts can be downloaded from the DOD 7000.14-R, Financial Management Regulation, Volume 2A, Chapter 2 (<http://dtic.mil/comptroller/fmr/02a/Chapter02.pdf>).

2. BUDGET ACTIVITY 1, PAY AND ALLOWANCES OF OFFICERS.

Budget Activity 1 provides for the pay and allowances authorized by law to be paid to officers, including commissioned and warrant, of the regular forces and officers of the Reserve components on extended active duty. These costs include:

1. basic pay;
2. retired pay accrual;
3. Defense Health Program accrual;
4. incentive pay for hazardous duty;
5. special pay;
6. basic allowance for housing;
7. basic allowance for subsistence;

8. station allowances, overseas;
9. CONUS COLA
10. clothing allowances;
11. family separation allowances;
12. separation payments;
13. Social Security Tax - employer's contribution.

3. BUDGET ACTIVITY 2, PAY AND ALLOWANCES OF ENLISTED PERSONNEL.

Budget Activity 2 provides for the pay and allowances authorized by law to be paid to enlisted personnel of the regular forces and enlisted members of the Reserve components on extended active duty. These costs include:

1. basic pay;
2. retired pay accrual;
3. Defense Health Program accrual;
4. incentive pay for hazardous duty;
5. special pay;
6. special duty assignment pay;
7. reenlistment bonus;
8. enlistment bonus;
9. education benefits (College Fund);
10. basic allowance for housing;
11. station allowances, overseas;
12. CONUS COLA;
13. clothing allowances;
14. family separation allowances;
15. separation payments;
16. Social Security Tax - employer's contribution.

4. BUDGET ACTIVITY 4, SUBSISTENCE OF ENLISTED PERSONNEL.

Budget Activity 4 funds the authorized basic allowances for subsistence and food allowance for enlisted personnel and the cost of procuring food and beverage supplies for issue as rations to enlisted personnel on

extended active duty, including emergency and operational rations. It also provides for the payment of meals furnished under contract in certain instances. Costs in this group include:

1. basic allowances for subsistence;
2. subsistence in kind.

5. BUDGET ACTIVITY 5, PERMANENT CHANGE-OF-STATION TRAVEL.

Budget Activity 5 funds expenses incident to Permanent Change-of-Station travel of both officer and enlisted personnel, individually or as an organized unit. See par. 075187 for a detailed description of the types of travel. Costs include:

1. accession travel;
2. training travel;
3. operational travel between duty stations;
4. rotational travel to and from overseas;
5. separation travel;
6. travel of organized units.

6. BUDGET ACTIVITY 6, OTHER MILITARY PERSONNEL COSTS.

Budget Activity 6 funds costs incident to:

1. apprehension of military deserters, absentees, and escaped military prisoners;
2. interest on uniformed services savings deposits;
3. death gratuities;
4. unemployment benefits;
5. survivor's benefits;
6. education benefits;
7. adoption expenses;
8. special compensation;
9. partial dislocation allowance.

(Change 67)

074142 BUDGET ACTIVITY SUBHEADS

The first subdivision under the budget activity is the subhead, which divides

each budget activity into definable and related programs or groups of programs for ease of administration. The Military Personnel, Marine Corps appropriation four-digit subhead numbering system identifies the following data elements:

First two digits - Administering Office

Third digit - Budget activity

Fourth digit - Budget subactivity

(Change 59)

074143 ADMINISTRATION

1. APPORTIONMENT.

Based on guidance provided by the Comptroller, the Fiscal Director of the Marine Corps prepares an apportionment request.

2. EXECUTION.

Upon receipt of authority, funds are allocated to the Marine Corps by the Comptroller. The allocation is based on the requested distribution prepared by the Fiscal Director of the Marine Corps in the schedule of Program/Fund Allocations (NAVCOMPT Form 2058). The appropriation is controlled by quarters and by activities. Changes in quarterly or activity totals can be made only if a request is submitted within specific time limitations and if the amounts are within available funds. The Fiscal Director of the Marine Corps issues an allocation of the apportioned amounts, by activity, to appropriate project sponsors. The Fiscal Director retains responsibility for (and administers as an open allotment) the allocations for all budget activities. Accordingly, the Fiscal Director approves budget activity allocation schedules for PCS travel and passes the responsibility, by name, by inclusion of the following statement in the schedule: "this document constitutes a transfer of legal responsibility for funds under 31 U.S.C. 1517." The Fiscal Director retains responsibility for Pay and Allowances for Subsistence and Other Military Personnel Costs even though the Deputy Chief of Staff for Manpower has been designated appropriation sponsor.

(Change 61)

Section IV: RESERVE PERSONNEL, MARINE CORPS

074160 SCOPE

1. APPROPRIATION LANGUAGE.

The Department of Defense Appropriations Act provides language for the

[Financial Management Policy](#)

Reserve Personnel, Marine Corps (RPMC) appropriation as follows:

"For pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for personnel of the Marine Corps Reserve on active duty under section 10211 of title 10, United States Code, or while serving on active duty under section 12301(d) of title 10, United States Code, in connection with performing duty specified in section 12310(a) of title 10, United States Code, or while undergoing reserve training, or while performing drills or equivalent duty, and for members of the Marine Corps platoon leaders class, and expenses authorized by section 16131 of title 10, United States Code; and for payments to the Department of Defense Military Retirement Fund, \$_____."

2. END STRENGTH AUTHORIZATION.

As specified in 10 U.S. Code 115, authorizing legislation is required for the end strength of the Selected Reserve including the end strength for reserves on active duty in support of the reserves of each Reserve component of the Armed Forces.

(Change 65)

074161 STRUCTURE AND CONTENT

1. GENERAL.

The chart of accounts for the appropriation Reserves Personnel, Marine Corps, is in terms of standard Department of Defense budget and fiscal accounting classifications for uniform application by the military departments in accomplishing the required budgeting, accounting, and reporting. Budget activities and subactivities within the two programs, which are listed in subparagraphs 2 and 3, form the basic structure of the chart of accounts for this appropriation. Budget Activities (BA), Budget Subactivities (BSA), and detailed chart of accounts can be downloaded from the DOD 7000.14-R, Financial Management Regulation, Volume 2A, Chapter 2 (<http://dtic.mil/comptroller/fmr/02a/Chapter02.pdf>).

2. BUDGET ACTIVITY 1, UNIT AND INDIVIDUAL TRAINING.

Budget Activity 1 provides for the total costs, including retired pay accrual and Defense Health Program accrual, of training officers and enlisted personnel of the Marine Corps Reserve in Pay Groups A, B, F, and P. DoDD 1215.6, Uniform Reserve, Training, and Retirement Categories and DoDI 1215.19 Uniform Reserve, Training, and Retirement Category Administration, provide additional guidance on pay groups. Costs in these groups include:

a. Training, Pay Groups A and B.

1. basic pay, active duty for training, officers;

2. other pay and allowances, active duty for training, officers;
3. basic pay, active duty for training, enlisted;
4. other pay and allowances, active duty for training, enlisted;
5. basic pay, inactive duty training, officers;
6. basic pay, inactive duty training, enlisted;
7. individual clothing and uniform gratuities, officers;
8. individual clothing and uniform gratuities, enlisted;
9. subsistence of enlisted personnel;
10. travel, active duty for training, officers;
11. travel, active duty for training, enlisted;
12. retired pay accrual, officers;
13. retired pay accrual, enlisted;
14. Defense Health Program accrual, officers;
15. Defense Health Program accrual, enlisted.

b. Training, Pay Group F.

1. basic pay, active duty for training, enlisted;
2. other pay and allowances, active duty for training, enlisted;
3. individual clothing and uniform gratuities, enlisted;
4. subsistence of enlisted personnel;
5. travel, active duty for training, enlisted;
6. retired pay accrual, enlisted;
7. Defense Health Program accrual, enlisted.

c. Training, Pay Group P.

1. basic pay inactive duty for training, enlisted;
2. individual clothing and uniform gratuities, enlisted;
3. subsistence of enlisted personnel;
4. retired pay accrual, enlisted.

3. BUDGET ACTIVITY 2, OTHER TRAINING AND SUPPORT

a. Mobilization Training.

Mobilization Training provides for the total costs including retired pay accrual associated with the readiness training and mission support training of the Individual Ready Reserve (IRR). Costs associated with the allowance of annual muster duty as provided by 37 U.S.C. 433 are also included. Costs in this group include:

1. basic pay, active duty for training, officers;
2. other pay and allowances, active duty for training, officers;
3. basic pay, active duty for training, enlisted;
4. other pay and allowances, active duty for training, enlisted;
5. individual clothing and uniform gratuities, officers;
6. individual clothing and uniform gratuities, enlisted;
7. subsistence of enlisted personnel;
8. travel, active duty for training, officers;
9. travel, active duty for training, enlisted;
10. retired pay accrual, officers;
11. retired pay accrual, enlisted;
12. muster pay stipend, officers;
13. muster pay stipend, enlisted.

b. School Training.

School training includes tours of paid active duty for training as students at regular, refresher, and technical courses of service schools, area schools, unit schools, officer candidate schools, and other schools that provide training. Costs in this group include:

1. basic pay, active duty for training, officers;
2. other pay and allowances, active duty for training, officers;
3. basic pay, active duty for training, enlisted;
4. other pay and allowances, active duty for training, enlisted;
5. individual clothing and uniform gratuities, officers;
6. individual clothing and uniform gratuities, enlisted;

7. subsistence of enlisted personnel;
8. travel, active duty for training, officers;
9. travel, active duty for training, enlisted;
10. retired pay accrual, officers;
11. retired pay accrual, enlisted.

c. Special Training.

Special training includes all authorized paid active duty for training other than that covered by pay groups, mobilizations and school training. Costs include the staff and faculty for schools; special field, fleet and joint exercises; indoctrination training; promotion or policy boards; administrative support of training programs; tours of 45 days or less for failure to perform reserve training satisfactorily. Costs in this group include:

1. basic pay, active duty for training, officers;
2. other pay and allowances, active duty for training, officers;
3. basic pay, active duty for training, enlisted;
4. other pay and allowances, active duty for training, enlisted;
5. individual clothing and uniform gratuities, officers;
6. individual clothing and uniform gratuities, enlisted;
7. subsistence of enlisted personnel;
8. travel, active duty for training, officers;
9. travel, active duty for training, enlisted
10. retired pay accrual, officers;
11. retired pay accrual, enlisted

d. Administration and Support.

Administration and Support includes the costs of active duty military personnel authorized to be funded in the Naval Reserve personnel appropriation, all death and disability gratuities, reserve incentives and bonus programs. These costs include:

1. basic pay, officers;
2. other pay and allowances, officers;
3. basic pay, enlisted;

4. other pay and allowances, enlisted;
5. subsistence of enlisted personnel;
6. permanent change of station travel;
7. death gratuities, officers;
8. death gratuities, enlisted;
9. disability and hospitalization benefits, officers;
10. disability and hospitalization benefits, enlisted;
11. reenlistment bonus;
12. enlistment bonus;
13. educational assistance (other than Montgomery GI Bill);
14. loan repayment;
15. NROTC nuclear bonus;
16. affiliation bonus;
17. Individual Ready Reserve (IRR) enlistment/reenlistment bonus (PS);
18. Individual Ready Reserve (IRR) enlistment/reenlistment bonus (NPS);
19. health professionals stipend (SELRES);
20. health professionals stipend (IRR);
21. health professionals loan repayment;
22. retired pay accrual, officers;
23. retired pay accrual, enlisted;
24. adoption expenses;
25. \$30,000 lump sum bonus, officers;
26. \$30,000 lump sum bonus, enlisted;
27. Defense Health Program accrual, officers;
28. Defense Health Program accrual, enlisted.

e. Education Benefits.

Education Benefits provide for the payment to the Department of Defense Education Benefit fund, a trust fund prescribed by 10 U.S.C.

2006. The program is governed by 10 U.S.C., Chapter 1606 and is budgeted on an accrual basis. Payments for vocational/technical training under the Reserve Compensation G.I. Bill as provided by 10 U.S.C. 2131 are also included.

1. Officer Personnel
2. Enlisted Personnel

f. Senior Reserve Officers' Training Corps (ROTC).

Senior Reserve Officers' Training Corps provides for the costs associated with the Senior ROTC (except with the Scholarship Program) in accordance with 10 U.S.C. 2101-2111. Costs in this group include:

1. subsistence allowance;
2. uniforms, issue-in-kind;
3. uniforms, commutation;
4. pay and allowances (summer training camp);
5. subsistence of reserve officer candidates;
6. travel of reserve officer candidates.

g. Scholarship ROTC.

The Scholarship ROTC provides for all costs associated with the financial assistance program for selected members of the Senior ROTC program. This program is intended to offer regular commissions to cadets and midshipmen successfully completing the academic and military requirements of the 4-year program. Authority for the program is contained in 10 U.S.C. 2107. Costs in this group include:

1. subsistence allowance;
2. uniforms, issue-in-kind;
3. uniforms, commutation;
4. pay and allowances (summer training camp);
5. subsistence of reserve officer candidates;
6. travel of reserve officer candidates.

h. Platoon Leaders Class or Reserve Officer Candidates.

The Platoon Leaders Class or Reserve Officer Candidates provides for the costs associated with the Marine Corps Reserve and other similar

types of programs such as the Marine Corps Officer Candidates. Costs in this group include:

1. basic pay (summer training camp);
2. uniforms, issue-in-kind;
3. other pay and allowances (summer training camp);
4. subsistence of reserve officer candidates;
5. travel of reserve officer candidates;
6. retired pay accrual.

i. Branch Officer Basic Course

The Branch Officer Basic Course provides for all costs associated with ROTC graduates designated on Reserve Forces Duty (RFD) to attend full-length resident Branch Officer Basic Course and ROTC Officer Basic Course. Costs in this group include:

1. basic pay, active duty for training;
2. other pay and allowances, active duty for training;
3. uniform allowance;
4. travel and per diem;
5. retired pay accrual.

j. Junior Reserve Officers' Training Corps (ROTC)

Junior ROTC provides for all the military costs associated with the Junior ROTC units at public and private secondary educational institutions in accordance with 10 U.S.C. 2031. Cost in this group include:

1. uniforms, issue in kind;
2. subsistence;
3. travel.

(Change 67)

074162 BUDGET ACTIVITY SUBHEADS

The first subdivision under the appropriation is the budget activity, which is identified in the account structure by a separate subhead. The Reserve Personnel, Marine Corps appropriation four-digit subhead numbering system identifies the following data elements:

First two digits - Administering office

Third digit - Signifies Reserves

Fourth digit - Budget activity

(Change 45)

074163 ADMINISTRATION

1. APPORTIONMENT.

Based on guidance provided by the Comptroller, the Fiscal Director of the Marine Corps prepares an apportionment request.

2. EXECUTION.

Upon receipt of Program/Fund Allocations (NAVCOMPT Form 2058) from the Comptroller of the Navy, the Fiscal Director of the Marine Corps (FDMC) suballocates funds to the Deputy Chief of Staff for Reserve Affairs (DCS/RA), within the uniform appropriation structure and a standard budget and fiscal accounting classification of obligations and disbursement. The DCS/RA issues allotments to shore activities for clothing and travel costs covered in Budget Activity 1 and the Marine Corps Junior Reserve Officer Training Corps portion of Budget Activity 2. The Fiscal Director, Marine Corps, authorizes disbursing activities to charge appropriate open allotments for all other costs financed under this appropriation. The Director, Marine Corps Reserve, provides the Fiscal Director with data to administer the open allotment in Budget Activity 1. The Director, Personnel Management Division/Assistant Deputy Chief of Staff for Manpower provides the Fiscal Director with data to administer the open allotment in Budget Activity 2.

(Change 45)

PART C: OPERATION AND MAINTENANCE APPROPRIATIONS

Section I: OPERATION AND MAINTENANCE, NAVY

074200 SCOPE

1. APPROPRIATION LANGUAGE.

The Department of Defense Appropriations Act provides language for the Operation and Maintenance, Navy (O&MN) appropriation as follows:

"For expenses, not otherwise provided for, necessary for the operation and maintenance of the Navy and the Marine Corps, as authorized by law; and not to exceed \$_____ can be used for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of the Navy, and payments may be made on his certificate of necessity for confidential military purposes."

2. LIMITATIONS.

As specified in 10 U.S. Code 114, annual legislation is required to authorize Department of Defense (DoD) appropriations for the operation and maintenance of any armed force or the activities and agencies of the DoD.

(Change 64)

074201 STRUCTURE AND CONTENT

1. GENERAL.

The Operation and Maintenance, Navy (O&MN) appropriation is structured into four budget activities: Operating Forces; Mobilization; Training and Recruiting; and Administration and Servicewide Support. For more detailed justification, the budget activities may be further divided into management and operational functions. The O&MN appropriation is executed in accordance with the policies and procedures described in par. 073202. Operations costs are limited to those which meet the criteria for expense described in par. 075001.

2. BUDGET ACTIVITY 1, OPERATING FORCES.

This budget activity funds aircraft operations, ship operations, combat operations and support, and weapons support. Funds are used to maintain combat ready forces necessary to respond to national objectives in Joint, Naval and Combined operations. This budget activity supports the forward presence and crisis response capabilities of the National Military Strategy as well as base operations support requirements. Included in these costs are ship and aircraft operations, ship overhauls, aircraft depot maintenance, alterations and modernization efforts, repairs, equipment maintenance and technical support. Also included are combat operations in support of force operations, oceanography and environmental prediction support, war planning/exercises and wargaming, combat communications and surveillance systems support, operation and maintenance of weapon systems, and in-service support for conventional and strategic weapons.

3. BUDGET ACTIVITY 2, MOBILIZATION.

This budget activity funds maintenance of forces for rapid response to unforeseen contingencies including fast sealift ships, maritime prepositioning ships, hospital ships and aviation maintenance ships. This

budget activity also includes funds for activation and inactivation of existing naval assets including ships, aircraft and weapons and for maintaining selected assets for future mobilization.

4. BUDGET ACTIVITY 3, TRAINING AND RECRUITING.

This budget activity funds all centrally managed or directed individual training required to meet an established Navy standard, including accession training, basic skills and undergraduate flight training, and professional military education. Also included is funding for Navy recruiting and advertising, off-duty voluntary education, civilian centralized training programs, Junior Navy Reserve Officer Training Corps and base operations. Team training for ships or battle groups is funded in the Operating Forces (Budget Activity 1), as is all advanced and refresher flight training and aircraft carrier qualifications.

5. BUDGET ACTIVITY 4, ADMINISTRATION AND SERVICEWIDE SUPPORT.

This budget activity funds activities which provide Servicewide support for administration, civilian manpower, military manpower, Servicewide communications and other personnel support. These programs also provide logistic operations and technical support for Servicewide transportation; planning, engineering and design; acquisition and program management; air systems support; hull, mechanical and electrical support; combat/weapon systems support; and space and electronic warfare systems support. This budget activity also funds investigations and security programs, support of other nations and base operations.

(Change 64)

074202 BUDGET ACTIVITY SUBHEADS

1. FISCAL YEAR 1993 AND PRIOR:

Prior to 1 October 1993 there were two distinct methodologies for use of the four position subhead field. Under both these methodologies a one or two position claimant identifier and one position Budget Activity (BA) identifier appear as part of the subhead. In the Systems Command community, the remaining positions were used to identify the subactivity group. For the Fleets and remaining shore establishments, the remaining positions were reserved for local use, often being used to identify an organizational element of the claimancy for funds issuance purposes. Under this methodology, other programmatic data such as the subactivity group and functional/subfunctional categories are contained in tables linked to the job order.

2. FISCAL YEAR 1994 AND FUTURE:

Beginning 1 October 1993, the Activity Groups (AGs) of the restructured Operation and Maintenance (O&M) format replace the BA in the four

position subhead. A single position alpha/numeric character is assigned to each AG and substituted for the BA identifier. These codes are as follows:

OPERATION AND MAINTENANCE, NAVY
ACTIVITY GROUP CODING STRUCTURE

<u>Subhead Use Code</u>	<u>Budget Activity 1: Operating Forces</u>
A	Air Operations
B	Ship Operations
C	Combat Operations/Support
D	Weapons Support
F	Special Operations Forces
	<u>Budget Activity 2: Mobilization</u>
G	Ready Reserve and Prepositioning Forces
H	Activations/Inactivations
J	Mobilization/Preparedness
	<u>Budget Activity 3: Training and Recruiting</u>
L	Accession Training
M	Basic Skills and Advanced Training
N	Recruiting and Other Training and Education
	<u>Budget Activity 4: Administration and Servicewide Support</u>
T	Servicewide Support
U	Logistics Operations and Technical Support
V	Investigations and Security Programs
W	Support of Other Nations
X	Payments Against Closed Accounts

This substitution allows calculation of the available unobligated balance from the program value issued for each AG, and will assist in monitoring the level of execution by reporting actual obligations at the AG level. Other elements of subhead structure remain the same.

(Change 64)

074203 ADMINISTRATION

1. FISCAL YEAR 1993 AND PRIOR:

Prior to 1 October 1993, Operation and Maintenance, Navy (O&M,N) funds were issued from the Departmental level to the Responsible Offices (ROs) at the Budget Activity (BA) level. The RO then issued funds to the Administering Offices (AOs), which issued funds to Expense Limitation Holders (ELHs) and Funds Administrators (FAs), also at the BA level. Although funds authorizations attach the limitations of 31 U.S. Code 1517 to the total direct program, the BA is used as the Base for Reprogramming on the DD 1414, requiring that reprogramming actions be monitored at the BA level.

2. FISCAL YEAR 1994 AND SUBSEQUENT:

Beginning 1 October 1993, funds authorizations from the Departmental level to the ROs are issued at the Activity Group (AG) vice the BA level. Responsibility for 31 U.S. Code 1517 remains at the total direct program level. The RO will issue funds to the AO at the AG level with 31 U.S. Code 1517 responsibility at the total direct program level. The AO may authorize funds to an ELH or FA, and 31 U.S. Code 1517 restrictions are passed at the discretion of the AO.

3. REPROGRAMMING:

The Base for Reprogramming (DD 1414) will be prepared at the BA level. Prior approval reprogrammings (DD 1415-1) are required for (1) transfers between BAs in excess of \$15 million, and (2) transfers out in excess of \$15 million from the following AGs and subactivity groups (SAGs): Air Operations: mission and other flight operations, fleet air training, aircraft depot maintenance; and Ship Operations: mission and other ship operations, ship operational support and training, intermediate maintenance, and ship depot maintenance.

Reprogramming between BAs by the AO must have prior written approval of the RO. Reprogramming between BAs by Program Executive Officers (PEOs) and Direct Reporting Program Managers (DRPMs) must have prior written approval of the ASN(FM&C). No funds will be reprogrammed out of the AGs for Ship Operations or Air Operations without prior approval of the RO. Except for those two AGs, reprogramming between AGs within a BA is at the discretion of the AO or FA but must be reported to the RO if it exceeds \$15 million or 10% of the

AG's program value. Reprogramming between AGs within a BA by PEOs or DRPMs is at the discretion of the PEO or DRPM, but must be reported to the ASN (FM&C) if it exceeds \$15 million or 10% of the AG's program value.

(Change 65)

Section II: OPERATION AND MAINTENANCE, NAVY RESERVE

074220 SCOPE

1. APPROPRIATION LANGUAGE.

The Department of Defense Appropriations Act provides language for the Operation and Maintenance, Navy Reserve (O&MNR) appropriation as follows:

"For expenses, not otherwise provided for, necessary for the operation and maintenance, including training, organization, and administration, of the Navy Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications; \$ _____. "

2. LIMITATIONS.

As specified in 10 U.S. Code 114, annual legislation is required to authorize Department of Defense (DoD) appropriations for the operation and maintenance of any armed force or the activities and agencies of the DoD.

(Change 64)

074221 STRUCTURE AND CONTENT

1. GENERAL.

The Operation and Maintenance, Navy Reserve (O&MNR) appropriation consists of two budget activities: Operating Forces; and Administration and Servicewide Support. The budget activities may be further divided into management and operational functions for more detailed justification. O&MNR funds the cost of operating Naval Reserve forces and maintaining their assigned equipment at a state of readiness which will permit rapid deployment in the event of full or partial mobilization. Concurrently, the Naval Reserve's mission is to complement the active force through contributory support. Forces remain closely linked with the active Navy and provide real-time, everyday services. The Naval Reserve operating force consists of aircraft, ships, combat support units, and

associated weapons. The O&MNR appropriation is executed in accordance with the policies and procedures described in par. 073202. Operations costs are those which meet the criteria for expense described in par. 075001.

2. BUDGET ACTIVITY 1, OPERATING FORCES.

This budget activity funds four activity groups consisting of reserve air operations, reserve ship operations, reserve combat operations/support, and reserve weapons support. This budget activity funds the operation and maintenance (including depot) of Reserve force ships and aircraft, air stations, Reserve stations, and Reserve facilities supporting the Naval Reserve forces. Funding is provided for such functions as aircraft flying hours, underway steaming hours, regular ship overhauls, ship and aircraft maintenance and modernization, and aviation and ship fuels. The cost of operating and maintaining the Fourth Marine Air Wing is also funded in O&MNR.

3. BUDGET ACTIVITY 4, ADMINISTRATION AND SERVICEWIDE SUPPORT.

Budget Activity 4 funds one activity group for administration and servicewide support. This budget activity provides for general and administrative services not specifically assignable to combat or combat support units. It includes the costs of the Naval Reserve Force management headquarters, civilian and military manpower and personnel management, servicewide communications capabilities, base support and General Defense Intelligence programs.

(Change 64)

074222 BUDGET ACTIVITY SUBHEADS

1. FISCAL YEAR 1993 AND PRIOR:

Prior to 1 October 1993 there were two distinct methodologies for use of the four position subhead field. Under both these methodologies a one or two position claimant identifier and one position Budget Activity (BA) identifier appear as part of the subhead. In the Systems Command community, the remaining positions were used to identify the subactivity group. For the Fleets and remaining shore establishments, the remaining positions were reserved for local use, often being used to identify an organizational element of the claimancy for funds issuance purposes. Under this methodology, other programmatic data such as the subactivity group and functional/subfunctional categories are contained in tables linked to the job order.

2. FISCAL YEAR 1994 AND FUTURE:

Beginning 1 October 1993, the Activity Groups (AGs) of the restructured Operation and Maintenance (O&M) format replaced the BA in the four

position subhead. A single position alpha/numeric character is assigned to each AG and substituted for the BA identifier. These codes are as follows:

**OPERATION AND MAINTENANCE, NAVY RESERVE
ACTIVITY GROUP CODING STRUCTURE**

<u>Subhead Use Code</u>	<u>Budget Activity 1: Operating Forces</u>
A	Air Operations
B	Ship Operations
C	Combat Operations/Support
D	Weapons Support
	<u>Budget Activity 4: Administration and Servicewide Support</u>
T	Servicewide Support
X	Payments Against Closed Accounts

This substitution allows calculation of the available unobligated balance from the program value issued for each AG, and will assist in monitoring the level of execution by reporting actual obligations at the AG level. Other elements of subhead structure remain the same.

(Change 64)

074223 ADMINISTRATION

1. FISCAL YEAR 1993 AND PRIOR:

Prior to 1 October 1993, Operation and Maintenance, Navy Reserve (O&M,NR) funds were issued from the Departmental level to the Responsible Offices (ROs) at the Budget Activity (BA) level. The RO then issued funds to the Administering Offices (AOs), which issued funds to Expense Limitation Holders (ELHs) and Funds Administrators (FAs), also at the BA level. Although funds authorizations attach the limitations of 31 U.S. Code 1517 to the total direct program, the BA is used as the Base for Reprogramming on the DD 1414, requiring that reprogramming actions be monitored at the BA level.

2. FISCAL YEAR 1994 AND SUBSEQUENT:

Beginning 1 October 1993, funds authorizations from the Departmental level to the ROs are issued at the Activity Group (AG) vice the BA level. Responsibility for 31 U.S. Code 1517 remains at the total direct program level. The RO will issue funds to the AO at the AG level with 31 U.S. Code 1517 responsibility at the total direct program level. The AO may authorize funds to an ELH or FA, and 31 U.S. Code 1517 restrictions are

passed at the discretion of the AO.

3. REPROGRAMMING:

The Base for Reprogramming (DD 1414) will be prepared at the BA level. Prior approval reprogrammings (DD 1415-1) are required for transfers between BAs in excess of \$15 million. Reprogramming between BAs by the AO must have prior written approval of the RO. Reprogramming between BAs by Program Executive Officers (PEOs) and Direct Reporting Program Managers (DRPMs) must have prior written approval of the ASN(FM&C). Reprogramming between AGs within a BA is at the discretion of the AO or FA, but must be reported to the RO if it exceeds \$15 million or 10% of the AG's program value. Reprogramming between AGs within a BA by PEOs or DRPMs is at the discretion of the PEO or DRPM, but must be reported to the ASN(FM&C) if it exceeds \$15 million or 10% of the AG's program value.

(Change 65)

Section III: OPERATION AND MAINTENANCE, MARINE CORPS

074240 SCOPE

1. APPROPRIATION LANGUAGE.

The Department of Defense Appropriations Act provides language for the Operation and Maintenance, Marine Corps (O&MMC) appropriation as follows:

"For expenses, not otherwise provided for, necessary for the operation and maintenance of the Marine Corps, as authorized by law; \$_____.

2. LIMITATIONS.

As specified in 10 U.S. Code 114, annual legislation is required to authorize Department of Defense (DoD) appropriations for the operation and maintenance of any armed force or the activities and agencies of the DoD.

(Change 64)

074241 STRUCTURE AND CONTENT

1. GENERAL.

The Operation and Maintenance, Marine Corps (O&MMC) appropriation consists of three budget activities: Operating Forces; Training and Recruiting; and Administration and Servicewide Support. The budget activities separately identify the costs to operate and maintain operating forces from the training and support of these forces. The budget activities

may be further divided into management and operational functions for more detailed justification. The O&MMC appropriation funds Marine Corps missions, functions, activities, and facilities except for those requirements related to procurement of major end items of equipment and ammunition, military personnel, military family housing, operation and maintenance of the Marine Corps Reserve, and those functions supported by Navy-sponsored appropriations. The O&MMC appropriation is executed in accordance with policies and procedures described in par. 073202. Operations costs are those which meet the criteria for expense described in par. 075001.

2. BUDGET ACTIVITY 1, OPERATING FORCES.

Budget Activity 1 funds two activity groups for Expeditionary Forces and USMC Prepositioning. Funds are used to support the Fleet Marine Forces which consist of the Marine Air-Ground Team and Marine security forces at Naval installations and aboard Naval vessels. Funding for field logistics, depot maintenance, and base operating support are also included in this budget activity. Prepositioning programs support the Maritime Prepositioning Forces, the Norway Air-Landed Marine Expeditionary Brigade, and the Aviation Logistics Support Ships (TAVB). This budget activity also funds air station support for airwings, associated combat support units, and operation and maintenance of training bases.

3. BUDGET ACTIVITY 3, TRAINING AND RECRUITING.

Budget Activity 3 funds three activity groups for Accession Training, Basic Skills and Advanced Training, and Recruiting and Other Training and Education. Resources in this budget activity support recruiting, training, and education of Marines. This includes accession training, basic and advanced skills training, professional military education, recruiting and advertising for both regular and reserve Marine Corps forces, and base operations.

4. BUDGET ACTIVITY 4, ADMINISTRATION AND SERVICEWIDE SUPPORT.

Budget Activity 4 funds one activity group for Marine Corps administration and servicewide support. This budget activity funds programs for logistics support, special support, transportation, administration, and base operations

(Change 64).

074242 BUDGET ACTIVITY SUBHEADS

1. FISCAL YEAR 1993 AND PRIOR:

Prior to 1 October 1993 the first two positions of the subhead identified the Administering Office, and the third position identified the Budget Activity (BA). The fourth digit was for local use.

2. FISCAL YEAR 1994 AND FUTURE:

Beginning 1 October 1993, the Activity Groups (AGs) of the restructured Operation and Maintenance (O&M) format replaced the BA in the four position subhead. A single position alpha/numeric character is assigned to each AG and substituted for the BA identifier. These codes are as follows:

**OPERATION AND MAINTENANCE, MARINE CORPS
ACTIVITY GROUP CODING STRUCTURE**

<u>Subhead Use Code</u>	<u>Budget Activity 1: Operating Forces</u>
A	Expeditionary Forces
B	USMC Prepositioning
	<u>Budget Activity 3: Training and Recruiting</u>
L	Accession Training
M	Basic Skills and Advanced Training
N	Recruiting and Other Training and Education
	<u>Budget Activity 4: Administration and Servicewide Support</u>
T	Servicewide Support
X	Payments Against Closed Accounts

This substitution allows calculation of the available unobligated balance from the program value issued for each AG, and will assist in monitoring the level of execution by reporting actual obligations at the AG level. Other elements of subhead structure remain the same.

074243 ADMINISTRATION

1. FISCAL YEAR 1993 AND PRIOR:

Prior to 1 October 1993, Operation and Maintenance, Marine Corps (O&M,MC) funds were issued from the Departmental level to the Commandant of the Marine Corps (CMC) at the Budget Activity (BA) level. From this authority, CMC issued operating budgets to the Administering Offices (AOs). Although funds authorizations attach the limitations of 31 U.S. Code 1517 to the total direct program, the BA was used as the Base for Reprogramming on the DD 1414, requiring that reprogramming actions be monitored at the BA level.

2. FISCAL YEAR 1994 AND SUBSEQUENT:

Beginning 1 October 1993, funds authorizations from the Departmental level to the CMC are issued at the Activity Group (AG) vice the BA level. Responsibility for 31 U.S. Code 1517 remains at the total direct program level. CMC will issue funds to the AO at the AG level with 31 U.S. Code 1517 responsibility at the total direct program level.

3. REPROGRAMMING:

The Base for Reprogramming (DD 1414) will be prepared at the BA level. Prior approval reprogrammings (DD 1415-1) are required for (1) transfers between BAs in excess of \$15 million, and (2) transfers in excess of \$15 million from the following AG and SAGs: Expeditionary Forces: Operational Forces and Depot Maintenance.

(Change 65)

Section IV: OPERATION AND MAINTENANCE, MARINE CORPS RESERVE

074260 SCOPE

1. APPROPRIATION LANGUAGE.

The Department of Defense Appropriations Act provides language for the Operation and Maintenance, Marine Corps Reserve (O&MMCR) appropriation as follows:

"For expenses, not otherwise provided for, necessary for the operation and maintenance, including training, organization, and administration, of the Marine Corps Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications; \$ ____."

2. LIMITATIONS.

As specified in 10 U.S. Code 114, annual legislation is required to authorize Department of Defense (DoD) appropriations for the operation and maintenance of any armed force or the activities and agencies of the DoD.

(Change 58)

074261 STRUCTURE AND CONTENT

1. GENERAL.

The Operation and Maintenance, Marine Corps Reserve (O&MMCR)

appropriation funds the day-to-day costs of operating Marine Corps Reserve forces, functions, activities, and facilities. O&MMCR consists of two budget activities: Operating Forces; and Administration and Servicewide Support. The budget activities may be further divided into management and operational functions for more detailed justification. The O&MMCR appropriation is executed in accordance with the policies and procedures described in par. 073202. Operations costs are those which meet the criteria for expense described in par. 075001.

2. BUDGET ACTIVITY 1, OPERATING FORCES.

Budget Activity 1 funds one activity group for expeditionary forces. Funds are used to support Marine Corps Reserve Forces, depot maintenance, training, and base operations.

3. BUDGET ACTIVITY 4, ADMINISTRATION AND SERVICEWIDE SUPPORT.

Budget Activity 4 funds one activity group for administration and servicewide support. Funds are used to support Marine Corps Reserve recruiting and advertising, special support, transportation, administration and base operations.

074262 BUDGET ACTIVITY SUBHEADS

1. FISCAL YEAR 1993 AND PRIOR:

Prior to 1 October 1993 the first two positions of the subhead identified the Administering Office, and the third position identified the Budget Activity (BA). The fourth digit was for local use.

2. FISCAL YEAR 1994 AND FUTURE:

Beginning 1 October 1993, the Activity Groups (AGs) of the restructured Operation and Maintenance (O&M) format replaced the BA in the four position subhead. A single position alpha/numeric character is assigned to each AG and substituted for the BA identifier. These codes are as follows:

**OPERATION AND MAINTENANCE, MARINE CORPS
RESERVE ACTIVITY GROUP CODING STRUCTURE**

<u>Subhead Use Code</u>	<u>Budget Activity 1: Operating Forces</u>
A	Expeditionary Forces
	<u>Budget Activity 4: Administration and Servicewide Support</u>
T	Servicewide Support
X	Payments Against Closed Accounts

This substitution allows calculation of the available unobligated balance from the program value issued for each AG, and will assist in monitoring the level of execution by reporting actual obligations at the AG level. Other elements of subhead structure remain the same.

(Change 64)

074263 ADMINISTRATION

1. FISCAL YEAR 1993 AND PRIOR:

Prior to 1 October 1993, Operation and Maintenance, Marine Corps Reserve (O&M,MCR) funds were issued from the Departmental level to the Commandant of the Marine Corps (CMC) at the Budget Activity (BA) level. From this authority, CMC issued operating budgets to the Administering Offices (AOs). Although funds authorizations attach the limitations of 31 U.S. Code 1517 to the total direct program, the BA was used as the Base for Reprogramming on the DD 1414, requiring that reprogramming actions be monitored at the BA level.

2. FISCAL YEAR 1994 AND SUBSEQUENT:

Beginning 1 October 1993, funds authorizations from the Departmental level to the CMC are issued at the Activity Group (AG) vice the BA level. Responsibility for 31 U.S. Code 1517 remains at the total direct program level. CMC will issue funds to the AO at the AG level with 31 U.S. Code 1517 responsibility at the total direct program level.

3. REPROGRAMMING:

The Base for Reprogramming (DD 1414) will be prepared at the BA level. Prior approval reprogrammings (DD 1415-1) are required for transfers between BAs in excess of \$15 million.

(Change 65)

PART D: PROCUREMENT APPROPRIATIONS

Section I: AIRCRAFT PROCUREMENT, NAVY

074300 SCOPE

1.GENERAL.

The appropriation Aircraft Procurement, Navy (APN), finances the procurement of Navy and Marine Corps aircraft and provides for related supporting programs. Supporting programs include equipment for modification of in-service aircraft; aircraft spare parts; ground support and

training equipment; and industrial facilities and tools. The broad scope of the appropriation and the wide variety of procurement authorized are reflected in the appropriation language.

2. APPROPRIATION LANGUAGE.

The Department of Defense Appropriations Act provides language for APN as follows:

"For construction, procurement, production, modification, and modernization of aircraft, equipment, including ordnance, spare parts, and accessories thereof; specialized equipment; expansion of public and private plants, including the land necessary therefore, and such lands, and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway; \$_____, ...; to remain available for obligation until September 30, 20____. Provided that ..."

3. LIMITATIONS

a. Authorizing Legislation.

As specified in 10 U.S. Code 114, authorizing legislation is required for Department of Defense appropriations for aircraft.

b. Time Limitations:

(1) Administrative.

Obligation targets are established for each program year starting 1 October of each fiscal year at the budget activity level. This limitation on the period of fund availability for obligation purposes is designed to accelerate obligation performance and reduce excessive carry-over of unobligated funds in accordance with the expressed desires of the Congress.

(2) Statutory.

The budget request submitted to the Congress for each fiscal year under the APN appropriation is for a multiple-year appropriation to remain available for obligation for three fiscal years. Each fiscal year appropriation enacted is separate and discrete. Following the period of availability for incurring new obligations, the account remains available for use for five years for effecting authorized obligation adjustments and payments. At the end of 5-year period, the account is closed and any remaining outstanding obligations are canceled. Thereafter, bill presented for payment must be paid from the currently available appropriation for the purpose, subject

to limitations stated in the current issuance of NAVCOMPTINST 7040.37.

(Change 61)

074301 STRUCTURE AND CONTENT

1. GENERAL.

The Aircraft Procurement, Navy appropriation is divided into seven budget activities. Each budget activity is further divided into procurement line items (Exhibit P-1 line item) for which funds have been budgeted.

2. BUDGET ACTIVITY 1, COMBAT AIRCRAFT.

Budget Activity 1 provides for the procurement of all aircraft used in combat missions. Combat aircraft, including both fixed-wing and rotary-wing configurations, are generally grouped into the categories of attack, fighter, assault, and antisubmarine warfare aircraft. In addition to the foregoing categories, aircraft employed in specialized missions (such as electronic warfare, reconnaissance, and observation) which directly support combat operations also are procured under this activity.

3. BUDGET ACTIVITY 2, AIRLIFT AIRCRAFT.

Budget Activity 2 provides for the procurement of aircraft needed for personnel and cargo airlift.

4. BUDGET ACTIVITY 3, TRAINER AIRCRAFT.

Budget Activity 3 provides for aircraft specially designed for different types of air crew training. Aircraft procured under Budget Activity 3 are used to train students in basic and advanced flying techniques, navigation, instrument flying, and numerous other skills they must acquire before making the transition to high performance fleet aircraft.

5. BUDGET ACTIVITY 4, OTHER AIRCRAFT.

Special purpose aircraft other than those associated with combat, airlift, and training missions are procured under Budget Activity 4.

6. BUDGET ACTIVITY 5, MODIFICATION OF AIRCRAFT.

Budget Activity 5 funds the procurement of modification kits for incorporation of improvement in in-service aircraft to correct deficiencies and improve operational capabilities.

7. BUDGET ACTIVITY 6, AIRCRAFT SPARES AND REPAIR PARTS.

Budget Activity 6 provides for the procurement of spare equipment and repair parts to support aircraft procurement and operating programs.

8. BUDGET ACTIVITY 7, AIRCRAFT SUPPORT EQUIPMENT AND FACILITIES:

a. General.

Budget Activity 7 finances the procurement of aircraft support equipment, production facilities, and services described in detail in subpars. b through f.

b. Common Ground Equipment.

Common ground support equipment (GSE) includes that which meets investment criteria and is common to multiple aircraft models. Investment GSE peculiar to a single aircraft model is budgeted and funded as part of the aircraft cost in activities 1 through 4. Included in common ground equipment are aircraft operational training devices, simulation devices, and training aids; handling, test, and servicing equipment such as carrier tractors, shore-based aircraft-towing equipment, propulsion support equipment, and electronic and fluid servicing equipment.

c. Aircraft Industrial Facilities.

The aircraft industrial facilities program provides funds for the modernization, maintenance, and pollution control projects at Government-owned production facilities.

d. War Consumables.

The war consumables program provides funds for procurement of auxiliary fuel tanks, pylons, and ejector racks. These items are of a consumable nature and requirements are related primarily to the number of sorties flown by combat or training aircraft.

e. Other Production Charges.

Other production charges provides funds for miscellaneous production support and testing services, various equipment for United States Coast Guard aircraft, aircraft cameras, special support equipment for aircraft procured with prior year funds.

f. First Destination Transportation.

First destination transportation finances the movement of newly procured equipment and materials from the contractor's plant to the initial point of receipt by the Government.

(Change 59)

074302 BUDGET ACTIVITY SUBHEADS

The first subdivision under the budget activity is the subhead, which divides each budget activity into definable and related programs or groups of

programs for ease of administration. Subheads are assigned at the P-1 line-item level or lower if more than one manager or command is involved in the execution of a P-1 line item. The Aircraft Procurement, Navy appropriation four-digit subhead numbering system identifies the following data elements:

First digit - Designated manager or command responsible for all or a part of the P-1 line item

Second digit - Budget activity

Third and fourth digits - P-1 line item.

(Change 45)

074303 ADMINISTRATION

1. APPORTIONMENT.

The appropriation, Aircraft Procurement, Navy (APN), is subject to the annual apportionment process described in par. 073100. Based on the estimates of the project/program managers, the Naval Air Systems Command (NAVAIRSYSCOM) prepares the annual apportionment request which is submitted for review to the Chief of Naval Operations (CNO), the Comptroller, and the Office of the Under Secretary of Defense (Comptroller) (OUSD (C)) for transmittal to the Office of Management and Budget (OMB). Based on OUSD (C)/OMB analysis and prospective congressional appropriations action, funds are either released for execution or placed in a deferred status.

2. ALLOCATION.

The Comptroller allocates funds to the CNO, designated as the responsible office for APN. The allocation is passed in its entirety from CNO to the Naval Air Systems Command (NAVAIRSYSCOM), which is designated as the principal administering office. Allocations are subdivided on a procurement line-item basis (Exhibit P-1). Within NAVAIRSYSCOM, funds are provided to project/program managers. Internal control of reprogramming at the command and project/program manager levels is accomplished by requiring the review and approval of allocation changes by the NAVAIRSYSCOM Comptroller.

3. EXECUTION

a. Program-Year Concept.

The APN appropriation is controlled at command level on a program-year and weapons system line-item basis. A program year consists of all programs budgeted and approved for funding in a specific budget year. Each procurement action is charged to the program year under which it was budgeted. Subsequently, within scope of program, cost changes are funded from the program-year account under which the

basis transaction occurred. Under the program-year concept, new procurement programs should be obligated during the first year of availability to the extent possible.

b. Analysis of Unliquidated Obligations.

Each funds administering officer will conduct a continuous program of analyzing and validating unliquidated obligations, continuing those which are essential, and expeditiously terminating those which are unessential. At the beginning of the fourth year of each subhead, and continuing for 5 years until the appropriation account is closed and any remaining outstanding obligations are canceled, the office administering the subhead will commence an intensive analysis of the outstanding balances contained therein. The scope of the intensive, continuing analysis required to be conducted by the administering offices will include unliquidated obligations for each individual contract, project order, or allotment in existence on 30 September of the year in which availability ends.

(Change 61)

Section II:
SHIPBUILDING AND CONVERSION, NAVY

074320 SCOPE

1. GENERAL.

The appropriation Shipbuilding and Conversion, Navy (SCN) finances the construction of new ships and conversion of existing ships, including all hull, mechanical and electrical equipment, electronics, guns, torpedo and missile launching systems, and communications systems. The broad scope of the appropriation and the wide variety of procurement authorized are reflected in the appropriation language.

2. APPROPRIATION LANGUAGE.

The Department of Defense Appropriations Act provides language for the appropriation Shipbuilding and Conversion, Navy (SCN), as follows:

"For expenses necessary for the construction, acquisition, or conversion of vessels as authorized by law, including armor and armament thereof, plant equipment, appliances, and machine tools, and installation thereof in public and private plants; reserve plant and Government and contractor-owned equipment layaway; procurement of critical long lead-time components and designs for vessels to be constructed or converted in the future; and expansion of public and private plants, including land necessary therefore, and such lands, and interests therein, may be acquired and construction prosecuted thereon

prior to approval of title, as follows: ...to remain available for obligation until September 30, 20__ : Provided, that additional obligations may be incurred after September 30, 20__, for engineering services, tests, and evaluations, and other such budgeted work that must be performed in the final stage of ship construction; Provided further, That none of the funds herein provided for the construction or conversion of any naval vessel to be constructed in shipyards in the United States shall be expended in foreign shipyards for the construction of major components of the hull or superstructure of such vessel: Provided further, That none of the funds herein provided shall be used for the construction of any naval vessel in foreign shipyards."

3. LIMITATIONS:

a. Authorizing Legislation.

As specified in 10 U.S. Code 114, the program to be financed by the SCN appropriation must first be approved through authorizing legislation.

b. Time Limitations.

(1) Administrative. Within the legal availability of the appropriation, as indicated in subpar. (2), administrative limitations have been established.

(a) Basis Ship Construction/Conversion Project. For a basic ship construction or conversion project, excluding post delivery and initial outfitting projects, the obligation and work limiting date (OWLD) is established as 11 months following completion of fitting out (CFO) of the ship. For purposes of completing required SCN class design agent (CDA) efforts under contract, performance for such required efforts may be completed after OWLD. However, obligations for such efforts must occur prior to the OWLD for each ship.

(b) Post Delivery Project. Post delivery projects are programmed and budgeted as annual requirements usually in the year of post shakedown availability (PSA) and the funds appropriated are available for obligation for 24 months. However, obligations may not occur after the OWLD which is established as 11 months following CFO of the ship. Performance by a contractor of contractor responsible items is limited only by the terms of the contract.

(c) Initial Outfitting Project. Initial outfitting projects are programmed and budgeted as annual requirements, depending on lead-times, over the ship's construction and post delivery periods. The funds appropriated for initial outfitting projects

must be obligated within 24 months. However, obligations may not occur after the OWLD, which is established as 11 months following CFO.

(d) Extensions. The 24-month limitation data for post delivery and outfitting projects may be extended if authorized by the Chief of Naval Operations. The overall obligation and work limiting date of 11 months following CFO can be extended only if the circumstances warrant and approval is granted by the Comptroller of the Navy. Requests for extensions are submitted to the Comptroller of the Navy.

(2) Congressional.

(a) Five-Year Limitation. The budget request submitted to the Congress for each fiscal year under the SCN appropriation is for a multiple-year appropriation to remain available for obligation for 5 fiscal years except as noted in subpar. (b). Each fiscal year appropriation enacted is separate and discrete. Following the period of availability for incurring new obligations, the account remains available for use for 5 years for effecting authorized obligation adjustments and payments in accordance with NAVCOMPTINST 7040.37.

(b) Additional Availability. Based upon statutory language for the SCN appropriation, additional obligations may be incurred after the 5-year limitation for those work elements performed in the final stages of ship construction. The extended availability is authorized to cover those items essential to delivering a complete ship and encompasses items such as engineering services, tests, evaluations, trials, and deferred work. These obligations can be related to within scope obligations or can be new scope obligations if used for the purpose of completing the ship as originally intended. Ship characteristics changes approved through the Ship Cost Adjustment (SCA) processes, prior to the 5-year limitation and within the ship budget, can be contracted within this period. Characteristics changes approved after the 5-year limitation can only be funded in a cost growth line item contained in an active SCN appropriation. Advance procurement line items, service and landing craft, post delivery and initial outfitting programs, cost growth, escalation on prior year programs and similar line items will not be extended beyond the 5-year limitation for new scope obligations. This extended availability applies to all SCN appropriations currently

available for obligation commencing with the SCN 1980/1984 appropriation.

(Change 64)

074321 STRUCTURE AND CONTENT

1. GENERAL.

The Shipbuilding and Conversion, Navy appropriation is divided into five budget activities each of which relates to a general class of ships. Each budget activity is further divided into procurement line items (Exhibit P-1 line item) for which funds have been budgeted.

2. BUDGET ACTIVITY 1, FLEET BALLISTIC MISSILE SHIPS.

This activity provides for ballistic missile submarines and ships required for their direct support, such as tenders and cargo ships.

3. BUDGET ACTIVITY 2, OTHER WARSHIPS.

This activity provides for aircraft carriers, cruisers, frigates, destroyers, attack submarines, and other warships as assigned by the Chief of Naval Operations (CNO).

4. BUDGET ACTIVITY 3, AMPHIBIOUS SHIPS.

This activity provides for amphibious assault ships, dock landing ships, tank landing ships, amphibious command ships, amphibious cargo ships, amphibious transport dock ships, and other ships as may be assigned by CNO.

5. BUDGET ACTIVITY 4, MINE WARFARE AND PATROL SHIPS.

The activity provides for minesweepers, gunboats, destroyer escorts, patrol craft, and other ships as may be designated by CNO.

6. BUDGET ACTIVITY 5, AUXILIARIES, CRAFT, AND PRIOR YEAR PROGRAM COSTS.

This activity provides for ammunition ships, store ships, surveying ships, replenishment oilers, tugs, tenders, landing craft, barges, and other ships and craft as may be assigned by CNO. Funds also are included for outfitting, post delivery, and prior year program cost growth and escalation for all ships regardless of the budget activity in which the basic ship construction is budgeted. First destination transportation is also financed in this activity. Separate subheads are established in this budget activity for each procurement ((P-1) exhibit) line item and separate budget projects are also established under these subheads.

(Change 59)

074322 BUDGET ACTIVITY SUBHEADS

The first subdivision under the budget activity is the subhead, which divides each budget activity into definable and related programs or groups of programs for ease of administration. Subheads are assigned at the P-1 line-item level or lower if more than one manager or command is involved in the execution of a P-1 line item. The Shipbuilding and Conversion, Navy appropriation four-digit subhead numbering system identifies the following data elements:

First digit - CNO designated manager or command responsible for all or part of the P-1 line item

Second digit - Budget activity

Third and fourth digits - P-1 line item.

(Change 45)

074323 ADMINISTRATION

1. APPORTIONMENT.

The appropriation Shipbuilding and Conversion, Navy (SCN), is subject to the annual apportionment process described in par. 073100. Based on the estimates of the project and acquisition managers, the Naval Sea Systems Command (NAVSEASYSCOM) prepares the annual apportionment request which is submitted for review to the Chief of Naval Operations (CNO), the Comptroller, and the Office of the Under Secretary of Defense (Comptroller) (OUSD (C)) for transmittal to the Office of Management and Budget (OMB). Based on OUSD (C)/OMB analysis and prospective congressional appropriations action, funds are either released for execution or placed in a deferred status.

2. ALLOCATION.

The allocation made by the Comptroller to CNO, designated as the responsible office for SCN, is passed to NAVSEASYSCOM and Strategic Systems Project Office (SSPO), which are designated as administering offices. Funds are allocated by fiscal year, budget activity, and P-1 line item. NAVSEASYSCOM provides funds to the project and acquisition managers by various methods. Internal control of reprogramming at the command and project/acquisition manager levels is accomplished by requiring the review and approval of all allocation changes by the NAVSEASYSCOM comptroller.

3. EXECUTION

a. Ship Cost Adjustment Review.

In order to comply with the requirement for "full funding" of

procurement programs, all estimates for ships in currently active programs are reviewed to determine the adjustments which may be necessary to bring the programs into balance. The ship project managers develop proposed ship cost adjustments (SCAs) based on information obtained from participating managers, equipment/service managers, and performing activities. These proposals are reviewed in NAVSEA where a summary of the results of the review is prepared and coordinated with the Office of the Chief of Naval Operations (CNO), the Office of the Assistant Secretary of the Navy (Research, Development and Acquisition) DASN (Shipbuilding), and the OASN(FM&C) for decision on problems and approval of recommendations. The results of the SCA review may disclose a need for reprogramming action to bring estimated ship costs and appropriated funds into balance.

b. Statutory Subdivisions and Reprogramming.

Statutory limitations on the availability of SCN funds for specified programs shall be maintained until the appropriation is closed. SCN funding has historically been appropriated with subdivisions (line-item appropriations) that reflect specific programs. Each such subdivision is treated as a separate appropriation. Any movement of funds into or out of an SCN subdivision requires a reprogramming action that involves the use of transfer authority and also requires formal and specific Congressional approval. This applies regardless of the age of the account, the purposes to which the funds will be applied, or whether action is taken during or after the initial period of the appropriation.

c. Analysis of Unliquidated and Unobligated Balances.

Each funds administering office will conduct a comprehensive and continuing analysis of program fund balances. The analysis will be performed by program year for each ship and continue until the program is complete. The scope of the review will include outstanding commitments, unliquidated obligations, and Program Fund Authorizations applicable to the ship involved. Obligations should be liquidated in a timely manner. Outstanding obligations should be aged and validated so that any obligation with no activity for twenty-four consecutive months is promptly identified. Where obligations are found to be invalid, the funds are to be deobligated and will remain available for valid uses within the statutory provisions until the appropriation is cancelled.

4. AVAILABILITY AFTER INITIAL 5-YEAR PERIOD.

a. Prior to FY 1984, the Congress reappropriated, for additional periods, amounts required to complete ship construction. With the intent to minimize the need for future reappropriation requests,

statutory authority was granted in 1984 to incur new obligations for specific purposes in the SCN appropriation beyond the period specified for the general purposes of the appropriation. The FY 1984 DOD Appropriations Act included language that permitted the Department to incur new obligations in the SCN appropriation after the initial five-year period for specific efforts required to deliver a completed ship. The specific language of the FY 1984 DOD Appropriations Act is as follows:

"... to remain available for obligation until September 30, 1988: Provided further, that additional obligations may be incurred after September 30, 1988, for engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stage of ship construction; and each Shipbuilding and Conversion, Navy, appropriation that is currently available for such obligations may also hereafter be so obligated after the date of its expiration: ...".

This language, or similar language, has been included in all SCN appropriations since FY 1984. The intent of this provision is to permit the Department of the Navy (DON) to complete all elements and award all contracts that meet the statutory criteria, including the incurring of new obligations necessary for the completion of each ship program approved by the Congress. This authority was provided by the Congress in recognition of the fact that most new ship construction cannot be completed within the five-year availability period.

The FY 1991 National Defense Authorization Act and the FY 1991 Department of Defense Appropriations Act made significant changes to the account closure procedures affecting the administration of the SCN appropriation. In consonance with Congressional intent and the statutory authority granted to the SCN appropriation, an agreement was reached with the Department of the Treasury and the Department of Defense to permit execution of the SCN budget authority within the purpose of both of these laws.

b. To ensure that the DON complies with the full intent of this agreement and the SCN statutory authority, the following policy and procedures for the administration of the SCN account apply:

1. Initial Period of the Appropriation.

During the initial five-year period of the appropriation, SCN funds may be used for all purposes as set forth in their respective authorization and appropriations acts for new obligations, adjustments of obligations and liquidation of obligations for all ship programs. Characteristic changes to a ship approved after the initial period of availability of the SCN appropriation must be funded in subsequent appropriations.

2. Extended Period of the Appropriation.

One month prior to completion of the initial five-year period, the DON will provide the Department of the Treasury with a date certain expiration year. The expiration year will represent completion of ship construction of the last vessel included in that appropriation. After the initial five-year period of the appropriation and until 30 September of the date certain expiration year, SCN funds may be used for new obligations only for the purposes of engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stages of ship construction, as provided for in the statutory language. Funds may also be used for adjustments of all obligations charged to the appropriation, and for disbursements to liquidate all obligations charged to the appropriation.

3. Expired Period of the Appropriation.

Following 30 September of the expiration year, SCN funds will be maintained in an expired status for five years as provided for in the account closure law. During this five-year expiration period, funds may be used only for adjustments to obligations charged to the appropriation, and for disbursements to liquidate all obligations charged to the appropriation.

4. Closure of the Appropriation.

Each SCN appropriation will be closed (a) on 30 September of the fifth year following the year of expiration, or (b) when two years have passed without an expenditure from the appropriation and the Secretary of the Navy determines that the purposes of the appropriation have been carried out. At the time of closure, both obligated and unobligated balances shall be cancelled. Provisions for payment of obligation adjustments after the account closes will be made in accordance with the current issuance of NAVCOMPT Instruction 7040.37B and NCB-329 memo of 11 Jan 1995.

5. Statutory Provision in the Appropriations Acts.

The statutory provision contained in the Appropriations Acts for the completion of vessels applies only to those SCN accounts appropriated for a five-year period. Those SCN accounts derived by Congressionally directed fund transfers for fiscal year increments other than a five-year period will expire and close as provided for under regulation.

(Change 65)

Section III: WEAPONS PROCUREMENT, NAVY

074340 SCOPE

1. GENERAL.

The Weapons Procurement, Navy (WPN) appropriation finances the procurement of missiles, torpedoes, guns, and supporting equipment for naval forces and Marine air forces. Supporting equipment includes: equipment for modification of in-service missiles, torpedoes, guns, and gun mounts; targets used in weapon training exercises and weapon evaluation; hardware for Navy Navigation and Communications Satellite and other space programs; spare parts; ground support and training equipment; and industrial facilities and tools required for the production and maintenance of missiles.

2. APPROPRIATION LANGUAGE.

The Department of Defense Appropriations Act provides language for the WPN appropriation as follows:

"For construction, procurement, production, modification and modernization of missiles, torpedoes, other weapons, and related support equipment including spare parts, and accessories therefore; expansion of public and private plants, including the land necessary therefore, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway, \$ _____; to remain available for obligation until September 30, 20__.

3. LIMITATIONS

a. Authorizing Legislation.

As specified in 10 U.S. Code 114, authorizing legislation is required for Department of Defense appropriations for missiles, other weapons, torpedoes, and related torpedo support equipment.

b. Time Limitations.

(1) Administrative.

Obligation targets are established for each program year starting with 1 October of each fiscal year, at the budget activity level. This limitation on the period of fund availability for obligation purposes is designed to accelerate obligation performance and reduce excessive carry-over of unobligated funds in accordance

with the expressed desires of Congress.

(2) Statutory.

The budget request submitted to the Congress for each fiscal year under the WPN appropriation is for a multiple-year appropriation to remain available for obligation for 3 fiscal years. Each fiscal year appropriation enacted is separate and discrete. Following the period of availability for incurring new obligations, the account remains available for use for 5 years for effecting authorized obligation adjustments and payments. At the end of the 5-year period, the account is closed and any remaining outstanding obligations are canceled. Thereafter, bills presented for payment must be paid from the currently available appropriation for the purpose, subject to limitations stated in the current issuance of NAVCOMPTINST 7040.37.

(Change 65)

074341 STRUCTURE AND CONTENT

1. GENERAL.

The WPN appropriation is divided into five budget activities. Each budget activity is further divided into procurement line items (Exhibit P-1 line item) for which funds have been budgeted.

2. BUDGET ACTIVITY 1, BALLISTIC MISSILES.

Budget Activity 1 funds procurement of fleet ballistic missiles, ancillary check-out and test equipment, and missile modifications, support equipment and industrial facilities.

3. BUDGET ACTIVITY 2, OTHER MISSILES.

Budget Activity 2 funds procurement and modification of guided missiles and aerial targets required for Navy and Marine Corps aircraft and Navy ships, as well as procurement and support of naval space satellites and weapons industrial facilities.

4. BUDGET ACTIVITY 3, TORPEDOES AND RELATED EQUIPMENT.

Budget Activity 3 funds procurement of torpedoes, mines, underwater targets and related equipment; modification of torpedoes and related equipment; and torpedo support equipment. This activity also finances first destination transportation

5. BUDGET ACTIVITY 4, OTHER WEAPONS.

Budget Activity 4 provides for procurement of guns and gun mounts associated modifications.

6. BUDGET ACTIVITY 6, SPARES AND REPAIR PARTS.

Budget Activity 6 funds procurement of spares and repair parts for Navy weapons systems.

(Change 65)

074342 BUDGET ACTIVITY SUBHEADS

The first subdivision under the budget activity is the subhead, which divides each budget activity into definable and related programs or groups of programs for ease of administration. Subheads are assigned at the P-1 line-item level or lower if more than one manager or command is involved in the execution of a P-1 line item. The Weapons Procurement, Navy appropriation four-digit subhead numbering system identifies the following data elements:

First digit - Designated manager or command responsible for all or a part of the P-1 line item

Second digit - Budget activity

Third and fourth digits - P-1 line item.

(Change 45)

074343 ADMINISTRATION

1. APPORTIONMENT.

The appropriation Weapons Procurement, Navy (WPN), is subject to the annual apportionment process described in par. 073100. Based on the estimates of the project/program managers, the applicable naval systems commands prepare annual apportionment requests which are coordinated by the Naval Sea Systems Command (NAVSEASYSCOM) and submitted for review to the Chief of Naval Operations (CNO), the Comptroller, and the Office of the Under Secretary of Defense (Comptroller) (OUSD (C)) for transmittal to the Office of Management and Budget (OMB). Based on OUSD (C)/OMB analysis and prospective congressional appropriations action, funds are either released for execution or placed in a deferred status.

2. ALLOCATION.

The Comptroller allocates funds to CNO, designated as the responsible office for WPN. The allocation is passed from CNO to the appropriate systems commands/project managers, designated as administering offices. Allocations are subdivided on a procurement line-item basis (Exhibit P-1). Within these commands, funds are provided to project/program managers. Internal control of reprogramming at the command and project/program manager levels is accomplished by requiring the review and approval of all allocation changes by the cognizant comptroller.

3. EXECUTION

a. Program-Year Concept.

The WPN appropriation is controlled at command level on a program-year and weapons systems line-item basis. A program year consists of all programs budgeted and approved for funding in a specific budget year. Each procurement action is charged to the program year under which it was budgeted. Subsequently, within scope of program, cost changes are funded from the program year account under which the basic transaction occurred. Under the program-year concept, new procurement programs should be obligated during the first year of availability to the extent possible.

b. Analysis of Unliquidated Obligations.

Each funds administering office will conduct a continuous program of analyzing and validating unliquidated obligations, continuing those which are essential, and expeditiously terminating those which are unessential. At the beginning of the fourth year of each subhead, and continuing until the account is closed and outstanding obligations are canceled 5 years later, the office administering the subhead will commence an intensive analysis of the outstanding balances continued therein. The scope of the intensive, continuing analysis required to be conducted by the administering offices will include unliquidated obligations for each individual contract, project order, or allotment in existence on 30 September of the year in which availability ends.

(Change 61)

Section IV: PROCUREMENT OF AMMUNITION, NAVY AND MARINE CORPS

074350 SCOPE

1. GENERAL.

The Procurement of Ammunition, Navy and Marine Corps (PAN&MC) appropriation finances the procurement of other ordnance, ammunition, and related support equipment, including spare parts.

2. APPROPRIATION LANGUAGE.

The Department of Defense Appropriations Act provides language for the PAN&MC appropriation as follows:

"For construction, procurement, production, and modification of ammunition, and accessories therefore; specialized equipment and training devices, expansion of public and private plants, including ammunition facilities authorized by section 2854 of title 10, United

States Code, and the land necessary therefore, for the foregoing purposes, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway, and other expenses necessary for the foregoing purposes, \$ ____; to remain available for obligation until September 30, 20 ____."

3. LIMITATIONS

a. Authorizing Legislation.

As specified in 10 U.S. Code 114, authorizing legislation is required for Department of Defense appropriations for ammunition.

b. Time Limitations.

(1) Administrative.

Obligation targets are established for each program year starting with 1 October of each fiscal year, at the budget activity level. This limitation on the period of fund availability for obligation purposes is designed to accelerate obligation performance and reduce excessive carry-over of unobligated funds in accordance with the expressed desires of Congress.

(2) Statutory.

The budget request submitted to the Congress for each fiscal year under the PAN&MC appropriation is for a multiple-year appropriation to remain available for obligation for 3 fiscal years. Each fiscal year appropriation enacted is separate and discrete. Following the period of availability for incurring new obligations, the account remains available for use for 5 years for effecting authorized obligation adjustments and payments. At the end of the 5-year period, the account is closed and any remaining outstanding obligations are canceled. Thereafter, bills presented for payment must be paid from the currently available appropriations for the purpose, subject to limitations stated in the current issuance of NAVCOMPTINST 7040.37.

(Change 65)

074351 STRUCTURE AND CONTENT

1. GENERAL.

The PAN&MC appropriation is divided into two budget activities. Each budget activity is further divided into procurement line items (Exhibit P-1 line item) for which funds have been budgeted.

2. BUDGET ACTIVITY 1, NAVY AMMUNITION.

Budget Activity 1 funds procurement of ammunition, artillery, general purpose bombs, munitions, ancillary check-out and test equipment, and modifications, support equipment and industrial facilities for active and reserve Navy forces.

3. BUDGET ACTIVITY 2, MARINE CORPS AMMUNITION.

Budget Activity 2 funds procurement of ammunition, artillery, general purpose bombs, munitions, ancillary check-out and test equipment, and modifications, support equipment and industrial facilities for active and reserve Marine Corps forces.

(Change 65)

074352 BUDGET ACTIVITY SUBHEADS

The first subdivision under the budget activity is the subhead, which divides each budget activity into definable and related programs or groups of programs for ease of administration. Subheads are assigned at the P-1 line-item level or lower if more than one manager or Command is involved in the execution of a P-1 line item. The PAN&MC appropriation four-digit subhead numbering system identifies the following data elements:

First digit - Designated manager or command responsible for all or a part of the P-1 line item

Second digit - Budget activity

Third and fourth digits - P-1 line item.

(Change 65)

074353 ADMINISTRATION

1. APPORTIONMENT.

The PAN&MC appropriation is subject to the annual apportionment process described in par. 073100. Based on the estimates of the project/program managers, the applicable naval systems commands prepare annual apportionment requests, which are coordinated by the Naval Sea Systems Command (NAVSEASYS COM) and submitted for review to the Chief of Naval Operations (CNO), Assistant Secretary of the Navy (FM&C), and the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) for transmittal to the Office of Management and Budget (OMB). Based on OUSD(C)/OMB analysis and prospective congressional appropriations action, funds are either released for execution or placed in a deferred status.

2. ALLOCATION.

The Office of Budget allocates funds to CNO/CMC, designated as the responsible offices for PAN&MC. The allocation is passed from CNO/CMC to the appropriate systems commands/project managers, designated as administering offices. Allocations are subdivided on a procurement line-item basis (Exhibit P-1). Within these commands, funds are provided to project/program managers. Internal control of reprogramming at the command and project/program manager levels is accomplished by requiring the review and approval of all allocation changes by the cognizant comptroller.

3. EXECUTION

a. Program-Year Concept.

The PAN&MC appropriation is controlled at command level on a program-year and weapons systems line-item basis. A program year consists of all programs budgeted and approved for funding in a specific budget year. Each procurement action is charged to the program year under which it was budgeted. Subsequently, within scope of program, cost changes are funded from the program year account under which the basic transaction occurred. Under the program-year concept, new procurement programs should be obligated during the first year of availability, to the extent possible.

b. Analysis of Unliquidated Obligations.

Each funds administering office will conduct a continuous analysis and validation of unliquidated obligations, continuing those which are essential, and expeditiously terminating those which are deemed unessential. At the beginning of the fourth year of each subhead, and continuing until the account is closed and outstanding obligations are canceled 5 years later, the office administering the funds in each subhead will commence an intensive analysis of the outstanding balances contained therein. The scope of the intensive, continuing analysis required to be conducted by the administering offices will include unliquidated obligations for each individual contract, project order, or allotment in existence on 30 September of the year in which availability ends.

(Change 65)

Section V: OTHER PROCUREMENT, NAVY

074360 SCOPE

1. GENERAL.

The appropriation Other Procurement, Navy (OPN), finances the procurement, production, and modernization of equipment not otherwise provided for. Such equipments range from the latest electronic sensors required to update the naval forces, to trucks training equipment, and spare parts. This equipment is an integral part of programs to improve the fleet and shore establishment by expanding or maintaining existing capabilities or replacing ineffective units.

2. APPROPRIATION LANGUAGE.

The Department of Defense Appropriations Act provides language for the OPN appropriation as follows:

"For procurement, production and modernization of support equipment and materials not otherwise provided for, Navy ordnance (except ordnance for new aircraft, new ships, and ships authorized for conversion); the purchase of not to exceed _____ passenger motor vehicles of which _____ shall be for replacement only; expansion of public and private plants, including the land necessary therefore, and such lands and interests therein, may be acquired, and constructions prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway; \$_____, to remain available until September 30, 20__ : Provided, ..."

3. LIMITATIONS

a. Authorizing Legislation.

As specified in 10 U.S. Code 114, authorizing legislation is required for Department of Defense appropriations for the acquisition of other procurement items.

b. Time Limitations.

(1) Administrative.

Obligation targets are established for each program year starting with 1 October of each fiscal year, at the budget activity level. This limitation on the period of fund availability for obligation purposes is designed to accelerate obligation performance and reduce excessive carry-over of unobligated funds in accordance

with the expressed desires of Congress.

(2) Statutory.

The budget request submitted to the Congress for each fiscal year under the OPN appropriation is for a multiple-year appropriation to remain available for obligation for 3 fiscal years. Each fiscal year appropriation enacted is separate and discrete. Following the period of availability for incurring new obligations, the account remains available for use for 5 years for effecting authorized obligation adjustments and payments. At the end of the 5-year period, the account is closed and any remaining outstanding obligations are canceled. Thereafter, bills presented for payment must be paid from the currently available appropriation for the purpose, subject to limitations stated in the current issuance of NAVCOMPTINST 7040.37.

(Change 63)

074361 STRUCTURE AND CONTENT

1. GENERAL.

The Other Procurement, Navy (OPN) appropriation is divided into eight budget activities. Budget Activities 1 through 6 are commodity oriented and parallel the organizational structure of the systems commands. Budget Activity 7 includes procurement of all non-systems command items appropriately funded by this appropriation. Budget Activity 8 funds spares and repair parts for equipment procured by OPN. Training equipment is budgeted in each budget activity for the categories of items funded in the respective budget activity.

2. BUDGET ACTIVITY 1, SHIPS SUPPORT EQUIPMENT.

Budget Activity 1 provides funds for the procurement of shipboard components for surface ships and submarines, reactor plant equipment and components; deep submergence support equipment; small boat procurement; and production facilities equipment. Included are navigation, underway replenishment and ship propulsion equipment as well as periscopes, propellers and other shipboard equipment such as for pollution control and firefighting. This budget activity is coordinated by the Naval Sea Systems Command.

3. BUDGET ACTIVITY 2, COMMUNICATIONS AND ELECTRONIC EQUIPMENT.

Budget Activity 2 provides funds for the procurement of shipboard, submarine, satellite and shore communications and electronics equipment. Included are shipboard surface and air search radars; antisubmarine warfare electronics equipment which furnishes surface ships, submarines,

and special shore activities with equipment used for detection, tracking, localization, and classification of submarines; equipment which will provide the fleet the capability of deceiving, intercepting, and analyzing airborne, electromagnetic and underwater radiation; the procurement of communications equipment for active fleet ships, worldwide shore facilities; and electronics equipment for fleet support, and continental shore and harbor defense activities, including cryptographic and cryptologic aids and devices for the Navy and Marine Corps. This budget activity is coordinated by the Space and Naval Warfare Systems Command.

4. BUDGET ACTIVITY 3, AVIATION SUPPORT EQUIPMENT.

Budget Activity 3 provides funds for the procurement of air-launched antisubmarine (ASW) detection, sonobuoys and other general support equipment associated with aircraft systems. Other support equipment includes ground electronics equipment, aircraft launch and recovery equipment, photographic equipment, reconnaissance and electronic warfare processing and analysis equipment, and miscellaneous other categories of equipment. This budget activity is coordinated by the Naval Air Systems Command.

5. BUDGET ACTIVITY 4, ORDNANCE SUPPORT EQUIPMENT.

Budget Activity 4 provides funds for the procurement of gun, missile, and ASW fire control and support equipment, mine components, FBM support equipment, and support for other expendable ordnance. This budget activity is coordinated by the Naval Sea Systems Command.

6. BUDGET ACTIVITY 5, CIVIL ENGINEERING SUPPORT EQUIPMENT.

Budget Activity 5 provides funds for the procurement of passenger-carrying vehicles, ambulances, truck, trailers, construction, earth moving, fire fighting, weight-handling, amphibious and specialized construction battalion equipment, telephone equipment, mobile utilities support equipment, fleet moorings, public works equipment, ocean construction equipment, and pollution control, occupational safety and health equipment. Also included is collateral equipment related to a military construction project not elsewhere provided. This budget activity is coordinated by the Naval Facilities Engineering Command.

7. BUDGET ACTIVITY 6, SUPPLY SUPPORT EQUIPMENT.

Budget Activity 6 provides funds for the procurement of forklift trucks and other materials-handling equipment used afloat and at non-NWCF shore activities. Also funded is the purchase of high-speed copiers and printing equipment; office automation equipment and the procurement of Automated-Teller-Machines (ATMs) installed aboard Navy ships. In addition, this budget activity finances first destination transportation. This budget activity is coordinated by the Naval Supply Systems Command.

8. BUDGET ACTIVITY 7, PERSONNEL AND COMMAND SUPPORT EQUIPMENT.

Budget Activity 7 is administered by the Fiscal Management Division on behalf of the Chief of Naval Operations, but is subdivided for direct administration by various second echelon commanders. This budget activity provides funds for the procurement of training aids and devices, scientific and technical equipment, information technology equipment, and other general command support equipment not otherwise provided for. The procurement of these items is subdivided into the following categories of support equipment: training, command, operating forces, medical, intelligence, environmental, physical security and education. Funding is also included for mobile sensor platforms.

9. BUDGET ACTIVITY 8, SPARES AND REPAIR PARTS.

Budget Activity 8 provides funds for the procurement of spares and repair parts for equipment that is financed by Budget Activities 1 through 7.

(Change 67)

074362 BUDGET ACTIVITY SUBHEADS

The first subdivision under the budget activity is the subhead, which divides each budget activity into definable and related programs or groups of programs for ease of administration. Subheads are assigned at the P-1 line-item level or lower if more than one manager, command, office or bureau is involved in the execution of a P-1 line item. The Other Procurement, Navy appropriation four-digit subhead numbering system identifies the following data elements:

First digit - Organization or manager responsible for all or a part of the P-1 line item. For Budget Activities 1 through 6, it represents CNO designated manager or command. For Budget Activity 7 it represents a command, or office.

Second digit - Budget activity

Third and fourth digits - P-1 line item.

(Change 45)

074363 ADMINISTRATION

1. APPORTIONMENT.

The appropriation Other Procurement, Navy (OPN), is subject to the annual apportionment process described in par. 073100. The administering office submits the annual apportionment request to the Chief of Naval Operations (CNO), the Comptroller, and the Office of the Under Secretary of Defense (Comptroller) (OUSD (C)) for transmittal to

the Office of Management and Budget (OMB). Based on OUSD (C)/OMB analysis and prospective congressional appropriations action, funds are either released for execution or placed in a deferred status.

2. ALLOCATION.

The Comptroller allocates all OPN funds to CNO as "responsible office." CNO, in turn, reallocates funds to the systems commands/project managers, designated as administering offices for Budget Activities 1 through 6. Budget Activity 7 is allocated in its entirety to CNO for subsequent allotment to other claimants.

3. EXECUTION

a. General.

OPN is controlled on a program-year and line-item basis. A program-year consists of all programs budgeted and approved for funding in a specific budget year. Each procurement action is charged to the program-year under which it was budgeted. Subsequently, within scope of program, cost changes are funded from the program-year account under which the basic transaction occurred. Under the program-year concept, new procurement programs should be obligated during the first year of availability to the extent possible.

b. Analysis of Unliquidated Obligations.

Each funds administering office will conduct a continuous program of analyzing and validating unliquidated obligations, continuing those which are essential, and expeditiously terminating those which are unessential. At the beginning of the fourth year of each subhead, and continuing until the account is closed and outstanding obligations are canceled 5 years later, the office administering the subhead will commence an intensive analysis of the outstanding balances contained therein. The scope of the intensive, continuing analysis required to be conducted by the administering offices will include unliquidated obligations for each individual contract, project order, or allotment in existence on 30 September of the year in which availability ends.

(Change 61)

Section VI: PROCUREMENT, MARINE CORPS

074380 SCOPE

1. GENERAL.

The appropriation Procurement, Marine Corps (PMC), provides the Marine Corps with weapons, and related equipment, most of which are

programmed for use by Marine general purpose forces such as Marine divisions and tank and amphibious tractor battalions. This equipment provides the hardware for defense of advanced naval bases, limited war landing operations, and general land warfare.

2. APPROPRIATION LANGUAGE.

The Department of Defense Appropriations Act provides language for the PMC appropriation as follows:

"For expenses necessary for the procurement, manufacture, and modification of missiles, armament, military equipment, spare parts, and accessories therefore; plant equipment, appliances, and machine tools, and installation thereof in public and private plants; reserve plant and Government and contractor-owned equipment layaway; vehicles for the Marine Corps, including purchase of not to exceed _____ passenger motor vehicles for replacement only; and expansion of public and private plants; including land necessary therefore, and such lands, and interests therein, may be acquired and construction prosecuted thereon prior to approval of title, \$_____, to remain available for obligation until September 30, 20____."

3. LIMITATIONS

a. Authorizing Legislation.

As specified in 10 U.S. Code 114, the acquisition of tracked combat vehicles, missiles, other weapons, and other procurement to be financed by PMC must first be approved through authorizing legislation.

b. Time Limitations.

(1) Administrative.

Obligation targets are established at the budget activity level for the PMC appropriation for obligation of funds for each program year starting with 1 October of each fiscal year. This limitation on the period of fund availability for obligation purposes is designed to accelerate obligation performance and reduce excessive carry-over of unobligated funds in accordance with the expressed desires of Congress.

(2) Statutory.

The budget request submitted to the Congress for each fiscal year under the PMC appropriation is for a multiple-year appropriation to remain available for obligation for 3 fiscal years. Each fiscal year appropriation enacted is separate and discrete. Following the period of availability for incurring new obligations, the account remains available for use for 5 years for effecting authorized

obligation adjustments and payments. At the end of the 5-year period, the account is closed and any remaining outstanding obligations are canceled. Thereafter, bills presented for payment must be paid from the currently available appropriation for the purpose, subject to limitations stated in the current issuance of NAVCOMPTINST 7040.37.

(Change 65)

074381 STRUCTURE AND CONTENT

1. GENERAL.

Budget activities and projects are on an item-type basis (artillery, weapons, etc.). This structure generally parallels the organization of the Commander, Marine Corps Systems Command (COMMARCORSSYSCOM). Items within the budget activities are generally segregated on an end-item basis.

2. BUDGET ACTIVITY 2, WEAPONS AND COMBAT VEHICLES.

This activity includes tanks, artillery, small arms weapons, tracked landing vehicles, and other tracked vehicles and supporting items.

3. BUDGET ACTIVITY 3, GUIDED MISSILES AND EQUIPMENT.

This activity includes all missiles with a guidance system, wire, or remote. Rockets or missiles of a non-guided variety are included in the Procurement of Ammunition, Navy and Marine Corps (PAN&MC) appropriation. This budget activity also requires authorizing legislation control.

4. BUDGET ACTIVITY 4, COMMUNICATIONS AND ELECTRONIC EQUIPMENT.

This activity includes all radios, telephones, radars, automatic data processing equipment, and other electronic items. Items in this activity are divided into two groups, telecommunication and non-telecommunication. Trucks, trailers, and vans used to house some electronic items are included in Budget Activity 5. Multipurpose generators used to operate some of the items contained herein are in Budget Activity 6.

5. BUDGET ACTIVITY 5, SUPPORT VEHICLES.

This activity includes passenger-carrying vehicles, commercial vehicles, and tactical vehicles (trucks, vans, trailers) not provided for under Budget Activity 2.

6. BUDGET ACTIVITY 6, ENGINEER AND OTHER EQUIPMENT.

This activity provides for engineer and construction equipment for pioneer units (or for that part of tactical support not provided by the Navy

construction battalions), generators, materials-handling equipment, and other items not included in other budget activities. This includes items such as first destination transportation, cargo slings, floodlights, photo equipment, reproduction equipment, deployable medical and dental equipment, and base support equipment.

7. BUDGET ACTIVITY 7, SPARES AND REPAIR PARTS.

Budget Activity 7 funds procurement of spares and repair parts for equipment that is financed by Budget Activities 1 through 6.

(Change 65)

074382 BUDGET ACTIVITY SUBHEADS

The first subdivision under the appropriation is the budget activity, which is identified in the account structure by a separate digit in the subhead. Budget activities are further subdivided into procurement line items. Through the four-digit subhead numbering system, the Procurement, Marine Corps appropriation identifies these data elements as follows:

First digit - Budget activity

Second, third, and fourth digits - P-1 line item.

(Change 45)

074383 ADMINISTRATION

1. APPORTIONMENT.

The Fiscal Director of the Marine Corps (FDMC) promulgates a call for apportionment data. The program sponsors within Headquarters, Marine Corps and COMMARCORSYSCOM are responsible for coordination and review of all non-financial data to be submitted. The FDMC is responsible for final review, preparation of financial exhibits, and delivery to the Comptroller. The Comptroller reviews and forwards the submission to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) for transmission to the Office of Management and Budget (OMB). Based on OUSD (C)/OMB analysis and prospective congressional appropriations action, funds are either released for execution or placed in a deferred status.

2. ALLOCATION.

The Comptroller allocates funds to CMC who is designated as the responsible office for PMC. FDMC suballocates funds to COMMARCORSYSCOM for execution. After initial suballocation, minor reprogramming changes are controlled by COMMARCORSYSCOM with concurrence in proposed changes by FDMC.

3. EXECUTION.

a. General.

PMC is controlled on a program-year and line-item basis. A program-year consists of all programs budgeted and approved for funding in a specific budget year. Each procurement action is charged to the program-year under which it was budgeted. Subsequently, within scope of program, cost changes are funded from the program-year account under which the basic transaction occurred. Under the program-year concept, new procurement programs should be obligated during the first year of availability to the extent possible.

b. Analysis of Unliquidated Obligations.

Each funds administering office will conduct a continuous program of analyzing and validating unliquidated obligations, continuing those which are essential, and expeditiously terminating those which are unessential. At the beginning of the fourth year of each subhead, and continuing until the account is closed and outstanding obligations are canceled 5 years later, the office administering the subhead will commence an intensive analysis of the outstanding balances contained therein. The scope of the intensive, continuing analysis required to be conducted by the administering offices will include unliquidated obligations for each individual contract, project order, or allotment in existence on 30 September of the year in which availability ends.

(Change 63)

PART E: RESEARCH, DEVELOPMENT, TEST AND EVALUATION, NAVY

074400 SCOPE

1. APPROPRIATION LANGUAGE.

The Department of Defense Appropriations Act provides language for the appropriation Research, Development, Test and Evaluation, Navy (RDT&E,N), as follows:

"For expenses necessary for basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, lease, and operation of facilities and equipment, as authorized by law; \$____, ...to remain available for obligation until September 30, 20___; provided, . . ."

2. LIMITATIONS.

a. Authorizing Legislation.

As specified in 10 U.S. Code 114, the program to be financed by the RDT&E,N appropriation must first be approved through authorizing legislation.

b. Time Limitations.

The budget request submitted to the Congress in each fiscal year under the RDT&E,N appropriation is for a multiple-year appropriation to remain available for obligation for 2 fiscal years. Each fiscal year appropriation enacted is separate and discrete. Following the period of availability for incurring new obligations, the account remains available for use for 5 years for effecting authorized obligations adjustments and payments. At the end of the 5-year period, the account is closed and any remaining outstanding obligations are canceled. Thereafter, bills presented for payment must be paid from the currently available appropriations for the purpose, subject to limitations stated in the current issuance of NAVCOMPTINST 7040.37.

(Change 61)

074401 STRUCTURE AND CONTENT

1. GENERAL.

The Research, Development, Test and Evaluation, Navy appropriation is divided into seven budget activities. Each budget activity is further divided into program elements. The program element is the primary data element in the Future Years Defense Program (FYDP) and is the major aggregation at which RDT&E efforts are organized and budgeted. The FYDP is organized by Major Force Program, which is an aggregation of program elements, with Major Force Program 6 classified as Research and Development (see DOD 7045.7-H for additional information on FYDP program structure). In general, the coding symbology for the program element identifies the Major Force Program in the first two positions and the budget activity in the next two positions (e.g. 0602 is an RDT&E budget activity 2 program element). The corresponding research and development categories are discussed in par. 075401.

2. BUDGET ACTIVITY 1, BASIC RESEARCH.

Basic research is defined as systematic study directed toward greater knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications towards processes or products in mind.

3. BUDGET ACTIVITY 2, APPLIED RESEARCH.

Applied research is defined as systematic study to gain knowledge or understanding necessary to determine the means by which a recognized and specific national security requirement may be met.

4. BUDGET ACTIVITY 3, ADVANCED TECHNOLOGY DEVELOPMENT.

Includes development of subsystems and components and efforts to integrate them into system prototypes for field experiments and/or tests in a simulated environment.

5. BUDGET ACTIVITY 4, ADVANCED COMPONENT DEVELOPMENT AND PROTOTYPES.

Includes all efforts necessary to evaluate integrated technologies, representative modes or prototype systems in a high-fidelity and realistic operating environment.

6. BUDGET ACTIVITY 5, SYSTEM DEVELOPMENT AND DEMONSTRATION.

Includes those projects that have passed Milestone B approval and are conducting engineering and manufacturing development tasks aimed at meeting validated requirements prior to full-rate production.

7. BUDGET ACTIVITY 6, RDT&E MANAGEMENT SUPPORT.

Includes research, development, test and evaluation efforts directed toward sustainment and/or modernization of installations or operations required for general research, development, test and evaluation.

8. BUDGET ACTIVITY 7, OPERATIONAL SYSTEM DEVELOPMENT.

Includes those development efforts to upgrade systems that have been fielded or have received approval for full rate production and anticipate production funding in the current budget or subsequent fiscal year. Program elements in this budget activity are coded using the Major Force Program of the fielded system in the first two positions (e.g. 01 indicates a strategic system).

(Change 67)

074402 BUDGET ACTIVITY SUBHEADS

The first subdivision under the appropriation is the budget activity, which is further divided by the administering office. The subhead is applied at this level of program and organization responsibility. The Research, Development, Test and Evaluation, Navy appropriation four-digit subhead numbering system identifies the data elements:

First digit - Management Command Code

Second digit - Budget Activity

Third and fourth digits - Navy Program Element Code

(Change 45)

074403 ADMINISTRATION

1. RESPONSIBILITIES.

The Assistant Secretary of the Navy (Research, Development and Acquisition) (ASN(RD&A)) is assigned responsibility for all matters relating to Research, Development, Test and Evaluation (RDT&E) efforts within the Department of the Navy including management of the Research, Development, Test and Evaluation, Navy (RDT&E,N) appropriation. To assist ASN(RD&A) in the overall management and control of the RDT&E,N appropriation, the Chief of Naval Research provides the supporting staff services for coordination and consolidation of budgeting, accounting, and related reporting operations at the appropriation level. Accordingly, the designation of "responsible office" refers to the Office of Naval Research when it is acting in this supporting staff capacity. The term "administering office" refers to those components of the Department of the Navy so designated.

2. APPORTIONMENT.

The appropriation Research, Development, Test and Evaluation, Navy (RDT&E,N) is subject to the annual apportionment process described in par. 073100. Within the guidance provided by ASN (RD&A), Chief of Naval Research (CNR), and Chief of Naval Operations (CNO), the RDT&E,N apportionment requests are developed by the administering organizations. The requests are reviewed and consolidated by the Director, Office of RDT&E and ONR prior to presentation to ASN (RD&A) and the CNO Executive Board. Once reviewed, the request is submitted by ONR, via the Comptroller and the Office of the Under Secretary of Defense (Comptroller) (OUSD (C)) to the Office of Management and Budget (OMB). Based on OUSD (C)/OMB analysis and prospective congressional appropriations action, funds are either released for execution or placed in a deferred status.

3. ALLOCATION.

The allocation made by the Comptroller to ONR, who is designated as the responsible office for RDT&E,N is suballocated to the administering organizations in the amounts approved for obligation. Funds are suballocated by fiscal year, budget activity and program element. Internal control of reprogramming at the command and administering activity level is accomplished by requiring the review and approval of all allocation

changes by the ONR Comptroller.

4. EXECUTION

a. Program-Year Concept.

The RDT&E,N appropriation is controlled at the administering organization level on a program-year and RDT&E program element basis. A program year consists of all programs budgeted and approved for funding in a specific budget year. The RDT&E program is budgeted on an annual incremental funding basis; i.e., those costs expected to be incurred during the budget year. Although RDT&E,N is a two-year appropriation to allow for obligations in the second year when delays are encountered because of significant technical difficulties or protracted negotiations, all second year obligations of RDT&E,N funds must be restricted to only those tasks within the scope of the approved budget year program. The incremental programming policy is discussed in detail in par. 075402.

b. Analysis of Unliquidated Obligations.

Each funds administering office will conduct a continuous program of analyzing and validating unliquidated obligations. At the beginning of the third year of each subhead, and continuing until the balances are transferred to the successor accounts, the office administering the subhead will commence an intensive analysis of the outstanding balances contained therein. The scope of the intensive, continuing analysis required to be conducted by the administering offices will include unliquidated obligations for each individual contract, project order, and other obligation documents in existence on 30 September of the year in which the account expires for obligation.

(Change 45)

PART F: MILITARY CONSTRUCTION APPROPRIATIONS

Section I: MILITARY CONSTRUCTION, NAVY

074500 SCOPE

1. GENERAL.

The Military Construction, Navy (MCON) appropriation provides for the establishment or development of military installations and facilities for the Active Forces of the Navy and Marine Corps, including projects programmed for construction on land that is not in the inventory of the Department of Defense, by acquiring, constructing, converting,

rehabilitating, or installing permanent or temporary public works, including land acquisition, site preparation, appurtenances, utilities, and equipment.

2. APPROPRIATION LANGUAGE.

The Department of Defense Military Construction Act provides language for MCON as follows:

"For acquisition, construction, installation, and equipment of temporary or permanent public works, naval installations, facilities, and real property for the Navy as currently authorized by law, including personnel in the Naval Facilities Engineering Command and other personal services necessary for the purposes of this appropriation \$ _____, to remain available until September 30, 20____: Provided, that of this amount, not to exceed \$ _____ shall be available for study, planning, design, architect and engineer services, as authorized by law, unless the Secretary of Defense determines that additional obligations are necessary for such purposes and notifies the Committees on Appropriations of both Houses of Congress of his determination and the reasons therefore."

3. LIMITATIONS

a. Authorizing Legislation.

As specified in par. 10 U.S. Code 114, authorizing legislation is required for the Navy and Marine Corps military construction program. Accordingly, the annual appropriations request is presented on a program year basis for projects which may reasonably be expected to start during the budget year and for which authorization is requested concurrently. All projects included in the annual budget request should reflect, as a minimum, a 35 percent design stage or be based on a parametric planning estimate. Congress established the 35 percent criteria not only to ensure a good price estimate but also to ensure that design would progress sufficiently to enable contract award soon after appropriation of funds.

b. Time Limitations.

(1) Administrative.

A military construction projects authorization remains available for 2 fiscal years and is repealed on 30 September of the third calendar year of availability of the MCON appropriation unless obligations have been established to indicate commencement of construction or a Congressional extension of availability has been obtained. An obligation target is established for the design budget activity for each program year starting 1 October of each fiscal year. This limitation on the period of fund availability for obligation purposes

is designed to accelerate obligation performance and reduce excessive carry-over of unobligated funds in accordance with the expressed desires of Congress.

(2) Congressional.

The MCON appropriation is a multiple-year appropriation to remain available for obligation for 5 fiscal years. Each fiscal year appropriation enacted is separate, discrete and available for 60 months for obligation purposes. Effective with the Military Construction Appropriations Act of 1989, authority to split-fund construction projects among different years' appropriations was reinstated (following a three year prohibition), provided that the funds used are available for military construction projects and the total obligations for a project are consistent with the total amount appropriated for that project. This authority is to be utilized judiciously in order to preserve the flexibility it provides.

(Change 61)

074501 STRUCTURE AND CONTENT

1. GENERAL.

The Military Construction, Navy appropriation is divided into four budget activities. The Major Construction budget activity is further divided into projects for which funds have been budgeted.

2. BUDGET ACTIVITY 1, MAJOR CONSTRUCTION.

This budget activity provides funds for the acquisition of land and for construction of individual military projects, as authorized. The construction project description is for a single undertaking that includes the cost of all construction work to produce a complete and usable facility. Similarly, the description of a construction project for an existing facility includes all costs necessary to produce a complete and usable improvement, conversion, and rehabilitation.

3. BUDGET ACTIVITY 2, MINOR CONSTRUCTION.

a. General.

This budget activity provides funds for projects with a cost not to exceed \$1.5 million and not otherwise provided by law. A minor construction project is a single undertaking at a military installation, which includes all construction work, land acquisition and installation of equipment necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility. If a minor construction project funded in the military construction appropriation is to correct a deficiency that is life, health or safety threatening, the project may have an approved cost of not more than \$3 million.

Paragraph 3d addresses minor construction projects funded in the operation and maintenance accounts. Only funds authorized to the Secretary of the Navy (SECNAV) for minor construction projects may be used to accomplish minor construction projects, except that SECNAV may spend, from appropriations available for operation and maintenance, amounts necessary for any project costing not more than \$750,000.

b. Approval Levels.

The Secretary of the Navy must approve all minor construction projects costing more than \$750,000. This authority is delegated to the Assistant Secretary of the Navy (Installations and Environment). Congress must be notified in writing of the intended execution of all unspecified minor construction projects costing over \$750,000. The project may be carried out only at the end of a 21-day period, beginning on the date notification is received by the House and Senate Military Construction Appropriations Subcommittees, unless an objection has been made. Such notification applies only to unspecified minor construction projects and is not required for projects specifically authorized and appropriated in the annual military construction acts. For projects which cost \$750,000 or less, approval authority has been delegated to the Chief of Naval Operation (CNO) and the Commandant of the Marine Corps (CMC). Projects which cost \$750,000 or less are eligible for financing from appropriations available for operation and maintenance. Approval authority for this category of minor construction has been delegated to the major claimants.

c. Cost Increases.

The approved amount for a minor construction project may be increased above \$1.5 million if SECNAV determines that such an increase is required for the sole purpose of meeting unusual variations in cost and that the cost variation could not have been reasonably anticipated at the time the project was originally approved. Congressional approval is required if the current working estimate of the cost exceeds \$1.5 million and is more than 200 percent of the original approved amount for the project. From the date of submission to Congress of the request for approval of the cost increase, 21 days must elapse before approval may be assumed. After a contract for a project has been entered into, SECNAV can fund the project above the project amount approved by Congress in order to meet the costs of change orders or contractor claims. If a project cost variation has not been provided to Congress, SECNAV must report the revised cost of the project to Congress only if it exceeds the approved amount by 25 percent. If a project cost variation has been previously approved by

Congress, SECNAV must report to Congress regardless of the amount involved.

d. Operation and Maintenance Limitation.

Projects approved at a cost of \$750,000 or less and undertaken within the authority for appropriations available for operation and maintenance to finance minor construction projects are constrained in total cost by 10 U.S. Code 2805(c). Accordingly, if during execution it appears that an approved project will exceed the limitation, no work may proceed which will create obligations on behalf of the Government in an amount in excess of the limitation. Immediate notification to CNO or CMC is required in order to obtain the necessary authorization to proceed, dependent upon the revised estimated cost. Title 10 U.S. Code 2805(c)(1)(A) increased the threshold to \$1.5 million for projects to correct a deficiency that is life, health or safety threatening.

4. BUDGET ACTIVITY 3, PLANNING AND DESIGN.

This budget activity finances the necessary design of construction projects, including engineering, plans and specifications, and land appraisals, to develop the most economical engineering solution for facility requirements in advance of submission of proposed major and minor construction projects to the Congress. Since costs for design are excluded for construction project cost estimates, the work to be financed is budgeted on a program year basis starting with 1 October of each fiscal year.

5. BUDGET ACTIVITY 4, SUPPORTING ACTIVITIES.

a. General.

This budget activity provides general authorizations for all other activities in support of the military construction program and financed from this appropriation. The number and type of programs funded in this budget activity often vary from one budget year to the next, but the most common have been Access Roads and Minor Land Acquisition, which are discussed in subpars. b and c.

b. Access Roads.

The access roads program includes construction, relocation and other work necessary to provide access roads to Navy and Marine Corps installations or stations. Access road projects are required for replacement or relocation of public highways necessitated by construction of new or expansion of existing Navy or Marine Corps activities. Such projects are also vital for relocation of highways to satisfy airway-highway or explosive-clearance criteria. Highways located within the boundaries of a military reservation are not eligible for financing from these funds, nor are projects in the Federal Aid

Primary Systems usually eligible although exceptions may occur for cases such as requirements for special vehicles usage or for weapons safety. In many instances, costs incurred are shared with local or state governments, in which case the access roads may, thereby, become part of the state or local system. The Navy budgets funds each year in the military construction appropriation for access roads, which are authorized in 23 U.S. Code 210. When an access road is certified for construction, funds are transferred to the Federal Highway Administration, United States Department of Transportation, which assures compliance with requirements of law and executes the program, principally through state and local highway agencies. When the funds are transferred, there is no further Navy responsibility. Reports on the status of funds are made available through accounting reports provided by the Federal Highway Administration.

c. Minor Land Acquisition.

The Secretary of the Navy, under 10 U.S. Code 2672, is authorized to procure land or easements when the cost is not more than \$500,000 per parcel (exclusive of administrative costs and deficiency judgments) and when he or his designee determines that it is needed in the interest of national defense. This authority does not permit the acquisition, as part of the same project, of two or more contiguous parcels of land that together, cost more than \$500,000. Under 10 U.S. Code 2672a and 2673, the Secretary is permitted to pay for this additional land from either construction or operating funds.

d. Urgent Land Acquisition.

Under 10 U.S. Code 2672a, the Secretary of the Navy, when consideration of urgency does not permit the delay necessary to include the required acquisition in an annual Military Construction Authorization Act, may make surveys and acquire interest in land (including temporary use) by gift, purchase, exchange of land owned by the United States, or otherwise. The acquisition must be required to maintain the operational integrity of a military installation and needed in the interests of national defense. While the \$500,000 limitation does not apply, any contemplated action must be provided in writing to the Armed Services Committees of the Senate and House of Representatives at least 30 days in advance of any action being taken.

(Change 67)

074502 BUDGET ACTIVITY SUBHEADS

The first subdivision under the appropriation is the budget activity, which is identified in the account structure by a separate subhead. The MCON appropriation four-digit subhead numbering system identifies the following data elements:

First two digits - Administering office

Third digit - Fiscal year program

Fourth digit - Budget activity

(Change 61)

074503 ADMINISTRATION

1. BUDGET AND APPORTIONMENT.

Project proposals are developed by Navy and Marine Corps field activities and submitted via command chain to claimants, who, in turn, submit their command-approved project requests to the Chief of Naval Operations (CNO) for consideration in development of the annual Military Construction Program. Acting as staff on behalf of CNO, the Commander, Naval Facilities Engineering Command (NAVFAC) coordinates the preparation and submission of the appropriation requests for the Military Construction Program to the Office of Budget (FMB) for Departmental budget review. Requests to the Office of the Under Secretary of Defense (Comptroller) (OUSD (C)) for apportionment action for MCON are also prepared by NAVFAC. The request is for the apportionment of all funds.

2. ALLOCATION.

a. General.

The Comptroller allocates the obligational authority for the MCON appropriation to CNO who then suballocates the authority to the Commander, Naval Facilities Engineering Command (NAVFAC). The NAVFAC Comptroller allocates sufficient funds to each Engineering Field Division (EFD) to finance its construction program requirements. The amount allocated to each EFD is in total for the division and is subdivided for control purposes at budget activity or appropriation subhead levels.

b. Reprogramming.

Reprogramming of military construction projects must be submitted to the House and Senate Military Construction Appropriations Subcommittees for approval, if the revised cost estimate exceeds the old by 25 percent or \$2.0 million, whichever is less. The Department must submit the reprogramming request for approval to each subcommittee 30 days prior to the date on which action is required. No additional funds may be added to a project for which a reprogramming has been approved by the subcommittees without again requesting prior approval of each subcommittee. Approval will be obtained by formal reprogramming requests, which require processing through CNO/FMB/OUSD (C)/OMB to the Congress. This requirement

applies regardless of the fiscal year of the authorization or appropriation. Cost increases that exceed current or past reprogramming thresholds due solely to final settlement of contractor claims do not require approval prior to reprogramming. Any project being completed in its entirety with funds that are no longer available for incurring new obligations will not be subject to reprogramming thresholds. Project increases, in this case, are allowable only for valid upward price adjustments that exclude any work not in the scope of the original contract. See par. 074500-3 for congressional and statutory limitations. Under current procedures, 25 percent of the total amount authorized for minor construction may be reprogrammed into the minor construction account. In addition, under the Appropriation language, funds may be reprogrammed into planning and design. Both actions require congressional approval as discussed above.

3. EXECUTION.

a. Program-Year Concept.

The MCON appropriation is controlled on a program-year and construction project basis. A program-year consists of all programs budgeted and approved for funding a specific budget year. Within scope of program, cost changes are funded from the program year account under which the basic transaction occurred.

b. Analysis of Unliquidated Obligations.

Each funds administering office will conduct a continuous program of analyzing and validating unliquidated obligations, continuing those which are essential, and expeditiously terminating those which are not essential. Additional information is provided in the current issuance of NAVCOMPTINST 7040.37B.

(Change 64)

Section II: MILITARY CONSTRUCTION, NAVAL RESERVE

074520 SCOPE

1. GENERAL.

The Military Construction, Naval Reserve (MCNR) appropriation provides for the establishment or development of facilities for the training and administration of the Reserve Forces of the Navy and Marine Corps, including projects programmed for construction on land that is not in the inventory of the Department of Defense. Each new construction project must be a single undertaking which includes the cost of all construction work to produce a complete and usable facility. Similarly, a construction

project for an existing facility must produce a complete and usable improvement.

2. APPROPRIATION LANGUAGE.

The Department of Defense Military Construction Act provides language for MCNR as follows:

"For construction, acquisition, expansion, rehabilitation, and conversion of facilities for the training and administration of the reserve components of the Navy and Marine Corps as authorized by Chapter 1803 of Title 10, United States Code, and Military Construction Authorization Acts, \$ _____, to remain available until September 30, 20 ____."

3. LIMITATIONS.

a. Authorizing Legislation.

As specified in 10 U.S. Code 114, authorizing legislation is required for the Navy and Marine Corps military construction program. Accordingly, the annual appropriations request is presented on a program year basis for projects which may reasonably be expected to start during the budget year and for which authorization is requested concurrently.

b. Time Limitations.

The MCNR appropriation is a multiple-year appropriation to remain available for obligation for 5 fiscal years. Each fiscal year appropriation enacted is considered separate and discrete. Construction projects may be split-funded among different fiscal years' appropriations, provided that the funds used are available for military construction projects and the total obligations for a project are consistent with the total amount appropriated for that project.

(Change 62)

074521 STRUCTURE AND CONTENT

1. GENERAL.

The Military Construction, Naval Reserve appropriation is divided into three budget activities. The Major Construction budget activity is further divided into projects for which funds have been budgeted.

2. BUDGET ACTIVITY 1, MAJOR CONSTRUCTION.

This budget activity provides funds for the acquisition of land and for construction of individual military projects, as authorized. The construction project description is for a single undertaking, which includes the cost of all construction work to produce a complete and usable facility.

Similarly, the description of a construction project for an existing facility includes all costs necessary to produce a complete and usable improvement, conversion, and rehabilitation.

3. BUDGET ACTIVITY 2, MINOR CONSTRUCTION.

a. General.

This budget activity provides funds for projects within a cost not to exceed \$1.5 million and not otherwise provided by law. A minor construction project is a single undertaking at a military installation, which includes all construction work, land acquisition, and installation of equipment necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility. If a minor construction project funded in the military construction appropriation is to correct a deficiency that is life, health or safety threatening, the project may have an approved cost of not more than \$3 million. Paragraph 3d addresses minor construction projects funded in the operation and maintenance accounts.

b. Approval Levels.

The Committees on Armed Services and on Appropriations of the Senate and House of Representatives must be notified in writing of the intended execution of all unspecified minor construction projects costing over \$750,000. The project may be carried out only after the end of a 21-day period, beginning on the date notification is received by Congress, unless an objection has been made. Such notice applies only to unspecified minor construction projects and is not required for projects specifically authorized and appropriated by Congress. For projects which cost \$750,000 or less, approval authority has been delegated to the Chief of Naval Reserve and the Commanding General, Fourth Marine Division. Projects which cost \$750,000 or less are eligible for financing from appropriations available for operation and maintenance. Approval authority for this category of minor construction has been delegated to the major claimants.

c. Cost Increases.

The approved amount for a minor construction project may not be increased above \$1.5 million without the approval of the Military Construction Subcommittees of the Appropriations Committees of the House and Senate. Congressional approval is required if the project costs go above \$1.5 million, because in effect, the project moves from a minor construction project to a major construction project at this dollar threshold and reprogramming action is required to approve the resulting major construction project.

d. Operation and Maintenance Limitation.

Projects approved at a cost of \$750,000 or less and undertaken within the authority for appropriations available for operation and maintenance to finance minor construction projects are constrained in total cost by 10 U.S. Code 2805(c). Accordingly, if during execution it appears that an approved project will exceed the limitation, no work may proceed which will create obligations of the Government in an amount in excess of the limitation. Immediate notification to CNO or CMC is required in order to obtain necessary authorization, dependent upon the revised estimated cost. Title 10 U.S. Code 2805(c)(1)(A) increased the threshold to \$1.5 million for projects to correct a deficiency that is life, health or safety threatening.

4. BUDGET ACTIVITY 3, PLANNING AND DESIGN.

This budget activity finances the necessary design of construction projects, including engineering, plans and specifications, and land appraisals, to develop the most economical engineering solution for facility requirements in advance of submission of proposed major and minor construction projects to the Congress. Since costs for design are excluded from construction project cost estimates, the work to be financed is budgeted on a program year basis starting with 1 October of each fiscal year.

(Change 67)

074522 BUDGET ACTIVITY SUBHEADS

The first subdivision under the appropriation is the budget activity, which is identified in the account structure by a separate subhead. The MCNR appropriation four-digit subhead numbering system identifies the following data elements.

First two digits - Administering office

Third digit - Fiscal year program

Fourth digit - Budget activity

(Change 62)

074523 ADMINISTRATION

1. APPORTIONMENT.

Project proposals are developed by Navy and Marine Corps field activities and submitted via command chain to claimants, who, in turn, submit their command-approved projects requests to the Chief of Naval Operations (N095) for consideration in development of the annual Military Construction Reserve Program. N095 coordinates the preparation and

submission of the appropriation request for the Military Construction Reserve Program to the Office of Budget (FMB) for Departmental budget review. Requests to the Office of the Under Secretary of Defense (Comptroller) (OUSD (C)) for apportionment action for MCNR are prepared by the Commander, Naval Facilities Engineering Command (NAVFAC).

2. ALLOCATION.

a. General.

The Comptroller allocates the obligational authority for the MCNR appropriation to CNO who then suballocates the authority to NAVFAC. The NAVFAC Comptroller allocates and assigns sufficient funds to each Engineering Field Division (EFD) to finance its construction program requirements.

b. Reprogramming.

All MCNR construction project and minor construction project reprogramming requests must be submitted to the House and Senate Military Construction Appropriations Subcommittees for approval, if the revised cost estimate exceeds the old by 25 percent or \$2.0 million, whichever is less. The DON must submit the reprogramming request for approval to each Subcommittee 30 days prior to the date on which action is required. A formal reprogramming request must be prepared for each request submitted to Congress. Details on these reprogramming changes are provided in par. 074503 and are applicable to the MCNR appropriation.

3. EXECUTION.

a. Program-Year Concept.

The MCNR appropriation is controlled on a program-year and construction project basis. A program-year consists of all programs budgeted and approved for funding in a specific budget year. Within scope of program, cost changes are funded from the program year account under which the basic transaction occurred.

b. Analysis of Unliquidated Obligations.

Each funds administering office will conduct a continuous program of analyzing and validating unliquidated obligations, continuing those which are essential, and expeditiously terminating those which are not essential. Additional information is provided in the current issuance of NAVCOMPTINST 7070.37B.

(Change 64)

Section III:
FAMILY HOUSING, NAVY AND MARINE CORPS

074540 SCOPE

1. GENERAL.

The Family Housing, Navy and Marine Corps appropriation provides for the construction of new housing; construction of mobile home parks; improvement of existing housing and related projects; architectural and engineering services and construction design; and operation and maintenance of family housing and related facilities. The appropriation also provides for leasing of family housing, payments for early termination of rental guarantee agreements, and the off-base housing referral service.

2. APPROPRIATION LANGUAGE.

The Department of Defense Military Construction Act provides language for Family Housing, Navy and Marine Corps as follows:

"For expenses of family housing for the Navy and Marine Corps for construction, including acquisition, replacement, addition, expansion, extension and alteration and for operation and maintenance, including debt payment, leasing, minor construction, principal and interest charges, and insurance premiums, as authorized by law, as follows: for Construction, \$____; for Operation and Maintenance, and for debt payment, \$____; in all, \$____: Provided, That the amount provided for construction shall remain available until September 30, 20____."

3. LIMITATIONS.

Funds appropriated for the activities within the major category of construction are multiple-year funds and remain available for obligation for 5 fiscal years. The limitations are identical to the MCN limitations described in par. 074500.3. Funds appropriated for the operation and maintenance of family facilities and for payment of family housing debt are annual funds and subject to the same limitations governing other annual appropriations.

(Change 58)

074541 STRUCTURE AND CONTENT

1. GENERAL.

Within the Family Housing, Navy and Marine Corps appropriation, funds are provided for the major categories of construction, operation and maintenance and debt payment.

2. CONSTRUCTION.

a. New Construction.

New construction (by installation and project) provides for the erection, installation, assembly, relocation, or replacement of single or multifamily dwelling units; related land acquisition, site preparation, excavation, filling and landscaping, or other land improvements; the initial outfitting during construction of a dwelling unit with fixtures and other equipments which are either integral components or movable items of major equipment thereof, including major appliances. It also includes the construction of trailer court facilities and of new non-dwelling buildings directly associated with family dwelling units or a family housing area; roads, driveways, walks, and utility systems which primarily serve the family housing units; and community facilities which are integral to a family housing area and are available for use only by family housing area residents and their house guests. Construction amounts authorized include the cost of shades, screens, ranges, refrigerators, and all other installed equipment and fixtures, supervision, inspection, overhead, site preparation, installation of utilities, and ancillary supporting facilities.

b. Acquisition of Housing.

Acquisition of housing (by installation and project) includes acquisition of housing projects through purchase of the sponsor's equity and the acquisition of utility distribution systems and personal property associated with those dwelling units.

c. Post Acquisition Construction.

Post acquisition construction includes construction projects for the following purposes:

- (1) upgrading substandard family housing to produce adequate family housing;
- (2) upgrading acquired housing units to produce adequate family housing;
- (3) conversion of existing facilities to family housing;
- (4) alterations-additions, expansions, extensions;
- (5) construction of family housing real property other than dwelling units required subsequent to and because of previously acquired dwelling units;
- (6) energy conservation investments;
- (7) replacements;

(8) restorations of dwelling unit or other family housing real property facilities damaged or destroyed.

d. Architectural and Engineering Services and Construction Design.

Architectural and engineering services include design, working drawings, specifications and estimates for both new construction and post acquisition construction projects.

e. Rental Guarantee Payments.

Rental guarantee payments provide for payments which become due under rental guarantees to sponsors of family housing projects built in foreign countries for use by Defense personnel.

3. OPERATION AND MAINTENANCE.

a. Operation.

Operation provides for the initial outfitting, maintenance, repair and replacement of furnishings, including furniture, movable household equipment and miscellaneous items, except for the issue of movable household equipment included as initial outfitting during construction. It also provides for utility services, except telephone service; other services such as refuse collection and disposal, custodial services, insect and rodent control, snow removal, handling and moving of Government-owned furniture and movable equipment, and police and fire protection; other direct and indirect administrative and support-type services at installation level such as assistance in locating and inspecting privately owned family housing for DoD personnel, family housing requirements surveys, preliminary family housing studies or engineering construction plans made prior to USD (C) project approval, or work performed in the installation engineering or public works office, housing office, and the administrative offices in direct support of family housing. It also includes inspection of construction and administration of rental guarantee projects and the leasing of family housing facilities by the Government.

b. Maintenance of Real Property Facilities.

Maintenance of real property facilities includes maintenance and repair of buildings, roads, driveways, walks, exterior and interior utility systems, grounds care, and maintenance, repair, and replacement of fixtures and other equipment which are integral components of a housing unit. It also includes projects for incidental alterations and additions-expansions-extensions, performed under the authority of 10 U.S. Code 2805.

c. Reimbursements (Operation and Maintenance).

Collections for rents and services are utilized within the Family

Housing, Navy and Marine Corps account to defray operation and maintenance expenses in accordance with applicable statutes. Collections are received for:

- (1) rental of housing including Government furniture if provided;
- (2) sale of utilities and services;
- (3) collections from non-Department of Defense Federal Agencies;
- (4) leasing of non-excess family housing property;
- (5) loss or damage to family housing units;
- (6) rental of Capehart housing units which the Government has a right, title, or interest.

d. Servicemen's Mortgage Insurance Premiums.

Program provides for payment of mortgage insurance premiums for housing mortgages purchased by active duty military personnel. Processing of new applications stopped in FY 1980, however, program is still available for mortgages assumed prior to FY 1980 by active duty military personnel.

(Change 62)

074542 ADMINISTRATION

1. APPORTIONMENT AND ALLOCATION.

The initial request for apportionment of funds and financial authority is submitted to the OASN (FM&C) for review and subsequent submission to the Office of the Under Secretary of Defense (OUSD (C)), for approval and apportionment from the Office of Management and Budget. OUSD (C) issues specific financial authority to the Secretary of the Navy for the Navy and Marine Corps family housing program. The OASN (FM&C) allocates specific financial authority to the Commander, Naval Facilities Engineering Command (NAVFAC), as administering office, who in turn passes financial authority to be executed as follows:

Construction - Financial control, jurisdiction and responsibility for funds passed to the respective Engineering Field Division (EFD) by Allocation of Funds (NAVFAC Form 10-7300/7);

Operation and Maintenance - NAVCOMPT Form 372 issued to the EFD'S; Work Request (NAVCOMPT Form 2275) issued in turn to each activity having management responsibility for the operation and maintenance of family housing; Request for Contractual Procurement (NAVCOMPT Form 2276); or Project Order (NAVCOMPT Form

2275) also issued, as appropriate;

Debt Payment - Allotment/Suballotment Authorization (NAVCOMPT Form 372) issued to the Deputy Director of Programs and Comptroller, NAVFAC.

2. EXECUTION.

a. Construction.

(1) New Construction. Reprogramming criteria for all new family housing construction projects, repair, and improvement projects should be consistent with the new requirements for military construction projects. All improvement projects over \$1.5 million are to be included in this procedure. If the new cost estimate exceeds the old by 25 percent or \$2.0 million, whichever is less, the Department must submit a reprogramming request for approval to both the House and Senate Military Construction Appropriations Subcommittees. However, the requirement for reprogramming approval will be waived in certain cases involving costs associated with environmental hazard remediation. (The following guidance was provided in U.S. Senate Report 103-312: "To provide the individual services the flexibility to proceed with construction contracts without disruption or delay, the costs associated with environmental hazard remediation such as asbestos removal, radon abatement, lead-based paint removal or abatement, and any other legislated environmental hazard remediation may be excluded, provided that such remediation requirements could not be reasonably anticipated at the time of budget submission. This exclusion applies to projects authorized in the budget year as well as projects authorized in prior years for which construction contracts have not been completed.") The request must be prepared by OASN (FM&C) and submitted 30 days prior to the date on which action is required. Additional details on Congressional funding and reprogramming limitations that apply to the Family Housing appropriation are provided in pars. 074500 and 074503.

(2) Post Acquisition Construction and Improvements. All improvement projects costing over \$1.5 million in which the new cost estimate exceeds the old by 25 percent or \$2.0 million, whichever is less, are governed by the reprogramming procedures and criteria for military construction projects. However, the requirement for reprogramming approval will be waived in certain cases involving costs associated with environmental hazard remediation. (The following guidance was provided in U.S. Senate Report 103-312: "To provide the individual services the flexibility to proceed with construction contracts without disruption or delay, the costs associated with environmental hazard remediation such as asbestos removal, radon abatement, lead-based paint removal or

abatement, and any other legislated environmental hazard remediation may be excluded, provided that such remediation requirements could not be reasonably anticipated at the time of budget submission. This exclusion applies to projects authorized in the budget year as well as projects authorized in prior years for which construction contracts have not been completed.") NAVFAC may approve obligation of funds appropriated for improvements for projects not exceeding the amount per unit set forth in the annual Military Construction Appropriations Act, currently \$50,000. The Secretary of the Navy may waive the \$50,000 threshold if he determines, given the useful life of the structure to be improved, the improvements will be cost-effective and 21 days have elapsed from the date that the House and Senate Appropriations and Authorization Committees receive notice of the proposed waiver, together with an economic analysis demonstrating the improvements cost-effectiveness. Approval authority for improvements and restorations are contained in the current issuance of SECNAVINST 11101.72.

b. Operations, Utilities, Maintenance, and Leasing Accounts.

Transfer of any amount in excess of 10 percent among or between the operations, utilities, maintenance and leasing accounts shall be subject to the prior approval of both the House and Senate Military Construction Appropriations Subcommittees. Lower limits to this threshold shall be established by the CNO/CMC and major claimants in issuing operating budgets to the field. Reimbursements may be utilized to defray operation or maintenance expenses within the obligational authority provided, but are limited to the amount of reimbursements earned and collected.

(1) Operations and Maintenance.

The Committees must be notified within 30 days upon transfer of any amount in excess of 10 percent among the budget activities of the operations account. End-of-year obligation rates for the family housing operations and maintenance accounts are limited to no more than 20 percent in the last 2 months of the fiscal year. Total maintenance and repair obligations on each general or flag officer quarters are limited to \$25,000 per year unless specifically reported to Congress. Maintenance and repair expenditures exceeding \$15,000 per unit must be approved by Congress in the budget submission.

(2) Utilities.

A separate account is established for utilities for the express purpose of paying utility bills. This is a separate account for

reprogramming purposes and any reprogramming above threshold must be approved by Congress.

(3) Leasing.

The DON must notify both the House and Senate Military Construction Appropriations Subcommittees of its intention to enter into domestic leases costing over \$12,000 per year at least period of 21 days prior to entering into any such leases. This notification requirement applies to foreign leases costing over \$20,000 per unit per year.

c. General and Flag Officer's Quarters.

(1) Section 128 of the FY 2000 Military Construction Appropriations Act, and Section 8114 of the FY 2000 Department of Defense (DOD) Appropriations Act mandate that the Family Housing, Navy and Marine Corps appropriations are the exclusive source of funding for maintenance and repair of all family housing units, including general and flag officers' quarters (GFOQ). No funding contained in the DOD Appropriations Act may be used for performing repairs or maintenance to family housing units including areas in such units used for the purpose of conducting official DOD business. Specialized communication equipment that is required by the occupant to perform his or her mission is not considered repair maintenance. This type of equipment is primarily for secure communications, but could include a computer, video teleconferencing capability, or other similar requirements. Any costs for infrastructure that is built-in and becomes part of the housing unit, such as wiring or fiber optics associated with the specialized communication equipment, is charged to the Family Housing appropriation. Only the specialized communication equipment and its associated installation costs may be charged to another appropriation. Specialized communication equipment does not include normal telephone requirements.

(2) Section 127 of the FY 2002 Military Construction Appropriations Act mandates that not more than \$35,000 per unit may be spent annually for the maintenance and repair of GFOQ without 30 days advance prior notification of the appropriate committees of Congress.

(3) Section 127 of the FY 2002 Military Construction Appropriations Act also requires an annual report to the Congress. Guidance governing submission of this annual report is contained in the DOD Financial Management Regulation, Volume 2B, Chapter 6.

3. SOURCE DOCUMENT.

For further information related to the subject covered by this paragraph, see the current issuances of NAVCOMPTINST 7100.39 and SECNAVINST 11101.72.

(Change 67)

Section IV: BASE REALIGNMENT AND CLOSURE

074560 SCOPE

1. GENERAL.

As established by P.L. 100-526 and P.L. 101-510, the Base Realignment and Closure (BRAC) appropriations provide funding for the implementation of realignments and closures identified by the Defense Base Realignment and Closure Commission. These appropriations finance primarily one-time, non-routine operating and investment costs that are directly attributable to carrying out a closure or realignment. Base Closure funds are solely for the purposes of closing or realigning activities under the appropriate Base Closure legislation.

2. APPROPRIATION LANGUAGE.

The Department of Defense Military Construction Appropriations Act provides language for BRAC as follows:

a. Base Realignment and Closure Account, Part I.

"For deposit into the Department of Defense Base Closure Account established by section 207(a)(1) of the Defense Authorization Amendments and Base Closure and Realignment Act (Public Law 100-526), \$ _____ to remain available for obligation until September 30, 19__ : Provided, That none of these funds may be obligated for base realignment and closure activities under Public Law 100-526 which would cause the Department's \$1,800,000,000 cost estimate for military construction and family housing related to the Base Realignment and Closure Program to be exceeded: Provided further, That not less than \$ _____ of the funds appropriated herein shall be available solely for environmental restoration."

b. Base Realignment and Closure Account, Part II.

"For deposit into the Department of Defense Base Closure Account 1990 established by section 2906(a)(1) of the Department of Defense Authorization Act, 1991 (Public Law 101-510), \$ _____ to remain available until expended: Provided, That not less than \$ _____ of the funds appropriated herein shall be available solely for environmental

restoration: Provided further, That, in addition, not to exceed \$ _____ may be transferred from 'Homeowners Assistance Fund, Defense' to 'Base Realignment and Closure Account, Part II', to be merged with, and to be available for the same purposes and the same time period as that account."

c. Base Realignment and Closure Account, Part III.

"For deposit into the Department of Defense Base Closure Account 1990 established by section 2906(a)(1) of the Department of Defense Authorization Act, 1991 (Public Law 101-510), \$ _____ to remain available until expended: Provided, That not less than \$ _____ of the funds appropriated herein shall be available solely for environmental restoration, unless the Secretary of Defense determines that additional obligations are necessary for such purposes and notifies the Committees on Appropriations of both Houses of Congress of his determination and the reasons therefore."

d. Base Realignment and Closure Account, Part IV.

"For deposit into the Department of Defense, Base Closure Account 1990 established by section 2906(a)(1) of the Department of Defense Authorization Act, 1991 (Public Law 101-510, \$ _____, to remain available until expended: Provided, That not more than \$ _____ of the funds appropriated herein shall be available solely for environmental restoration, unless the Secretary of Defense determines that additional obligations are necessary for such purposes and notifies the Committees on Appropriations of both Houses of Congress of his determination and the reasons therefore."

3. LIMITATIONS.

a. Authorizing Legislation.

Pursuant to 10 U.S. Code 114, the program financed by the BRAC appropriations, which are included in the Military Construction Appropriations Act, must first be approved through authorizing legislation.

b. Time Limitations.

Funds appropriated to the BRAC accounts are issued as no-year appropriations, and are available to carry out all BRAC closures and realignments. Note, that all closures and realignments are to be complete no later than the end of the six-year period beginning on the date on which the President transmitted the report to Congress containing the recommendations for such closures and realignments. The recommendations of the 1995 Commission were transmitted by the President on 13 July 1995. Therefore, after 13 July 2001, funds in the DoD Base Closure Account 1990 shall be available only to incur

new obligations for environmental restoration, property management and disposal, and other caretaker costs at closed or realigned installations and for the purpose of recording, adjusting and liquidating obligations properly chargeable to the account under Title 31, U.S. Code, Section 1553.

(Change 67)

074561 STRUCTURE AND CONTENT

1. GENERAL.

The Base Realignment and Closure (BRAC) appropriation is divided into categories in order to provide a means for budget formulation and execution of the appropriation. The following paragraphs briefly describe the categories within the BRAC appropriation.

2. MILITARY CONSTRUCTION.

This category provides for the construction of new facilities, the construction of improved/rehabilitated facilities, conjunctively-funded construction, minor construction, acquisition of land, and planning and design. These costs will be identified by project and will be specifically budgeted against the BRAC appropriation.

3. FAMILY HOUSING.

This category provides for Family Housing construction, planning and design, and Family Housing operations. The construction portion finances construction of new housing units, construction of improved/rehabilitated housing units, and acquisition of land. The operations portion finances one-time costs for services, utility projects, and maintenance.

4. ENVIRONMENTAL.

This category provides for environmental studies, compliance, and installation restoration. Environmental studies are prepared at closing, realigning, and receiving sites to comply with the National Environmental Policy Act (NEPA) and other related environmental laws. Environmental compliance includes those non-routine and non-recurring actions required to carry out a closure or realignment and which are necessary to achieve compliance with Federal, State and Local environmental laws, regulations, and enforceable agreements. Environmental installation restoration, for the closing installation, is for efforts that would normally be funded through the Defense Environmental Restoration Account (DERA) program, to include investigation and cleanup of contamination from hazardous substances, pollutants, and contaminants associated with past operations.

5. OPERATION AND MAINTENANCE.

This category provides funding for civilian severance pay; civilian Permanent Change of Station (PCS); property/facility layaway; transportation of things; real property maintenance; program management; real estate disposal; caretaker costs; BOS extraordinary overhead fluctuations; other one-time implementation costs and land sales costs. For realigning or closing activities, this category also finances operation and maintenance type costs normally funded by the Navy Working Capital Fund (NWCF), and Nonappropriated Funds (NAF).

6. MILITARY PERSONNEL.

This category provides only for Permanent Change of Station moves that are directly related to closure or realignment actions.

7. OTHER.

This category finances investment items normally funded from procurement or other funds, including NWCF capital purchases. This category includes procurement costs and operation and maintenance type costs at activities normally funded with Research, Development, Test and Evaluation, Navy (RDT&E,N).

8. HOMEOWNER'S ASSISTANCE PROGRAM (HAP).

This category provides some monetary relief for eligible federal personnel, both military and civilian, faced with losses on the sale of their primary residence as a result of the closure of an installation, in whole or in part. The U.S. Army Corps of Engineers is the program administrator and determines whether a housing market is depressed, creating the potential for financial loss exists due to the sale of a home given market trends.

9. LAND SALES REVENUE.

This category identifies preliminary estimates of revenue to be collected based on assumptions that land will be sold at fair market value unless a valid McKinney Act request, reversion clause, or other initiative preempts sale of property. The proceeds resulting from the transfer or disposal of property or facilities due to the BRAC process shall be deposited as a reimbursement into the BRAC account, which is available to the DON.

(Change 64)

074562 BUDGET FORMULATION

1. GENERAL.

Base closure costs will be budgeted in one of the categories listed in paragraph 074561 based on the purpose for which the funds are to be used and the existing thresholds governing other Department of the Navy

(DON) appropriations, i.e., major construction, minor construction, and expense/investment thresholds.

2. CONSOLIDATION OF REQUIREMENTS.

The host of the realigning or closing installation is responsible for coordination and consolidation of all budget data for the affected installation including costs of all affected tenant activities, to include other commands, Services, Defense Agencies, the Defense Health Program, Reserve components and nonappropriated fund activities.

3. BUDGET SUBMISSIONS.

Budget estimates are developed by Navy and Marine Corps host activities (including tenants) and are submitted via the chain of command to major claimants, who, in turn, submit their command-approved budget requests to the Chief of Naval Operations (CNO) for consideration in development of the annual Base Realignment and Closure (BRAC) program. Acting on behalf of the CNO, the Deputy Chief of Naval Operations (Logistics), Director of Shore Activities Division (N44), coordinates the preparation and submission of the appropriation requests for the BRAC program to the Office of Budget (FMB) for Departmental budget review.

4. FUNDING SOURCES.

The BRAC account is the primary source of funding for activities that are closing or realigning under the BRAC legislation, however, operation and maintenance funds, to include operations funds for Research and Development activities, are also available if BRAC funds are unavailable (see paragraph 074563). The chart below displays the appropriate source of funding for activities impacted by base closure.

FUNDING RESPONSIBILITES

<u>TYPE OF COST</u>	<u>DIRECT FUNDED ACTIVITY*</u>	<u>NWCF FUNDED ACTIVITY</u>
<u>After Closure Announced</u>		
Mission work	O&M/R&D	NWCF
BOS	O&M/R&D	NWCF or O&M/R&D (tenants)
Specific base closure costs	BRAC or O&M/R&D	BRAC or O&M/R&D
Operating losses	N/A	NWCF rates or O&M pass through

After Mission Ceases

BOS	BRAC or O&M/R&DBRAC or O&M/R&D
Specific base closure costs	BRAC or O&M/R&DBRAC or O&M/R&D

After Operational Closure

Caretaker	BRAC or O&M/R&DBRAC or O&M
-----------	----------------------------

* O&M funding equates to O&MN, O&MNR, O&MMC, O&MMCR, and RDT&EN, as applicable. The source of operations funding is determined by the appropriation that normally funds BOS costs.

(Change 64)

074563 FINANCIAL POLICY

1. DIRECT FUNDED ACTIVITIES.

After a base ceases performance of its assigned mission (mission cease date), direct funded activities will continue to incur Base Operating Support (BOS) costs and the Naval Facilities Engineering Command (NAVFAC) will incur caretaker costs caused solely by the requirement to remain open to complete the closure process. Since these BOS and caretaker costs are solely attributable to the base closure process, they are considered costs of base closure and are funded from funds available for base closure.

2. NAVY WORKING CAPITAL FUND (NWCF).

The cost of closing or realigning NWCF activities must be funded with appropriations available for base closure. Closure and realignment efforts are not among the purposes authorized to be financed through the NWCF, so neither NWCF funds nor general cost recovery procedures may be used to finance specific closure costs. Closure costs for NWCF activities may not be accumulated on locally established orders for subsequent reimbursement with base closure funds. Accordingly, closing or realigning NWCF activities must cite non-program job orders supported by funds available at the activity for base closure efforts in advance of obligation.

a. Allowable costs.

Costs to be chargeable as base closure or realignment for NWCF activities generally equate to those definitions established for direct, mission-funded activities. In contrast to direct funded activities, however, employees of the closing or realigning NWCF activity may, when it is to the Government's benefit, perform base closure functions

and charge funds available for base closure for such costs. However, stabilized rates or other fully-burdened rates are not to be used. Instead, rates on which costs are recovered should be based on actual labor and other costs which are specifically incurred for base closure efforts.

b. Available appropriations.

While a closing NWCF activity is continuing to perform work for customers, it must distinguish between specific base closure costs and NWCF operating costs. During this phase of continuing business operations, the activity will continue to be a NWCF-financed activity, and consider all non-BRAC costs as NWCF operating costs unless specifically categorized as not being in support of producing goods or services for customers. A NWCF activity reaches its mission cease date when the activity has completed its final assigned customer work. Once this has occurred and the activity is no longer incurring direct or indirect costs related to its NWCF mission, the activity ceases to be a NWCF activity and all obligations incurred from that time, including caretaker costs, are considered costs of base closure and are funded from funds available for base closure. These costs should not be reported as part of NWCF operating results.

c. Operating losses.

Operating losses that can no longer be financed through rates, because there is no longer new customer work, will be financed as a pass-through from the Operation and Maintenance (O&M) account of the management command in the year the rates would normally have been adjusted.

3. IMPLEMENTATION COSTS FUNDED BY OTHER APPROPRIATIONS.

The BRAC appropriations are the primary source of funding for all non-recurring costs necessary to close or realign any military installation specified in the BRAC Commission actions. In addition to funds provided through a BRAC appropriation, authority also exists to cite funds appropriated to the Department of the Navy (DON) for use in planning and design, minor construction, or operation and maintenance. Accordingly, if there is insufficient BRAC funding available at a claimancy, the appropriate portions of the following appropriations may be used for base closure costs: Operation and Maintenance appropriations, Military Construction appropriations, Family Housing, Navy and Marine Corps, and Research, Development, Test and Evaluation, Navy. However, the BRAC appropriations are the only source of funding for some closure and realignment costs, including environmental restoration, procurement, military personnel permanent change of station, and major construction requirements. This guidance

applies to both direct funded and Navy Working Capital Fund (NWCF) activities.

4. NONAPPROPRIATED FUND (NAF) ACTIVITIES.

All NAF activities undergoing base closure actions are authorized base closure funding and may compete with all other DON programs for funding from the BRAC account. Included are costs affecting nonappropriated funded personnel, such as civilian severance pay, civilian permanent change of station, outplacement assistance, and transportation of things, which are the direct result of base closure decisions. This does not preclude NAF funds from augmenting base closure funds for any costs resulting from base closure actions. NAF BRAC requirements may also be augmented with appropriated funds of the management command, as identified in subparagraph 3, for closure costs that are comparable to those of direct-funded activities.

5. ADVANCE PLANNING.

Prior to the completion of the statutory Base Closure Commission process, no action can be taken to carry out a proposed base closure effort. However, advance planning that is within the current scope and responsibilities of normal continuing government business for bases that are included in the list provided to the Congress by the President may be funded by the regular appropriation that normally finances the effort. The associated costs should not be reported as BRAC costs. In other words, no BRAC funds may be used to fund any closure or realignment efforts prior to Congressional approval of the recommendations.

(Change 64)

074564 BUDGET ACTIVITY SUBHEADS

The Base Realignment and Closure (BRAC) appropriations are appropriated to the Department of Defense (DoD) who subsequently allocates these funds to the Department of the Navy (DON). The DON uses different subheads than those used by DoD in order to better track obligations and expenditures. The first subdivision under the appropriation is the subhead. The BRAC appropriations four-digit subhead numbering system identifies the following data elements:

For STARS users:

First digit - Major Claimant Identifier (MCI)

Second digit - Navy Program Code (NPC)

Last two digits - for claimant use

For other system users (including STARS-FL, NASCAM, FRAM):

First two digits - Major Claimant Identifier (MCI)

Third digit - Navy Program Code (NPC)

Fourth digit - for claimant use

(Change 64)

074565 ADMINISTRATION

The Office of the Under Secretary of Defense (Comptroller) (OUSD (C)) apportions all BRAC funds and prepares and issues the funds authorization through the Washington Headquarters Service to the Department of the Navy, via a "Fund Authorization" (SD Form 477). FMB allocates all BRAC funds to major management commands and the Commandant of the Marine Corps (CMC) on a "Program/Fund Allocation" (NAVCOMPT Form 2058). The allocation provides obligational authority by specific BRAC Commission, fiscal year and category, and is subject to the limitation provision of 31 USC 1517. The major management commands and CMC subsequently provide allotments to the closing or realigning activities. Obligations must be reported by separate program year. Any requirement to realign funds between categories must receive prior approval and be documented in a revised allocation document from FMB.

(Change 64)

PART G: REVOLVING AND MANAGEMENT FUNDS

Section I: NAVY WORKING CAPITAL FUND

074600 SCOPE

1. GENERAL.

As authorized by 10 U.S.C. 2208, the Under Secretary of Defense (Comptroller) (USD(C)) reorganized the Defense Business Operations Fund (DBOF) into working capital funds for the Army, Navy, Air Force, the Defense Commissary Agency, and Defense-wide. The Navy Working Capital Fund (NWCF) essentially combines the business areas managed by the Navy and Marine Corps into a single revolving fund. Criteria for inclusion of a business area in the NWCF are: the goods and services (outputs) produced by the business area have been identified; costs of the business area can be related to these outputs; and the customers of the business area have been identified.

2. FUND MANAGEMENT.

All cash, functional, and cost responsibilities are managed by the applicable major command within the DON. Prices for outputs produced in a business area are the responsibility of the managing command and are set, in the form of stabilized rates, to recover costs over the long term. Individual business activities concentrate on managing these costs rather than on the level of cash available. Profits, when they occur, are returned to customers through lower rates in subsequent years, while losses are recouped through increased rates in subsequent years.

3. UNBUDGETED DEPOT MAINTENANCE AND CENTRAL DESIGN AGENCY GAINS AND LOSSES.

Unbudgeted depot maintenance and central design agency operating gains and operating losses of \$10 million or more per activity group are returned to or recouped from the customers, as appropriate. This recoupment or return will occur via rate adjustment in the current fiscal year, or in the subsequent quarter of the next fiscal year in the case of fourth quarter gains or losses. This rate adjustment will increase financial discipline, encourage depot commanders to implement cost controls more rapidly, provide the right incentives to set rates correctly in the budget, eliminate the routine use of advance billing to cover execution losses, and improve operational efficiency.

4. UNIT COST.

The unit cost, or cost per output, concept has been established for business areas within the NWCF. Unit cost goals are established by the USD(C) and passed, via the chain of command, to each NWCF activity. These goals are to be used as a control mechanism and indicator of business efficiency. This cost-oriented approach is designed to encourage management to consider all costs, including overhead, in terms of the output of the business.

(Change 65)

074601 STRUCTURE AND CONTENT

1. GENERAL.

Within the Department of the Navy, NWCF activities operate under USD(C) guidelines for centralized policy and decentralized management. The following paragraphs briefly describe the business areas operated by the Department of the Navy.

2. SUPPLY MANAGEMENT .

The Supply Management business area provides inventory management functions for certain repairable and consumable items, management of overseas Fleet Industrial Supply Centers, and miscellaneous support

functions for ashore Fleet commanders. Prices for items purchased cover the acquisition cost plus the cost of supply operations.

3. DEPOT MAINTENANCE.

The Depot Maintenance business area consists of maintenance, repair, and manufacturing activities. They include three shipyards, three aviation depots, and two Marine Corps depot maintenance activities.

4. RESEARCH AND DEVELOPMENT.

The Research and Development business area consists of multiple centers and laboratories which perform a wide range of research, development, engineering, test, and evaluation support functions. These activities include: the Naval Research Laboratory; the Naval Air Warfare Center, the Naval Surface Warfare Center, the Naval Undersea Warfare Center and the Space and Naval Warfare Systems Centers.

5. BASE SUPPORT.

The Base Support business area is comprised of the Public Works Centers (PWCs) and the Naval Facilities Engineering Center (NFEC). The PWCs provide facility maintenance, utility services, transportation support, engineering services, and shore facilities planning support required by operating forces and other activities. NFEC provides the Navy with specialized facilities engineering and technology support.

6. INFORMATION SERVICES.

The Information Services business area consists of the Fleet Material Support Office and the Naval Reserve Information System Office. These activities provide automated information services and design support.

7. TRANSPORTATION.

The Transportation business area includes the Military Sealift Command (MSC). MSC operates service-unique Naval Fleet Auxiliary Force (NFAF) vessels, primarily civilian manned, which provide material support to the Fleet, Special Mission Ships (SMS), which provide unique seagoing platforms and Afloat Prepositioning Forces (APF) ships, which deploy advance material for strategic lifts.

(Change 65)

074602 BUDGET FORMULATION

1. OPERATING BUDGET.

The operating budget reflects the total annual operating costs/expenses required for a NWCF activity to accomplish its assigned workload, including depreciation or amortization costs for all capital assets benefiting the business area. The operating budget will reflect all

sustainment, restoration and modernization projects on existing facilities as an expense. Major sustainment, restoration and modernization projects will be expensed in the period in which they occur. Expenses reflected in the operating budget will be consistent with the revenue recognition policy discussed in Par. 074603.6.

2. CAPITAL BUDGET.

The capital budget includes depreciable property, plant, equipment, and software developed, manufactured, transferred, or procured for use by NWCF activities with a determinable cost of \$100,000 or more, and having a useful life of two years or greater.

a. Capital assets.

Capital assets include information systems and telecommunications equipment, and software development; other equipment; and minor construction with a value of \$100,000 or more, and having a useful life of two years or greater. The \$100,000 threshold is intended to be consistent with congressional desires on the application of the expense/investment criteria in the appropriated accounts.

Accordingly, determination of expense/investment shall exclude transportation, design, installation, and other related costs. However, these additional costs will be included as part of the total cost of the capital asset identified in the capital budget and will be included in the amount depreciated or amortized over a predetermined period as discussed in Par. 074603.4.

b. Minor Construction.

Minor Construction projects costing \$100,000 or more, but less than \$750,000, will be funded through the capital budget and depreciated. Planning and design costs are considered a capital investment cost that is capitalized by the NWCF activity and financed in the minor construction portion of the capital budget. However, planning and design costs are not included as part of the statutory threshold for minor construction projects.

3. MILITARY CONSTRUCTION.

Military construction projects (i.e., construction projects costing more than \$750,000) will be budgeted and funded through the applicable Military Construction appropriation. However, business areas will include the cost of military construction projects in their capital budget as non-add entries and will fully depreciate such projects in their operating budget.

(Change 67)

074603 FINANCIAL POLICY

1. GENERAL.

The Department of the Navy operates NWCF activities in accordance with the financial policies and procedures contained in the DOD 7000.14-R, Financial Management Regulation, and those established by the DWCF Policy Board.

2. MOBILIZATION/SURGE COSTS AND WAR RESERVE MATERIAL.

Mobilization capability costs include the cost to maintain a surge capacity to procure and maintain approved war reserve material levels, and/or to maintain other assets, functions or capabilities required to meet an operational contingency, as documented in Defense Planning Guidance or operational plans.

- a. Unutilized Plant Capacity (UPC) represents costs associated with maintaining facilities to meet necessary surge capacity due to mobilization or war. The cost to maintain this capacity is budgeted in the O&M accounts. UPC costs are not to be included in the DWCF rate structure.
- b. War reserve material purchases are funded through a direct appropriation to the NWCF or after notification to Congress. Appropriated amounts for such secondary items are to be reflected as a separate goal within the Supply Management Business Area Annual Operating Budget.

3. MILITARY PERSONNEL COSTS.

The cost of military personnel assigned to NWCF activities will be included in the total cost of operations of NWCF activities at civilian equivalent rates and reflected in the stabilized rates charged to customers. This policy is based on the concept of total costing, which is designed to ensure that the total cost of producing products and services is being identified to both NWCF activities and customers. The amount expensed for military personnel by NWCF activities and the amount reimbursed to the appropriate military personnel appropriation will be the same as the amount budgeted. The budget amount will equal the average strength, calculated based on the average fill rate for the three prior years, multiplied by the civilian equivalency rate for each grade. No adjustments will be made to the NWCF cost of operations to reflect the actual cost of military personnel employed by NWCF activities.

4. DEPRECIATION/AMORTIZATION COSTS FOR CAPITAL ASSETS.

All capital assets owned by activities in the NWCF will be capitalized and depreciated or amortized by the individual business area. Additional guidance regarding the treatment of capital assets is provided in DOD

7000.14-R, Financial Management Regulation, Volumes 2A, 2B, 4 and 11B.

a. Responsibility for Capital Assets.

Capital assets owned or used by a NWCF activity in providing customer goods and services must be reflected in the property and financial records of that NWCF activity and depreciated in its operating budget. Depreciation or amortization costs of capital assets should encompass capital asset improvements and leasehold improvements to property acquired under a capital lease. Capital assets include (but are not limited to) physical plant and property (including government owned facilities and property acquired under a capital lease), equipment, and software.

b. Responsibility for Facility Maintenance.

NWCF activities will be the Maintenance UIC in the Naval Facilities Assets Data Base (NFADB) for all NWCF mission related facilities, and all facilities occupied entirely by NWCF personnel. See paragraph 075121. The user who derives economic benefit from the facility should reflect depreciation expenses accordingly in the following cases: NWCF activities who are sole occupants/tenants of government owned facilities or hold capital leases (as opposed to operating leases) on entire buildings and sub-let portions of those buildings; NWCF activities who are joint occupants/tenants of government owned facilities and fall under the following two criteria in descending order of application ---

(1) Businesses/tenants which substantiate preponderant use (via direct labor hours, actual hours, population, square footage, metered output, etc.) of an asset in the production of goods or services for its customers;

(2) Activities which have an exclusive responsibility for the maintenance, repair, upkeep, and replacement of the asset. However, in cases where facilities are owned by a NWCF activity but leased to a non-mission activity, the NWCF activity should not record those depreciation expenses in its operating budget. Facilities have to be used in support of the provision of customer goods and services in order for depreciation expenses to be included in customer rates.

c. Depreciation Criteria.

Capital assets will be depreciated by NWCF activities using a straight-line method. This method is based on the original acquisition cost, or reasonable estimate thereof, including transportation, design, installation and other related costs, less the residual value of an asset. The depreciation schedule is as follows:

(1) General purpose vehicles, ADP (IT) systems and hardware, high tech medical equipment, equipment used in RDT&E, radio and television broadcasting equipment, commercial software, and improvements to 5 year recovery period property (personal property)-5 years;

(2) all other equipment and machinery, and software, improvements to 20 year recovery period property-10 years;

(3) vessels, steam and electrical generation equipment and other utilities, fences, roads, bridges, sewers, ships and railroad wharves and docks, dry docks, fuel storage facilities, etc. and improvements to 40 year recovery period property-20 years;

(4) buildings, hangars, warehouses, fuel storage buildings, air traffic control towers, and other real property structures-40 years.

Refer to DOD 7000.14-R, Financial Management Regulation, Volume 2B Chapter 6 and Volume 4, Chapter 6 for additional information on depreciation.

Assets that are partially depreciated when capitalized to the NWCF shall be depreciated for the remaining cost over the remaining useful life. Assets that are older than the criteria provided above will be considered fully depreciated. For new acquisitions, depreciation will commence during the year of delivery.

5. RECOVERY OF COSTS.

All business areas are required to set their prices based upon full cost recovery, including general and administrative support provided by others. DOD 7000.14-R, Financial Management Regulation, Volume 2B Chapter 9 provides specific cost recovery guidance.

a. Price Setting.

Prices are established through the budget process and, except for Depot Maintenance operations and Central Design Agent Activity Groups, remain fixed during the year of execution; actual costs are evaluated against revenue generated by workload at established prices; and the financial condition of the business area assessed accordingly. Profits or losses will be determined at the end of the year and will be employed as a basis for evaluating operating efficiency.

b. Rate Stabilization.

Prices for every business area are established for each fiscal year. Once established, these prices are held constant, or stabilized, through program execution. This stabilized rate policy serves to protect customers from unforeseen inflationary increases and other cost uncertainties and to assure customers that they will not have to reduce

programs to pay for potentially higher-than-anticipated prices. This policy also allows NWCF activities to execute programs at the budgeted level and, thus, permits effective utilization of NWCF resources.

c. Accumulated Operating Result.

Prices for the budget year(s) will be set to recover total costs over the long run. This means that prices will be set to achieve an accumulated operating result in the budget year(s) of zero. During budget execution, business areas will have either a positive or negative net operating result. Accordingly, prices in the budget year will be set to either make up actual/projected losses or to give back actual/projected gains in the budget year(s).

6. REVENUE RECOGNITION.

To ensure consistency and comparability within and between business areas, the percentage-of-completion is the only method used for non-supply NWCF activities. DOD 7000.14-R, Financial Management Regulation, Volume 11B, Chapter 61 provides specific revenue guidance by activity group.

7. CUSTOMER MANDATED SCHEDULE CHANGES.

When a job order is cancelled or reduced in scope after a NWCF activity has commenced work or incurred costs on the order, the costs incurred, plus the applied overhead (that is indirect and other normally allocated overhead (G&A) costs), plus costs associated with the cancellation or reduction shall be charged to the customer. Examples of directly associated cancellation or reduction costs to be charged to customers are advance planning costs, non-creditable direct material, special test equipment, necessary preservation and/or shipment effort, and any additional effort necessitated by the cancellation and/or reduction; for example salvaging of material. In addition, costs charged to customers should include the costs of salaries payable to employees hired specifically to work on the cancelled order until the employees are or could have been separated through a reduction in force or other appropriate action (taking into account appropriate administrative lead time), or reassigned to other direct jobs. Costs indirectly associated with the cancellation or reduction actions shall not be charged to the customer. Although normally allocated G&A costs shall be charged to cancelled or reduced customers orders, under-applied overhead costs that may result in a NWCF activity as a whole from a reduced workload base shall not be charged to the customer canceling or reducing an order, but shall be recorded against the net operating results of the performing NWCF activity.

8. MANAGEMENT HEADQUARTERS COSTS.

Costs for discrete NWCF management headquarters organizations, and

parts of organizations that perform NWCF management headquarters functions, should be directly funded by NWCF, if feasible, or reimbursed by NWCF on a pro rata basis. Only significant costs (costs in excess of 1 percent of the total business area cost or \$1 million, whichever is less) should be reimbursed. Significant costs for common support (e.g., counsel or personnel) at organizations partially funded or reimbursed by NWCF (i.e., that have direct NWCF management responsibilities) should also be allocated if feasible.

9. CONTINGENCY OPERATIONS.

a. POLICY.

All NWCF business areas operate on a reimbursable basis. Payment for contingency operations, including deployment or other emergency response for military or humanitarian assistance, is no exception. The command/activity that orders a service from a NWCF activity, including transportation services requested from the United States Transportation Command (USTRANSCOM), must pay for the service. NWCF activities should not accept orders without funding. If the command or activity ordering the service does not have sufficient funds to place an order with the NWCF activity, a request for additional funding should be forwarded to ASN(FM&C) through the chain of command. When a Unified Commander tasks a Navy unit to perform a contingency-related mission, the cost of transportation of that unit and its equipment is the responsibility of the appropriate major claimant.

b. TRANSPORTATION.

1. When USTRANSCOM receives an order from the Joint Chiefs of Staff requiring transportation of non-U.S.-owned equipment or non-U.S. personnel, such as unreimbursed efforts in support of the United Nations. In these instances, the Army will pay costs incurred by the Military Traffic Management Command, the Navy will pay costs incurred by the Military Sealift Command; and the Air Force will pay costs incurred by the Air Mobility Command.
2. Third party collections for transportation provided in response to a Request for Assistance (RFA) from another government agency are prohibited. The major command that controls the equipment or personnel being transported is responsible for reimbursing USTRANSCOM. The command that accepted the RFA is responsible for collecting any required reimbursements due to the Department by the requesting government agency.

10. FOREIGN MILITARY SALES AND NON-FEDERAL CUSTOMERS.

It is the DOD policy to recover all costs associated with work or services provided to foreign military customers and other non-federal

customers, to include the costs of unfunded civilian retirement and post-retirement health benefits. DOD reimbursable rates can be found on the internet at www.dtic.mil/comptroller/rates. Amounts collected for unfunded civilian retirement and post retirement health costs from sales of articles and services to Foreign Military Sales customers are deposited into the Military Receipts Account 3041, Recoveries Under the Foreign Military Sales Program, Navy. Amounts collected from sales to other non-Federal customers are deposited into the Miscellaneous Receipts Account 3210, General Fund Propriety Receipts, Defense Military. Additional guidance is available in the DOD 7000.14-R, Financial Management Regulation, Volumes 11B and 15.

(Change 67)

Section II: OTHER FUNDS

074642 MIDSHIPMEN'S STORE, UNITED STATES NAVAL ACADEMY

1. SCOPE.

The midshipmen's store, United States Naval Academy, is authorized by 10 U.S. Code 6971(a). It is operated to procure clothing and other necessary supplies for the midshipmen; to provide barber, cobbler, and tailor shop facilities for the midshipmen; and to operate the dairy farm at the Naval Academy. Funds collected from these operations are available for operating expenses of such activities and for such other expenditures as the Superintendent of the Naval Academy considers necessary for the health, comfort, and education of the midshipmen.

2. STRUCTURE AND CONTENT.

The midshipmen's store is classified as a trust revolving fund. All funds collected are deposited in the Treasury and are available for operating expenses and other expenditures.

3. ADMINISTRATION.

The Chief of Naval Operations is responsible for the development of budget estimates and the financial administration of the Midshipmen's Store, United States Naval Academy. Although this fund is exempt from the apportionment process, appropriate records and receipts are maintained for all money received.

(Change 45)

074643 NATIONAL DEFENSE SEALIFT FUND

1. SCOPE.

The National Defense Sealift Fund (NDSF) is operated under the authority of 10 U.S. Code 2218, which provides for the construction (including design of vessels), purchase, alteration, and conversion of Department of Defense (DOD) sealift vessels; operation, maintenance, and lease or charter of DOD vessels for national defense purposes; installation and maintenance of defense features for national defense purposes on privately owned and operated vessels that are constructed in the United States and documented under the laws of the United States; research and development relating to national defense sealift; and expenses for maintaining the National Defense Reserve Fleet (NDRF) including the acquisition, alteration or conversion of vessels built in U.S. shipyards for the NDRF.

2. STRUCTURE AND CONTENT.

The NDSF is classified as an intragovernmental revolving fund. The following are deposited into the Fund:

- a. all funds appropriated for the construction (including design of vessels), purchase, alteration, and conversion of national defense sealift vessels; operation, maintenance, and lease or charter of DOD vessels for national defense purposes; installation and maintenance of defense features for national defense purposes on privately owned and operated vessels that are constructed in the United States and documented under the laws of the United States; and research and development relating to national defense sealift.
- b. receipts from the disposition of national defense sealift vessels, excluding NDRF vessels.
- c. receipts from the charter of vessels; and
- d. receipts from the disposition of gifts.

NDSF funds are available for any of the purposes listed in subparagraph 1.

3. PROGRAM SEGMENTS.

a. Research and Development.

The research and development program explores new concepts and technologies that can be applied to future DOD sealift vessels and other sealift systems to enhance operational capability and efficiency. Commander, Naval Sea Systems Command (COMNAVSEASYS COM) is responsible for executing the research and development program using reimbursable orders to government activities or contracts with commercial vendors.

b. Ship Acquisition.

The ship acquisition program provides new DOD sealift vessels via new construction or conversion of existing ships.

COMNAVSEASYSYSCOM is responsible for procurement of new DOD sealift vessels. National Defense features for the military enhancement of civilian vessels will be contracted by either Military Sealift Command (MSC) or the Maritime Administration (MARAD) of the Department of Transportation, as appropriate.

c. DOD Mobilization Assets.

(1) Ships operated through the NDSF fall into the following categories:

(a) Surge Sealift. The Fast Sealift Ships (FSS) and the Large Medium Speed Roll On/Roll Off (LMSR) ships provide the initial surge sealift capacity for transporting lead combat forces from the continental U.S. to a given area of operations and to satisfy time critical war fighting requirements. MSC operates these ships.

(b) Aviation Maintenance. The Aviation Support Ships (T-AVB) provide the initial intermediate level aviation maintenance capability to support U.S. Marine Corps war fighting operations and operations other than war. MSC operates these ships.

(c) Hospital Ships. Two hospital ships (T-AH) provide the critical initial surge field hospital capability to support war fighting, humanitarian assistance, and operations other than war. MSC operates these ships.

(d) Prepositioning. Afloat and Maritime Prepositioning sealift vessels support and are sponsored by the Army, Air Force, Defense Logistics Agency, and Navy. These vessels are a combination of DOD-owned assets (e.g., LMSR) and those under charter. MSC operates these ships.

(e) NDRF/Ready Reserve Force (RRF). The mission of the NDRF/RRF is to maintain ships ready to activate in time to deliver cargo to a given area of operations and satisfy time critical war fighting requirements. MARAD owns these ships and administers this program.

(2) Sealift vessels are maintained in several categories of operating status. Ships in Reduced Operating Status (ROS) are maintained in a preserved condition and can be activated within prescribed timeframes. Ships fully capable of performing their mission are in Full Operating Status (FOS).

4. FUNDS ADMINISTRATION RESPONSIBILITIES.

- a. The Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN(FM&C)), in conjunction with the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), will prepare annually an apportionment request (DD 1105) for submission to the Office of Management and Budget (OMB) to request direct and reimbursable authority for the NDSF.
- b. The OUSD(C) apportions the NDSF funds to the ASN(FM&C), who in turn allocates the funds to CNO (N82).
- c. COMNAVSEASYSCOM is the funds administrator for acquisition and research and development efforts for DOD sealift vessels. These funds are allocated to COMNAVSEASYSCOM by CNO (N82). CNO (N09BF) is the funds administrator for operation and maintenance. Funds appropriated to NDSF for the operation and maintenance of DOD sealift vessels and the NDRF/RRF will be allocated to CNO (09BF) by CNO (N82).
- d. Operating funds are provided by the customers of the NDSF, dependent on operating status. CNO (N09BF) provides funds for all surge sealift ships in ROS. When a ship is activated to FOS, the requiring command provides the funds. Operating funds from the requiring command are provided by reimbursable orders, but classified as other than automatic reimbursement (OTA) on the accounting records to CNO (N09BF). The Commanders of the Atlantic and Pacific Fleets, Army, Air Force, and Defense Logistics Agency are examples of customers requesting FOS on a reimbursable basis. CNO (N09BF) receives reimbursable orders from each requesting command and accepts them into the NDSF account. CNO (N09BF) then provides reimbursable orders to MSC citing the NDSF account (X4557).
- e. STARS-HQ is the official accounting system for CNO (N09BF) and COMNAVSEASYSCOM. The specific STARS-HQ functions to be performed include billing, fiduciary reporting, monitoring of revenues and expenditures, assisting the funds administrator in the reconciliation of expenditures, and preparation of management reports for the funds administrator and program manager, CNO (N09BF) and COMNAVSEASYSCOM.
- f. The issuer of the reimbursable order records the commitments and obligations. The Defense Finance and Accounting Service - Cleveland Center records the complete revenue transactions associated with the NDSF. It is a prescribed practice for CNO (N09BF) to advance bill its customers upon receipt of an order due to cash flow limitations. The MSC directly bills CNO (N09BF) for services performed.

g. Economy Act orders will be issued to MSC in fully funded fiscal year amounts when ordering from and issuing from the NDSF and finalized as of the end of the fiscal year. In addition to the descriptions entered on blocks 1 to 12, 15 and 16, all orders originating with Department of the Navy funding will be fixed price Economy Act orders and so designated in block 13 of the Order for Work and Services (NAVCOMPT Form 2275). The basis of the fixed price will be a negotiation between MSC and the customer to perform the job for a mutually agreed price. On the Description of Work to be Performed, block 14, of the NAVCOMPT Form 2275, or equivalent form, a specific, definite, and certain description of the work or service is to be entered for each line of accounting classification data. Originators of Economy Act orders in support of functions external to the Navy and citing non-Navy appropriations are encouraged to issue orders on a fixed price basis at the agreed price between MSC and the customer.

h. NDRF/RRF. The CNO (N09BF) orders work and services associated with this program from MARAD on an Economy Act order.

i. The budget execution status of the NDSF will be reported on the Appropriation Status by Fiscal Year Program and Subaccounts (DD-COMP(M) 1002) and the Report of Budget Execution (SF 133).

5. CNO (09BF) BUDGET SUBMITTING RESPONSIBILITIES.

a. Prepare and submit NDSF budgets for the:

(1) operating budget related to administration, operation, maintenance, overhaul and mobilization exercises. Examples of required exhibits are the Sealift Operating Budget and the Changes in the Costs of Sealift Operations;

(2) capital budget for ship construction, conversion, acquisition, modernization, research and development, equipment and construction of facilities. Examples of required exhibits are the National Defense Sealift Capital Budget Summary and the National Defense Sealift Capital Budget Item Justification. These exhibits shall be prepared and submitted in coordination with COMNAVSEASYSCOM.

Narrative justification material and supporting budget exhibits are specified in the DON Budget Guidance Manual.

6. NDSF RESOURCE/REQUIREMENTS OFFICE (N42) RESPONSIBILITIES.

a. Develop and prepare performance measurement metrics for the sealift functions relating to collecting data, computing performance measures, comparing with a baseline, and analyzing alternatives.

b. Serve as the resource sponsor for DoN sealift programs. This

includes the responsibility to determine and plan for material support and personnel requirements of the sealift forces financed through the NDSF.

c. Provide necessary direction to manage the NDSF, including any funding shortfalls or changes in program, and direct CNO (N09BF) as to appropriate action to take (e.g. realignment of funds, work stoppages, etc.) to properly execute the NDSF program.

(Change 65)

PART H: OTHER ACCOUNTS

Section I: TRUST FUNDS

074700 TRUST FUNDS

1. DEFINITION.

A trust fund is a fund which, established by legislative or administrative action for specific purposes, may be used only in accordance with the terms of the trust. Guidance with respect to acceptance and administration of gifts is provided in the current issuance of SECNAVINST 4001.2.

2. GENERAL SCOPE.

a. Deposit of Gifts of Money Prior to Formal Acceptance or Rejection.

All money gifts received under 10 U.S. Code 2601 or 6973, prior to its formal acceptance or rejection by the Secretary of the Navy (or by the officer or official otherwise authorized to accept) will be deposited in the deposit fund account "Budget Clearing Account (Suspense), Navy," pending formal acceptance or rejection. All money received under 10 U.S. Code 7220 prior to its formal acceptance or rejection will be deposited in the receipt account "Profits from Sale of Ships; Stores, Navy," pending formal acceptance or rejection.

b. Action Upon Acceptance or Rejection.

In all instances of rejection, the money will be returned to the donor. If accepted, the gift will be deposited in the individual fund account as appropriate under the authority of the United States Code listed in subpar. a.

3. DEPARTMENT OF THE NAVY GENERAL GIFT FUND.

a. Scope.

The Department of the Navy General Gift Fund is authorized by 10

U.S. Code 2601. Under the provisions of this statute, the Secretary of the Navy may accept, hold, administer, and spend any gift, devise, or bequest of real or personal property, made on the condition that it be used for the benefit, or in connection with the establishment, operation, or maintenance, of a school, hospital, library, museum, cemetery, or other institution under the jurisdiction of the Department of the Navy, unless within the purview of a more specific statute e.g., the United States Naval Academy Gift and Museum Fund (10 U.S. Code 6973).

b. Structure and Content.

All gifts and bequests of money, and the proceeds of the sale of property, accepted under authority of 10 U.S. Code 2601 shall be deposited directly into the Department of the Navy General Gift Fund. Separate account designations have been established to distinguish between gifts received for the Navy and Marine Corps under the Department of the Navy General Gift Fund. Disbursements of the deposited funds shall be strictly in accordance with the terms of the gift, devise, or bequest. Upon acceptance, an appropriate letter of acknowledgment shall be sent to the donor by the accepting official. In the case of a gift, devise, or bequest for the purchase of a specific item or items the letter of acknowledgment should indicate that it is possible that the gift, devise, or bequest will not exactly match the cost that the Department of the Navy will incur in securing the specific item or items, and that in such instances the residual funds will be applied to related items or activities.

c. Administration.

The Office of Budget is responsible for the development of budget estimates and the financial administration of the Department of the Navy General Gift Fund. Although the fund is exempt from the apportionment process, appropriation records and receipts are maintained for all money received. Appropriation-type accounting records are utilized for the purpose of making funds available to the designated institution or organization in accordance with the terms of the gift, devise, or bequest. Regularly prescribed financial accounting procedures are observed in the accounting for and reporting of funds that are drawn from this account, and files should be maintained that support compliance with terms of the gift, devise, or bequest.

4. UNITED STATES NAVAL ACADEMY MUSEUM FUND.

a. Scope and Content.

In accordance with P.L. 106-398, the Floyd D. Spence National Defense Authorization Act 2001, Section 942, the U.S. Naval Academy Museum Fund and the U.S. Naval Academy General Gift

Fund have been merged together as the U.S. Naval Academy Gift and Museum Fund.

5. UNITED STATES NAVAL ACADEMY GIFT AND MUSEUM FUND.

a. Scope and Content.

The Secretary of the Navy, under authority of 10 U.S. Code 6973, may accept, hold, administer, and spend gifts or bequests of personal property, and may accept, hold, and administer any loan of personal property other than money, made on the condition that they be used for the benefit of, and for use in connection with, the United States Naval Academy or the Naval Academy Museum, its collections, or its services. Gifts or bequests of money or the proceeds from the sale of property received as gifts for use in connection with the Naval Academy (including the Naval Academy Museum) are deposited in the Treasury in the trust fund, United States Naval Academy Gift and Museum Fund. The Chief of Naval Operations is responsible for budgeting, accounting, and reporting for this fund.

b. Administration.

The United States Naval Academy Gift and Museum Fund is exempt from the apportionment process. Funds are allocated to the Chief of Naval Operations. The Chief of Naval Operations issues a NAVCOMPT Form 372 to the Superintendent, United States Naval Academy for interest and contributions received. The Superintendent has the authority to expend the funds in accordance with the wishes of the donor subject to established financial controls and responsibilities.

6. OFFICE OF NAVAL RECORDS AND HISTORY FUND.

a. Scope and Content.

In accordance with P.L. 106-398, the Floyd D. Spence National Defense Authorization Act 2001, Section 942, the Office of Naval Records and History Fund has been merged into the Department of the Navy General Gift Fund.

7. SHIPS' STORES PROFITS, NAVY.

a. Scope and Content.

Ships' Stores Profits, Navy is a trust fund carried on the books of the Treasury Department. Deposits to this fund are derived from profits realized through the operation of ships' stores and from the acceptance of gifts authorized by 10 U.S. Code 7220 for the purpose of providing recreation, amusement, and contentment for enlisted members of the Navy and the Marine Corps. The current issuance of SECNAVINST 4001.2 outlines responsibilities and procedures for the acceptance of gifts for the Navy and Marine Corps pursuant to 10 U.S. Code 7220.

The Navy Supply Systems Command (NAVSUP) directive system describes in detail the process for accrual and disposition of profits derived from the operation of ship's stores (see Ship's Store Afloat (NAVSUP P-487)).

b. Administration.

NAVSUP is designated the "responsible office" for overall coordination of the Ships' Stores Profits, Navy account. Additionally, NAVSUP is the "administering office" for the Navy portion of this account consisting of operating profits and contributions made for the benefit of enlisted members of the Navy. The Marine Corps portion of Ships' Stores Profits, Navy will be administered directly by the Marine Corps and is to be used for the acceptance and use of gifts to Marine Corps activities under 10 U.S. Code 7220. Separate account designations have been established to distinguish between gifts received for the Navy and the Marine Corps. The centrally managed allotment procedure is employed in the administration of this account.

(Change 67)

Section II: SPECIAL ACCOUNTS

074720 RETIRED PAY, DEFENSE, NAVY PORTION

1. SCOPE.

The appropriation Retired Pay, Defense, provides funds for the retired pay and retirement pay, as authorized by law, for all Army, Navy, Marine Corps, and Air Force military personnel on the retired lists, including the Reserve components thereof, retainer pay for personnel of the inactive Fleet Reserve, and survivors' benefits payments, under Chapter 73 of 10 U.S. Code.

2. STRUCTURE AND CONTENT.

a. General.

The chart of accounts for the allocation "Retired Pay, Defense" is in terms of budget and fiscal accounting classifications for uniform application by the military departments in accomplishing the required budgeting, accounting, and reporting. Budget activities within the budget program are listed and described in subpars. b through f.

b. Nondisability.

The nondisability budget activity provides for the retirement pay of officers and enlisted personnel, regular and non-regular, who have qualified for such pay under applicable provisions of law covering

nondisability retirement. The basis for retirement is:

- (1) voluntarily on or after completion of the required length of service;
- (2) involuntarily because of attainment of statutory age or completion of the maximum length of service authorized by law for the several grades; and
- (3) automatically upon completion of 30 years of combined active service and service in the Fleet Reserve.

c. Temporary Disability.

The Temporary Disability budget activity provides for the retirement pay of disabled Navy personnel, regular and non-regular officers and enlisted, placed on the temporary disability rolls in accordance with the provision of Chapter 61 of 10 U.S. Code. Persons on temporary disability rolls are given periodic physical examinations at least once every 18 months and may be:

- (1) restored to active duty,
- (2) separated from the Service with severance pay, or
- (3) transferred to permanent disability retired list,
- (4) continued on temporary list.

Final determination is required within five years of initial classification and temporary disability retirement.

d. Permanent Disability.

The Permanent Disability budget activity provides for the retired pay of Navy personnel, regular and non-regular officers and enlisted, entitled to such pay as a result of permanent physical disability. Personnel are placed on the permanent disability rolls when there is no doubt as to the degree of permanency of the disability at time of initial retirement, and by periodic examination of temporary disability and Fleet Reserve rolls, it is determined that permanent disability exists.

e. Fleet Reserve.

The Fleet Reserve budget activity provides retainer pay for inactive enlisted members of the Fleet Reserve as prescribed by 10 U.S. Code 6330 and 6331. Title 10 U.S. Code 6330 authorizes enlisted naval reservist on active duty to transfer to the Fleet Reserve on the same basis as members of the regular Navy. Retainer pay for Fleet Reservists is fixed by law. Personnel remain in the Fleet Reserve until their status is changed by reason of:

- (1) completion of 30 years of service,
- (2) transfer to disability retired rolls as the result of lack of physical fitness,
- (3) recall to active duty,
- (4) death.

f. Survivors' Benefits.

The Survivors' Benefits budget activity covers payment of annuities to survivors of retired personnel who elected a reduction in retired pay in order to provide one or more annuities to their survivors as specified in the Survivor Benefit Plan (SBP) (Chapter 73 of 10 U.S. Code). The basic options include the choice of annuities to provide for:

- (1) surviving spouse only,
- (2) surviving children only,
- (3) surviving spouse and children,
- (4) persons designated to have an insurable interest.

3. ADMINISTRATION.

The apportionment request for the Navy portion of Retired Pay, Defense is prepared by the Chief of Naval Operations (CNO) (Fiscal Management Division), which is designated as the administering office. The Office of the Under Secretary of Defense (Comptroller) (OUSD (C)) and the Office of Management and Budget (OMB) conduct an informal apportionment hearing. Upon approval of OMB, OUSD (C) allocates the apportioned funds to the Comptroller, who then further allocates to CNO by means of a Program/Fund Allocation (NAVCOMPT Form 2058). The appropriation is not controlled by quarters or activities. The CNO administers the program costs of the appropriation by an Intra-Bureau Classification Account. The Defense Finance and Accounting Service (DFAS), Cleveland, is the only activity authorized to charge against the appropriation. Funding responsibilities are subject to the provisions of 31 U.S. Code 1517. Monthly obligations are prepared on an activity and subactivity basis derived from reports received from the DFAS, Cleveland which provide the number of retirees paid each month, gains and losses by type of action for each retirement category, and expenditures. Obligations and the number of retirees for the remainder of the fiscal year are projected monthly as a part of the obligation report.

(Change 45)

074721 RETIRED PAY, DEFENSE, MARINE CORPS PORTION

1. SCOPE.

The scope, structure, and content of the Marine Corps portion of the Retired Pay, Defense, appropriation is the same as that described in par. 074720-1 and 2.

2. ADMINISTRATION.

The apportionment request for the Marine Corps portion of Retired Pay, Defense, is prepared by the Fiscal Management Division of the Marine Corps. Upon receipt of the Program/Fund Allocations (NAVCOMPT Form 2058) allocating funds to the Marine Corps, the Fiscal Director of the Marine Corps advises the Commanding Officer of the Defense Finance and Accounting Service of the amount of the allocation received and authorized payment against the Retired Pay appropriation. The administrative control of the appropriation regulations is retained by the Fiscal Director of the Marine Corps.

(Change 45)

074723 WILDLIFE CONSERVATION, MILITARY RESERVATIONS, NAVY

1. SCOPE.

Under provisions of 16 U.S. Code 670a, the Secretary of Defense is authorized to promote effectual planning, development, maintenance, and coordination of wildlife, fish, and game conservation in military reservations in accordance with a cooperative plan or agreement mutually agreed upon by the local representatives of the Secretary of Defense, the Fish and Wildlife Service of the Department of the Interior, and the appropriate State Conservation Agency. If agreeable to the signatories of the cooperative plan, the Navy or Marine Corps installation may issue special permits to individuals for hunting and fishing privileges and collect a nominal fee therefore. Proceeds from the sale of hunting and fishing permits are to be used to carry out a program of development, conservation, and enhancement of fish and wildlife on the installation where collected and for no other purpose.

2. STRUCTURE AND CONTENT.

The budget activity Conservation of Game provides for the costs of planning, development, maintenance, and coordination of wildlife, fish, and game conservation, and rehabilitation in military reservations. Funds under this budget activity are generated from the sale of fishing and hunting permits at individual installations having cooperative agreements. Each year obligational authority is requested in order to cover the

obligation of estimated collections. Included in this budget activity are programs at Navy and Marine Corps installations. The fees collected are spent on programs of aquatic weed control, trash fish control, seeding and fertilization, habitat improvement (food and cover plots), and stocking of fish and game.

3. ADMINISTRATION.

In accordance with established budgetary procedures, the Naval Facilities Engineering Command (NAVFAC) submits an apportionment request to the Office of Management and Budget (OMB) via the Comptroller and the Under Secretary of Defense (Comptroller) (USD (C)) on an Apportionment and Reapportionment Schedule (Obligation Basis) (DD Form 1105) based on anticipated collections for Navy and Marine Corps installations and unobligated collections. When approved by OMB, the DD Form 1105 is returned through OUSD (C) to the Comptroller, who forwards it, together with an approved Program/Fund Allocation (NAVCOMPT Form 2058), stating all financial controls, jurisdiction, and legal limitations, to NAVFAC. Upon receipt of an approved apportionment, the Commander, NAVFAC, suballocates a portion of the approved budget activity allocation to the Commandant of the Marine Corps. Allotments are issued against the Navy portion of the authorization only to Naval activities which have submitted a copy of their Cooperative Plan to NAVFAC, wherein it is specified that the fees are to be collected for the privilege of hunting and fishing on the named military reservation or activity. Each allotment issued by NAVFAC provides a description of purpose of the allotment, reflects a zero dollar amount, and contains the restriction that fees collected will be utilized for no other purpose than the protection, conservation, and management of fish and wildlife, and that obligations for the fiscal year shall not exceed the total amount available from collection fees.

(Change 45)

074724 NONAPPROPRIATED FUNDS

1. SCOPE.

Nonappropriated funds (NAF) are financial resources derived from sources other than appropriated funds, such as dues, sales and profits from operations of a nonappropriated fund instrumentally (NAFI). A nonappropriated fund instrumentality is a fiscal entity that performs a government function and produces NAF. This includes morale, welfare and recreation (MWR) programs/activities, and certain resale and other authorized organizations providing morale support services that operate independently from MWR. Categories of MWR activities are listed in par. 075500.

2. DEFINITIONS:

a. Nonappropriated Funds (NAF).

See par. 075500.

b. Nonappropriated Fund Instrumentality (NAFI).

See par. 075500

c. Supplemental Mission NAFI.

Includes all NAFIs providing morale support services as adjuncts to training, health, billeting, or other mission support programs, not necessarily a part of MWR programs/activities.

3. OPERATIONS.

MWR programs/activities operate under general policies promulgated by the Secretary of the Navy and implemented by the Chief of Naval Operations (CNO) or Commandant of the Marine Corps (CMC). As program manager, the CNO or CMC is responsible for defining procedures for generating revenue, for controlling costs of operations, and for the proper use of revenue by the morale support activities. Budgeting and accounting for appropriated and nonappropriated fund support is the responsibility of the major claimant.

a. MWR activities are authorized appropriated and/or nonappropriated fund support as delineated in par. 075500.

b. Other morale support activities, which operate independently from MWR, with supplemental mission services NAFIs, such as Transient Family Accommodations, Museums, Bachelor Officer/Enlisted Quarters, etc., may be authorized appropriated and nonappropriated fund support as defined in respective mission requirements. Supplemental mission NAFI's are not funded with MWR program support funds. Appropriated funds support may include, but is not necessarily limited to, support for the same types of costs for which appropriated fund support is available to MWR programs and activities as described in par. 075522. In all cases, the use of appropriated funds must be consistent with the purpose of the appropriation.

c. NAFI assets, distributions, or support may not be directed to private organizations or individuals. See par. 075261. Excess accumulations/residuals of NAFI assets will be redistributed to other NAFIs, or otherwise disposed of, according to policies and procedures established by the Secretary of the Navy.

4. FINANCIAL MANAGEMENT.

It is the policy of the Department of Defense (DoD) that available

nonappropriated funds (NAF) will be administered according to sound financial management practices in an economical, efficient, and business-like manner. Although NAF are not authorized and appropriated by the United States Congress, they should be subject to the same protection as appropriated funds. Policy on fiduciary responsibility and administrative control of appropriated funds (APF) is provided in paragraph 073200. Administrative controls will be established for NAF similar to those established for APF. These controls shall be administered in a manner consistent with those established for APF where practicable to prevent waste, loss, or unauthorized use of NAF.

5. BUDGETS.

a. General.

Budgets are prepared to provide operating managers and commanders with financial data to be used in management decision-making. The organizational level reflected in the budgets is determined by program managers. Such budgets will show separately the total program by anticipated appropriated and nonappropriated resources. The budgetary process includes consideration of feasible alternatives when there are choices as to how program goals and objectives may be obtained. While budgets may be prepared in formats considered most appropriate by program managers, the types of budgets required are outlined in subpars. b, c, and d.

b. Operating Budgets.

Operating budgets are prepared to project income and expense and to permit comparison and analysis of projected data with actual data.

c. Capital Budgets.

Capital budgets are prepared to show the projections for acquisition, renovation, and expansion of fixed assets. The source of funding must be indicated.

d. Cash Budgets.

Cash budgets are prepared to show the existing cash resources, anticipated cash receipts and disbursements, and to forecast cash balances on specified dates. Cash budgets must be in alignment with the operating and capital budgets.

(Change 64)

074726 NORTH ATLANTIC TREATY ORGANIZATION INFRASTRUCTURE

1. SCOPE.

a. General.

This appropriation finances the United States share of the North Atlantic Treaty Organization (NATO) Infrastructure Program, which provides those minimum essential, dedicated wartime facilities required to support the deployment and operation of NATO military forces.

b. Appropriation Language.

The Department of Defense Military Construction Act provides language for the NATO Infrastructure appropriation as follows: "For the United States share of the cost of multilateral programs for the acquisition or construction of military facilities and installations (including international military headquarters) for the collective defense of the North Atlantic Treaty Area as authorized in Military Construction Acts and section 2806 of title 10, United States Code, \$ _____, to remain available until expended."

c. Limitations.

The NATO Infrastructure appropriation is a continuing appropriation, based on authorized projects which may reasonably be expected to start during the budget year. The funds are appropriated annually and remain available without time limit until obligated and expended.

2. STRUCTURE AND CONTENT.

Within the NATO Infrastructure appropriation, funds are provided for construction and procurement of equipment eligible for infrastructure funding, for use in NATO countries.

3. ADMINISTRATION.

The NATO Infrastructure Program is composed of projects grouped into separate annual submissions by the major NATO commanders. These calendar year submissions are termed "slices" and are comparable to fiscal-year military construction programs. Construction costs associated with the program are financed collectively by member governments of NATO based on a cost-sharing formula agreed upon for each funding period of five years. The Under Secretary of Defense (Comptroller) has assigned the Department of the Army as executive agent with the responsibility for programming, budgeting, funding, accounting, and reporting of the United States share of the NATO Infrastructure Program.

4. SOURCE DOCUMENTS.

Additional information is contained in par. 075242 and the current issuance of OPNAVINST 4000.35.

(Change 61)

074727 KAHO'OLAWE ISLAND CONVEYANCE, REMEDICATION, AND ENVIRONMENTAL RESTORATION FUND

This is a separate appropriation for payments to fund clean-up and restoration efforts at Kaho'olawe Island. Funds remain available until expended.

(Change 65)

074728 DEFENSE HEALTH PROGRAM

This is a separate appropriation that finances expenses, not otherwise provided for, for medical and health care programs of the Department of Defense. See par. 075219.

(Change 65)

074729 QUALITY OF LIFE ENHANCEMENTS, DEFENSE

This is a separate appropriation for expenses, not otherwise provided for, resulting from unfunded shortfalls in the repair and maintenance of real property of the Department of Defense (including military housing and barracks). It remains available for two years.

(Change 65)

074730 OPERATION AND MAINTENANCE, DEFENSE- WIDE

This is a separate appropriation that finances the operation and maintenance of DoD activities and agencies that are not otherwise provided for in other appropriations. This appropriation may also provide transfer provisions. It is available for one year.

(Change 65)

074731 PROCUREMENT, DEFENSE-WIDE

This is a separate appropriation that finances the procurement, production, modification of equipment, supplies, materials, and spare parts for the Department of Defense that are not otherwise provided for in other appropriations. It remains available for three years.

(Change 65)

Section III: SECURITY ASSISTANCE

074740 SECURITY ASSISTANCE PROGRAM

1. SCOPE.

The United States Security Assistance Program is predicated on a policy of providing military equipment and services to eligible foreign governments and international organizations through Grant Aid and Foreign Military Sales so that they may maintain their security.

2. ADMINISTRATION.

The Comptroller is responsible for Foreign Military Sales budgetary and fiscal matters and development of related policies and procedures and is the central point of contact regarding these matters with the Under Secretary of Defense (Comptroller), Defense Security Assistance Agency (DSAA) (Comptroller), and the Defense Finance and Accounting Service (DFAS-DENVER). The Office of the Chief of Naval Operations (OPNAV) has management responsibility for the Defense Finance and Accounting Service Security Assistance Program (SAP). Within OPNAV, this responsibility has been assigned to the Deputy Chief of Naval Operations (DCNO) for Plans and Policy. However, the Fiscal Management Division is the OPNAV control point for pricing, estimating, accounting, earnings measurement, reimbursables, and the financial interface with the Office of the Under Secretary of Defense (Comptroller) (OUSD (C)) and DSAA (Comptroller) in FMS and Grant Aid matters. With respect to the Foreign Military Sales Program, sales transactions are recorded against the Advances, Foreign Military Sales Trust Account. With respect to the Grant Aid Program, the Military Assistance (MA) and International Military Education and Training (IMET) appropriations are appropriated to the President of the United States to provide Grant Aid to foreign countries. The MA and IMET (Transfers to Navy) funds are allocated to the Department of the Navy by the Defense Security Assistance Agency (DSAA). The allocation is supported by incrementally approved program execution documents, i.e., funded Military Assistance Program (MAP) orders for various foreign countries. These MAP orders are simultaneously distributed for information and action, as necessary, to various OPNAV offices, the Military Assistance Advisory Groups, and the Naval Inventory Control Point (NAVICP).

(Change 67)

074741 MILITARY ASSISTANCE (TRANSFERS TO NAVY) - ADMINISTRATION

1. FUNDING.

The two basic types of funding under the appropriation Military Assistance (Transfers to Navy) (MA) are direct citation and contract authority. Budget submissions are under the following four limitation suffix symbols:

- .001 MAP General Costs (less administrative expenses),
- .002 MAP Country Programs,
- .003 MAP Administrative Expenses,
- .004 MAP Authorization under Section 506(a), Foreign Assistance Act of 1961 (Unfunded MAP authority).

2. BUDGET ACTIVITIES.

The MA appropriation includes the following budget activities:

- a. material programs,
- b. delivery programs,
- c. reserve for Defense cooperation agreements,
- d. general costs.

3. BUDGET PREPARATION.

a. Administration and Supply Operations.

Annual budget calls are issued for the administration and supply operations budget activities by the Comptroller, Defense Security Assistance Agency (DSAA), to the Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN(FM&C)) in accordance with the Security Assistance Management Manual (SAMM), DoD 5105.38-M, Part II, Chapter G. The call is passed to the Chief of Naval Operations (CNO). The CNO implements the budget call to the Commandant of the Marine Corps, the Commander, Pacific (COMPAC), and other command elements, as appropriate. The current issuance of OPNAVINST 4900.31 provides additional information to be used in budget preparation. The required formats with narrative justification, which are received from the various command elements, are reviewed for accuracy and compliance with budget guidance. The budgets are then summarized and assembled for submission to DSAA via the Comptroller. Budget reviews are conducted by DSAA to establish funding plans for current year budget execution as well as for development of budget year requests. The

Supply Operations budget activity is funded under limitation suffix symbol .001; administration is funded under .003.

b. Material.

Military Assistance Program material budgets are the approved material programs that are developed by an eligible foreign government, to the extent practical, with the assistance of the Military Assistance Advisory Group (MAAG), as provided in the Security Assistance Management Manual. Line items under the program are funded under limitation suffix symbol .002, unless direct citation limitation suffix symbol 001 funding is requested by the Department of the Navy or contract authority is approved by the President under provision of the International Security Assistance and Arms Export Control Act of 1976. When reimbursements under Section 506(a) are authorized based on the enactment of a Military Assistance appropriation, funds are allocated under limitation suffix symbol .004.

(Change 45)

074742 INTERNATIONAL MILITARY EDUCATION AND TRAINING

1. GENERAL.

The appropriation, International Military Education and Training (IMET) provides funds for training of foreign personnel and training aids under the Grant Aid program. The Chief of Naval Operations administers this single budget activity by means of a centrally managed allotment for the students training budget project and by provision of funding documents and accounting citations for other types of training and related expenses.

2. PROGRAM DEVELOPMENT.

Training programs are developed by Military Assistance Advisory Groups (MAAGs). Based upon a MAAG determination that Navy or Marine Corps training is required for personnel of the foreign country military establishment, the Military Articles and Services List is used to establish program lines in the Defense Security Assistance Agency (DSAA) 1000 data system. The proposed program is submitted to DSAA for approval via CNO.

(Change 45)

074743 FOREIGN MILITARY SALES

1. GENERAL.

The Foreign Military Sales (FMS) Program provides military assistance through the sale of defense articles and services to eligible foreign governments and international organizations. The United States normally

receives full reimbursement for costs associated with these sales.

2. MILITARY DEPARTMENT SPONSOR.

Due to the difference in various foreign government military organizational policies and mission assignments, it has been necessary for the Department of Defense to establish principles for determining which United States military service will negotiate for the sale of specific hardware. As a general rule, the United States military service that is responsible as the project manager for development, test, and acquisition of a specific weapons system, negotiates the sale of that weapons system or related services with the foreign customer military service. For example, the Navy is project manager for the F-14 aircraft and would negotiate a sale of this aircraft with a foreign military service.

3. FUNDING OF FOREIGN MILITARY SALES

a. Obligational Authority.

Department of the Navy (DON) agreements with foreign countries or international organizations for the provision of defense articles and services, pursuant to the Army Export Control Act (P.L. 94-329), are executed on United States Department of Defense Offer and Acceptance (DD Form 1513). Based on the signed DD Form 1513, Defense Finance and Accounting Service (DFAS-DENVER) provides obligational authority to DON on a Foreign Military Sales (FMS) Obligational Authority (DD Form 2060) funding document. This document shows the obligational authority for a fiscal year by case identified by that portion of obligational authority applicable to direct citation and the portion applicable to reimbursable effort against performing appropriations. A Foreign Military Sales (FMS) Planning Directive (DD Form 2061) is also required for each DD Form 1513. The DD Form 2061 contains detailed pricing elements, planned financing appropriations, or direct citation along with other information and is the basic source document for preparing the DD Form 2060. Increases and decreases in obligational authority are to be treated as an annual appropriation; accordingly, prescribed DON policy and procedures pertain.

b. Expenditure Authority.

Most sales are made on a "dependable undertaking" basis. To ensure that the U.S. Government will not suffer a loss resulting from the sale, the foreign government agrees to provide cash to cover payments to contractors and to reimburse the Department of the Navy for work performed. Initially, most obligational authority is in the form of unfunded contract authority, i.e., the cash needed for expenditures is not available. The DFAS-DENVER is responsible for obtaining the required cash, as needed, from foreign customers on a quarterly basis.

4. MANAGEMENT.

In addition to general responsibilities assigned to the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) (OASN (FM&C)) and the Chief of Naval Operations (CNO), as indicated in par. 074741, the following budgetary functions related to the FMS Trust Fund are performed by OASN (FM&C) (Office of Budget) and by CNO (Fiscal Management Division):

1. Navy Trust Fund estimates of sales (obligational authority), obligations, expenditures and collections, and unfunded contract authority are developed and submitted to the Defense Security Assistance Agency (DSAA);
2. phased obligations and expenditures are developed and submitted to DSAA and internal organizations;
3. budget calls are issued to major claimants for civilian and military personnel expenses funded by reimbursements from administrative surcharge collections. These reimbursements are made to the military personnel and operation and maintenance appropriations. Based on the data received, unfunded obligational authority is assigned to major claimants;
4. estimates of Research, Development, Test and Evaluation, Navy (RDT&E,N) nonrecurring cost recoveries, developed by the systems commands and project managers, are reviewed and adjusted as necessary. Nonrecurring cost recoveries are required to be deposited in either the Special Defense Acquisition Fund (SDAF) or the General Fund of the Treasury;
5. FMS case pricing on DD Forms 2061 is validated to ensure that all appropriate cost elements are included and that calculations are correct;
6. based upon DFAS-DENVER approved DD Forms 2060, obligational authority (OA) allowing execution of FMS cases is conveyed through two channels on Program/Fund allocation (FMS) (NAVCOMPT Forms 2058F). OA for FMS training cases, including training conducted by the U.S. Marine Corps, is passed directly to the Commander, Naval Education and Training Command (COMNETC) while OA for all other FMS cases is conveyed to the Naval Inventory Control Point (NAVICP);
7. quarterly or as required, DFAS-DENVER issues expenditure authority (EA) at the country-level to NAVICP via OASN (FM&C), NAVICP maintains internal controls to ensure that payment authorizations issued do not exceed the current country-level expenditure authorization. Country-level EA is used to pay for FMS

expenses incurred by DON, supporting components, and private contractors. Other expenses such as training, NWCF services, and material issues other than interfund billings, are reimbursed by DFAS-DENVER upon receipt of DD-COMP(M) 1517 card from NAVICP or NETC.

(Change 67)

PART I: REIMBURSEMENTS

074800 GENERAL

Various public laws and policies of the Department of Defense establish the basis under which property, work, or services may be furnished by one activity to another activity of the United States Government or to the public on a reimbursable basis. Appropriation reimbursements are a source of financing that results directly from customer orders. In all appropriations in which a reimbursable program is administered, amounts anticipated to be available as reimbursements to be earned are budgeted in a "reimbursable budget program" separately from a "direct budget program". Estimates of reimbursements subject to automatic apportionment are not included in apportionments and allocations. In execution of approved reimbursable budget programs, the reimbursements earned as the result of filling customer orders are derived from the performance of work or services, the procurement of material for others, or the sale of materials from present inventories. Reimbursements from the sale of material from present inventories, accruing as revenue, may be used to replace the items sold if they are in short supply, or the revenue may be applied as free assets under established criteria to finance direct budget programs.

(Change 45)

074801 DEFINITIONS

1. REIMBURSEMENTS.

Reimbursements are the amounts received or to be received by a command/office/bureau or an operating activity thereunder for the cost of property, work, or services that by law may be furnished to others and which will result in credit to an appropriation or other fund account or subdivision thereof. The Department of Defense (DoD) Financial Management Regulation (FMR) 7000.14-R Volume 3, Chapter 15 provides general reimbursement policy. DoD FMR 7000.14-R Volumes 11A and 15 contain more detailed reimbursable program guidance. In addition to the information provided below, performing activities should consult these issuances for more information on the policy governing reimbursable transactions.

2. ANTICIPATED REIMBURSEMENTS

a. General.

Anticipated reimbursements are the amounts of reimbursable orders expected to be accepted in the first year of an appropriation. They constitute a source of authority and available resources to cover obligations to be incurred in the performance of work or services, in the procurement of material for others, or in the replacement of material sold from stock. The anticipated reimbursements during a fiscal year form the basis for the reimbursable budget program within an appropriation.

b. Apportionment and Allocation Requirements.

The reimbursable budget program of any appropriation requires specific prior apportionment and allocation except for those reimbursable transactions for which the Office of Management and Budget (OMB) has authorized automatic apportionment. Under this exception, anticipated reimbursements are apportioned automatically in the amount of work or service orders accepted by activities which are financed from certain appropriations; viz., Military Personnel, Navy; Military Personnel, Marine Corps; Operation and Maintenance, Navy; Operation and Maintenance, Marine Corps; Operation and Maintenance, Navy Reserve; Operation and Maintenance, Marine Corps Reserve; Research, Development, Test and Evaluation, Navy; and Military Construction, Navy. To the extent that reimbursements are apportioned automatically, there is concurrent automatic allocation and increase to activity operating budgets and/or engineering field division suballocations, as applicable. The funding documentation in each higher echelon in the fund flow chain is increased to reflect automatic allocation at the field level based on monthly reporting.

3. AUTOMATIC OR OTHER BASIS OF REIMBURSEMENT

a. General.

Within the Department of the Navy, there are two types of reimbursements, automatic reimbursements and other reimbursements. They are primarily distinguished by the timing of the obligation required for filling the customer request and/or by the nature of the ordering document.

b. Automatic Reimbursements.

Automatic reimbursement authority results from acceptance of orders obligated by the requesting organization prior to the filling of the order by the accepting organization. Costs incurred by the accepting and performing activities are charged initially to the operating budget or allotment and subsequently billed to and collected from the fund citation on the order. Specific apportionment and allocation of

automatic reimbursement authority at any performing level is not required for the appropriations cited in subpar. 2b, since automatic apportionment and allocation has already been authorized by OMB. Additionally, commercial-industrial activities in the Navy Working Capital Fund, General Trust Funds, and Trust Revolving Funds are not subject to apportionment. The reimbursable program levels for these programs will be the amounts reflected in the President's budget.

c. Other Reimbursements.

Reimbursable authority for appropriations subject to specific apportionment and allocation of reimbursable budget program, i.e., appropriations other than those cited in subpar. 2b, and reimbursements resulting from the sale of material from service inventories (stock issues) or from the provision of work or services that are not supported by specific orders, are categorized as "other reimbursements." Provision for sufficient apportionment of reimbursement authority should be obtained prior to acceptance of orders to be performed under appropriations for which automatic apportionment is not applicable.

(Change 67)

074802 REIMBURSABLE BUDGET PROGRAM ADMINISTRATION

1. POLICY

a. General.

Consistent with guidance from the Under Secretary of Defense (Comptroller) (USD (C)), the policy of the Department of the Navy (DON) is that mission costs are funded directly through command lines and are direct budget program costs. Funding across command lines is limited to direct citation-of-funds orders, reimbursable orders for material or service, and technical operating budgets. The policy herein applies to material or service reimbursable orders. Estimates of reimbursements shall be disclosed fully in the budget data for each appropriation in which a reimbursable budget program is authorized. Pricing of anticipated reimbursements should reflect the best estimate of full cost consistent with OUSD (C) budgeting guidance for budget program estimates. Additionally, whenever feasible, the rates for personal services incurred in reimbursable orders should be revised at the time of a pay increase to reflect properly the increased cost.

b. Control of Reimbursements.

To the greatest extent feasible, reimbursements shall be budgeted, controlled, and accounted for under appropriated funds, or subdivisions thereof, at the level of the respective operating

commands, bureaus, offices or activities which earn them. Where the use of reimbursements is controlled at organizational levels above that at which they are earned, the reimbursements shall be budget and accounted for at the level at which they are controlled. Any diversion of intended delivery for Navy use to a reimbursable customer (see subpar. 2b(2)(a), item 1) will be provided through a stores inventory account to ensure financial control, the proper processing of documentation to effect reimbursement, and to generate credits to the applicable procurement appropriation and reimbursable subhead. As a general policy, to preclude unnecessary layering of accounting, when one headquarters organization receives an order which requires the total work effort to be performed or administered by one of its field activities or a field activity of another headquarters organization, the reimbursable order shall be passed directly to the field activity for acceptance and performance. Under procurement and the Research, Development, Test and Evaluation, Navy appropriations, intra-appropriation reimbursements between program managers within the same headquarters command/office are prohibited.

c. Waiver of Reimbursements.

Some areas of support provided to others are designated to be performed on a common-service basis without reimbursement. In areas where Department of Defense (DoD) or DON policy requires that support be provided on a common-service basis, the furnishing of the designated support is considered to be within the mission and direct program responsibility of the performing activity. Intraservice and interservice support normally furnished on a reimbursable basis may be furnished on a common-service basis when the value of transactions with a customer activity aggregates less than \$100 within a quarterly period. In addition, a waiver of reimbursement may be granted by OUSD(C) in specific cases where not contrary to law and where substantial evidence exists that it is in the interest of DoD and the United States Government to furnish material or services to other governmental agencies or foreign governments without reimbursement.

d. Application of Reimbursements.

Unless specifically mandated by law, reimbursements are to be credited to accounts current when the reimbursements are earned rather than accounts current when reimbursements are collected.

2. PROCUREMENT APPROPRIATIONS

a. Scope.

In procurement appropriations, the reimbursable budget program consists of those items of material sold from existing stocks or material purchased for customers, including work or services

performed in connection with delivery thereof. Within DON, the terms "customer program" and "service account" are sometimes used as synonyms for "reimbursable budget program" and "direct budget program," respectively.

b. Procurement Terms.

(1) Direct Citation Procurement.

Direct citation procurement exists when the customer's accounting data is cited on contracts. A direct citation procurement transaction is not categorized as a reimbursable transaction.

(2) Replacement

(a) Replacement-in-Kind Procurement. Replacement-in-Kind (RIK) procurement is procurement initiated to replace material sold to customers. It is DoD policy that RIK transactions are administered under the reimbursable budget program authority when procurement is classified as:

1. replacement procurement for quantities of identical items furnished to the customer from on-order quantities under an existing contract financed by direct program funds;
2. replacement procurement in identical kind for items sold to customers from inventory or
3. replacement procurement for secondary items, whether or not identical, is treated as a generic category requiring, by definition, "replacement-in-kind."

"Identical," as used in items 1 and 2, means the same basic model and series or mod designation; e.g., sale of and replacement procurement of an AN/USM 281 Mod 1 oscilloscope.

(b) Replacement Procurement. Replacement procurement is the acquisition of material items to replace those sold to customers, wherein the replacement item is not identical by accomplishes the same basic purpose, e.g., an S-2 aircraft is sold, but an S-3 aircraft is acquired to replace it. In such a situation, the reimbursement from the sale will be included under reimbursable financing but the "buy-back" of the replacement must be accomplished under the direct budget program, consistent with the requirements for reprogramming of funds (see par. 073301).

(c) Unit Cost Less Than \$5,000. The replacement of items sold from inventory with a unit cost of less than \$5,000 will be

treated as a RIK if an improved model of the same end item is being procured, it performs the same warfighting capability, and the inventory objective presented to Congress is not exceeded. Items satisfying all of these criteria will be financed with the reimbursable proceeds of the sale of the end items issued from inventory without processing a DD-1415 reprogramming action. The amount applied toward the RIK may not exceed the proceeds of the sale.

(3) Free Assets.

Free assets are the revenues derived from the sale of material that does not require replacement or will not be replaced. The free assets resulting from these sales would accrue under a reimbursable program. Free assets derived from Foreign Military Sales (FMS) stock issues are required by law to be deposited to either miscellaneous receipts of the Treasury, 173041.1202.

c. Guidance

(1) Objective.

Direct citation of customer funds for procurement should be used whenever possible since this avoids complex reimbursable accounting. This policy is mandatory for Military Assistance Program procurements. When an order consists solely of procurement involving no in-house work or services to complete the order, customer funds shall be cited directly to the contract. When a procurement order requires a major portion of the work to be performed with in-house capabilities, the total order may be accepted on a reimbursable basis.

(2) Basis of Reimbursable Budget Program.

In a procurement appropriation, anticipated reimbursements will be based upon:

1. estimates of customer orders to be accepted in the first year of an appropriation for items of the type normally procured for DON use which are to be financed under the procurement appropriation for direct delivery to the customer, and
2. estimates of customer orders to be accepted in the first year of an appropriation for items which will be furnished from inventory or which are on-order under an existing contract.

On 30 September of each fiscal year, the balance of anticipated amounts of reimbursable orders not realized will be reduced to zero. In the case of multiple-year appropriations, there cannot be any anticipation for new orders in the second or following years of appropriation availability; however, anticipated adjustments to

existing prior year orders may be authorized in subsequent years.

(3) Reimbursable Budget Program Replacement Procurement.

Replacement (RIK or replacement) procurement financed with funds resulting from the reimbursable budget program authority is limited to the replacement of on-order or on-hand items which have been or will be furnished to customers and must be accomplished during the period of availability of the appropriation account for incurring obligations. Any replacement procurement, excepting RIK of secondary items, is initiated by submission of a request to the Director, Office of Budget (FMB) for approval. Upon approval, RIK is accomplished by citation of funds reprogrammed into the appropriate direct program. Both below and above threshold reprogramming to finance replacement under the direct procurement budget program requires approval by FMB, OUSD(C), the Office of Management and Budget (OMB), and Congress, as appropriate. RIK or replacement shall be initiated only when items are below authorized inventory objectives for the fiscal year in which the stock issue is made, compared to total inventories including material on order and programmed for funding during the same fiscal year period. Revenue derived from sales of prepositioned war reserve stocks (PWRS), for which RIK is not required, will be treated as free assets and may be reinvested in PWRS under direct program authority upon approval by FMB to reprogram the funds.

(4) Application of Free Assets.

Non-FMS free assets are utilized to finance direct budget programs or applications between appropriations, subject to apportionment/reapportionment and reprogramming approvals. Prior FMB approval is required for below threshold actions as well as above threshold actions. See subpar. 2b(3) for policy regarding FMS free assets. At least annually by the end of the fiscal year, all identified FMS free assets collected in any account, current or prior year, resulting from sales of articles from defense inventories, including both stock fund and procurement appropriation items, will be deposited to miscellaneous receipts of the Treasury, 173041.1202.

d. Reimbursable Subhead Structure.

The reimbursable budget program under each DON procurement appropriation is administered by means of a subhead structure, which identifies meaningful details of the program. The first digit identifies the administering office, the second identifies the corresponding direct

budget activity, and the last two identify the reimbursable program classification.

(Change 65)

PART J: TRANSFER ACCOUNTS

074900 TRANSFER ACCOUNTS

The DON receives resources from other DOD accounts. A complete list is available in the current Department of Defense Appropriations Act. The following accounts provide funding to DON activities through the transfer of funds into DON appropriations:

(Change 65)

074901 DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES, DEFENSE

This is a transfer account that supports various Department of Defense counter-drug programs. Funds are transferred for military pay of reservists, operation and maintenance, procurement, and research and development activities that perform the drug interdiction and counter-drug mission. Funds are to remain available until transferred, and remain available for the same purpose and same time period as the appropriations to which transferred.

(Change 65)

074902 ENVIRONMENTAL RESTORATION, NAVY

This is a transfer account that funds environmental restoration, reduction and recycling of hazardous waste, removal of unsafe buildings and debris, or similar purpose. Funds are to remain available until transferred, and remain available for the same purpose and same time period as the appropriations to which transferred.

(Change 65)

074903 OVERSEAS CONTINGENCY OPERATIONS TRANSFER FUND

This is a transfer account that provides for expenses directly related to Overseas Contingency Operations being conducted by United States military forces. Funds may be transferred to military personnel accounts, operation and maintenance accounts, Defense Health Program accounts, procurement accounts, research and development accounts, and to working capital funds. Funds are to be merged with and remain available for the same purpose and same time period as the appropriation to which transferred.

(Change 65)

Chapter 3

FINANCIAL RESPONSIBILITY

PART A: GENERAL FUNDING POLICY

075000 SCOPE

In the exercise of assigned responsibilities, the Comptroller of the Navy determines budget and funding responsibilities between appropriation/accounts and between organizational entities of the Department of the Navy. The establishment of financial responsibility is based upon the legal scope of items and functions that can be funded from an appropriation and the Comptroller interpretations of various Office of Management and Budget and Office of the Secretary of Defense regulations. Part A of this Chapter provides general financial policies within DON that are utilized to assign funding responsibility. Parts B and C provide policy guidance for operation and investment programs, respectively. Policy for research, development, test and evaluation programs is provided in Part D. Finally, funding guidance for morale support activities is provided in Part E.

(Change 48)

075001 EXPENSE/INVESTMENT CRITERIA

1. GENERAL.

Costs budgeted in and financed by the Operation and Maintenance, Military Personnel, Retired Pay, and Foreign Currency Fluctuation appropriations (including those for Reserve components) are considered expenses. Costs budgeted in and financed by the Procurement and Military Construction appropriations (including those for Reserve components) are considered investments. Costs budgeted in and financed by the Research, Development, Test and Evaluation; Base Realignment and Closure; Civil Defense; Family Housing; Foreign Currency Fluctuation, Construction; Civil Functions; and Military Assistance Program appropriations include both expenses and investments.

2. EXPENSES.

Expenses are costs of resources consumed in operating and maintaining the Department of Defense. The following criteria will be used to determine those costs to be classified as expenses:

- a. labor of civilian and military personnel, including contractual labor;
- b. rental payments on leases for equipment and facilities;

- c. food, clothing, and petroleum, oil, and lubricant (POL) items;
- d. expendable supplies and materials;
- e. items designated for NWCF management in the central supply system. These include items actually issued from inventory and standard items (i.e., listed in the Supply Management Lists) not stocked in the supply system but authorized for local purchase;
- f. maintenance, repair, overhaul, and rework of investment items;
- g. assemblies, spares and repair parts designated for centralized individual item management by an inventory control point in the central supply system; i.e., not designated as Appropriation Purchases Account or Marine Corps Appropriation Stores Account;
- h. general motion picture procurement and development;
- i. facilities sustainment, O&M funded restoration and modernization projects;
- j. all other equipment items not in the preceding categories that have a unit value of less than \$100,000 and which are not designated for centralized item management and asset control.

3. INVESTMENTS.

Investments are costs of capital assets of the Department of Defense such as real property and equipment that provide new or additional military capabilities or maintain existing capabilities. The following criteria will be used to determine those costs to be classified as investments.

a. Equipment.

All items of equipment, including assemblies, spares and repair parts, which are subject to centralized item management and asset control by an inventory manager or an inventory control point in the central supply system, including items designated as Appropriation Purchases Account or Marine Corps Appropriation Stores Account. This excludes items designated for NWCF management.

b. Other Items of Equipment.

Other items of equipment, except for those designated as expense under subpar. 2, having a system unit cost of \$100,000 or more are investment items. The system unit cost is not increased for transportation and installation charges, nor is it decreased for early payment discounts and trade-in allowances. This criterion does not apply to NWCF inventory items that are coded depot level repairables. The concept of a system must be considered in application of this criterion. A system shall be considered to exist if a number of

components are part of and function within the context of a whole to satisfy a documented requirement. The term "system unit cost" applies to equipment items being acquired in the following ways:

- (1) as a new system, i.e., the items are a part of and function within the context of a whole to satisfy a documented requirement; in this case, "system unit cost" applies to the aggregate cost of all equipment items being acquired as a new system;
- (2) as additions to or replacements within an existing system to address validated deficiencies or improve system performance; in this case "system unit cost" applies to the aggregate cost of all new equipment items being acquired in the same manner as a new system procurement;
- (3) as stand-alone items, or as additions to or replacements within an existing system but the items themselves are not characteristic of a system as described above; in this case, "system unit cost" applies to the individual equipment item.

Requirements may not be fragmented in order to circumvent this criterion. Caution must be exercised in defining requirements to avoid the acquisition in a piecemeal fashion of items that function as a system.

c. Construction.

Construction, including the cost of land and rights therein (other than leasehold), is the erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; the acquisition of a facility, or the relocation of a facility from one installation to another. Construction is distinguished from repair or maintenance in that repair or maintenance has the effect merely of keeping the facility in its customary state of operating efficiency without the expectation of added future benefits. Construction includes equipment installed and made part of such facilities, and related site preparation, excavation, filling, landscaping, and other land improvements.

d. Ship Conversion.

The cost of labor, kits, assemblies, equipment and material for ship conversion.

e. Other.

Any cost designated as expense under subpar. 2 when included in the production or construction of an investment item is considered an investment cost, except for costs associated with military personnel.

4. CONDITIONAL CASES.

The following are conditional cases that take precedence over the criteria contained in subpars. 2 and 3.

a. Initial Outfitting.

Initial outfitting of a major end-item of equipment, such as a ship or aircraft, with the furnishings, fixtures, and equipment necessary to make it complete and ready to operate is part of the initial investment cost. All items making up the initial onboard load, including spares physically included with the item for which the spares are intended (e.g., for aircraft, spares physically stored within the operating aircraft), are investment costs even though the items may be an intrinsic expense. Material procured through the Navy Working Capital Fund for initial outfitting will be financed by procurement appropriations when drawn from the supply system. This concept includes changes to allowance lists of ships, aircraft, vehicles, and other equipment. Changes to allowance lists will be budgeted as investment costs. If a single procurement of an intrinsic-expense item is for the purpose of both the initial on-board load and other inventory, the procurement will be financed through the stock fund and that portion required for the on-board load will be reimbursed by the procurement appropriation which finances the end item. The costs of replacing intrinsic expense items making up the initial onboard load are expenses. For ships funded in the Shipbuilding and Conversion, Navy appropriation, contractor furnished equipment spares and government furnished equipment spares requirements are financed in the outfitting line on a lead-time away basis. (See par. 075364 for additional guidance).

b. Installation of Equipment.

The costs of installing equipment, as an integral part of having a complete and usable end item, are funded in the same appropriation in which the end item is purchased. Equipment installation is either a construction or a non-construction cost. For installed "built-in" equipment (real property) or accessory-type movable equipment (personal property) which is part of a military construction project, installation is considered a construction cost and financed from the appropriations available for construction. If the equipment is not associated with a construction project, its initial installation is financed with the same appropriation used to purchase the equipment. Costs of relocation or reinstallation of previously installed equipment not associated with a military construction project are considered expenses to be financed by the operating funds of the activity involved.

c. Ammunition and Explosives.

Ammunition and explosive munitions (Federal Supply Classes in

Group 13) are considered investments even though they are consumed in use.

d. Modification and Maintenance.

Modification is the alteration, conversion, or modernization of a major end item of equipment, which changes or improves the basic character, purpose or operational capacity in relation to effectiveness, efficiency or safety. Maintenance is the routine, recurring work conducted to maintain a major end-item or equipment at its intended capability or designed performance. Budgeting for costs to accomplish modification and maintenance of investment items in operational inventory is prescribed below.

(1) Modification.

The cost of modification kits and assemblies provided to an installing activity and the associated installation is considered an investment regardless of unit cost. All items included as part of a modification kit are considered investments even though the individual items may be intrinsic expenses. The cost of incidental material and items, including components that are needed to repair an end item coincident with installation of a modification are considered expenses. Engineering efforts to determine what a modification will ultimately be are also considered expenses.

(2) Maintenance.

Depot and field level maintenance is the routine, recurring effort conducted to sustain the operational availability of an end item. Depot and field level maintenance includes refurbishment and overhaul of end items, removal and replacement of secondary items and components, as well as repair and remanufacturing of reparable components. These costs are considered expenses. However, items of equipment utilized during maintenance for which an inventory control point maintains centralized individual item management in the supply system (Appropriation Purchases Account and Marine Corps Appropriation Stores Account) are classified as investment costs.

(3) Technology Refresh

Continuous technology refreshment is the intentional insertion of newer technology to improve reliability, improve maintainability, reduce cost, and/or add minor performance enhancement, typically in conjunction with depot or field level maintenance. The insertion of such technology into end items as part of maintenance is funded by the operation and maintenance appropriations. However, technology refreshment that significantly changes the performance envelope of the end item is considered a modification and,

therefore, is funded as an investment cost (see supar. 075403.5c). This definition applies equally to technology insertion by commercial firms as part of contractor logistics support, prime vendor, and similar arrangements and to technology insertion that is performed internally by the DON. See paragraphs 075371 and 075372.

e. Construction Program Costs.

Construction program costs, such as program development, procurement management, contracting offices, contract audit offices, systems project offices, and other costs associated with construction management in general, as distinguished from supervision of specific construction projects, are considered expenses. Costs incident to the acquisition (e.g., design, direct engineering, technical specifications) and construction of a specific project are considered investments. The costs of administering military district construction programs above Corps of Engineer and Public Works levels are considered expenses, except that the costs of the acquisition function performed at the Headquarters, Naval Facilities Engineering Command are considered investments. The costs of administering military construction programs at district levels and below are considered investments. The costs of administering the facilities sustainment program are considered expenses at all levels.

f. Minor Construction.

Costs of facilities restoration and modernization projects meeting the current criteria for financing with operating funds are considered expenses. The planned acquisition of, or improvement to, a real property facility through a series of minor construction projects, i.e., incremental construction, is prohibited. Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. 2805 for minor construction projects; however, design costs are not excluded from capitalization. Minor construction will continue to be reported and reflected in the DoD real property inventory.

g. Sustainment and Restoration of Real Property.

Restoration or sustainment has the effect of merely keeping the facility in its customary state of operating efficiency without the expectation of added future benefits. Thus, restoration and sustainment of a real property facility is classified as expense. This includes the replacement of facility components, including that equipment which is installed or built-in as an integral part of the facility (included within Class 2 property).

h. Procurement/Production Program Costs.

The cost of civilian personnel compensation (including benefits) and other direct expenses (travel, office equipment and automatic data processing leasing and maintenance, supplies, printing and reproduction) incurred in support of procurement/production programs by Department Headquarters staff (Secretariat, Office of the Chief of Naval Operations, and Headquarters, U.S. Marine Corps), contracting offices, contract audit offices, systems project offices, and acquisition managers are expenses. Project office and acquisition manager support services obtained from in-house field activities or by contract are considered direct procurement support costs and are thus classified as investments when integral to the execution of procurement programs under the cognizance of the project office or manager. Additionally, procurement/production direct support costs such as: production testing, quality assurance, production engineering, and equipment assembly, whether performed under contract or in-house are investments (see pars. 075341 and 075342).

i. Commissioning Ceremony.

The costs of the ship commissioning ceremony for newly constructed or converted ships are to be funded as part of the investment cost (see par. 075373).

j. Service Life Extension Program.

A service life extension program that extends the useful life of a weapons system beyond its designed service life through large-scale redesign or other alteration of the weapon system is considered to be an investment cost.

k. Lease Agreements

(1) Scope.

A lease conveys the use of an asset or part of an asset (such as part of a building) from one entity, the lessor, to another, the lessee, for a specified period of time in return for rent or other compensation. Lessees have either operating or capital leases. The DOD no longer recognizes the lease-purchase or lease to ownership type of lease agreements. For purposes of expense/investment funding determinations, leases will be categorized and funded as specified in subpars. (2), (3), and (4).

(2) Operating Lease.

An "operating" lease is an agreement which conveys the right to use real or personal property for 12 months or less. Payments made for an operating lease are operating costs and, regardless of

the amount, are considered expenses. Ownership is not transferred to the government.

(3) Capital Lease

Capital leases are considered investments. They usually require authorizing legislation with an amount equal to the annual lease payment appropriated annually. FMB must be consulted on a lead-time away basis when activities are considering use of capital lease agreements. A "capital" lease is an agreement that meets any one of the following criteria:

- (a) The lease transfers ownership of the property to the lessee by the end of the lease term.
- (b) The lease contains an option to purchase the leased property at a bargain price.
- (c) The lease term is equal to or greater than 75 percent of the estimated economic life of the leased property.
- (d) The present value of the rental and other minimum lease payments, excluding that portion representing executory costs, such as insurance, maintenance, and taxes to be paid by the lessor, equals or exceeds 90 percent of the fair market value of the leased property.

(4) Lease-Purchase Analysis.

A lease-purchase analysis, as prescribed in OMB Circular A-94, is required when the following two tests are met:

1. A capital asset, (including durable goods, equipment, buildings, facilities, installations, or land) is
 - (a) leased for a term of three years or more; or
 - (b) a new asset, with an economic life of less than three years, and is leased for 75 percent or more of its economic life; or
 - (c) built for the express purpose of being leased to the government; or
 - (d) leased to the government and clearly has no alternative commercial use.
2. The capital asset or group of related assets has a total fair market value in excess of \$1 million.

All leases of capital assets must be justified as preferable to direct government purchase and ownership. This can be accomplished in

one of three ways, as prescribed in OMB Circular A-94:

1. By conducting a separate lease-purchase analysis. This is the only acceptable method for major acquisitions. A lease represents a major acquisition if the acquisition represents a separate budget line item or if the total purchase price of the asset or group of assets to be leased exceeds \$500 million.
2. By conducting periodic lease-purchase analyses of recurrent decisions to lease similar assets used for the same general purpose.
3. By adopting a formal policy for smaller leases and submitting that policy for approval.

5. RELATIONSHIP WITH REVOLVING/MANAGEMENT FUNDS.

The criteria contained in this paragraph do not apply to revolving/management funds since these funds are governed by separate regulations. For example, NWCF activities are authorized to finance certain industrial equipment classified as an investment. However, the use of appropriations provided on a customer order to a NWCF activity is governed by expense/investment criteria and other guidance and restrictions governing the use of appropriations. For example, an Operation and Maintenance, Navy funded customer order cannot be utilized by a NWCF activity to finance customer equipment classified as an investment.

(Change 67)

075002 ALIGNMENT OF COMMAND AND FUNDING RESPONSIBILITIES

The establishment of command funding in the Department of the Navy had a significant impact on the channels through which funding authority was made available to ships and stations. One objective of reorganization was to change the funding channels so as to effect, to the maximum extent possible, an alignment of command and funding responsibility. The result was a substantial transfer of funding authority from offices and systems commands that provided functional supervision to those organizations that held command. This permitted direct participation in the allocation of resources for operational requirements by the Fleet Commanders and subordinate commanders. It is now Department-wide basic budget and funding policy in the operation and maintenance areas that the financial responsibilities parallel responsibilities for command.

(Change 48)

075003 CROSS OR COMMON SERVICE

1. GENERAL.

Interservice or intraservice support is provided on either a cross-service (with reimbursement) or common-service (without reimbursement) basis as described in subpars. 2 and 3. The application of the Department of Defense Resource Management System (RMS) does not require that each activity or unit budget and fund for every cost incurred in the support of that activity or unit. The assignments of missions and tasks by higher authority may include the responsibility to provide support to contiguous or satellite activities as part of the basic mission of an activity. It is the objective of RMS to charge to the performing activity all those costs incurred in the performance of its mission even though some part of the mission relates solely to the support of other activities.

2. CROSS SERVICE.

Ordinarily, when an activity does provide work or services to another activity not within its common-service mission, it will charge for such support provided it is significant, identifiable, out-of-pocket, and the costs can be developed without administrative difficulty. When reimbursement for support is valid, the RMS concept requires that the support be measurable.

3. COMMON SERVICE.

When one activity provides support to another activity on a common-service basis, the support is considered to be within the mission of the providing activity. The support functions are included as direct program costs in the budget of the providing activity. Activities that operate under the Navy Working Capital Fund (NWCF) will budget for common support functions under the military support program, and the cost of common support which is initially financed by the NWCF is recovered by charging the military support program. Activities governed by NWCF regulations are permitted to recover the cost of designated common-service functions in support of their own operations following guidance governing NWCF operations. Common-service support is directed for certain areas of intraservice and interservice support (see Sections II and VI, Part B, of this Chapter).

4. WRITTEN AGREEMENT.

Prudent management prescribes that clear understanding exist between activities providing or receiving support in order that each budget can be properly formulated to reflect funding responsibilities. A Support Agreement (DD Form 1144) or a written memorandum of understanding may be used for this purpose.

5. CHANGING BASIS OF SUPPORT

a. Timing.

When an activity has provided support on a common-service basis as part of its assigned missions and tasks and receiving organizations have become dependent for the support based on historical performance, it is not appropriate that the support be changed from common service to cross service without the opportunity for the receiving activity to include the costs in its budget. Such changes should be proposed at the time of the original budget formulation; i.e., 12 to 15 months prior to the beginning of the budget year when the change is to become effective. In extraordinary situations, changes can be made during the apportionment process through an adjustment of funds between cognizant claimants; however, it is more orderly to propose such changes in the normal budget formulation cycle.

b. Funding Reductions.

Funding reductions should not be applied solely in the areas where support services are being provided to others on a nonreimbursable basis. Such support services must participate equally in the overall fund reductions imposed on a performing organization. As stated in subpar. 1, support services on a nonreimbursable basis are a part of the mission and tasks of the performing activity.

c. Excessive Billings.

The nonproductive aspects of excessive billings upon total Department of the Navy resources should be considered by major and subordinate claimants before planning any changes from a nonreimbursable to a reimbursable basis. Aside from not creating any assets for overall use, the excessive billing process becomes an expense in terms of manpower and dollars to both the billing and receiving activities, as well as to any accounting activity that may handle the transactions.

(Change 48)

075004 TRANSFER OF FUNCTIONS

1. GENERAL.

Under the provisions of Title 10, United States Code, Section 125, the Secretary of Defense has the authority to transfer, reassign, consolidate or abolish any function, power or duty vested in the Department of Defense (DOD). Whenever a transfer of function, power or duty is accomplished under this authority, balances of appropriations and civilian employees that the Secretary of Defense determines are available and needed to finance and perform that function, power or duty may be transferred, with the approval of the President as delegated to the Office of Management and Budget, in accordance with Title 10, United States Code, Section 126.

Whenever possible, the transfer will be accomplished within the normal budget cycle so that appropriate adjustments of resources may be made between affected organizations in the normal budget formulation process.

In the limited number of cases where a transfer of functions is required during a fiscal year, fund adjustments necessitated by the transfer should be handled, to the extent possible, on a reimbursable basis. Only when the financing of such transfers through the reimbursement process presents serious burdens or involves significant amounts should a transfer of funds be requested.

When a request is being considered for transfer of funding responsibility between appropriations, either of which is available for the expenditure in question, the action is limited by 23 Comp. Gen. 827, which found as follows:

"Where either of two appropriations reasonably may be construed as available for expenditures not specifically mentioned under any appropriation, the administrative determination as to which of the two shall be used will not be questioned by the accounting officers, but, when such determination and election have been made, the continued use of the appropriation selected to the exclusion of any other for the same purpose is required in the absence of changes in the appropriation acts."

In view of the foregoing ruling, such a change of funding from one appropriation to another, where a previous election has been made, requires an accompanying transfer of funds.

2. PURPOSE OF TRANSFERS.

In general, transfers of funding responsibility occur between organizations to accomplish one of the following actions:

1. to change the basis of support (work, services, material) from nonreimbursable to reimbursable, or to discontinue the support;
2. to provide for the reassignment of responsibility to provide support (work, services, material) or to perform specific functions from one organizational entity to another, regardless of physical proximity.

Functional transfers may involve realignment of resources (funding and personnel) between appropriations and/or agencies within the Federal Government or components within DOD. Policy and procedures have been established within DOD to gain approval of inter-appropriation transfers of resources associated with proposed functional transfers. Functional transfers and realignment of resources within an appropriation may also become necessary. Procedures governing intra-appropriation transfers have also been established within the Department of the Navy (DoN).

3. POLICY.

Functional transfers should be timed to permit complete coordination and mutual agreement between the affected headquarters components. Although requests for approval of functional transfers within the DoN may be submitted at any time, the optimal time for submission of functional transfer requests is between submission of the President's Budget and the DoN budget submission beginning the subsequent cycle. Functional transfers submitted at other times during the budget cycle are often affected by DoN or OSD adjustments to the programs involved; these adjustments may impede claimant agreement on the correct level of resources to be transferred. Regardless of timing, all proposed functional transfers must be coordinated with the respective division within the Office of Budget (FMB), and each will be reviewed and addressed separately by FMB.

4. PROCEDURE FOR APPROVAL

a. General.

Proposed functional transfers are only to be submitted by Budget Submitting Office (BSO) Comptrollers. To be valid for consideration, they must be submitted by the gaining BSO on the NC-4 exhibit, which must be signed by appropriate personnel of both the gaining and losing activities. A discussion of functional transfers and the NC-4 exhibit is contained in Part 1, Chapter 6 of the Budget Guidance Manual (BGM). The template and instructions for this exhibit can be found at the NHBS web site. In particular, the exhibit should include a narrative description of the function to be transferred and the rationale for the transfer (e.g. reflects mandate or decision by higher authority, technical correction, fact of life adjustment, results in improvement in organizational or operational efficiency, cost savings, etc.).

b. Inter-Component Transfers.

When transfers of funds between DOD components are necessary as a result of a transfer of functions under Title 10, United States Code, Section 125, it will be the responsibility of the receiving DOD Component to request that the USD (C) obtain the necessary determination and approval for the transfer of resources. The request shall be prepared in accordance with Title 10, United States Code, Section 126 and the provisions of Chapter 3 of the Financial Management Regulation and contain a statement that the DOD Components concerned have agreed to the amounts proposed for transfer. A copy of the Secretary of Defense approval of the transfer of functions (under 10 U.S.C. 125) should accompany the request.

For inter-component transfers, the BSO should submit an NC-4 exhibit signed by Comptroller officials of both the receiving and gaining activities. If necessary, FMB will identify the appropriate signing

official for other Component Headquarters. Any NC-4 exhibit bearing the signature of subordinate command personnel for either Component will not be submitted to OSD unless endorsed by the Component Headquarters Comptroller.

c. Intra-Component Transfers.

Those functional transfers involving only DoN appropriations must also be submitted for approval to FMB on the NC-4 exhibit. Transfers within the same DoN appropriation may be approved for implementation as an adjustment to the current year budget controls of the claimants involved, but are limited by the specified restrictions applicable to each appropriation with regard to reprogramming threshold approvals. For those transfers approved outside the budget cycle, the transfer will be incorporated at the next possible update to BSO controls. When exceptional circumstances exist and are justified by the organizational component involved, immediate adjustments will be made by the Comptroller.

d. Adjudication.

Approved functional transfers which required intra-appropriation transfers, for which mutually agreed budget adjustments have not been reached between the losing and gaining command prior to the OASN (FM&C) budget submission, will continue to be funded by the losing command on a reimbursable basis during the first full year after the functional transfer. This permits the gaining command time to develop data necessary for estimating requirements. Accordingly, amounts incident to a functional transfer for which there is not agreement on an intra-appropriation funding adjustment will remain in the budget base of the losing command and claimant and will not be shown in the approved functional transfer exhibit until the following year. The gaining command is then responsible for developing an estimate of the appropriate transfer amount. Such transfers will be attached as addenda in the format of the approved functional transfer exhibit in the next annual budget submission to OASN (FM&C) marked clearly across the face "TO BE ADJUDICATED" if amounts to be transferred remain unresolved. In addition to the information described in subparagraph 4a, the exhibit should also include a brief statement regarding outstanding issues, dollar amounts, and points of contact. The resources for the unresolved functional transfers will be adjudicated by FMB and will be included in the adjustments effected in connection with apportionment.

5. BUDGET PRESENTATION.

Transfers displayed in the program and financing schedules of the budget as presented to Congress do not ordinarily include internal funding transfers. Nonetheless, all funding transfers will be shown in the current

year and budget year columns of the budget justification material whenever the approval and amounts of the transfers are known in sufficient time to permit incorporation.

(Change 67)

PART B: OPERATION FUNDING POLICY

Section I: GENERAL

075100 SCOPE

This Section contains budget and funding policy for operation of Department of the Navy activities. It includes guidance concerning host tenant relationships, consolidated support activities, transportation and travel, inter-service, interdepartmental and international relationships, and a variety of miscellaneous funding assignments.

(Change 65)

Section II: HOST-TENANT RELATIONSHIPS

075120 DEFINITIONS

Terms and definitions that shall be used in providing budget and funding guidance in various areas of relationships within the Department of the Navy follow:

- Host Activity - A host activity is one that provides facilities and services to another activity. A host activity may provide services itself, or utilize contractors and/or supporting activities to provide services.
- Supporting Activity - A supporting activity is one that generally provides only services to other activities. An example is a Public Works Center (PWC).
- Tenant Activity - A tenant activity is one that uses facilities of and/or receives services from another activity or activities.
- Activity Identifier Naval Facilities Assets Data Base (NFADB) Reporting - The Unit Identification Code (UIC) of a shore activity that is responsible for reporting its assigned real property to the NFADB.
- Activity Identifier Maintenance Responsibility (usually referred to as Maintenance Unit Identification Code (MUIC)) - The activity or others

responsible for funding sustainment, restoration and modernization (formerly referred to as maintenance and repair) of a particular facility. The responsible party may be the host activity, a tenant activity, or a contractor.

- Mission Related Facilities - Assets devoted to the accomplishment of a specific mission, business area, or end product (i.e., Navy Working Capital Fund (NWCF) facilities and Medical facilities.)
- Installation Core Business Model - Department of the Navy business areas, functions and subfunctions that are managed by the installation and usually funded through base operating support (BOS).
- Common Service Support - Those BOS services provided by host activities to tenant activities on a non-reimbursable basis, with the exceptions for NWCF activities and provisions for special circumstances noted in par. 075123.

(Change 67)

075121 BUDGET POLICY

1. HOST ACTIVITY RESPONSIBILITY.

The host activity is responsible for costs incurred for the preservation of facilities in the real property inventory of the host so as to protect the value of the plant account. Although a tenant may be a sole occupant of a facility in the real property inventory of the host, structural maintenance of a cyclical nature (also classified as preventive and corrective maintenance) and repair to ensure the continued physical integrity of the facility, including installed equipment, is a host budgeting responsibility, unless the tenant is identified as the "Maintenance UIC". The term "cyclical maintenance" is applied to those types of sustainment, restoration and modernization (formerly referred to as real property maintenance) operations for which engineering standards have established annual or multiple year cycles of optimum frequency for effective maintenance of a facility. The host includes the cost of common service support in the direct program of the activity budget. The host is also responsible for emergent repair work to correct repairable damage caused by disasters and repair to replace worn out parts of a facility that are beyond economical maintenance. In circumstances when the host finds it necessary to relocate tenants on property controlled by the host, the host is responsible to provide alternate spaces of approximately equal serviceability to the displaced tenant. In the event that the host's request of relocation is necessitated by accommodation of a function of a different tenant, the tenant activity necessitating the space realignment is responsible for the costs of renovating space and relocation.

The host activity shall be the Activity Identifier NFADB Reporting for all

real property. The activity with the Maintenance UIC responsibility will determine the appropriate level of maintenance to be performed on facilities under its cognizance. NWCF activities will be the Maintenance UIC in the NFADB for all NWCF mission related facilities, and all facilities occupied entirely by NWCF personnel. The Bureau of Medicine and Surgery (BUMED) will be the Maintenance UIC only for medical/dental facilities. With the exception of mission-related Strategic Systems Program facilities, global antenna systems, and Government-owned, contractor-operated facilities, all other Navy facilities fall under the complete responsibility of the host activity.

Note: Under policy for the depreciation of DoD General Property, Plant and Equipment (PP&E) assets, the user who derives economic benefit from an asset maintains depreciation schedules. Therefore, NWCF activities will include the depreciation for all real property for which they are designated the Maintenance UIC. However, real property depreciation should not be included in NWCF rates.

2. TENANT ACTIVITY RESPONSIBILITY FOR SUSTAINMENT, RESTORATION AND MODERNIZATION (FORMERLY REAL PROPERTY MAINTENANCE).

The tenant activity will budget and fund any additional, identifiable, measurable, and significant costs incurred by the host on the tenant's behalf, provided that such costs can be segregated on a reasonable and meaningful basis without undue administrative and/or fiscal difficulties. Examples of such reimbursable costs are as follows:

- tenant's direct expenses;
- additions, improvements, alterations, and/or rehabilitation of facilities for the tenant's occupancy or use (those facilities changes which are beyond the scope of the host's responsibilities to maintain the existing structures as described in paragraph 1 above);
- maintenance and repairs, beyond normal wear and tear, caused solely by the tenant's occupancy or use of the facilities.

Exceptions to the foregoing tenant funding responsibilities are recognized in the case of certain support costs relating to Navy and Marine Corps commissary stores (see par. 075156 for details concerning this exception).

3. MISSION TASKS.

With the exception of the special circumstances delineated in par. 075123, the host will provide base operating support for DON appropriated fund activities on a non-reimbursable basis. Common service support functions identified in par. 075123 will be provided to all DON tenants (including NWCF activities), unless a tenant is mission funded to perform the

function itself (e.g., small craft used for training by a training activity). Host activities that operate under NWCF procedures should charge their own appropriated military support resources provided by their management command for the non-reimbursable support services provided to tenant or satellite activities.

4. OPERATING FORCES.

Host activities, such as naval operating bases and air stations, are assigned responsibility for base support of units of the operating forces. Host activities budget for resources required to finance the cost of designated common service support functions listed in par. 075123. This is applicable whether the units are permanently homeported or are deployed for extended periods. Host activities that operate under NWCF procedures should provide designated common service support functions to operating force units, financed from their own appropriated military support resources/allotments provided by their management commands. Utilities for operating forces should not be included in base support funding, but instead will be reimbursed by the operating force. Funding responsibility for facilities restoration and modernization (formerly referred to as minor construction/alterations) is dependent on mission requirements. Per subpars. 1 and 2, restoration and modernization efforts necessary for preservation of facilities are a host responsibility. Those efforts necessary for or caused by the tenant's mission needs are a tenant responsibility.

5. PAYMENT FOR MUNICIPAL SERVICES.

Department of the Navy (DON) installations, including family housing, are entitled to be provided essential public services (e.g., police and fire protection) on the same basis as all other parties within the jurisdiction. That is, if the services are funded with state or local taxes and are provided to the non-Federal property owners and occupants at no additional cost, then such services are to be provided to the DON at no cost, even though the government is exempt from state and local taxation. Installations where the government has retained exclusive Federal jurisdiction may generally pay for such services. Where private or commercial users pay for services (e.g., trash collection, water, and sewer), then the installation may be charged, using the same basis in calculating the fees. No installation, including those where the government has retained exclusive Federal jurisdiction, may enter into a contract for fire fighting or security guard functions unless: (1) the contract is to be carried out at a location outside the United States (including its commonwealths, territories, and possessions), at which the use of members of the armed forces for the performance of such functions would be at the expense of unit readiness; (2) the contract is to be carried out on a government owned but privately operated installation; or (3) the original contract was entered into prior to 24 September 1983.

(Change 67)

075122 SIGNIFICANT COSTS

Costs to the host for provision of unique support requested by one or more tenants, that are additional, identifiable, and can be segregated or metered on a reasonable and meaningful basis, will be reimbursed by the tenant. In general, additional, identifiable costs for recurring support provided by a host or supporting activity will be reimbursed unless the amount is less than \$500 within a fiscal year, in which case the billing is considered to be uneconomical. However, costs incurred in support of Working Capital Fund (WCF) mission products and services may not be waived.

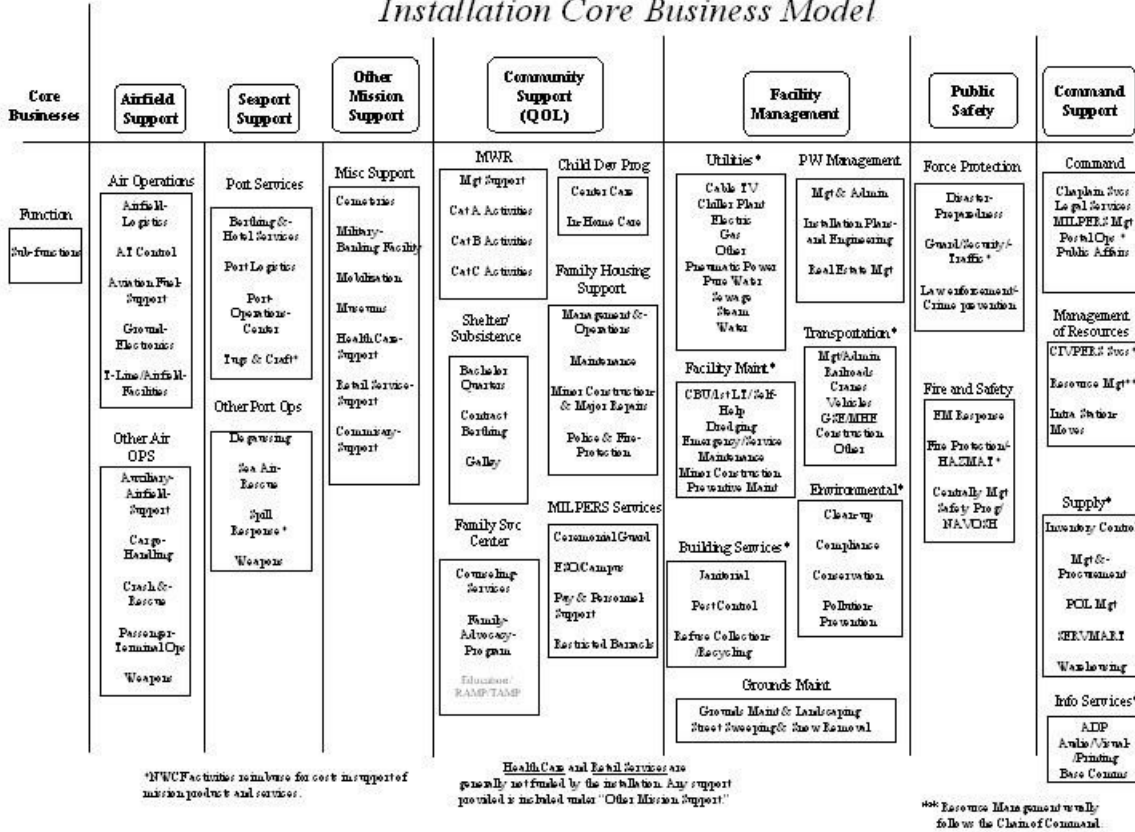
(Change 65)

075123 FUNDING GUIDE

The Installation Core Business Model provides a specific guide for services managed and provided by a host or installation that are usually funded through base operating support (BOS). While all of the areas identified in the Installation Core Business Model are BOS functions, they may not be applicable to all activities. Financial responsibility for the services identified in the Installation Core Business Model varies based on the following circumstances:

- Appropriated Fund Activities - With the exception of those services delineated as special circumstances in this par. and/or subject to the provisions of par. 075122, the host or responsible installation will provide all BOS services identified on the Installation Core Business Model to appropriated fund activities on a non-reimbursable basis as common-service support functions.
- NWCF Activities - With the exception of those services asterisked on the Installation Core Business Model, and specifically addressed in this section or subject to the provisions of par. 075122, the host or responsible installation will provide all BOS services to NWCF activities as common-service support functions.

Installation Core Business Model



DESIGNATED COMMON-SERVICE SUPPORT FUNCTIONS.

The following list details common-service support functions depicted in the Installation Core Business Model and further clarifies funding responsibilities for those functions.

1. **Airfield Support** - Host funding responsibility
2. **Seaport Support** - Seaport support is provided by the host; however, NWC activities will reimburse the host for Tugs/Craft costs and Spill Response costs incurred in support of mission products and services.
3. **Other Mission Support**
 - a. **Miscellaneous Support**
 - Health Care Support - Health Care Delivery Service (also see par. 075132)
 4. **Community Support (QOL)** - Operation of consolidated installation support offices, such as travel, base locator, bachelor quarters, Navy family housing, and other services provided for the recreation and welfare of members. The host will provide Morale, Welfare and Recreation (MWR) support including operation of child care centers, in accordance with par. 075500.

a. Shelter/Subsistence

- Galley - Operation of enlisted dining facilities and meals for enlisted members (also see par. 075152).

5. Facility Management

a. Facility Sustainment, Restoration and Modernization - Maintenance and operation costs related to facilities used in common by both host and tenant, such as roads and walkways (also see par. 075131) are a host responsibility as well as cyclical maintenance and structural repair of facilities in the real property inventory of the host (also see par. 075121-1). Building services are a host responsibility; however, buildings occupied solely by NWCF personnel will be supported by the NWCF. Exceptions to this policy are MWR Category "C" or any similar activities operated with non-appropriated funds.

b. Transportation - Vehicle assignment and management, including common bus and taxi service within the installation (also see par. 075131) are the funding responsibility of the host. However, NWCF activities are responsible for transportation costs in support of their mission products and services.

c. Environmental Quality - Compliance, conservation, and pollution prevention programs necessary to comply with federal, state and local environmental laws and implementing regulations are a host responsibility. However, NWCF activities are responsible for environmental costs incurred in support of their mission products and services.

d. Grounds Maintenance - Maintenance of common use areas, including landscaping and snow removal, is a host responsibility. Exceptions to this policy are MWR Category "C" or any similar activities operated with non-appropriated funds.

6. Public Safety

a. Force Protection - Police and security operations, such as base patrol, disaster preparedness, and crime prevention are host functions; however, NWCF activities are responsible for guard/security costs specifically required to support their mission products and services. (also see par.075140).

b. Fire protection is a host responsibility; however, NWCF activities are responsible for fire protection costs specifically required to support their mission products and services.

c. Fire Alarm System - Provision and maintenance of a fire alarm system is a host responsibility; however, NWCF activities are responsible for the

cost of fire alarm systems specifically required to support their mission products and services (see par.075131).

7. Command Support

a. Command - Matters of command direction and policy coordination pertaining to the installation, including port control and air operations, are a host funding responsibility.

- Legal - Legal staff assistance within the installation (also see pars. 075135, 075159, and 075180 for responsibility for specific costs.)
- MILPERS Management - Coordination of general military training, career counseling, and consolidated military personnel reporting.
- Postal Operations - Provision of a postal facility and pick up and delivery of U.S. mail and guard mail to central locations within the installation. However, NWCF activities are responsible for postage and services specifically required to support their mission products and services.
- Public Affairs - Dissemination of information, such as station newspapers or arrangements for special events for the public.

b. Management of Resources

- Civilian Personnel Services - Includes recruitment, classification, staffing, labor and employee relations, equal employment opportunity programs, and employee development services provided by local Human Resource Offices (HRO). However, NWCF activities will reimburse the providing activity for HRO support provided in support of their mission products and services.
- Resource Management - For activities in the host's chain of command, includes funds management; cost analysis services; budget formulation, reporting and execution; and financial liability investigation of property losses. Other tenant activities receive these services from their management commands or provide their own (i.e., NWCF). Fiscal accounting, disbursing, payroll functions, etc. are provided by the Defense Finance and Accounting Service (DFAS).

c. Supply - General supply operations of receipt, issue, requisition processing, purchasing, procurement, warehousing, and household goods shipping administration (also see par. 075180) are host functions. However, NWCF activities will reimburse for supply costs specifically required to support their mission products and services.

SPECIAL CIRCUMSTANCES IN SUPPORT RELATIONSHIPS.

Within the DON, special provisions for funding are applicable to the following areas of support:

1. Fire Marshal Inspection and Reporting - Evaluation of the operational capability of fire protection services by fire departments is a mission responsibility of the Naval Facilities Engineering Command, and is accomplished by the geographic Engineering Field Divisions without reimbursement.
2. Base Communications - The Naval Network Warfare Command (NNWC) finances the operation and maintenance of switches and cable to provide backbone connectivity. However, customer-specific access costs, long distance costs, and customer-specific desktop equipment are financed by the user, not by NNWC.
3. Information Technology (IT) - Although IT is considered a BOS function, funding has not been centralized. Services, as required, are funded by the requiring activity. IT includes the operation of Local Area Networks, Metropolitan Area Networks, and Wide Area Networks. IT also includes video and data transmissions.
4. Utilities - Utility costs in excess of mutually agreed upon basic service support are subject to reimbursement in accordance with the provisions of par. 075122. NWCF activities are responsible for utility costs specifically required to support their mission products and services. Utilities include water, sewage, electricity, natural gas, and fuel oil services, as well as, central generation and distribution of steam, chilled water, and compressed air.
5. Accident Repairs - Repairs required as a result of accidents to host owned class 3 plant property assigned to tenants on a custody/loan basis is a funding responsibility of the tenant activity. However, vehicle accident repairs are the responsibility of the host regardless of whether the vehicle is leased or owned.
6. Air Conditioning - Cyclical maintenance and repair of air conditioning equipment which is installed and included in Class 2 plant property is the funding responsibility of the activity that has Maintenance UIC responsibility.

(Change 67)

Section III: CONSOLIDATED SUPPORT ACTIVITIES

075130 HUMAN RESOURCES OFFICES

1. SCOPE.

This paragraph delineates budget responsibility for support of Human Resources Offices, industrial relations service support responsibility

assigned to lead activities, and other personnel services provided across activity lines. Examples of these functions include wage surveys, position classification, personnel placement, and assignments in connection with appeals and grievance examiners and equal employment opportunity investigators.

2. BUDGET POLICY

a. General.

Human Resources Offices will be supported from resources available to the activity of which they are a part, or, in the case of independent offices, directly funded by their major claimant. The centralized civilian personnel services provided to the Department of the Navy activities will be on a nonreimbursable basis. This policy does not preclude reimbursement in accordance with any interservice support agreement for services provided to a non-Navy organization. The provision of such services to Navy Working Capital Fund (NWCF) activities is discussed below.

b. Other Activities.

When the servicing activity is a NWCF activity or an activity operating under modified industrial accounting procedures, the cost of the services provided to appropriated-fund Department of the Navy activities will be funded from its military support resources and not billed to the customers as a component of overhead. In FY 1993 and thereafter, every NWCF activity will reimburse when it receives civilian personnel services from another activity. Reimbursements between activities for this purpose will be made quarterly based upon budgeted resources and be supported by general memoranda of understanding between the parties.

c. Ad Hoc Assignments.

The nature of some civilian personnel functions requires the temporary services of personnel drawn on an ad hoc basis from various Department of the Navy commands and activities that may not be tasked with industrial relations area support. The salary of an employee relieved from regular duties for a temporary industrial relations support assignment is a funding responsibility of the parent activity of the employee. Incidental expenses, such as travel and per diem, incurred by the employee serving in an ad hoc capacity, are reimbursable to the parent activity by the activity to which the employee is temporarily assigned, except for expenses incident to DoD-wide wage surveys. Incidental DoD-wide wage survey expenses are the funding responsibility of the parent activity inasmuch as lead

activities, in this instance, are not performing a unique Department of the Navy mission.

(Change 62)

075131 PUBLIC WORKS CENTERS

1. CIRCUMSTANCES.

The Department of the Navy has many large installation complexes for which a public works center or a "lead" activity has mission responsibility to provide facilities operation and maintenance support to all co-located activities. Pearl Harbor, Norfolk, Yokosuka, and the Philadelphia Naval Base complexes are representative

2. PURPOSE.

This paragraph delineates basic rules for determining budgetary and reimbursement responsibility for facility maintenance and operation support provided by public works centers or public works "lead" activities. It also defines certain common-service functions and identifies the specific activities responsible for budgeting for these functions.

3. POLICY

a. Common-Service Facilities.

The maintenance and operation costs related to the following facilities or services are the budgetary responsibility of a single activity in the complex:

- (1) facilities which provide access to, or service more than one shore activity, including roads, parking lots, walkways and grounds, and related protective drainage structures such as culverts, flumes, and ditches;
- (2) common bus and taxi service.

b. Utilities.

Electricity, steam, water, natural and manufactured gas, and compressed air systems costs are initially financed by the public works activity. Customer activities budget and reimburse for utilities on the basis of the unit rate established by the public works activity for each type of utility.

c. Public Works Peculiar and Automotive Equipment.

Maintenance and operating costs of public works peculiar equipment and automotive equipment including motor pool vehicles are initially financed by the public works activity. These costs are reimbursed by customer activities on the basis of user rates established by the public works activity. As a requirement of the regulations governing the

Navy Working Capital Fund (NWCF) operations of activities such as the Public Works Centers, the cost of accident repairs to equipment is included in user rates or is charged to the customer activity having custody of the equipment at the time of the accident. Public works activities that are not financed under NWCF do not include the cost of accident repairs to equipment in user rates. At such activities, the cost of accident repairs to equipment is absorbed in the command operating budget. However, when a private party is liable for damage to Department of the Navy equipment, the cost of accident repairs is recovered from the private party. Such collections applicable to repair work performed by NWCF activities are deposited to the credit of the NWCF. The amounts recovered by non-NWCF activities are credited to the miscellaneous receipts account of the Treasury. The repair work may be performed commercially and payment for the cost of repairs made by the private party to the performing commercial activity in lieu of payment to the Government.

d. Real Property Maintenance and Repairs.

The public works activity performs the real property maintenance and repairs subject to reimbursement on a job cost, fixed-rate, or fixed-price basis by the customer activity from its operating budget.

e. Local Household Moves.

The cost of work in connection with the local moves that is performed by public works centers is reimbursable in accordance with the provisions of par. 075180. The cost of work such as packing, crating, unpacking, uncrating, and local hauling of household goods when performed by station forces of a public works "lead activity" is absorbed by the performing activity.

f. Railroad Systems

(1) Where Government Locomotives Are Part of System.

The public works activity initially finances all railroad system maintenance and operating costs including Government locomotives and their crews. Costs will be recovered on the basis of established car-spotting rates. Separate rates will be established if the system includes both commercial switching and Government locomotives. Spotting and respotting required by consignee activities on a complex will be budgeted and funded for by the consignee.

(2) Where Government Locomotives Are Not Part of System.

The public works activity initially finances all railroad system maintenance costs. Costs will be recovered on the basis of established car usage rates, i.e., based on an estimate of the total

number of cars to be used related to the total estimated maintenance costs. Customers should be billed on a "car usage" rate basis similar to the "car spotted" rate basis. In cases where tracks are clearly being used and will be used over a sustained period of time by a single customer, direct billing of actual maintenance costs is authorized in lieu of establishing "car usage" rates. Sole-use customers must agree to direct billing before it is applied. In the absence of such agreement, "car usage" rates will be established and applied.

(3) Unutilized Track Maintenance.

Where unutilized tracks are required to be maintained and remain the plant property of the public works activity, the cost of maintenance will be financed as a military support cost of the public works activity from appropriated funds provided by the management command.

g. Minor Construction, Alterations, Improvements, and Major Repair Projects.

Procedures and guidance for funding delineation determinations are covered in the current issuance of OPNAVINST 11010.20

h. Other Engineering Support.

Refuse collection and disposal, entomology, and custodial services are initially financed by the public works activity. A customer activity will budget for and reimburse the public works activity from its operating budget on a developed unit, job, or fixed-rate basis. If a public works lead activity (not NWCF funded) is assigned the firefighting mission, the fire alarm system costs will be funded by the operating budget of the lead activity.

(Change 48)

075132 MEDICAL AND DENTAL ACTIVITIES

1. SCOPE.

This paragraph describes the financial responsibility for operation and maintenance of all medical and dental units/facilities not under the command of the Chief, Bureau of Medicine and Surgery (BUMED).

2. DEFINITIONS

a. Organizational Component.

The term "organizational component" denotes an office, command, or Headquarters, U.S. Marine Corps.

b. Shore Activities.

The term "shore activity" includes both Navy and Marine Corps shore

activities including those under the command of fleet commanders, but does not include units of the operating forces.

3. BUDGET POLICY

a. General.

Organizational components are responsible for budgeting and funding costs of operation and maintenance of medical and dental departments and other medical organizational units at shore activities under this command. Except as specified in subpar. e, these costs include, but are not limited to, all costs of medicines and related supplies, civilian personnel, all technical and non-technical equipment, and local ambulance service when authorized.

b. Activities Other Than Industrial-Commercial.

At a shore activity not operating under the Navy Working Capital Fund (NWCF), funds for costs cited in subpar. a are provided the shore activity by or through the organizational component having command responsibility. Support provided to authorized personnel of tenant or contiguous activities will be on a common-service (nonreimbursable) basis.

c. Industrial-Commercial Activities.

At an industrial-commercial activity, funds for costs cited in subpar. a are financed initially by NWCF, except costs of equipment identified as plant property, which are paid from the operation and maintenance or procurement resources available to the organizational component having command responsibility. Additionally, costs for the care of military and civilian personnel of tenant activities are considered as an expense to the military support resources of the industrial-commercial activity without reimbursement from the organization receiving the service.

d. Naval Reserve Officer Training Corps Midshipmen Medical Costs.

The Commander, Naval Education and Training Command (COMNETC) is responsible for the Naval Reserve Officers Training Corps (NROTC) program, including coordination of NROTC medical matters. NETC is also the responsible organizational component for funding NROTC midshipmen medical costs when support is not available from medical treatment facilities of the Armed Forces on a common-service basis.

e. Exceptions.

Excepted from the costs in subpars. b and c are the following:

1. the cost of ambulance procurement, which is a budgeting and

funding responsibility of the Naval Facilities Engineering Command,

2. the cost of meals which are furnished from the general mess.

f. Reimbursable Guidance

(1) Naval Medical Facilities - Non-Department of Defense (Non-DoD) Patients and DoD Dependents.

The cost of providing inpatient and outpatient care in Navy medical facilities to non-DoD patients is reimbursable at rates based on recovery of full cost. The amounts collected are credited to the appropriation that supports the maintenance and operation of the facility as reimbursements for current operating costs to be used to improve the services provided by that facility. Dependents of uniformed personnel who are authorized care at Government expense are charged a nominal sum daily for inpatient care pursuant to 10 U.S. Code 1078(a), as amended. These amounts are credited as reimbursements to the operating funds of the medical facility providing the care. The rates and reimbursement procedures for these charges are issued annually in a BUMED Notice.

(2) Non-naval Medical and Dental Care-Active Duty Members

(a) General Policy.

Navy and Marine Corps personnel who incur disease or injury while on active duty (including active duty for training and inactive duty for training) and, under the North Atlantic Treaty Organization-Status of Forces Agreement (NATO-SOFA), Naval members of NATO-SOFA nations stationed in or passing through the United States in connection with their official duties, may receive reimbursement or settlement for claims for certain medical or dental care provided in civilian or non-Navy/Federal medical facilities. DON policy requires that such non-Federal care should generally be utilized only when Navy or other Federal medical and/or dental facilities (e.g., Army, Air Force, Public Health Service, and Department of Veterans Affairs) are not available. While non-emergency care obtained from non-Federal sources may be provided at Navy expense only when advance authorization is obtained, in emergency situations, when the need or apparent need for medical or dental attention is such that time does not permit obtaining the required authorization in advance, such non-Federal care may be obtained without prior authorization. In either case, a Statement of Civilian Medical/Dental Care (BUMED Form 6320.10) is required,

[Financial Management Policy](#)

unless appropriate approving officers already possess sufficient information to waive the form.

(b) Administration-Authorization.

Naval District Commandants, via their respective district medical or dental officers, act as approving officers to authorize procurement of civilian and/or non-Federal care and to adjudicate claims. However, in overseas areas, commanding officers are authorized to obtain such care for members under their commands and to effect immediate payment therefore. When ships are in NATO-SOFA ports, commanding officers should obtain, if at all practicable, required care from military facilities of the host country when DoD facilities are not available. For further information regarding types of care that may be authorized, requests for authorization and/or information concerning preparation, approval, or disapproval of claims, see the current issuance of BUMEDINST 6320.1A.

4. AUTHORITY AND RESPONSIBILITY OF THE SURGEON GENERAL OF THE NAVY.

The authority and responsibility of the Surgeon General of the Navy with respect to technical control and supervision of all medical and dental care in the Navy are not modified or reduced by the instructions contained in subpar. 3. The Bureau of Medicine and Surgery exercises technical control over all technical medical equipment, including ambulances, and in the exercise of this control approves the procurement of such items for use.

(Change 67)

075134 PRINTING SERVICES

1. GENERAL.

Printing offices are operated as Working Capital Fund (WCF) activities and the supporting activity will bill these offices for facilities and services provided within the guidance of par. 075121. All services provided by the printing offices will be charged to the customers in accordance with WCF regulations.

2. COGNIZANCE SYMBOL "I" PRINTED MATERIAL

a. Cognizance Symbol II.

Cognizance symbol II material, consisting of printed forms and placards, is financed by the WCF. Cognizance symbol II items are charged to the user in the same manner as other WCF material.

b. Cognizance Symbol 0I.

Cognizance symbol 0I material consists of publications, which include manuals, books, catalogs, stock lists, directives, recordings, decals, and binders. These items, while not carried in an inventory account, are susceptible to centralized inventory control procedures. They are issued initially to users without requisitioning action. Subsequent user requirements are requisitioned in the same manner as any other material but without charge to the requisitioner. Costs are borne by the organization responsible for originating the items.

(Change 58)

075135 INTELLECTUAL PROPERTY ATTORNEYS

1. AUTHORITY.

Pursuant to provisions of 10 U.S. Code 5022, the Office of Naval Research (ONR) has been assigned responsibility for formulating the Department of the Navy (DON) policy relating to patents, inventions, trademarks, copyrights, royalty payments, and matters connected therewith under the direction of the Patent Counsel of the Navy. The DON Office of General Counsel and subordinate Offices of General Counsel provide advice and services to their respective activities on the aforementioned matters.

2. FUNDING POLICY

ONR budgets for and maintains an account for the payment of patent fees and other administrative charges assessed by the Patent and Trademark Office; the Navy Technical Disclosure Bulletin publication expenses; and for the purchase of engineering notebooks used for recording significant work. Salaries and all other support costs are the responsibility of the employing command or activity.

(Change 65)

Section IV: ADMINISTRATIVE/FUNCTIONAL FUNDING ASSIGNMENTS

075140 SECURITY FORCES

1. GENERAL.

The policy for employment of Naval Security Forces ashore and afloat is contained in the current issuance of SECNAVINST 5530.4. Marine Security Forces (Atlantic and Pacific) are operating forces of the Marine Corps consisting of security forces at Marine Corps Security Force Battalion (MCSFBN) Headquarters, Navy shore activities and

complements on board naval vessels. Budgeting and funding for the costs of security forces will be in accordance with the following guidance.

2. MARINE CORPS SECURITY FORCE BATTALION HEADQUARTERS.

MCSFBN Headquarters (Atlantic and Pacific) are administered under the direction of the Fleet Marine Force (FMF) commander. Marine Corps appropriations will support all costs associated with the mission of the MCSFBN Headquarters components, including training, equipment, supplies, and travel (except as noted below). The Navy activities at which the MCSFBNs are located are responsible for the costs of all designated common service and administrative base support functions normally provided under a host/tenant agreement (see par. 075123). Operational deployments of MCSF Fleet Anti-terrorism Security Teams (FASTs) occur on the orders of the Fleet Commander via the FMF Commander. Fleet Commanders will support the transportation costs associated with MCSFBN FAST deployments in the same manner that they support Marine Corps forces deployed for contingency operations and training/readiness (see par. 075182). Deployed FASTs assigned to Navy activities will be subject to the guidance contained below.

3. MARINE SECURITY FORCES ASSIGNED TO NAVY ACTIVITIES.

Marine Security forces assigned to Navy activities (i.e., Marine barracks, MCSF companies, Marine detachments (afloat), and FASTs) operate under direct operational control of the commanding officer of the installation or ship to which assigned. These forces are an integral part of the Navy command and do not fall within the purview of guidance pertaining to host/tenant relationships or intraservice support. Funding responsibilities are delineated in subpars. a and b.

a. Navy Appropriations.

Support of Marine security forces serving at Navy activities will be from Navy appropriations funding the operations of the command or the activity where the forces are providing security. This support includes initial issues, replacement, and upkeep of furniture, furnishings, and equipment for barracks quarters and administrative offices on Navy plant account occupied by Marine security forces; all cyclical maintenance, repair, and utility charges for land, buildings and structures; counsel fees and other costs incident to representation in civil and criminal proceedings in foreign courts and foreign administrative agencies; operation and maintenance of vehicles; travel when in the performance of the activity mission; all other costs associated with activity mission accomplishment except as noted in subpar. b.

b. Marine Corps Appropriations.

Marine Corps appropriations will support the following travel in

connection with assignment to and detachment from Navy duty station (except for travel of the FASTs, which is to be funded by the Fleet Commanders as noted above); travel related to Marine Corps directed training/administrative/emergency leave requirements; rations, clothing, individual equipment, arms (to include individual and crew-served weapons common to the Marine Corps); ammunition, lubricants, and cleaning and preserving materials for Marine Corps furnished weapons; magazines and news papers, etc; office machines and/or equipment peculiar to or required predominately for use in Marine Corps administration.

4. CIVILIAN GUARD FORCES

a. General.

The command assigned responsibility for control of a consolidated civilian guard force will fund the total costs of the consolidated guard force on a common-service basis, i.e., without reimbursement except as indicated in subpars. b and c.

b. Non-industrial Activities.

Guard forces under the control of a designated non-industrial activity will be funded by this controlling activity as a normal cost of operation and maintenance in accordance with budgetary instructions of the appropriate organizational components of the U.S. Navy or HQ USMC. In the case where guard forces are provided by a non-NWCF activity for the security of a NWCF activity, NWCF will be charged and a funded reimbursable order (Work Request (NAVCOMPT Form 140)) provided to the controlling non-NWCF activity.

c. NWCF Activities.

Guard forces under the control of a designated NWCF activity will be charged to NWCF for that portion of the service provided to the NWCF activity itself. Funding required to provide guard forces for the security of non-NWCF activities designated as the responsibility of a controlling NWCF activity will be included in the military support program of the office or command operating the NWCF activity. Consistent with the funding policy in subpar. b, where guard forces are provided by a NWCF activity for the security of another NWCF activity, the NWCF will be charged.

(Change 58)

075141 REAL/PERSONAL PROPERTY DISPOSAL PROGRAMS

1. EXCESS AND SURPLUS PROPERTY

a. Definitions

(1) Excess Property.

The term "excess property" as used herein means real property and related personal property in a caretaker or idle status, not retained for mobilization purposes, and which has been reported to the Naval Facilities Engineering Command as unnecessary to the needs of the cognizant organizational component.

(2) Surplus Property.

Surplus property is excess property declared to be unnecessary to the needs of the Federal Government.

(3) Financial Responsibility.

Financial responsibility means responsibility for funding costs associated with excess and surplus property, such as:

1. costs for care, preservation, repair, handling, protection, and maintenance;
2. costs for taxes, authorized payments in lieu of taxes, rents, and insurance premiums.

b. Budget Policy.

The organizational component that had responsibility for such costs immediately prior to the designation of the property as excess property will continue to bear financial responsibility until the property is reassigned to another organizational component or military department, transferred to another Federal agency, or until the Government's interest in the property is terminated. However, when excess property listed to the General Services Administration (GSA) is not transferred or disposed of within 12 months of the date it was officially listed, responsibility for the costs is assigned as follows:

- (1) subpar .a(3), item 1 - to be assumed by GSA on the first day of the succeeding quarter of the fiscal year;
- (2) subpar .a(3), item 2 - to continue to be borne by the organizational component until GSA transfers or disposes of the property.

c. Government-Wide Regulations.

See the Federal Property Management Regulations of the General

Services Administration, Part 101-47, which sets forth Government-wide regulations concerning the management of excess and surplus real property and related personal property.

2. DISPOSAL OF PERSONAL PROPERTY AND RECYCLABLE MATERIALS

a. General.

It is the policy of the Department of Defense that excess personal property shall be disposed of in a manner that ensures maximum use to satisfy valid requirements, permits authorized donations, and minimizes the need for abandonment or destruction. Navy and Marine Corps Property Disposal Programs are integrated under the Defense Logistics Agency (DLA). DLA assumes total management responsibility for the DoD Property Disposal Service with the exception of a few residual functions retained by the Military Departments.

b. Funding and Reimbursement Policy

(1) Property Disposal.

The property disposal program is funded by appropriated funds without reimbursements from sales proceeds. Expenses directly related to the disposal process are classified and reported for budget and management purposes only.

(2) Scrap Metal.

Funds shall not be used for the operation, acquisition, or construction of new facilities or equipment for metal scrap baling or shearing, or for melting or sweating aluminum scrap without specific DoD approval.

(3) Revolving Funds.

Proceeds from the disposal of NWCF inventories and of NWCF scrap, less expenses, shall be credited to the NWCF.

(4) Recyclable Material.

Pursuant to 10 U.S. Code 2577, a program is provided for the sale of recyclable materials, as defined in the current issues of OPNAVINST 5090.1 and MCO P-11000.8, and for the operation of recycling programs at military installations. Proceeds received from the DLA, Defense Reutilization and Marketing Office (DRMO) are deposited to an installation level account under the Budget Clearing Account (Suspense), 17F3875. These funds, which represent the total revenues from the sale of recyclable materials, will be utilized as follows:

1. to reimburse operation and maintenance expenses of the recycling program, as required during a year, initially charged to DON appropriations or funds;

2. if proceeds received exceed expenses of operating the recycling program and the installation has a qualified recycling program as defined in the current issues of OPNAVINST 5090.1 or MCOP-11000.8, the remaining funds may be utilized as follows:

(a) up to 50 percent of the remaining funds may be used to finance projects for pollution abatement, energy conservation and occupational safety and health activities. To the extent that these funds are available, appropriated funds may not be budgeted for such expenses. In addition, the cost of these projects may not exceed 50 percent of the maximum amount authorized for a minor construction project;

(b) up to 50 percent may be transferred to the nonappropriated morale, welfare and recreation (MWR) accounts of the installation, to be used for any approved MWR activity;

3. if proceeds received are insufficient to cover the expenses of operating the recycling program, the QRP may receive auxiliary funding from either the major claimant with cognizance over the installation operating the QRP, or from the installation itself.

4. installation-level balances may accumulate from 1 year to another; however, if the balance at the end of a fiscal year exceeds \$2 million, the amount in excess of this amount will be transferred to the Miscellaneous Receipts account of the Treasury.

(Change 67)

075142 PLANT PROPERTY IN AN INACTIVE STATUS

1. DEFINITIONS

a. Plant Property.

Plant property in an inactive status is that in a caretaker, maintenance, or partial maintenance status, while retained for mobilization purposes, as follows:

(1) inactive real property - classes 1 and 2 plant property,

(2) inactive equipment - classes 3 and 4 plant property.

b. Organizational Component.

The term "organizational component" as used in this paragraph, includes offices and other commands, and headquarters exercising command over shore activities, including Headquarters, U.S. Marine Corps and the Commander, Military Sealift Command.

2. BUDGET POLICY

a. Funding of Preservation, Repair, and Maintenance.

The funding responsibility for the cost of preservation, repair, and maintenance of plant property in an inactive status is assigned as follows:

- (1) inactive real property - the organizational component which funds the activity holding the plant account (exclusive of plant property in Industrial Reserve Plants, which is a responsibility of the organizational component retaining control thereof);
- (2) inactive equipment - the organizational component which would have control of the equipment upon its activation;
- (3) services provided by another activity - receiving activity to reimburse performing activity for additional costs incurred in inactive plant property preservation, repair, maintenance or caretaker services provided to one activity by another if such costs are readily identifiable and significant.

b. Interim Use of Plant Property.

Additional (unbudgeted) cost resulting from authorized interim use of inactive plant property will not be an expense to the owner unless such expense is mutually agreed to by the owner and user.

(Change 48)

075143 MILITARY LAND UTILIZATION PROGRAMS

1. LUMBER AND TIMBER SALES.

Title 10 U.S. Code 2665 provides that the operation and maintenance expenses incurred during the production and sale of lumber and timber products may be reimbursed from lumber and timber sales proceeds.

2. AGRICULTURAL LEASES.

Funds received from a lease of land for agricultural or grazing purposes may be retained by the activity having control of the property to cover the administrative and program management expense of such leases. Title 10

U.S. Code 2667 provides legislative authority for the agricultural and grazing leasing programs.

(Change 48)

075144 AWARDS

1. GENERAL.

The Navy Incentive Awards Program is designed to encourage civilian and military personnel of the Department of the Navy to participate in the common task of improving the efficiency and economy of Government operations. Military decorations and awards are for the purpose of publicly recognizing and rewarding extraordinary, exceptionally meritorious, or conspicuously outstanding acts of heroism and other acts or services which are above and beyond that normally expected and which distinguish the individual or unit among those performing similar acts or services. The circumstances under which cash and salary increase incentive awards are made are described in the current issuance of SECNAVINST 5305.2 and OPNAVINST 12000.14. Circumstances under which military decorations and awards are made are described in the current issuance of SECNAVINST 1650.1. The policy on trophies and similar devices is contained in the current issuance of SECNAVINST 3590.4.

2. FUNDING POLICY

a. Monetary Awards.

Cash awards for military and civilian personnel and salary increases for civilian employees are chargeable to funds available for operation of the activity to which the employee or member is assigned except in instances when such awards accrue from ideas adopted outside the local activity. The provisions of subpars. (1) through (3) apply to cash awards in such instances.

(1) Adoptions Within the Department of the Navy.

When an idea not related to general distribution material has been adopted locally and is subject to additional cash award due to adoption by other Department of the Navy (DON) activities (including the Operating Forces), each additional adopting activity is responsible for funding the award from its operating resources in an amount determined to be appropriate by the adopting activity. Payment to the employee or member will be made by the civilian payroll office of the employing activity. Cash awards accruing from ideas adopted by revisions to general distribution materials, such as manuals, publications, regulations, and instructions, will be funded from operating resources available to the office, command,

or Head Quarters, U.S. Marine Corps, as appropriate, which approves the award.

(2) Adoptions Within the Department of Defense.

When an idea of a DON employee or member is subject to a cash award and is adopted by another Department of Defense (DoD) component, the organization that adopts the idea is responsible for payment of the award. The activity to which the employee or member is assigned requests authority to cite appropriation funds for payment of the award from the adopting DoD component. When DON adopts an idea originated within another DoD component and it is subject to a cash award, payment will be made from operating funds available to the activity, office, command, or Headquarters, U.S. Marine Corps, as appropriate, which approves adoption of the idea.

(3) Adoptions Within Federal Departments.

When an idea of a DON employee or member is subject to a cash award and is adopted by a non-DoD Federal department or agency, the activity to which the employee or member is assigned will request payment from the adopting organization in order to effect payment to the individual from a single source. When DoD adopts an idea originated within another Federal department and it is subject to a cash award, payment will be made from operating funds available to the activity, office, command, or Headquarters, U.S. Marine Corps, as appropriate, which approves adoption of the idea.

b. Exception.

Personnel whose salaries are paid from nonappropriated funds are precluded by statute from receiving cash awards from appropriated funds.

c. Military Decorations, Awards, and Trophies.

The cost of military decorations, awards, trophies, and similar devices is chargeable to funds available for operation of the command having authority to make the presentation.

(Change 48)

075145 REWARDS

1. AUTHORITY.

Pursuant to statutory authority (10 U.S. Code 2252) the Secretary of the Navy may, out of any appropriation made for the purpose, provide for payment of monetary rewards for information leading to the discovery of

missing Naval property or to its recovery. The Secretary has delegated to the Comptroller authority to authorize payment of rewards. Requests for authority should be directed to the Comptroller. The Comptroller has further delegated to commanding officers this authority to authorize payment of rewards for specific categories. Activities desiring to offer rewards for items not included in these categories should submit their requests to the Comptroller for consideration of approval action. Payment of a reward is limited to an amount not to exceed \$500 in any one case. Normally, the amount of the reward is determined locally in consideration of the value of the property and a reasonable incentive leading to its recovery.

2. FUNDING.

Payment of rewards for authorized items will be in accordance with the provisions contained in the Navy Appendix to Volume 5 of the DoD Financial Management Regulation. The cost of rewards for items not listed therein will be the funding responsibility of the cognizant office or command of the activity requesting the authority for payment.

(Change 67)

075146 SOLATIA

1. GENERAL.

In certain countries, particularly in the Orient, the custom of solatia gift provides that an appropriate floral, fruit, or token money gift will be made to the victim or his family for injuries, death, or property damage. Accordingly, when the United States is a guest in a sovereign country, it has been determined that the local custom will be adhered to and solatia payments will be provided to foreign nationals for incidents involving United States forces personnel or Department of Defense civilian employees. Determinations of circumstances and guidelines for administration of payments are normally contained in instructions issued by the appropriate United States military commander in the applicable country.

2. BUDGET POLICY.

Within the general provisions of the appropriations act, solatia payments are considered to be an operating expense. Costs normally will be chargeable to the operation and maintenance appropriation supporting the activity to which the involved member was assigned at the time of the incident incurring the liability.

(Change 48)

075147 LONG-TERM TRAINING AND EDUCATION FOR CIVILIAN EMPLOYEES

1. SCOPE.

This paragraph sets forth financial responsibilities for long-term training and education programs for civilian personnel of the Department of the Navy that require headquarters management decisions for selection, approval, and funding. Although "long-term" training and education refers to any off-the-job training and education lasting over 120 consecutive working days, not all long-term educational endeavors are centrally managed.

2. BUDGET POLICY

a. General.

It is Department of the Navy policy to ensure that adequate resources are provided to meet priority needs for long-term training and education of civilian employees in either Government or non-Government facilities. These needs are assessed on the basis of projected manpower requirements in selected professional fields, where after-hours, part-time, or short-term programs cannot be used in lieu of long-term training. When assigned to long-term centrally managed training and education, trainees continue to be employees of the command which arranged for their participation in the program, and upon completion of the training, are entitled to return to either their same position or one of equivalent or greater responsibility and scope. Program funds provide for individual expense for:

- (1) tuition and related fees (excluding matriculation fees) associated with attendance at courses or training programs; and
- (2) travel, per diem, and incidental expenses, including transportation and/or storage of household goods when required. Training, whether long-term or not, is considered to be temporary duty. Allowances are therefore different than those for a permanent change of station. Reference the Joint Travel Regulations, Volume 2, Chapter 4, pars. C4502 and C4552 for additional policy guidance.

b. Central Pool.

A central pool of funds under the cognizance of the Office of Civilian Personnel Management (OCPM) is set aside annually to provide for centrally controlled long-term training and education requirements. For Navy employees, these funds are budgeted in Future Years Defense Program (FYDP) 8 (Training) under the Operation and Maintenance, Navy (O&MN) appropriation and FYDP 6 under the Research, Development, Test and Evaluation, Navy appropriation. For

Marine Corps employees, funds are appropriately budgeted in FYDP 8 under the appropriation Operation and Maintenance, Marine Corps. In addition to specialized training and education requirements, pool funds are utilized for broad career development, such as participation in staff and service schools, congressional fellowships, etc.

c. Other Central Programs.

Other OCPM centrally controlled programs include Civilian Personnel/Equal Employment Opportunity Management Courses, the Civilian Personnel and EEO Management Career Program, the Financial Management Civilian Career Program, the Contracting Career Program, and the Logistics Career Program.

3. RESPONSIBILITIES.

Under the policy direction of the Assistant Secretary of the Navy (Manpower and Reserve Affairs), the Chief of Naval Operations and the Commandant of the Marine Corps are responsible for evaluating their respective civilian work force training and education requirements and ensuring adequate budgeting and funding procedures to meet these needs.

4. SOURCE DOCUMENT.

Additional policy and guidance is contained in the current issuance of OPNAVINST 12000.14.

(Change 60)

075148 ACTIVE NAVAL AND RESERVE FORCE SHIPS AND CRAFT (OPERATING COSTS)

1. SCOPE.

This paragraph delineates financial responsibility for operation and maintenance of active Naval and Reserve Force ships and craft as listed and defined in the current issuance of SECNAVINST 5030.1.

2. DEFINITIONS

a. Ship and Craft.

Ships and Craft are as categorized and described in the current issuance of SECNAVINST 5030.1.

b. Naval Reserve Force Ships and Craft.

Naval Reserve Force (NRF) ships and craft may be categorized and defined in accordance with the current issuance of SECNAVINST 5030.1. Although designated as NRF, administrative and operational control remains with the appropriate Fleet Commander.

c. Boats.

Boats are water-borne noncommissioned craft, not designated in the current issuance of SECNAVINST 5030.1 as craft, capable of independent operation; may be assigned to a ship, shore activity, command, or fleet operating unit.

3. BUDGET POLICY

a. General.

In general, all operation and maintenance costs associated with active fleet ships, craft and boats will be budgeted and funded in the Operation and Maintenance, Navy (O&MN) appropriation by the command or activity to which assigned. Similarly, all operation and maintenance costs associated with Naval Reserve ships and craft will be budgeted and funded in the Operation and Maintenance, Navy Reserve appropriation by the command or activity to which assigned.

b. Operation and Maintenance.

Operation and maintenance costs, including repairs, labor, fuel, lubricants, and other stock account material required for daily operation of ships, craft, and boats, will be budgeted for and funded by the command or activity to which assigned. This includes jointly used ships and craft which are normally assigned to the most dominant user having facilities and personnel available for maintenance. Activities or units having boat allowances will budget for, fund, and administer the operation and maintenance costs of boats assigned under the allowance. The Fleet Commanders will budget for and fund (through appropriate type commanders) the operation and maintenance costs of those ships under their administrative and operational control. All operation and maintenance costs, including overhauls and major repairs discussed in subpar. c, will be funded by the fleet to which the ship is permanently assigned, including those ships temporarily assigned to another fleet having operational responsibility.

c. Overhauls and Major Repairs

(1) Fleet Ships and Craft.

Overhauls and major repairs for ships and craft assigned to the fleets or subordinate commanders and activities will be budgeted and funded by the Fleet Commander.

(2) Shore Commander Service Craft.

Overhauls and major repairs to service craft assigned to a shore command or activity, not under fleet command, will be budgeted for and funded by the activity or command to which the craft are assigned.

(3) Boats.

Overhauls and major repairs to boats, exclusive of the centrally administered boat rehabilitation program of the Naval Sea Systems Command, will be budgeted and funded by the parent command of the activity or unit having the allowance for the boat. The centrally administered boat rehabilitation program covers only those boats that have been turned in and/or are not on an activity allowance.

d. Activations and Inactivations.

Activations and inactivations of all ships and craft will be budgeted, funded, and centrally administered by the Naval Sea Systems Command.

e. Alterations.

Alterations-equivalent-to-repair (D-Alts) which require the use of centralized procurement of material are financed with procurement funds under the Fleet Modernization Program (FMP). Alterations designated to be accomplished by forces afloat are considered operational costs to be budgeted for and funded pursuant to subpar. c. Major items of equipment required for alterations of ships, craft and boats (K-Alts) are procurement financed under the FMP.

(Change 60)

075149 PORT SERVICES

1. SCOPE.

Port services consist of ships' utilities, pilotage, wharfage, docking and undocking, garbage removal, removal of oil spills and sludge, brow services, tolls and related expenses for transit of canals and inland waterways. These services are provided in Navy and non-Navy ports located in CONUS and overseas.

2. FUNDING POLICY

a. General.

The cost of port services is classified into three general categories: ships' utilities which are funded by the respective Fleet Commander's centrally managed operating budget; all other port services furnished and funded by a Naval activity as a mission responsibility, and commercial charter and hire services which include all port services listed above except utilities which are funded by the type commander of the serviced fleet ship. For Naval activities mission funded for port services (excluding utilities), which cannot be initially satisfied with indigenous assets, the cost of contractual port services (tugs, pilots,

etc.) is also chargeable to that activity's station operating funds.

b. Definitions

(1) Navy Port.

A port where there is a U.S. Navy activity that has indigenous port services assets, e.g., tug, pilot, etc., and is mission funded to provide such port services.

(2) Non-Navy Port.

A port where the on-site U.S. Navy activity/representative does not have indigenous port service assets or a port where there is no U.S. Naval activity/representative.

c. Commercial Charter and Hire Services.

This category of service is provided at non-Navy ports and will be funded by the respective type commander by the most effective method deemed appropriate, e.g., ships OPTAR or request for control procurement.

d. Exception.

Ships that are undergoing overhaul, repairs, conversion, or construction and visiting units of friendly foreign navies are excepted from the general funding policy in subpar. a. Port services in these situations will be funded as follows:

(1) from overhaul, repair, conversion, or construction funds for U.S. Navy ships undergoing overhaul, repair, conversion, or construction;

(2) in accordance with procedures as specified in par. 075243 for port services provided to friendly foreign navies.

e. Oil Spill and Hazardous Substances Cleanup.

The cost for cleaning up spills of oil and hazardous substances will be funded as follows:

(1) operating resources of a shore activity causing the spill,

(2) type commander's resources for ships when in U.S. Navy controlled ports,

(3) operating target of ships when in non-Navy controlled U.S. or foreign ports.

3. SOURCE.

Additional guidance concerning cleanup of oil spills and hazardous

substance is contained in the current issuance of OPNAVINST 5090.1.A.

(Change 50)

075150 MOBILE UTILITY SUPPORT EQUIPMENT

1. GENERAL.

Navy and Marine Corps activities on occasion are required to provide emergency and unplanned utility support on an interim basis. To meet this requirement when existing capacity is inadequate, the Mobile Utilities Support Equipment (MUSE) Program has been established. This program includes equipment for electric power and steam generation. Under certain circumstances, MUSE may also be provided to users outside the Department of the Navy (DON).

2. BUDGET POLICY

a. General.

It is the DON policy to purchase and maintain an inventory of MUSE to meet anticipated needs for emergency applications.

b. Naval Facilities Engineering Command Responsibility.

Costs of acquisition, major overhaul, special testing, storage, and transportation to and from using activities are the budgetary responsibility of the Naval Facilities Engineering Command (NAVFAC) under accounts normally available for such costs. However, when a major overhaul is performed on equipment that has been used by an industrial-commercial activity, the cost of the overhaul will be distributed between the industrial-commercial activity and NAVFAC on a time-used basis. The industrial-commercial activity will charge its share of the cost to the NWCF.

c. User Responsibility.

Operating expenses of MUSE are the budgetary responsibility of the using activity, ship, or station. This covers operating costs such as electric power, fuel, lubricants, direct labor hours worked, material and parts consumed. In addition, this covers costs of installation and hookup including civilian personnel required to set up the equipment and to train operating personnel, repairs required to ensure that the equipment meets design specifications, replacement of consumed spare parts, adequate security and preparation for shipment upon deployment termination.

d. Exception.

When the installation of MUSE is accomplished in conjunction with a lease/construction project for a complete and usable facility, the installation cost will be chargeable to the lease/construction project or

to the major claimant having lease/construction project sponsor responsibility as applicable.

3. NON-DON USERS.

When MUSE is provided to non-DON Federal users, the costs delineated in subpar. 2c, plus the cost of transportation to and from the using activity and inspection and testing, are the financial responsibility of the user. Additionally, when MUSE is provided to non-Federal Government instrumentalities, the users are required to obtain insurance covering physical damage to the equipment and public liability for bodily injury and damage to property of third persons.

4. SOURCE DOCUMENT.

For further information on responsibilities and procedures of MUSE support, see the current issuance of OPNAVINST 11300.5 and NAVFACINST 11310.2.

(Change 48)

075151 CUSTOMS, IMMIGRATION, AND AGRICULTURAL INSPECTIONS

1. GENERAL.

The Department of the Navy is financially responsible for the cost of travel and overtime incurred by customs, immigration, and agricultural inspectors who perform examinations of ships and aircraft outside duty hours and/or at locations other than ports of entry or customs stations. The cost of such overtime and travel will be funded as delineated in subpar. 2.

2. FUNDING

a. Navy Ships Other than Military Sealift Command.

Overtime and travel costs incurred in connection with inspection will be charged to the operating budget available to the applicable type commander for the ship.

b. Military Sealift Command Ships.

Overtime and travel costs incurred in connection with inspection will be charged to the Military Sealift Command.

c. Navy or Marine Corps Aircraft.

Overtime and travel costs incurred in connection with inspection of Navy or Marine Corps aircraft will be charged to operating funds available to the Navy or Marine Corps activity where the aircraft was inspected. If inspection occurs at a location other than a Navy or Marine Corps activity, the cost will be chargeable to operating

resources of the nearest Navy or Marine Corps air station.

(Change 48)

075152 DINING FACILITY OPERATIONS

1. GENERAL OPERATIONS

a. Cost of Meals.

Each Military Service will budget for the cost of subsistence for its members. Enlisted personnel, when entitled to meals at Government expense, will be fed on a common service basis without cross reimbursement between the services although they may be subsisted by another service.

b. Operational Costs.

The budgeting and funding responsibility for costs incurred in operating an appropriated fund food service facility ashore in the continental United States and overseas is assigned to the command that has mission responsibility for operation of the dining facility. Under the messmen conversion program, in which civilian resources are used to support the Navy food service program, the initial conversion cost is the budgeting and funding responsibility of the office or command having claimant responsibility for the shore activity at which conversion is made. In subsequent years, the cost of civilian messmen will be included in the field budget of the command operating the dining facilities. Within the Department of Defense, tenant activities utilizing a mess operated by a host activity will be supported on a common service basis. The provisions of this paragraph do not preclude tenant activities from furnishing military personnel for temporary messmen duties when essential for operation of the dining facility.

c. Exception.

The cost incurred in sudden and unusual requirements for feeding enlisted personnel of another service, as may occur during troop exercises, is subject to reimbursement when the unplanned requirements result in significant cost. Prior agreement with organizations in the other military services should be obtained on the scope of services that will be provided on a common service basis during special exercises.

2. ORGANIZATIONAL CLOTHING FOR FOOD-HANDLING PERSONNEL

a. Requirements.

Regulations require the use of organizational clothing by members of the Navy and Marine Corps in the performance of food handling

duties. Organizational clothing (white tee shirts, white trousers, commissarymen's caps, white aprons, and stewards' white jackets) is required as a sanitary safeguard for the protection of personnel subsisting in the mess. Accordingly, organizational clothing which must be issued to such members remains United States Government property after issue.

b. Budget Policy.

The procurement and laundering of organizational clothing authorized for issue to Navy and Marine Corps members is the financial responsibility of the office or command supporting a ship, station, or activity which operates a general mess, officers' closed mess, or personal mess of a flag/general officer or other eligible officer. Normally, such costs are funded under the ship, station or activity operating budget. When members are assigned to activities that hold no Department of the Navy funds for operating purposes, the cost will be charged to the Navy or Marine Corps activity to which the member is assigned for administrative purposes. If assigned to a non-Navy/Marine Corps command or activity for administrative purposes, special funding provisions will be made through the Office of Chief of Naval Operations or Headquarters, U.S. Marine Corps, as appropriate.

3. SOURCE DOCUMENT.

Additional information is contained in the current issuance of OPNAVINST 5312.18

(Change 48)

075153 COMMUNITY RELATIONS

Funding for collateral operations in support of national objectives in community relations will be through the normal budgetary process with support funded through operating resources of the field activity providing the services. Additional information relating to community relations is contained in the current issuance of SECNAVINST 5720.44

(Change 67)

075154 DISASTERS OR EMERGENCIES

1. GENERAL.

Navy and Marine Corps activities on occasion are involved in natural (acts of God) and/or man-made disasters or emergency situations which may relate to protection of Government property, private property, and assistance to people. Examples of natural disasters or emergencies situations are earthquakes, floods, hurricanes, typhoons, fires, and epidemics. Examples of man-made disasters or emergency situations are

those resulting from enemy attacks, riots, civil strife, explosions or fires.

2. ASSISTANCE TO FEDERAL AGENCIES, STATE AND LOCAL GOVERNMENTS, AND FOREIGN GOVERNMENTS

a. Authority.

Pursuant to the Disaster Relief Act of 1974 (42 U.S. Code 5121), the Secretary of Defense has designated the Department of the Army as the executive agent for military support of other Federal agencies and state and local governments in natural disaster emergencies within the United States, its territories, and possessions. As executive agent, the Secretary of the Army calls upon the Navy and Marine Corps for assistance as required. Policy specifically applicable to civil defense emergencies (i.e., protection/assistance required as a result of enemy attack, natural disasters and civil disturbances) and guidance on foreign disaster emergency assistance pertinent to both man-made and natural disaster areas is contained in the current issuance of OPNAVINST 3440.16

b. Funding.

Depending on the circumstances and whether the situation occurs in the United States or in a foreign area, materials, equipment, and services utilized by Navy and Marine Corps activities may be charged to Department of the Navy appropriations, reimbursable orders, or a combination of both.

3. ASSISTANCE TO INDIVIDUALS

a. Disasters/Emergency Situations.

In disaster/emergency situations commanding officers have inherent authority to take appropriate actions to secure the health and safety of military/civilian personnel and their dependents and other persons who are on base. Where such support, e.g., feeding, housing, medical care, is not a mission responsibility, it is generally provided on a reimbursable basis following user charges procedures unless there is a specific directive governing the support, e.g. MCO P10110.14.

b. Reimbursement.

Unless there is specific authority to do otherwise, reimbursements from individuals for support will be credited to the General Fund of the Treasury. If the commanding officer determines that it is not reasonable or practicable to collect from those individuals provided support, he/she may recommend to OASN (FM&C) via the chain of command, that charges be waived. Waivers may not be granted until OASN (FM&C) approval is obtained.

c. Waived Costs.

Costs of support to individuals which are waived will be charged to the operation and maintenance funds which finance operating costs of the base/activity.

4. REPAIR AND RESTORATION OF DEPARTMENT OF THE NAVY PROPERTY

While a Commanding Officer has the authority to take appropriate action to preserve and protect property during an emergency, no special authority exists to restore or replace property after an emergency. Funds normally available for recurring maintenance, repair, or construction should be used for these purposes unless emergency supplemental appropriations or other authorities are enacted.

(Change 63)

075155 HEALTH AND COMFORT ITEMS FOR PRISONERS

1. GENERAL.

Personnel subject to the Uniform Code of Military Justice when confined in correctional or penal institutions, including domestic non-military and foreign penal institutions, are authorized by United States Navy Regulations, 1990, par. 0833, to be issued certain health and comfort items such as toilet articles, tobacco, clothing items, and other necessities required for the health or well-being of members.

2. FUNDING GUIDANCE

a. General.

Budgeting and funding for the cost of health and comfort item issues to eligible members will be in accordance with subpars. b and c.

b. Members in Pay Status.

For members in a pay status, the cost of health and comfort item issues is chargeable to the military personnel appropriation centrally managed allotment from which the member's basic pay and allowances are funded.

c. Members in Nonpay Status.

The cost of health and comfort item issues for members in a nonpay status as defined in the current issuance of SECNAVINST 1640.9 will be funded as follows:

- (1) upon commitment for appropriated funds available to the prisoner's commanding officer;
- (2) resupply during confinement in a United States military institution from appropriated funds available to the commanding officer operating the confinement facility;
- (3) resupply during confinement in domestic nonmilitary or foreign penal institutions from funds available to the prisoners' designated commanding officer.

3. SOURCE DOCUMENT.

Additional information relating to confinement in foreign penal institutions is contained in the current issuance of SECNAVINST 5820.4.

(Change 59)

075156 COMMISSARY STORES

1. AUTHORITY.

Pursuant to provisions of 10 U.S. Code 7601, 7602, and 7603, commissary stores may be established at the request of the Department of the Navy (DON) to sell food items to members and authorized dependent personnel. Commissary stores approved for establishment by the Defense Commissary Agency (DeCA) are operated on a self-sustaining basis except for appropriated fund support specifically authorized by statute.

2. BUDGET POLICY

a. General.

The financial operations of commissary stores at DON activities are governed by statutory authority (see the General Provisions of the annual Department of Defense Appropriations Act and FY 1992 Authorization Act, P.L. 102-190 Sec. 316). Additionally, commissaries at DON activities operate as tenants of those activities, and therefore follow DON host-tenant relationship guidelines (For further information on the relationship between commissary stores and DON activities, see the sections relating to host-tenant relationships outlined in this manual.)

b. Stock, Supplies, and Equipment.

As a result of the FY 1992 consolidation of commissary operations under the Defense Commissary Agency, the Working Capital Fund (WCF) finances the procurement of stock, operating supplies, and equipment for commissary stores. The WCF is reimbursed from operating capital of the commissary store as items are expended.

c. Staffing.

Civilian personnel required for commissary store operations are budgeted for and funded by the Defense Commissary Agency.

d. Services.

Commissary stores should reimburse host activities for all support services provided, including those previously provided to Department of the Navy commissary stores without reimbursement such as common services and utilities/telephone service outside the 48 contiguous states. Determination of reimbursements to host activities for such services should be developed through negotiated reimbursable intra-service support agreements (ISSAs) at each installation.

(Change 63)

075157 INTERIM LODGING

When Government quarters (individual or family) become temporarily uninhabitable and the commanding officer of the activity making the quarters assignments certifies, in writing, that the quarters to be vacated are uninhabitable and other Government quarters are not available, non-government temporary lodging may be obtained for a reasonable period of time until habitability can be restored. The appropriate source of funding for the interim lodging cost is the base operating account of the activity assigned budgetary responsibilities for common services within the complex.

(Change 67)

075158 BERTHING AND MESSING COSTS WHEN SHIPS ARE UNINHABITABLE

1. GENERAL.

This paragraph delineates budgetary and financial responsibility for berthing and messing requirements applicable to all ships, including submarines, when shipboard quarters are uninhabitable.

2. AUTHORITY.

Pursuant to provision of 10 U.S. Code 7572, if public quarters are not available, the Secretary of the Navy may provide lodging accommodations for any member of the naval service on sea duty who is deprived of his quarters on board ship because of repairs, inactivations or other conditions that make his quarters uninhabitable. Lodging accommodations so provided may not be occupied by the member's dependents.

3. FUNDING RESPONSIBILITY.

Funding responsibility parallels responsibility for command. The

Berthing and Messing Program transferred to the Fleet Commanders on 1 October 1992. The Fleet Commanders are responsible for the operation and maintenance of fleet assets, such as berthing barges, as well as the quality of life of fleet personnel. Consequently, berthing and messing expenses for fleet personnel are generally funded by the Fleet Commanders. However, the procurement of investment items for the Berthing and Messing Program may be the responsibility of a central manager. In such cases, these items should be funded by the central manager.

a. Berthing and Messing Expenses.

Berthing and messing expenses including operation and maintenance of berthing barges, reimbursement for out-of-pocket expenses incurred by individuals for Bachelor Officer/Enlisted Quarters, costs of contractor provided or DON leased quarters, and reimbursement for other quarters meeting the criteria of Title 10 U.S. Code 7572, are considered operating expenses of the Fleet Commanders and are, therefore, funded from appropriate operation and maintenance funds.

b. Barge Maintenance, Towing and Crew Transportation.

Funding for barge maintenance, towing, and crew transportation, is also an operating expense and is, therefore, the funding responsibility of the appropriate Fleet Commander. These costs are also funded from the appropriate operation and maintenance appropriation.

c. Exception.

For Shipbuilding and Conversion, Navy (SCN) funded ship availabilities, the cost of berthing, messing, barge operations, towing, and crew transportation are part of the investment cost of the availability and are funded by the Commander, Naval Sea Systems Command (COMNAVSEASYSCOM) using SCN funds. When these costs are initially funded by the Fleet Commander, COMNAVSEASYSCOM shall reimburse the Fleet.

d. Modernization.

Modernization costs may be funded by either the Fleet Commander or the COMNAVSEASYSCOM. Modernization costs that are not centrally managed as part of the Fleet Modernization Program (FMP) are the funding responsibility of the appropriate Fleet Commander with Operation and Maintenance funds. FMP modernization costs are funded by COMNAVSEASYSCOM. Determinations on appropriate appropriation for funding specific modernization costs should be based on guidance in paragraph 075373.

e. Construction.

- (1) Duty crew barge construction and conversion is an investment

and, therefore, is funded by COMNAVSEASYSCOM in the Shipbuilding and Conversion, Navy (SCN) appropriation.

(2) New construction of Bachelor Quarters (BQs) and BQ equivalent facilities is an investment and, therefore, funded by Commander, Naval Facilities Engineering Command (NAVFAC) in the Military Construction, Navy (MCON) appropriation.

4. SOURCE DOCUMENTS.

Navy policy on the adequacy, assignment, utilization and occupancy of Unaccompanied Personnel Housing (UPH) for ships undergoing overhaul or conversion is contained in the current issuance of OPNAVINST 11103.1. For additional guidance relating to berthing and messing during CNO scheduled availabilities, see OPNAVINST 4700.38.

(Change 65)

075159 LEGAL COSTS

1. LEGAL OFFICES.

The General Counsel and immediate staff are funded by the Assistant for Administration to the Under Secretary of the Navy (AAUSN). Command counsel and other lawyers reporting to the General Counsel are funded by their commands.

2. LITIGATION COSTS.

a. Funding policy.

(1) Litigation costs are considered expenses and are payable from the same funds used to fund the operating costs of the major command or subordinate activity.

(2) Funding litigation expenses over and above salaries and administrative costs already budgeted is the responsibility of the major command or subordinate organization conducting the litigation regardless of whether the litigation resulted from an action, process, or procedure of their own personnel or of a separate, servicing organization. This will include actions of contracting personnel, and other Department of the Navy (DON) offices performing service functions as part of their mission responsibilities. As expenses, litigation costs are properly chargeable to the fiscal year funds in which costs are incurred.

(3) Travel costs incurred by DON personnel in support of litigation are payable in accordance with paragraph 075183.

b. Department of Justice.

Costs incurred by the DON in support of litigation being conducted by

the Department of Justice on behalf of the Navy are financed in accordance with paragraph 2(a).

3. COURTS-MARTIAL.

Financial responsibility for costs incurred in support of courts-martial, courts of inquiry, and certain investigations convened under the provisions of the current issuance of JAGINST 5800.3, Manual for Courts-Martial, United States is assigned as follows:

a. Travel, Per Diem, and Fees.

(1) Navy and Marine Corps Personnel.

Except for members of the Navy-Marine Corps Trial Judiciary when acting as military judges of a special or general court-martial, the cost of travel and per diem (related to the conduct of courts) for Navy and Marine Corps military personnel and civilian employees of the DON will be charged to the operating budget which supports temporary additional duty travel for the Navy or Marine Corps convening authority.

(2) Military Judges.

The cost of travel and per diem for members of the Navy-Marine Corps Trial Judiciary, when acting as military judges of a special or general court-martial, will be charged to the operating budget of the Judge Advocate General.

(3) Other Personnel.

The cost of mileage and fees for civilians other than employees of the DON (also see par. 075183) will be charged to the operating budget that supports the Navy or Marine Corps convening authority.

b. Services and Supplies.

(1) Convening Authority.

The resources of the convening authority will be charged with the costs of services or supplies provided by an activity in support of courts, as follows:

1. in-house costs which are direct, out-of-pocket, identifiable, and which total \$100 or more in a calendar month;
2. costs which arise under contracts which are entered into in support of the courts.

(2) Other.

Costs not chargeable to the convening authority will be absorbed

by the activity that provides the services and/or supplies.

4. FOREIGN COURTS AND TRIBUNALS.

SECNAVINST 5820.4 establishes criteria for the payment of counsel fees, bail, court costs and other necessary and reasonable expenses, authorized by 10 U.S.C. 1037, incident to representation in civil and criminal proceedings before foreign tribunals that involve members of the Armed Forces, civilian personnel, and dependents and should be funded from the operating funds of the activity to which the individual is assigned. If the individual is not assigned to a Navy activity, then costs are properly chargeable to the funds of the activity to which the individual is assigned for administrative purposes. Costs for military personnel en route between duty stations should be charged to operating funds administered by the Bureau of Naval Personnel (BUPERS) or Headquarters, U.S. Marine Corps (HQ, USMC), as appropriate.

5. NONCONTRACTUAL CLAIMS.

a. Budget Policy.

In accordance with 10 U.S.C. 2732, noncontractual claims are funded by appropriations available to claimants for operation and maintenance, unless stated otherwise. The procedure for paying claims is contained in DOD 7000.14-R, Financial Management Regulation, Volume 5. Claims usually fall into the following categories:

(1) Private Property Losses.

The payment of claims for personal property loss or damage incident to military service is authorized by the Military Personnel and Civilian Employees' Claims Act of 1964, as amended (31 U.S.C. 3721). The maximum amount which may be paid for any loss or damage arising from a single incident is limited to \$40,000. In general, written estimates of the cost of repair or of the replacement cost on any item is required when the amount claimed is more than \$100, but this requirement may be waived by the adjudicating officer. Transportation claims involving liability of carriers and/or insurers may be filed concurrently with the claim without the claimant awaiting settlement from the carrier and/or insurer.

(2) Correction of Records.

The correction of records due to an error, inequity or injustice may result in an entitlement to active, reserve, or retired pay and/or allowances. Claims arising from the correction of military records are authorized by 10 U.S.C. 1522 and are paid from appropriations available for active duty, reserve or retired pay.

(3) Federal Tort Claims.

Payments are authorized by the Federal Tort Claims Act of 1946 (28 U.S.C. 1346(b), 2671-2680) for damages to or loss of property, or on account of personal injury or death caused by the negligent or wrongful act or omission of military or civilian personnel of the DON while acting within the scope of one's employment under circumstances where the United States, if a private person, would be liable to the claimant for such claim in accordance with the laws of the place where the act or omission occurred. Payments of awards of \$2,500 or less are authorized from operating funds. Payments of awards in excess of \$2,500 are obtained from funds available to the Claims Division, General Accounting Office.

(4) Foreign Claims.

The payment of foreign claims is authorized by 10 U.S.C. 2734 to inhabitants of foreign countries for damage to or loss of real property, personal property, or personal injury to or death of any inhabitant of a foreign country outside the United States, and caused by the non-combat acts or omissions of military or civilian personnel of the DON. Payments are authorized by 10 U.S.C. 2734(a) to reimburse foreign governments for a pro rate share of similar claims which are settled by such foreign governments pursuant to an international agreement. Advance payments may be authorized by 10 U.S.C. 2736.

(5) Military Claims.

Military claims payments are authorized by 10 U.S.C. 2733 for damage to or loss of real property, including damage or loss incident to use and occupancy; for damage to or loss of personal property mailed to the United States and including registered or insured mail damaged, lost, or destroyed by a criminal act while in the possession of the DON; and for personal injury or death. All of the foregoing claims are subject to the provision that such damage, loss, injury, or death either was caused by the military or civilian personnel of the Department of the Navy or was incident to non-combat activities of the Department of the Navy. Advance payments may be authorized by 10 U.S.C. 2736.

(6) Patent and Copyright.

By 10 U.S.C. 2386, the Secretary of the Navy is authorized to use appropriated funds to purchase copyrights, patents, patent applications, and licenses thereunder, and releases for past infringement of patents and copyrights. Purchases of licenses and releases for past infringement by the Navy are paid from funds currently available.

(7) Nonscope Claims.

By 10 U.S.C. 2737, the DON is authorized to pay claims, in an amount not more than \$1,000, for damage to, or loss of, property, or personal injury or death, caused by Navy and Marine Corps personnel incident to the unauthorized use of a government vehicle at any place, or any other property of the United States on a Government installation.

(8) Admiralty Claims.

By 10 U.S.C. 7622, the Secretary of the Navy is authorized to settle and pay claims for damage caused by a vessel in the naval service or by other property under the jurisdiction of the Department of the Navy for damage caused by a maritime tort committed by an agent or employee of the DON, and for towage and salvage services rendered to a vessel in the naval service up to \$1,000,000. Claims in excess of \$1,000,000 may be settled by the Secretary of the Navy and certified to Congress for payment.

(9) Postal Service.

Reimbursement to the U.S. Postal Service for the loss of postal property attributed to Navy and Marine Corps postal clerks is pursuant to voluntary agreement between the Department of Defense and the U.S. Postal Service as authorized by 39 U.S.C. 411.

6. CONTRACT CLAIMS.

a. Bid Protests.

By the Competition in Contracting Act of 1984 (31 U.S.C. 3554(c)), The Comptroller General may recommend that an interested party is eligible for bid and proposal preparation costs, the costs of filing and pursuing the protest, and reasonable attorney's fees, if the solicitation or contract award violates statute or regulation. The costs and fees are payable from the procuring appropriation (see par. c.).

b. Contract Disputes.

By the Equal Access to Justice Act of 1980 (5 U.S.C. 504 and 28 U.S.C. 2412), an agency may be obligated to award fees resulting from adversary actions when a contractor appeals a contracting officer's decision to a Board of Contract Appeals; a contracting officer's decision directly to court instead of to a Board of Contract Appeals; or, a Board of Contract Appeals decision directly to court. The fees and requisite costs are paid from current operating appropriations. The payment of contractual claims incident to the actual provision of work, services, and/or equipment are program

costs, and are payable from the applicable procuring appropriation (see par. c.).

c. Payment of Claims.

(1) In accordance with 4 U.S.C. 612, money judgments of the U.S. Court of Federal Claims and agency board of contract appeals (i.e., such as armed services board of contract appeals) are entered as judgments paid from the Department of Treasury Judgment Fund, in accordance with 31 U.S.C. 1304. The agency or activity whose appropriations were used for the contract is required to reimburse the Judgment Fund from funds currently available for new obligations for the same purpose as the appropriation of the program litigated or obtain additional appropriations for such purposes.

(2) Claims settled by a contracting agency which relate back to the original obligation are adjustments payable from the original appropriation or from an appropriation currently available, if proper, under 31 U.S.C. 1553.

(3) Claims settled by a contracting agency, which constitute a new obligation, are paid from funds currently available for new obligations for the same purpose.

(Change 65)

075160 DEATH GRATUITY PAYMENTS

1. AUTHORITY.

Section 651 of Public Law 104-208, the Omnibus Consolidated Appropriations Act, effective in fiscal year 1997, authorizes department and agency heads to pay up to \$10,000 as a death gratuity to the personal representative of a civilian employee who dies from an injury sustained in the line of duty on or after August 2, 1990. This payment, when combined with the following other payments, may not exceed \$10,000.

- \$200 payable under 5 U.S.C. 8133(f), for reimbursement for costs of termination of the decedent's status as an employee of the United States
- up to \$800 payable under 5 U.S.C. 8134(a), for funeral and burial expenses in cases of employees who died as a result of an injury sustained in the performance of duty

This gratuity payment is not reduced by any amounts, including other benefits payable under the Federal Employees' Compensation Act.

2. FUNDING.

The applicable Department of the Navy command or activity will fund

such payments from existing operating funds available for salaries and expenses. Death gratuity payments for civilian personnel who work at working capital fund activities are considered indirect costs and are charged to overhead.

3. PROCEDURE.

Human resource offices are to process payments through the applicable payroll office.

(Change 65)

075161 Business Cards

1. POLICY.

The cost of business cards is an appropriate expense to appropriations/funds utilized to finance the operating costs of an organization. Business cards are authorized for those organizations or positions that require them to facilitate official mission-related communications.

2. PROCEDURES.

General/flag officers or Senior Executive Service members may authorize the printing or purchase of business cards as follows:

- a. Government employees may print business cards, using existing software and agency-purchased card stock.
- b. Organizations may purchase business cards from the Lighthouse for the Blind, Inc., a Javits-Wagner-O'Day participating non-profit agency, when it is determined that the cost is equivalent to or less than producing the cards on a personal computer.

3. FUNDING.

Appropriations used to finance daily operating expenses are appropriate for the procurement of business cards.

(Change 66)

Section V: TRANSPORTATION AND TRAVEL COSTS

075180 COSTS OF TRANSPORTATION AND HANDLING OF HOUSEHOLD GOODS AND PRIVATELY OWNED VEHICLES

1. SCOPE.

This paragraph delineates financial responsibility for costs incurred in the transportation and handling of household goods of military and civilian personnel and the transportation and handling of privately owned motor vehicles of military personnel of the Department of the Navy (DON).

2. DEFINITIONS

a. Organizational Component.

As used herein, the term "organizational component" includes offices, commands, and headquarters of the Department of the Navy exercising command over shore activities.

b. Transportation.

The term "transportation" as used herein includes shipment and storage incident to shipment.

c. Handling.

The term "handling" as used herein includes packing, unpacking, and uncrating; loading and unloading; local hauling; and storage not incident to shipment.

d. Local Moves.

The term "local moves" as used herein encompasses the handling associated with the assignment, reassignment, or termination of assignment of quarters but does not involve a permanent change of station or temporary additional duty. It excludes authorized moves from Government quarters to temporary residences in the vicinity of the last permanent duty station of members who are entitled to shipment to home of selection, as these moves are related to a permanent change of station.

e. Military Personnel.

The term "military personnel" as used herein includes military personnel of the Navy and Marine Corps.

f. Civilian Personnel.

The term "civilian personnel" as used herein is limited to DON civilian

personnel who are paid from appropriated funds and civilian employees of Navy liaison offices and diplomatic missions. The term excludes civilian employees of morale support activities who are paid from nonappropriated funds and personnel of the American Red Cross.

g. Privately Owned Motor Vehicles.

The term "privately owned motor vehicle" as used herein means any self-propelled wheeled motor conveyance owned by a military member as defined in Joint Travel Regulations, Volume 1, Appendix A.

3. BUDGET POLICY

a. Transportation and Handling Performed by Station Forces

(1) General.

The cost of work performed by station forces generally will be absorbed by the funding source that normally supports station operations. The cost of packing, crating, unpacking, uncrating, local hauling of household goods, and loading and unloading of privately owned motor vehicles of military members will be absorbed by the performing activity.

(2) Public Works Centers and Lead Activities.

If the performing activity is a public works department of an activity having "lead activity" responsibility for public works functions, the work performed by station forces is not reimbursable. When local moves are accomplished partially by station forces and partially by commercial means, the activity assigned budgetary responsibility for common services within the complex is responsible for commercial costs for local moves. When the performing activity is a public works center, the cost of local moves will be initially financed by the public works center and reimbursed in the geographic locations specified herein by the activity within the complex specifically assigned responsibility, as follows, to budget costs of local moves:

Great Lakes, IL - Naval Training Center

Guam, M.I. - Naval Station

Norfolk, VA - Naval Station

Pearl Harbor, HI - Naval Station

Pensacola, FL - Naval Air Station

San Diego, CA - Naval Station

San Francisco/Oakland Bay Area - Naval Air Station, Alameda

Subic Bay, ROP - Naval Station

Yokosuka, Japan - Fleet Activities

(3) Industrial-Commercial Activities.

If the performing activity (other than those listed in subpar. (2)) is an industrial-commercial activity, the cost of transportation resulting from local moves will be funded by the Navy Working Capital Fund (NWCF) and will be reimbursed from military support funds provided by its parent command. Work performed by industrial-commercial activities incident to movement of household goods of military personnel in a permanent change of station (PCS) transfer is a funding responsibility of the Military Personnel, Navy (MPN) or the Military Personnel, Marine Corps (MPMC) appropriation, as appropriate.

(4) Partial Station Force Performance.

In situations where a movement of household goods or the loading or unloading of privately owned motor vehicles is performed partially by station forces and partially by commercial means, the performance by station forces will be supported as outlined in subpars. (1) through (3), and the commercial performance will be supported as outlined in subpar. b

b. Transportation and Handling Performed Commercially for Military Personnel

(1) Permanent Change of Station (PCS)

(a) General. The Bureau of Naval Personnel and Headquarters, U.S. Marine Corps, within the appropriate military personnel appropriation, will budget for the cost arising from commercial transportation and handling of household goods and privately owned motor vehicles, in connection with PCS moves that qualify as a change of station. When the PCS move is categorized as separation travel (see par. 075187-2a(5)), the cost of transportation and handling of household goods from Government quarters to temporary residences in the vicinity of the last permanent duty station of the member, as entitled under provisions of the Joint Travel Regulations, par. U5360, is chargeable to the MPN or the MPMC appropriation, as appropriate.

(b) Security Assistance-Grant Aid or Advisory Group Assignment. The cost of transporting and handling household goods and privately owned motor vehicles incident to assignment to an activation crew for a ship being prepared for transfer under Grant Aid or assignment to or termination of

assignment to an advisory group will be chargeable to the MPN or the MPMC appropriation, as appropriate.

(2) Temporary Additional Duty.

The organizational component which budgets for and funds the temporary additional duty (TAD) travel will also budget for and fund the costs of transportation and handling of household goods, except when the TAD travel is related to security assistance. In this case, the rules as stated in subpar. (1) with respect to PCS moves are also applicable to TAD moves.

(3) Local Moves

(a) Entitlement. The Joint Travel Regulations, Vol. 1, par U5355 establish the entitlement to Government funding of any necessary drayage and storage of household goods related to involuntary moves (i.e., assignment, reassignment, termination of assignment, or incident to involuntary extension tour of duty) which are directed by competent authority on the basis of a requirement of the Service concerned. Procedures surrounding assignment to Government quarters, in view of the Government's interest in keeping them occupied, are such that assignments of quarters to members who, because of their nonavailability for immediate occupancy upon arrival, voluntarily place their names on a housing waiting list, are considered to be a requirement of the Service and, thus a proper Government expense. Likewise, when a tour of duty at a location outside the United States is extended involuntarily and a member is required, for reasons beyond his control, such as refusal of landlord to renew lease agreement, to change his residence on the local economy, the move is a proper Government expense. Local funding shortages do not negate the previously stated entitlement; however, in determining the propriety of funding of reassignments or terminations of assignments or moves related to involuntary extensions overseas, the undertaking at Government expense must be subjected to evaluation as to whether it is in the Government's interest or is primarily for the convenience or morale of the members. For additional guidance see Transportation of Personal Property (NAVSUP P-490), par. 7008.

(b) Public Works Centers or "Lead Activities." If the commercial arrangements are made on behalf of personnel assigned to any activity at a complex served by public works centers or by the public works department of an activity having "lead activity" responsibility for public works functions, or assigned to housing managed by the public works center, the activities specified in subpar. a(2) will have the funding

responsibility. At all other activities, the costs will be budgeted and funded as prescribed in subpar. (c).

(c) Other Naval Activities. In situations of assignment, reassignment, or termination of assignment to Government quarters administered by the Department of the Navy (other than those in subpar. (b)), the costs of handling incident to the local moves will be funded from the operating budget of the activity administering the housing funds. In situations of reassignment between housing units whose funds are administered by different naval activities, handling costs will be chargeable to the operating budget of the recipient activity, i.e., the activity administering the funds of the housing unit to which the individual is reassigned.

(d) Housing Administered by Other Military Departments. In situations of assignment, reassignment, or termination of assignment in which only quarters administered by the other military departments are involved, the costs associated with local moves, including the non-temporary storage of household goods should be charged to the operating funds of the organization making the quarters assignment, regardless of the member's military service. The organization that controls the assignment of quarters must be responsible for funding such moves regardless of the Service affiliation of the individuals being assigned.

(e) Local Moves Involving Non-Government Quarters. Under circumstances where a principal (assigned to either shore or afloat duty) requires a local move between non-Government quarters (including rental guarantee and leased housing) and is entitled to have such a move funded by the Department of the Navy, such costs will be funded, in descending order of applicability, from the following activity operating resources:

1. public works center or lead activity as specified in subpar. (b);
2. nearest shore activity within commuting distance which administers Defense Family Housing resources;
3. shore activity which normally provides local Department of the Navy morale/welfare/recreation support for the principal;
4. shore activity to which the principal is administratively attached, or
5. fleet command to which the principal is assigned.

c. Transportation and Handling Performed Commercially for Civilian Personnel

(1) Transfer of Official Duty Station.

Generally, the organizational component which budgets for and funds the transfer travel from one official duty station to another, including transfer from one department of the Federal Government to another, also will budget for and fund the costs of transporting and handling household goods. Except as provided in subpars. (2) and (3), such costs will be borne by the department or activity to which the employee is transferred.

(2) Intra-Department of Defense Reduction-in-Force transfers

(a) General. When employees are transferred between Department of Defense (DoD) activities for the convenience of the Government in connection with a reduction in functions or the closing of a military installation, the losing activity has the financial responsibility for the costs of the transferred employees' travel and the transportation and handling of their household goods, as required by the Joint Travel Regulations, par. C1052.

(b) Intra-DoD Transfers. Costs related to transfers between Department of the Navy activities or to transfers from the Department of the Navy to another DoD department or agency will be budgeted by the releasing activity. If the releasing activity is a Navy or Marine Corps industrial-commercial activity, such costs are reimbursable to the Navy Working Capital Fund (NWCF) from the military support funds provided by its parent command.

(c) Transfers to the Department of the Navy. Costs related to transfers from another DoD department or agency to the Department of the Navy will be budgeted and funded by the losing activity issuing the notice of reduction in force or transfer of function.

(d) Transfers from the Department of the Navy. Costs related to transfers from the Department of the Navy to a non-DoD department or agency may be borne in whole or in part by the Department of the Navy, as agreed upon by the departments or agencies concerned. To the extent that such costs are borne by the Department of the Navy, the losing activity has the financial responsibility.

(3) Transfers To and From Overseas Activities.

The general principle of funding the movement of household

goods by the organizational component which budgets for and funds the transfer travel is equally applicable to overseas movements. For such travel performed by employees who have completed the prescribed overseas tour of duty and are being transferred to an activity in the continental United States, the losing overseas activity is responsible for the costs incident to the movement of household goods. The losing overseas activity is responsible for funding the transportation of household goods to the place of actual residence or allowable alternate destination of an employee who is entitled under an agreement to return travel prior to separation. However, when such an employee, after arrival at their destination, accepts employment by another department or agency without a break in service, the losing overseas activity bears the cost of the transportation not in excess of that to the place of actual residence. The cost of any additional authorized transportation to the new duty station will be borne by the acquiring department or agency, subject to the conditions for eligibility stated in the Joint Travel Regulations, par. C1052. The cost of transportation of household goods of an employee who has completed a required period of service and has executed a renewal agreement for a tour of duty at a different overseas activity is the responsibility of the gaining overseas activity. All Department of the Navy costs of ocean shipments controlled by the Military Sealift Command and effected by the Government bills of lading are charged directly to the appropriation and subhead chargeable for the travel. The actual funding of costs of transportation of household goods to or from overseas activities is divided as follows:

1. packing, crating, unpacking, uncrating, local hauling (by contract) - chargeable to activity funding travel;
2. packing, crating, unpacking, uncrating, local hauling (by station forces) - absorbed by funding source which normally supports the work;
3. ocean transportation (by Government bill of lading) - charged by MSC to the office or command which administers the subhead funding the travel (i.e., the major claimant or subclaimant which issues an operating budget to the overseas activity);
4. ocean transportation (when not made by Government bill of lading) - reimbursement to employees by the acquiring or losing activity as delineated in this subparagraph.

In those instances where over-water movement at Government expense, or privately owned motor vehicles of civilian employed is

authorized under the criteria stated in the Joint Travel Regulations, pars. C11002 through C11004, the funding assignments are identical to those prescribed for household goods.

(4) Local Moves.

When the assignment, reassignment, or termination of assignment of civilian personnel to quarters is not in conjunction with the principal's transfer of official duty station, the costs of handling household goods will be funded in accordance with the funding provisions of subpar. b (3).

d. Morale Support Activity Personnel.

Household goods and privately owned motor vehicles of those civilian employees of Navy and Marine Corps morale support activities (exchanges, clubs, messes, etc.) who are paid from nonappropriated funds may not be transported or handled if any cost will be incurred against appropriated funds in the performance of such services.

(Change 67)

075181 FIRST AND SECOND DESTINATION TRANSPORTATION

1. GENERAL. There are two major categories of material transportation, first and second destination. Definitions are discussed in subpar. 2. The responsibility for financing transportation charges is determined by the category of transportation and, with a few exceptions, the fund or appropriation financing the procurement of the material transported. The basic funding delineations are stated in subpar. 3.

2. DEFINITIONS

a. First Destination. First destination transportation (FDT) is that transportation required to effect the delivery of material from a procurement source to the first point of use or storage for subsequent distribution within the supply system. The procurement source and first point of use or storage may be in the continental United States (CONUS) or overseas. The procurement source, as used herein, is any supplier outside the Department of Defense (DoD) Supply System and any DoD industrial activity which fabricates new material. Charges include those for freight cartage, port handling, and other in-transit costs incurred incident to the shipment of the material.

b. Second Destination. Second destination transportation (SDT) is any transportation other than the first destination. SDT is applicable to components reworked by an industrial activity. Charges include those for CONUS port handling, freight cartage, and other costs incurred incident to the shipment of property.

c. Freight Cartage. Freight cartage includes any cartage described in through delivery documentation. However, in instances of cartage for consignments to a shore-based activity, ship, or other mobile unit when there is a shore-based activity assigned area responsibility, the local delivery costs, including commercial charges, will be funded from the operating resources of the activity assigned area responsibility.

d. Transportation Accounting Codes. Transportation Accounting Codes (TACs) are cited on all shipping documents and are used to identify the proper funding source and appropriation. TAC selection is based upon cognizance of material, appropriation financing the purchase of material, project, and/or other factors. TACs are found in DoD Regulation 4500.32R (MILSTAMP), Volume II.

e. Costs Incurred Incident to Shipment of Property. Costs include charges for services performed while a shipment is in-transit. Many carriers will provide accessorial services in addition to line-haul service which may be categorized as:

(1) preparation charges, e.g., packing, marking, loading, crating, handling, blocking, bracing, and disassembly, etc.;

(2) in-transit charges, e.g., security service, documentation fees, stop-off, port handling, switching, flagmen, re-cooperage, etc.;

(3) destination charges, e.g., reassembly, permit/prelodge, storage prior to unloading, etc.

Although these charges may be found in commercial carriers' tariffs, tenders or schedules, only transit charges should be paid with transportation funds. Preparation charges and destination charges will be funded from other than transportation funds.

3. BUDGET RESPONSIBILITY

a. First Destination. First destination transportation is budgeted on an annualized basis in the same appropriation as the end item or material being procured. This policy reflects the treatment of transportation costs as an integral part of the cost of the procurement.

b. Second Destination. Second destination transportation is financed in the Operations and Maintenance appropriations, except as noted below.

(1) Transportation of Stock Fund Material. All transportation is financed by the Navy Working Capital Fund (NWCF).

(2) U.S. Antarctic Program and Security Assistance Program. In the case of the U.S. Antarctic Program and Security Assistance

Program shipments, the cost is reimbursed to the Department of the Navy.

(3) Household Goods. Movement of household goods of military personnel incident to PCS travel is funded from military personnel appropriations.

(4) Transportation of Navy-Owned Material for Disposal/Excess/Surplus. Transportation for turn-in of Navy-owned excess materials is an appropriate charge to second destination transportation (O&MN) or the NWCF depending on the cognizant symbol of the material.

(5) Research and Development. All second destination transportation involving material for RDT&E,N projects is chargeable to the RDT&E, N appropriation.

4. FUNDING RESPONSIBILITY

a. First Destination. Cost of first destination transportation is the responsibility of the organization budgeting for the end item or material being procured except for items financed in the OPN appropriation which are budgeted by NAVSUPSYSCOM.

b. Second Destination. Second destination Navy transportation is financed by NAVSUPSYSCOM in the O&MN appropriation, with the exception of funding responsibilities cited below.

(1) Organic Material Incident to Relocation and/or Rotational Deployment. Transportation of organic material, i.e., items on the custody or plant account records of field activities or deployable units, incident to relocation and/or rotational deployment is a funding responsibility of the major claimant or management command who directs the movement, except for fleet-owned Naval Construction Force (NCF) equipment. NAVSUPSYSCOM funds second destination transportation incident to NCF deployments, acting on behalf of the Commander, Naval Facilities Engineering Command, for NCF equipment movements. Special provisions applicable to Marine Corps Reserve and Fleet Marine Force unit deployments/redeployments are delineated in par. 075182.

(2) Household Goods. Movement of household goods of civilian personnel incident to permanent change of station (PCS) and of military personnel incident to temporary duty, as authorized, is funded by major claimants.

(3) Mine Countermeasure Equipment and Material. Costs of second destination mine countermeasures equipment and material are funded by Commander, Atlantic Fleet (COMLANTFLT).

(4) Military Sealift Command (MSC) Fleet Auxiliary Billings. Costs related to MSC fleet auxiliary billings are funded by the cognizant Fleet Commander.

(5) MSC/Commercial Ship Replenishment Programs. Funding responsibilities and procedures for submitting underway replenishment requirements are contained in the procedures for the Management of Petroleum Products, DoD Manual 4140.25M, dated September 1976.

(6) Transportation of Remains of Deceased Beneficiaries. The Decedent Affairs Program, funded by BUMED, funds the cost of transportation of remains of deceased beneficiaries.

(7) Demurrage and Detention Charges (DDC). Demurrage and detention costs, including DDCs pertaining to transportation of petroleum, oil and lubricants (POL), are chargeable to the account of the operating manager at the local activity or type commander of the ship where the DDCs occur.

(8) Base Closures and Shore Establishment Realignment Actions. Transportation costs in connection with relocation of material incident to base closures, shore establishment realignment, or similar actions, is a funding responsibility of the major claimant or management command which funds the activity being disestablished or realigned. However, when an activity requests reassignment of material that would otherwise be declared surplus, the requesting activity funds transportation costs for the material being relocated.

(9) Acquisition of Excess/Surplus Material. In connection with acquisition of excess/surplus material from Navy or other Government agencies, e.g., Defense Logistics Agency (DLA), National Aeronautics and Space Administration (NASA), Defense Property Disposal Office (DPDO), transportation expenses are chargeable to the requesting activity and not to transportation funds centrally managed by NAVSUPSYSCOM. However, the requesting activity must obtain, from the claimant/command responsible for budgeting and managing the funds cited, prior approval before citing the TAC chargeable to the claimant/command.

(10) Marine Corps Second Destination Transportation. Marine Corps second destination transportation funds are allocated to the Deputy Chief of Staff for Installation and Logistics (DCS(I&L)). The DCS(I&L) issues an operating budget to the Marine Logistics Base, Albany, GA, the Marine Corps manager of SDT.

(Change 59)

075182 TRANSPORTATION OF MARINE CORPS UNITS

1. SCOPE. This paragraph delineates budget responsibility for transportation and port handling requirements incident to Marine Corps Reserve and Fleet Marine Force (FMF) unit movements. Transportation is defined as movement from the point of origin to point of destination. Port handling includes costs related to the on-load and off-load of personnel and cargo. No charges are applicable when transportation is provided by organic lift.

2. BUDGET POLICY

a. Fleet Marine Force Units. Responsibility for funding the cost of transportation (personnel and equipment) related to FMF ground and air unit deployments and redeployments is assigned in accordance with the principle of command line funding, as follows:

(1) Funding for transportation of JCS specifically directed deployment/redeployment of Marine Corps air and ground units of the Fleet Marine Force for training/readiness via all modes is the responsibility of the Unified commander. This responsibility includes the monitoring of airlift funds as well as funding for sealift and ground transportation.

(2) Funding for transportation of JCS-directed deployment/redeployment of Marine Corps air and ground units of the Fleet Marine Force for contingency operations via all modes is the responsibility of the Fleet Commander.

(3) Funding for transportation of Fleet Commander directed deployment/redeployment of Marine Corps air and ground units of the Fleet Marine Force for contingency operations and training/readiness via all modes is the responsibility of the Fleet Commander.

(4) Funding for transportation of Commandant of the Marine Corps directed deployments/redeployments for air training/readiness of Marine Corps air units of the Fleet Marine Force is the responsibility of the Fleet Commander.

(5) Funding for transportation of Commandant of the Marine Corps directed rotational movements/relocations of Marine Corps air and ground units and deployments/redeployments for training/readiness of Marine Corps ground units is the responsibility of the Commandant of the Marine Corps.

(6) Funding for transportation required to support/resupply Marine Corps air units is the responsibility of the Navy except for

the ground equipments whose procurement is budgeted by the Marine Corps.

(7) Funding for transportation required to support/resupply FMF ground units is the responsibility of the Marine Corps.

b. Marine Corps Reserve Units. Responsibility for funding the cost of transportation (personnel and equipment) related to Marine Corps Reserve unit rotational movements and relocations is assigned in accordance with the principle of command line funding, as follows:

(1) Funding for transportation of Marine Corps Reserve ground units for rotational movements and unit relocations is the responsibility of the Commandant of the Marine Corps.

(2) Funding for transportation of Marine Corps Reserve air units for deployments/redeployments for training/readiness is the responsibility of the Chief of Naval Reserve. Transportation of aviation unit equipment to and from annual training duty is included in the responsibility of the Chief of Naval Reserve. The movement of personnel under authority of orders citing the Reserve Personnel, Marine Corps appropriation in connection with annual training duty is the responsibility of the Commandant of the Marine Corps.

(3) Funding for transportation of Commandant of the Marine Corps directed relocations of Marine Corps Reserve Air units is the responsibility of the Commandant of the Marine Corps.

(Change 61)

075183 TEMPORARY ADDITIONAL DUTY TRAVEL

1. SCOPE. Temporary additional duty (TAD) travel consists of travel to one or more places away from a permanent or temporary duty station to perform duties for a temporary period of time and, upon completion of the assignment, return to the permanent or temporary duty station.

2. BUDGET POLICY

a. General. As a general policy, the resources available to support the program in whose interest the travel is performed will fund the TAD travel requirements of both military and civilian personnel of the Department of the Navy. Since most TAD travel requirements arise in connection with the operational and administrative functions performed at headquarters and field activities, TAD travel requirements are generally funded by the same funding source which supports the day-to-day operations of the activity to which the employee is assigned (see subpar. 3). However, exceptions to the general policy and special provisions governing the use of various

appropriations in support of TAD travel exist as a result of specific agreement and administrative determination. These special provisions and exceptions are set forth in subpars. b through e.

b. Travel of Headquarters Personnel. The travel requirements of personnel organizations are normally supported under the Operation and Maintenance appropriation available to the headquarters organizations. The Research, Development, Test and Evaluation, Navy (RDT&E,N) appropriation, however, may support travel which is integral to the technical execution of a specific RDT&E,N project, both for project manager staff members and for other headquarters personnel whose technical capabilities are required for a specific project. The cost of TAD travel of headquarters personnel cannot be charged to procurement appropriations but shall be financed by Operation and Maintenance appropriations.

c. Travel in Support of Production. Travel of field activity personnel necessary for the production of an end-item should be financed by procurement funds provided for production support services.

d. Travel in Support of Another Service. When authorized, travel in support of another service to provide work and or expertise in a particular field is funded on a reimbursable basis by the requesting service.

e. Invitational Travel Orders. Persons not employed by the Federal Government may be authorized to travel at Government expense under certain circumstances. Such travel is termed "invitational travel" and the authority and restrictions for such travel are contained within the provisions of the Joint Travel Regulations, Volume 2, Chapter 6, Part A. Invitational travel is administered under the same funding policy as TAD travel, i.e., the resources available to support the program in whose interest the travel is performed will fund the invitational travel as a cost in the interest of the Department of the Navy. For example, when the services of Red Cross personnel are specifically requested and invitational travel is performed, the travel cost that is incurred is supported from the administrative TAD travel funds of the requester of the Red Cross services. Another example is the cost of invitational TAD travel in connection with Navy ship launching ceremonies that is chargeable to the appropriation, Shipbuilding and Conversion, Navy (see par. 075373). As noted previously, invitational travel is limited by administrative restrictions. Sponsored congressional travel is an example. Responsibility for such travel cannot be delegated below the Secretary of the Navy level and prior notice of invitations must be provided to the Assistant Secretary of Defense for Legislative Affairs.

f. Evacuations. As the Executive Agent within the Department of Defense for disasters/evacuations, the Department of the Army issues

a message annually that clarifies evacuation entitlements for families of DOD military members, DOD civilian employees, and/or families evacuated from Continental United States (CONUS) locations due to disasters. This guidance should be reviewed to ensure currency. The following are basic conditions necessary for reimbursement of evacuation expenses when the applicable military authority issues an evacuation order within CONUS:

- (1) An evacuation order for a military facility or command applies to all employees, both, civilian and military. There is no limitation for eligibility of reimbursement due to the timing of the issuance of the evacuation order. If an evacuation order is issued during non-working hours, and all other criteria is met, then reimbursement is allowable.
- (2) Military personnel residing on the base or within a specific geographic area surrounding the base, as identified in the evacuation order.
- (3) Civilian personnel residing on the base.
- (4) Civilian personnel residing in the local community must also receive an evacuation order from their local civil authorities. If the applicable military authority issues an evacuation order for the facility or command that sends civilian employees home, but there is not a corresponding evacuation order from the local civil authorities, then the civilian employees are not eligible for reimbursement. Further, the decision of local civil authorities to evacuate an area is not sufficient to guarantee reimbursement, as these officials cannot obligate the expenditure of government funds.
- (5) Civilian personnel who are directed to relocate to safe haven destinations to continue working are due reimbursement the same as military personnel.
- (6) Civilian personnel who are unable to reach their non-evacuated residence after the base is evacuated.
- (7) Reimbursement for travel, lodging, and per diem is only authorized for evacuation to the designated safe haven (this is the maximum distance allowed). Receipts and non-availability statements are required for lodging. If the military member or civilian employee remains in their home and does not choose to evacuate, they are not entitled to per diem. Expenses are eligible for reimbursement only for the period of time identified on the evacuation order by the military authority.

g. Special Assignments. Special assignments of responsibility for the cost of certain TAD travel requirements are as follows:

TRAVEL REQUIREMENT	FUNDED BY
<u>Courts, Investigations, and Legal Services</u>	
1. Officers of the Navy-Marine Corps Trial Judiciary when acting as military judges of a special or general court-martial	Operating budget of the Judge Advocate General
2. Navy Legal Service Office Personnel in connection with court-martial proceedings	Operating funds which support TAD travel of the convening authority
3. Navy Legal Service Office personnel requested by an activity for other than court-martial matters	Operating funds which support TAD travel of activity requesting the services
4. Navy Legal Service Office personnel administrative travel required in performance of mission	Operating funds which support TAD travel of the office
5. Witnesses, including civilians and military members of all Services, for courts-martial.	Operating funds which support TAD travel of the convening authority
6. Military counsel required by parolee and provided by Navy Law Center or Navy Legal Service Office personnel	Operating funds which support TAD travel of the convening authority
7. Escort accompanying a member absentee to a court-martial proceeding	Operating funds that support TAD travel of activity to which a member absentee is officially assigned for duty
8. Escort accompanying a member deserter to a court-martial proceeding	O&M funds administered by the Bureau of Naval Personnel or Headquarters, U.S. Marine Corps as appropriate
9. Military member required to testify at state court trials in which Navy has interest	Operating funds that support TAD travel of the activity to which the member is assigned for duty

TRAVEL REQUIREMENT	FUNDED BY
<u>Appearance before a Physical Evaluation Board</u>	
1. Navy and Marine Corps members on active duty in a patient status	O&MN funds administered by the Bureau of Medicine and Surgery
2. Navy and Marine Corps members a. on the temporary retired list (including Navy Fleet Reserve) b. on temporary disability retired list	O&M funds administered by the Bureau of Naval Personnel or Headquarters, U.S. Marine Corps as appropriate
<u>Participation in Events</u>	
Civilian sponsored public events	Sponsor of the event, unless an exception is made by the Secretary of Defense (see U.S. Navy Public Affairs Regulation (NAVSO-P1035))
Sporting events	O&M funds administered by the Bureau of Naval Personnel or Headquarters, U.S. Marine Corps as appropriate
Official public relations appearances (includes guest speakers, official work with private and public organizations, and ceremonies such as awards or christenings)	Program benefiting from the participation. When travel is mandatory and no funding source can be identified, the cost of travel is a responsibility of the funding source which supports the administrative TAD travel requirements of the activity to which the participant is permanently assigned
Inspections	Operating funds that support the authority ordering or requesting the services of inspectors. Exceptions are for travel funds required for personnel who augment the Navy Inspector General teams and the command inspections conducted under the Command Inspection Program. These costs are chargeable to the operating funds available to the office providing the augmentee.

TRAVEL REQUIREMENT	FUNDED BY
<u>Return of Unauthorized Absentees</u>	
Guards/escorts for the apprehension and delivery of military absentees and deserters	Chargeable to the Service to which the absentee/deserter is accountable. For Navy or Marine Corps members, the cost is chargeable to MPN or MPMC, as appropriate. In situations of guard/escort accompanying members of more than one Service, chargeable to the Service providing the guard/escort.
Guards for classified shipments	Operating funds available to the activity or headquarters command that funds the transportation cost of the classified shipment
<u>Special Mission Assignment</u>	
Travel not directed by activity to which personnel are permanently assigned	Operating funds available to the authority which is responsible for the special mission assignment
Medical Augmentation of Marine Amphibious Forces	O&MN funds administered by the Bureau of Medicine and Surgery
Medical Augmentation of Navy Fleet/JCS or coordinated Exercises and Deployed Units	O&MN funds administered by the Bureau of Medicine and Surgery
Medical Augmentation of Shore Activities	O&MN funds administered by the major claimant of the activity for which the augmentee is requested
Escorts of Navy and Marine Corps Dead	O&MN funds administered by the Bureau of Medicine and Surgery
<u>Inpatient Transfers from a Non-Navy Medical Treatment Facility</u>	
Navy and Marine Corps personnel admitted to the sick list and transferring for further treatment from a non-Navy medical treatment facility to any other medical treatment facility	O&MN funds administered by the Bureau of Medicine and Surgery

TRAVEL REQUIREMENT	FUNDED BY
1. Active duty inpatients worldwide and their non-medical attendants when outside CONUS	
2. Inpatient dependents and their non-medical attendants outside CONUS only	
<u>Student Dependents</u>	
Student dependents for the purpose of attending school. (See JFTR par U5243)	Operating funds that support the TAD travel of the DON activity to which the member is assigned for duty.

3. FUNDING DETERMINATION. Because of wide variation in travel requirements throughout the Department of the Navy, the following table provides a reference guide for determining funding responsibility based on the general policy in supar. 2a. Illustrations indicate the more common situations requiring travel.

TRAVEL REQUIREMENT	FINANCIAL RESPONSIBILITY DETERMINATION	
<u>TRAINING</u>	Is traveler or his principal assigned to a DON command or activity?	
Attend a training course of instruction of less than 20-weeks	YES	NO
Travel is in connection with a training program while the student is undergoing instruction	<p style="text-align: center;">YES</p> Travel is chargeable to the funding source which supports the TAD travel of the NAVY/MARCORPS command or activity to which traveler or his principal is assigned	<p style="text-align: center;">NO</p> The principal (NAVY/MARCORPS) member is assigned for administrative purposes to a DoD command or activity Travel is chargeable to the funding source which supports the TAD travel of

TRAVEL REQUIREMENT	FINANCIAL RESPONSIBILITY DETERMINATION	
<u>MEDICAL</u>	<p>the NAVY/MARCORPS command or activity to which the member is assigned for administrative purposes. If assigned to a non-DOD command/activity for administrative purposes, special provisions are made through OPNAV or Headquarters, U.S. Marine Corps.</p>	
<p>Ordered to a hospital in an outpatient status or directed to report from duty station to a Physical Evaluation Board</p>		
<p>Obtain a physical examination, clinical evaluation, medical treatment, or other medical processing (excludes NROTC midshipmen entrance physicals which are an applicant's personal expense)</p>		
<p>Transportation of next-of-kin of member patients when authorized</p>		
<u>DISCIPLINARY</u>		
<p>Ordered TAD in connection with disciplinary action</p>		
<p>Shore patrol necessary expenses while in a travel or non-travel status</p>		
<p>Guards for convicted courts-martial prisoners entering within the Navy Correctional System</p>		
<u>MISCELLANEOUS ASSIGNMENTS</u>	YES	NO
<p>Temporary change of base of squadrons or flags</p>		

TRAVEL REQUIREMENT	FINANCIAL RESPONSIBILITY DETERMINATION	
Assignments of MARCORPS Reserve personnel on inactive duty training with Naval Reserve units		
Personnel Exchange Program assignments (Also see the current issuance of OPNAVINST 5700.7)		
<u>DEPENDENT ESCORT</u>		
Escort for dependents whose Navy/MARCORPS principal has died, is missing, or otherwise unable to accompany the dependents.		
	NOTE: The traveler may be a Navy or Marine Corps member, DON civilian employee paid from appropriated funds, authorized dependent, or an escort for a dependent or member.	

(Change 67)

075184 TRAVEL IN CONNECTION WITH TEMPORARY DUTY

1. GENERAL. The provisions of this paragraph apply to the financial responsibility for travel that is performed in connection with temporary duty assignments when such travel does not begin and end at the same permanent duty station. The financial responsibility for travel from and return to the same permanent duty station in conjunction with assignments of a temporary nature is delineated in par. 075183.

2. BUDGET POLICY

- a. Temporary Duty in Conjunction with Permanent Change of Station. The travel cost which arises from temporary duty assignments for members that are integral to a permanent change of station (PCS) movement is chargeable to activity operating funds. See par. 075187 for detailed information.
- b. Temporary Duty Under Instruction Incident to PCS Movement. When members perform temporary duty under instruction en route between permanent duty stations, the travel costs connected therewith are the

budget responsibility of the Military Personnel, Navy or the Military Personnel, Marine Corps appropriation, as appropriate, except for the per diem costs which are payable to a member while at a school for instruction of less than 20 weeks duration. Such per diem costs will be budgeted in the Operation and Maintenance, Navy or the Operation and Maintenance, Marine Corps appropriation, as appropriate.

c. Precommissioning Nucleus Crew Travel. Precommissioning nucleus crew travel and transportation costs associated with training included in the Navy Training Plan (NTP) are the funding responsibility of the Chief of Naval Personnel. This assignment of responsibility includes travel for training purposes as may be performed incident to permanent change-of-station orders or that performed under authority of temporary additional duty orders. The Fleet Commander to whom the ship prospective commanding officer reports for duty pending commissioning is responsible for the funding of training travel not included in the NTP.

(Change 60)

075185 TRANSPORTATION WHILE IN A LEAVE STATUS

1. CIRCUMSTANCES. Under certain circumstances, transportation at government expense is authorized for military members who are in a leave status. In the Department of the Navy (DON), these circumstances include overseas emergency leave, travel to a federal medical facility in the event of illness or accident, travel during ship overhaul or inactivations away from home port, travel associated with relocation of a ship while the member is on leave or liberty, and travel associated with cancellation of leave due to contingency operations.

2. BUDGET POLICY

a. Emergency Leave. When emergency leave that is granted to members requires travel outside the continental limits of the United States, the overseas segments of transportation are chargeable to appropriated funds. This travel, designated in orders as funded emergency leave, is on either a space-required basis on Military Airlift Command (MAC) flights or commercial transportation when MAC is not readily available. For members assigned to duty within the DON, funded emergency leave transportation costs are chargeable to the operating budget that supports the temporary additional duty (TAD) travel of the ship, station or unit to which the member is assigned for duty. For members assigned to activities operating under Navy Working Capital Fund procedures, these leave costs are chargeable to military support resources. For members assigned to duty outside DON, funded emergency leave transportation costs are chargeable, as applicable, to:

(1) Military Assistance appropriation when members are assigned to duty in Security Assistance Program billets in overseas Military

Advisory Groups (MAAG's) and missions;

(2) National Science Foundation administrative support funds when members are assigned to duty in the United States Antarctic Program;

(3) for all other assignments, to the operating budget which supports the TAD travel of the DON activity or command to which the member reports for administrative purposes.

b. Hospitalization of Member. When members in a leave status are hospitalized as a result of illness or accident, the transportation costs arising from the transfer of the patient from a civilian hospital to a medical facility of the uniformed services are chargeable to Operation and Maintenance, Navy funds administered by the Bureau of Medicine and Surgery.

c. Ship Overhauls and Inactivations. When a ship (including a Naval Reserve Force ship or a ship supported by Research, Development, Test and Evaluation, Navy funding) is undergoing overhaul or inactivation at a location other than the ship's home port, round trip transportation between the overhaul/inactivation site and the ship's home port may be provided at Government expense for members in a leave status from that ship. The term "ship overhaul" includes regular overhaul, interim overhaul, restricted availability, tender availability, post-construction availability, and post shakedown availability. Costs of round trip transportation authorized by competent authority are chargeable to the operating funds available for overhaul/inactivation at the command having responsibility for the operational support of the ship during overhaul/inactivation. See par. 075186 for additional guidance.

d. Relocation of Ship. Travel required as a result of change of location of a ship while a member is on leave or liberty, will be funded from the appropriation which supports the TAD travel of the ship to which the member is assigned.

e. Recall for operational reasons. When members in a leave status are recalled because of actual contingency or emergency war operations, transportation at Government expense is authorized. The costs associated are chargeable to the appropriation which supports the TAD travel of the activity to which the member is assigned.

3. SOURCE DOCUMENTS. For additional information relating to transportation while in a leave status, see Joint Federal Travel Regulations, par. U7205.

(Change 67)

075186 TRAVEL AND TRANSPORTATION ALLOWANCES DURING SHIP OVERHAUL, NEW CONSTRUCTION OR INACTIVATION AWAY FROM HOME PORT

1. CIRCUMSTANCES. The Secretaries of the Military Departments are authorized by 37 U.S. Code 406b to prescribe regulations for round trip transportation at Government expense between the overhaul or inactivation site and homeport for certain members of the Uniformed Services serving on ships which are undergoing overhauls or inactivations at locations away from homeports. In addition, 37 U.S. Code 406c authorizes similar transportation for members permanently assigned to ships under new construction between the construction site and either the designated homeport or the area where dependents are residing. This paragraph delineates budgetary and financial responsibility for such travel and transportation allowances when a member is entitled thereto under the provisions of implementing directives.

2. BUDGET POLICY

a. Overhaul. Except as specified in subpar. c, round trip travel costs when ships are undergoing regular overhaul, restricted availability, tender availability, post-construction availability, and post-shakedown availability are chargeable to designated operating budget resources of the appropriate fleet commander.

b. Inactivation. Except as specified in subpar. c, round trip travel costs when ships are being inactivated is a budgetary responsibility of the Naval Sea Systems Command and chargeable to funds made available for the ship inactivation.

c. Exception. Ships that are overhauled or inactivated with RDT&EN resources are excepted from the funding policy in subpars. a and b. Round trip travel in such instances is financed from RDT&EN sources in accordance with par. 075403.

d. New Construction. Travel and transportation costs for members permanently assigned to ships under construction are the funding responsibility of the fleet commander to whom the ship's prospective commanding officer reports for duty pending commissioning.

3. SOURCE DOCUMENTS. For additional information relating to travel and transportation during ship overhauls or inactivations away from home port, see the Joint Travel Regulations, par. M6700. For specific entitlement provisions relating to travel and transportation during ship overhauls, see Navy Travel Instructions, pars. 6450 through 6459.

(Change 60)

075187 PERMANENT CHANGE OF STATION

1. SCOPE. When the permanent duty station of a military member or Department of the Navy civilian employee changes, costs in connection with travel required by the change of permanent duty station are categorized as a permanent change-of-station (PCS) movement. The entitlement for PCS travel costs is reflected in the Joint Travel Regulations. The budget responsibility for the cost of PCS travel is assigned to the Chief of Naval Personnel and the Commandant of the U.S. Marine Corps for travel that is performed by military members and their authorized dependents. Such travel, when authorized by the Department of the Navy and performed by civilian employees (who are paid from appropriated funds) and their authorized dependents, is paid from appropriations or funds available for operations.

2. FUNDING POLICY FOR MILITARY PERSONNEL PCS TRAVEL

a. General. Except as provided in subpars. b, c, and d, the Military Personnel, Navy (MPN) or Military Personnel, Marine Corps (MPMC) appropriation, as appropriate, fund the PCS travel costs of regular and reserve personnel on active duty, their authorized dependents, and shipment of personal property. The cost of temporary duty travel directly related to an integral part of a PCS movement also is chargeable to the MPN or MPMC appropriation, as appropriate. Upon authorization by a local command, dependent travel and shipment of personal property is chargeable as a PCS movement when performed under rules set forth in the Joint Travel Regulations. The MPMC appropriation is responsible for the cost of PCS travel performed by Marine Corps personnel in connection with assignment to and detachment from a Navy duty station. The types of travel are set forth in subpars. (1) through (6).

(1) Accession Travel. Accession travel covers the PCS movement of enlisted personnel from the place of entering active duty status to the first permanent duty station, or school of more than 20 weeks duration. For officer personnel, it includes the PCS movement from the place of appointment to the first permanent duty station or school of more than 20 weeks duration, while in an officer status. It also includes the travel costs of cadets upon entry into a flying training program and midshipmen upon entry into the U.S. Naval Academy and, for those individuals who fail to pass entrance physical examinations, the travel costs to return home from the flying training program or the U. S. Naval Academy.

(2) Training Travel. Training travel covers the PCS movement of officer and enlisted personnel from a continental United States (CONUS) permanent duty station to a school or other location for instruction of 20 weeks or longer, including training for enlisted personnel leading to a commission. It also includes the cost of travel

to the next permanent CONUS duty station upon completion of instruction or elimination from instruction.

(3) Operational Travel Between Duty Station. Operational travel between duty stations covers the PCS movement between permanent duty stations within overseas locations for officer and enlisted personnel when no transoceanic travel is involved in reaching the new permanent duty station, except such oceanic travel as may be required to reach or depart from a deployed ship or mobile unit. Excluded from this category are movements to or from schools of more than 20 weeks in CONUS and movement of organized units. This category includes travel of dependents and shipment of personal property of members interned, missing, or captured when no transoceanic travel is involved.

(4) Rotational Travel To and From Overseas. Rotational travel to and from overseas covers the PCS movement of officer and enlisted personnel that results from a change of duty assignment when transoceanic travel is necessary to reach the new permanent duty station, including movements to and from courses of instruction of more than 20 weeks duration. It also covers the travel of dependents when the military member is interned, missing, or captured and transoceanic travel of the dependent is involved. Movement of organized units to and from overseas is excluded from this category.

(5) Separation Travel. Separation travel covers the PCS movement of officer and enlisted personnel who are released or separated from active duty from the last permanent duty station to a home of record, home of selection (when authorized), or to the point of entry into active duty, including mileage allowance paid in lieu of travel upon reenlistment with no break in service. The travel costs, from the site of the training program to the home of record or point of entry into service, of individuals returned to civilian life as disenrollees from midshipmen or aviation cadet status are included. It also includes the travel costs of dependents and shipment of personal property of deceased personnel to a home of record, home of selection (when authorized), or to point of entry into active service for the deceased member.

(6) Travel of Organized Units. Travel of organized units covers the PCS movements, CONUS and overseas, required for a change of home port or the relocation of a squadron, staff, or field activity. It also includes the PCS travel cost of personnel ordered as replacements when directed to move as part of the unit move.

b. Temporary Duty Under Instruction Incident to PCS Movement. When PCS orders include temporary duty under instruction of less than 20 weeks, the costs therewith are budgeted in accordance with par. 075184-2b.

c. Reserve Personnel in Special Categories. The cost of PCS travel of Reserve personnel on active duty in certain assignments is funded as follows:

(1) by the Reserve Personnel, Navy (RPN) appropriation for Naval Training and Administration of Reserves (TAR) officers moving to a new duty assignment in a Headquarters Reserve Program billet,

(2) by the Reserve Personnel, Marine Corps (RPMC) appropriation for Category 6 Marine Corps Reserve personnel performing PCS travel to and from a Category 6 assignment.

d. Assignments to Military Assistance Advisory Groups (MAAG's) and Missions. The cost of PCS travel incurred in the assignment of members to duty in Security Assistance Program billets in overseas MAAG's and Missions is reimbursable to the MPN or MPMC appropriation, as appropriate, from the Military Assistance appropriation. Reimbursement rates are costed statistically at one-half the prescribed foreign composite standard rate. Reimbursement to the applicable accounts is provided by the Defense Security Assistance Agency based on reports received from MAAG's and Missions.

e. Special Circumstances. Travel costs arising from orders which detach military members from a permanent duty station pending further assignment, usually for medical or disciplinary reasons, are chargeable as a PCS movement and will be classified under the categories in subpars. a(3) and a(4), as appropriate. The travel costs of dependents and shipment of personal property of military members hospitalized under PCS orders are also chargeable as a PCS movement.

f. Temporary Active Duty Assignments. Reserve personnel recalled to active duty are covered under paragraph 075188.

3. FUNDING POLICY FOR CIVILIAN PERSONNEL PCS TRAVEL. The cost of PCS travel for Department of the Navy civilian employees is administered at the activity level. Accordingly, when a Department of the Navy activity is responsible for costs of a PCS movement of an employee, and that employee is paid from appropriated funds, such cost is chargeable to activity operating funds. The cost of PCS travel of an employee of a nonappropriated fund instrumentality is chargeable to appropriated funds. The Joint Travel Regulations, par. C1052, sets forth the specific assignments of financial responsibility for gaining and losing activities for PCS movements under special circumstances.

(Change 60)

075188 TRAVEL IN CONNECTION WITH RESERVE DUTY

When members of the Navy or Marine Corps Reserve are ordered to temporary active duty, responsibility for the travel cost arising from the temporary active duty assignment is determined as follows:

1. Travel and related expenses for personnel of the Naval Reserve on active duty under Title 10 U.S. Code Sections 10211, 12301, 12310, and 16131, or while undergoing reserve training, performing drills or equivalent duty, or as members of the Reserve Officer's Training Corps, are a responsibility of the Reserve Personnel, Navy appropriation for Navy Reserve personnel, and the Reserve Personnel, Marine Corps appropriation for Marine Corps Reserve personnel.
2. Tours of duty served by Reserve personnel at the request and for the benefit of the active military component, for periods of less than 20 weeks, are defined as "Reserve Short Tours." The cost of these tours, namely travel, per diem and other related expenses such as allowances for unaccompanied baggage, are chargeable to the Operation and Maintenance, Navy (O&M,N) appropriation for Navy Reserve personnel and to the Operation and Maintenance, Marine Corps (O&M,MC) appropriation for Marine Corps Reserve personnel.
3. Reserve personnel on active duty for periods of 20 weeks or longer are considered to be on Permanent Change of Station (PCS) movement, the costs of which are chargeable to the Military Personnel, Navy (MPN) appropriation for Navy Reserve personnel and to the Military Personnel, Marine Corps (MPMC) appropriation for Marine Corps Reserve personnel.
4. Activation of members of the Reserve component under the authority of 10 U.S. Code 12304, regardless of duration, constitutes a call to active duty, and transfers control of these individuals and units to the active component. Costs incurred for travel and transportation from a member's residence to the initial duty station are chargeable to MPN for Navy Reserve personnel and to MPMC for Marine Corps Reserve personnel. Per diem paid to reservists while at their duty stations should be paid from O&M,N for Navy Reserve personnel and from O&M, MC for Marine Corps Reserve personnel. Subsequent travel and transportation costs related to the operational deployment of these personnel and units are also chargeable to O&M,N for Navy Reserve personnel and to O&M,MC for Marine Corps Reserve personnel.

(Change 66)

075189 TRANSPORTATION RATES FOR NON-DOD MISSIONS

1. Transportation in support of humanitarian assistance, UN peacekeeping

support, disaster relief, and for other designated emergency requirements is billed at the DOD rate.

2. Transportation in support of other U.S. Government Agencies for all efforts other than those stated above is billed at the U.S. Government/non-DOD rate.

(Change 66)

Section VI: INTERSERVICE AND INTERDEPARTMENTAL RELATIONSHIPS

075200 GENERAL

The term "interservice support" includes all actions which result in the provision of support on a recurring basis (material, facilities, or services), between Department of Defense (DOD) components or between a DOD component and another Federal department or agency of the United States. Within DOD, uniform policies and procedures have been developed for the administration of interservice support (see par. 075201). A Support Agreement (DD Form 1144) normally will be executed as acceptance of interservice support arrangements. However, less formal agreements, such as a memorandum of understanding or letter of agreement, may be used for acceptance of interservice support arrangements. Functions performed by one organization in support of another are designated to be either on a common-servicing (nonreimbursable) or cross-servicing (reimbursable) basis. In some instances, by special agreement at the departmental level, arrangements are made for the joint funding and staffing of an activity. In such unusual cases, the normal policies for host-tenant agreements do not apply.

(Change 48)

075201 POLICIES AND PRINCIPLES FOR INTERSERVICE AND INTERDEPARTMENTAL SUPPORT

1. POLICY

- a. Interservice. Each Navy and Marine Corps activity may request interservice support from another Department of Defense (DOD) component having the capability to provide the support. Each Navy and Marine Corps activity may provide support to other DOD components to the extent of available capability, provided that such support does not interfere with the activity's regular mission.
- b. Interdepartmental. Requests for supplies and services from other Government departments are subject to statutory and administrative

authority, and are accepted if such support does not interfere with the activity's regular mission.

2. PRINCIPLES

- a. **Dominant User.** Interservice support assignments are made in accordance with the dominant (principal consumer) concept where no conflict exists with any peculiar capabilities of other DOD components.
- b. **Execution.** Interservice support agreements are executed at the lowest command level possible. Higher echelons of command normally issue policy as to the command level at which interservice support agreements may be executed. Disagreements or rejections of requests for support, which cannot be resolved by commanders concerned, will be forwarded for resolution through command channels.
- c. **Termination of Agreements.** Support provided under the provisions of a support agreement by a Department of the Navy activity shall not be terminated unilaterally. Normally, a minimum of 180 days advance notice of a proposed termination shall be provided by either party to an agreement. Whenever possible, such notification should be timed so as to permit consideration of the necessary funding adjustments during the budget formulation process.

3. BUDGET POLICY

- a. **General.** In instances where the Secretary of Defense or the Secretary of the Navy directs the performance of interservice support by a Department of the Navy activity, the programming, budgeting, and financing of such support will be the responsibility of the parent Navy or Marine Corps command.
- b. **Reimbursement.**
 - (1) **Non-DoD Components.** Logistic and/or administrative support furnished to U.S. Government departments/agencies other than DoD components is covered by specific written agreements when costs are significant and are to be recovered. Financial considerations required by proposed new interdepartmental support agreements should be staffed by the Comptroller (Budget Policy and Procedures Division) prior to acceptance of such arrangements. When available, standard rates, as prescribed by the Office of Management and Budget (OMB), should be used as a basis for effecting reimbursement. However, when actual costs of support furnished differ significantly from standard costs, reimbursement should be based on actual cost.
 - (2) **DoD Components.** The general principle to be followed in the provision of logistic and/or administrative support to other DoD components is that the performing activity should recover by reimbursement its net additional identifiable costs, using standard

costs or rates to the maximum extent possible. For example, by agreement of the military departments, reimbursement for use of administrative support aircraft is based on the standard rate contained in Air Force Regulations 76-11, Military Airlift, U.S. Government Rate Tariffs. When a standard rate for an aircraft is not available, a rate is developed locally, based on flying hour program cost data. By mutual agreement, however, insignificant support may be nonreimbursable.

4. SOURCE DOCUMENT. Additional information related to the subject covered in this paragraph is contained in the current issuance of DoD 4000.19-R.

(Change 48)

075202 FINANCIAL ADMINISTRATION OF INTERSERVICE SUPPORT

1. SCOPE. Interservice support under equitable procedures between an element of the Department of the Navy (DON) and other military department, Defense agency, or Federal department, is encouraged when such arrangements result in effectiveness and economy. Support agreements for provision of facilities and services between Department of Defense (DoD) activities may be executed on a reimbursable or nonreimbursable basis. Support performed by Navy and Marine Corps activities for other DoD activities normally is reimbursable to the host unless otherwise directed by the Secretary of Defense, the Joint Chiefs of Staff, or the Secretary of the Navy. The provision of logistic support by a DON activity to other Federal departments and agencies is executed on a reimbursable basis and is subject to the establishment of statutory authority to provide such support. The Economy Act (31 U.S. Code 1535 and 1536) or other applicable laws should be cited as authority for entering into such support agreements.

2. DEFINITIONS

a. General. Support encompasses services provided to receiving activities, such as maintenance of facilities, telecommunications, and police and fire protection, which require labor, material, or utility costs for performance. The terms "host" and "tenant" are synonymous with "provider" and "receiver", respectively. Support is termed "cross-service" when reimbursable and "common-service" when nonreimbursable.

b. Facilities. The physical plant encompassing land and improvements thereto on military department installations or leased by or otherwise controlled by these departments. Improvements include buildings or other structures and real property installed equipment. Facilities are further defined for determination of financial responsibility as set forth in subpars. (1) through (3).

(1) Common-Use Facility. A "common-use facility" is defined as a separate building or structure in which space is used in common by both host and tenant. Examples include dining halls, chapels, theaters and banks.

(2) Joint-Use Facility. A "joint-use facility" is defined as a separate building or structure that is jointly occupied when specific space has been designated for the sole use of each of the occupants, e.g., a 2-story building in which the second floor or a portion thereof is designated for occupancy by a tenant.

(3) Sole-Use Facility. A "sole-use facility" is defined as a separate building or structure designated for the sole use of the tenant.

c. Telecommunications. Telecommunications includes any transmission, emission, or reception of signs, signals, writings, images, and sounds or information of any nature by wire, radio, visual, or other electromagnetic systems.

3. RESPONSIBILITIES. The provider and receiver of interservice support rendered on a continuing or recurring basis shall execute a written agreement, normally by use of a Support Agreement (DD Form 1144), to define and limit the support to be provided and to reflect financial responsibility. Agreements for reimbursable support should be consistent with the policies stated in subpars. 4 through 7 and should disregard details of negligible consequence in calculating costs. Costs will not be allocated or prorated merely to provide a basis for billings (see par. 075003). Under uniform DoD policy, a host military department shall insure that support provided to tenants is not reduced disproportionately as a result of reduced availability of resources.

4. REIMBURSEMENT. Under cross-servicing arrangements, the basis for cost reimbursement is determined on the net additional identifiable costs of support furnished. Under uniform DoD policy, Voucher for Transfers Between Appropriations and/or Funds (Standard Form 1080) will not be prepared for the cost of support provided to a tenant that amounts to less than \$100 within a fiscal quarter. This provision for a waiver of reimbursement for amounts of less than \$100 per quarter does not apply to stock fund transactions or support provided by activities which operate under NWCF. Common-servicing between DoD activities, including activities which operate under NWCF, is directed for military family housing, medical and dental care, warehousing (provided that the requirements do not exceed the existing capability of the servicing activity or involve significant, unbudgeted costs; in the latter event, space and services shall be furnished on a cross-servicing basis until such time as the servicing activity can budget the requirements), operation of dining facilities, and the meals provided to enlisted personnel. Military labor is not reimbursable between DoD activities outside of NWCF. The cost of military labor provided to non-DoD Federal departments and activities will be billed in accordance with applicable directives.

5. FACILITIES AND SYSTEMS

a. General. Host and tenant responsibilities with respect to facilities and systems are set forth in subpars. (1) through (5).

(1) Common-Use Facility. The military department that has command for all costs associated with the provision of a common-use facility.

(2) Joint-Use Facility. The military department that has command responsibility over the host is responsible for costs necessary to acquire, construct, rehabilitate, install equipment, or otherwise make usable a facility that is planned for the joint-use of the host and tenant. However, when conversion, alteration, modification, initial repair, or installation of equipment for an existing facility is a requirement of the tenant, and would not otherwise be accomplished by the host, the cost of the required work is a tenant responsibility.

(3) Sole-Use Facility. The parent organization of the tenant is responsible for all costs associated with the provision of a facility for the sole use of the tenant. Upon termination of tenancy, when the tenant has property title and accountability for the facility, such title and accountability shall be transferred to the host military department without reimbursement.

(4) Utility, Communication, or Transportation System. The military department that has command responsibility over the host is responsible for costs necessary to extend, expand, or increase the capability of the main or primary utility, communication, or transportation system when such actions are done in compliance with the approved master plan of the installation. Requests for exceptions to this policy must be forwarded through command channels for the approval of the Secretary of Defense. The parent organization of the tenant is responsible for costs necessary to extend, expand, or increase a secondary utility, communication, or transportation system which is an integral part of a sole-use facility and which connects with the main or primary system.

(5) Maintenance of Facilities. Routine maintenance and cyclical repair, as prescribed in regulations of the host, which is performed on facilities including sole-use facilities to which the host hold title is the financial responsibility of the host. Costs arising from maintenance or repair which is considered to be beyond that prescribed by host regulations, and which is performed at the request of the tenant, is reimbursable by the tenant. Maintenance performed on facilities to which the tenant holds title is the financial responsibility of the tenant.

6. TELECOMMUNICATIONS. The cost of normal recurring voice and record telecommunications is considered non identifiable and therefore shall

be provided by the host without reimbursement. Non-common telecommunications costs subject to possible reimbursement are:

- a. voice - the charges for toll and identifiable additional message units, installation and relocation costs, special services and devices required by a tenant, such as data phones, speaker phones, call directors, and private leased lines;
- b. data/record - charges for private line services and leased equipment, such as TWX, TELEX, and FACPHONE, and off-line message preparation using optical character reading machines or other special equipment when such equipment is not required by the host's telecommunications center.

7. UTILITIES. The cost of utilities consumed in common-use facilities is the financial responsibility of the host. In joint-use and sole-use facilities, utilities will be furnished to tenants on a cross-service basis for utilities consumed based on departmental regulations of the host. Quantities consumed will be based on meter readings, if available, or engineering estimates made by the host where meters are not available.

8. SOURCE DOCUMENT. Additional information related to the subject covered by this paragraph is contained in the current issuance of DoD 4000.19R.

(Change 56)

075203 UNIFIED/SPECIFIED COMMANDS

1. POLICY. The Secretary of Defense, through the Joint Chiefs of Staff, has established eight unified/specified commands worldwide with assigned operational missions for a fixed geographical area. They are as follows:

- a. U.S. Pacific Command,
- b. U.S. European Command,
- c. U.S. Southern Command,
- d. U.S. Atlantic Command,
- e. U.S. Central Command,
- f. U.S. Special Operations Command,
- g. U.S. Space Command,
- h. U.S. Transportation Command.

2. FUNDING. As the Secretary of Defense has assigned administrative and logistic support responsibility for the Headquarters of the Commander, Pacific (COMPAC) and the Commander, Joint Forces Command (COMJFCOM) to

the Department of the Navy, the Navy is responsible for the programming, budgeting and funding of these two commands. The Department of the Army funds the European and Southern Commands. The Department of the Air Force funds the Central, Special Operations, Space, and Transportation Commands.

3. SUBORDINATE COMMANDS. The Navy funds the Headquarters support of the U.S. Military Assistance Command Thailand through COMPAC. The Navy likewise funds Joint U.S. Military Advisory Group (JUSMAG's and MAAG's) located in the Pacific area through COMPAC. Additionally, Navy funds Navy-peculiar type functions of the Navy sections in the MAAG's located in Europe. These functions include travel of Navy members to hospitals, conferences of Navy personnel, and Navy forms and publications.

4. FUND SOURCE. The Office of the Chief of Naval Operations budgets for and funds support of unified commands and subordinate commands assigned to Navy for administration.

(Change 56)

075204 SINGLE MANAGERS

1. GENERAL. The single manager concept is employed, as appropriate, for the management of commodities, common-service activities, and functional areas. The objectives are to eliminate duplication and overlapping of effort between and within military departments and agencies and to improve effectiveness and economy of supply and service operations throughout the Department of Defense (DoD). Specific single manager assignments are made by the Secretary of Defense (SECDEF). Under the mutual agreement of the military departments, the single manager concept is applied to training of military and civilian personnel in service-operated schools in order to consolidate the provision of joint use services where possible within the military departments.

2. DEFINITIONS

a. Single Manager. A single manager is the Secretary of a military department, or his representative, who has been tasked with the responsibility for the organization and operation of a particular single manager assignment. Such assignments are made typically for procurement of a specific commodity, either on a recurring or nonrecurring basis, or for provision of a service to be made available to all DoD components on a reimbursable or nonreimbursable basis. The term "single manager" also is descriptive of the manager responsible for providing joint use services as agreed to by the military departments, although not specifically designated by SECDEF.

b. Common-Service Activity. A common-service activity is an operating agency providing a support-type service utilized by two or more DoD components on a reimbursable or nonreimbursable basis.

c. Operating Agency. An operating agency is the organization established or designated by the single manager for the purpose of carrying out the single manager assignment. The Military Sealift Command is an example of an operating agency organized as a common-service activity.

d. Executive Director. The executive director is the official designated by the single manager to manage the operating agency. He directs and controls all assigned functions subject to the authority, direction, and control of the single manager.

3. SINGLE MANAGER ASSIGNMENTS. When the Secretary of Defense has made a specific assignment, the other military departments progressively will eliminate duplicate functions and activities that have become the responsibility of the single manager. Specific single manager assignments to the Department of the Navy (DON) include:

a. ocean transportation, for which the Military Sealift Command (MSC) has been designated as the operating agency;

b. explosive ordnance disposal technology and training (EODT&T), for which the Armed Forces Explosive Ordnance Center, Department of the Navy, has been designated as the operating agency under which the Naval Ordnance Disposal Facility and the Naval School, Explosive Ordnance Disposal, are responsible for EOD research technology and mission training support respectively;

3. procurement of a variety of commodities and services.

4. COMMON TYPE SPECIALIST TRAINING. By mutual agreement between the military departments, common type specialist training which qualifies an individual to perform an individual function in more than one military service, is conducted where possible under single manager concepts. The military department accepting single manager responsibility by means of a specific agreement for the provision of interservice courses of instruction in a given area of technical specialty provides school facilities and accepts students from participating military services.

5. BUDGET POLICY

a. General. Each military department and Defense Agency budgets for material or identifiable services received from a designated single manager except that training is conducted on a nonreimbursable basis for DoD personnel.

b. Ocean Transportation. Operations of MSC are carried out under NWCF (see par. 074601). All users budget for services provided by MSC.

c. Explosive Ordnance Disposal Technology and Training. The DON budgets under the Research, Development, Test and Evaluation, Navy appropriation for EODT&T conducted at the Naval Ordnance Disposal Facility and under the Operation and Maintenance, Navy appropriation for the Training support conducted at the Naval School, Explosive Ordnance Disposal.

d. Common Service Specialist Training. The military department responsible for common type specialist training under single manager concepts budgets for the operating costs of the schools in which such training is conducted. The participating military services furnish administrative and instructor personnel to augment school staffing in proportion to their respective share of the student load. Military and civilian personnel of DOD components and the United States Coast Guard attend courses of instruction under single manager concepts on a tuition-free basis.

(Change 48)

075206 MAJOR RANGE AND TEST FACILITIES

1. GENERAL. The Secretary of Defense has designated specific DoD facilities as encompassing the Major Range and Test Facility Base (MRTFB) and has established policies for their use, management, and operation. The MRTFB is a national asset operated and maintained primarily for DoD test and evaluation support missions and also available to all DoD users having a valid requirement for its capabilities. The MRTFB is composed of the following activities:

MANAGEMENT MILITARY DEPARTMENT	ACTIVITY
ARMY	<ul style="list-style-type: none"> a. White Sands Missile Range, including Electronic Proving Ground at Fort Huachuca, AZ b. High Energy Laser Systems Test Facility c. U.S. Army Kwajalein Atoll d. Dugway Proving Ground e. Aberdeen Proving Ground
NAVY	<ul style="list-style-type: none"> a. Naval Air Warfare Center—Weapons Division, Point Mugu b. Naval Air Warfare Center—Weapons Division, China Lake c. Naval Air Warfare Center—Aircraft Division, Patuxent River d. Atlantic Undersea Test and Evaluation Center

MANAGEMENT MILITARY DEPARTMENT	ACTIVITY
	e. Atlantic Fleet Weapons Training Facility
AIR FORCE	a. 45 th Space Wing b. 30 th Space Wing c. Arnold Engineering Development Center d. Air Force Air Warfare Center (Nellis Range Complex) e. Air Force Flight Test Center f. Utah Test and Training Range g. Air Force Development Test Center, including the 46 th Test Group at Holloman AFB, NM
DEFENSE-WIDE	a. DISA Joint Interoperability Test Command

2. UNIFORM FUNDING POLICY

- a. General. Funding of the MRTFB is designed to assure the most effective development and testing of material, as well as to provide interservice compatibility, efficiency, and equity without influencing technical testing decisions or inhibiting legitimate and valid testing.
- b. Working Capital Fund Activities. Working Capital Fund activities will charge customers at standard rates, in accordance with established pricing policies in DoD 7000.14R, DoD Financial Management Regulation, Volume 11B.
- c. Non-Working Capital Fund Activities.
 - (1) DoD Users. DoD component users will reimburse the activity for direct costs that can be identified readily with particular program support, excluding military labor costs. Direct costs include labor, material, minor construction, utilities, equipment, supplies, and any other resources damaged or consumed during testing or maintained for a particular user. Indirect costs will be paid by the activity's direct appropriations.
 - (2) Non-DoD Users. All other Federal, State or Local Government Agencies, allied foreign governments, defense contractors, and when authorized, private organizations and U.S. commercial enterprise customers will reimburse the activity for direct costs, including military labor, plus indirect costs excluding military retirement, depreciation, and the unfunded portion of civilian

retirement. (Military personnel costs will be priced at the composite standard military pay rate.) Direct costs include labor, material, minor construction, utilities, equipment, supplies and any other resources damaged or consumed during testing or maintained for a particular user. Indirect costs include management and other costs normally not identifiable to a particular program. The computation and application of indirect costs will be documented by each activity and be available to the user.

d. Institutional Funding. The management command of each Department of the Navy activity which operates under the uniform funding policy will budget for and fund, under the Research, Development, Test and Evaluation, Navy appropriation (RDT&EN), the activity's indirect costs (including minor construction and investment items of a general nature) which are not chargeable to users on a direct cost basis. However, indirect costs of the Atlantic Fleet Weapons Training Facility (AFWTF) should be budgeted and funded under the Operation and Maintenance, Navy appropriation for expenses and the Other Procurement, Navy and Military Construction, Navy appropriations for applicable investments. Institutional funding for AFWTF should include those costs necessary for utilization of the facility by the operating forces within the claimancy of the Commander, U.S. Atlantic Fleet.

3. SOURCE DOCUMENTS. Responsibilities, scheduling policy, and additional funding guidance are contained in the current issuance of DoD Directive 3200.11 and Chapter 12 of DoD 7000.14R, DoD Financial Management Regulation, Volume 11A.

(Change 66)

075207 DEPENDENT SCHOOLS

1. OVERSEAS DEPENDENT SCHOOLS.

a. Departmental Responsibilities. Under the policy guidance of the Assistant Secretary of Defense (Force Management & Personnel) (ASD(FM&P)), the Department of Defense Dependents Schools (DoDDS) are responsible for providing quality education from pre-kindergarten through grade 12 for eligible minor dependents of U.S. military and DoD civilian personnel stationed overseas. The organizational structure of DoDDS consists of a Headquarters (Office of Dependents' Education in Washington, D.C.), 3 Regions (Atlantic, Pacific, and Panama), and 10 Districts (7 in the Atlantic region, 2 in the Pacific, and 1 in Panama).

b. Student Tuition Policy.

(1) DoD Students. All dependents of DoD military and civilian personnel attend either a service-operated school or other school on a

tuition-free basis. The cost of such schooling is funded by the DoDDS on a common service basis (no reimbursement from Military Departments). Non-command sponsored dependents are admitted to DoDDS on a space-available basis only.

(2) Non-DoD Sponsored Students. Tuition is charged for students attending DoDDS who are not dependents of DoD personnel. Tuition rates are developed annually and approved by ASD (FM&P) for use by the superintendents of the respective school areas in charging tuition for students eligible for enrollment who are dependents of non-DoD personnel.

c. Basic Funding Policy. With the exception of military personnel requirements, the Office of Dependents' Education programs, budgets, and funds all costs of the DoDDS. All requirements for military personnel services will be financed by applicable military department appropriations. A Nonappropriated Fund Instrumentality (NAFI) may be established by DoDDS to fund school activities or functions not chargeable to appropriated funds.

d. Support of DoDDS. The Secretaries of the Military Departments, upon request, shall provide such facilities, logistics, and administrative support as are required for the effective operation of DoDDS activities and the operation of the Dependent Education Council (DEC) and other educational advisory committees and councils.

(1) Nonreimbursable Logistic Support. The installation commander will provide the following services, as available, to the dependents schools and DoDDS personnel on a nonreimbursable basis: legal services/claims and personal affairs, military labor, student-related medical services and expendable supplies, medical/dental services and supplies rendered to students in school, family housing, mail service, fire protection, chaplain, noncombatant evacuation orders, off-duty education services, law enforcement/police protection, recreation services, public information (American Forces Radio and Television Service), Inspector General services, community support functions, housing referral service, commissary and food service support, transportation via military scheduled shuttle bus, nonappropriated fund activities, communications service, records administration, explosive ordnance disposal, search and rescue, traffic management assistance, open storage space, veterinarian services, Bachelor Officers Quarters (BOQ), transportation standby or dead time, costs of school officers, processing of security clearances, publications and forms supply support/services, mortuary services, and aeromedical evacuation. However, supporting activities shall provide expendable medical supplies and support to the DoDDS without reimbursement.

(2) Reimbursable Logistic Support. The installation commander will provide the following services, as required, and within mission constraints, to the dependents schools on a reimbursable basis: maintenance of school equipment, commercial telephone service, dormitory and school laundry and dry cleaning service, transportation, U.S. Government vehicle maintenance, utilities, custodial services, refuse collection, maintenance and repair of school facilities, maintenance of school grounds, facilities rental, local drayage of household goods of DoDDS employees, loan of vehicles and equipment, supplies and equipment obtained from the supporting installation supply accounts, inpatient or outpatient care of DoDDS employees and their dependents in military medical facilities, packing and crating, civilian school bus monitors, transportation between pupils' residences and dormitory for dormitory students, rental of equipment required in support of authorized reimbursable services, civilian personnel and payroll services, accounting and finance services, costs of minor construction projects (under \$100,000), printing and reproduction services, architectural-engineering services, data automation services, and entomological services.

(3) Civilian Personnel Administration. Installation commanders are responsible for providing civilian personnel administration in accordance with civilian personnel servicing agreements negotiated in accordance with DoD Directive 1400.16.

(4) Support Agreements. Support agreements between DoDDS and the military services, which delineate which services are provided on a reimbursable vice nonreimbursable basis, will be established in accordance with policies and procedures contained in DoD 4000.19.

e. References. More detailed guidance on financial, administrative, and logistic responsibilities for DoD Dependents Schools is provided in DoD Directive 1342.6.

2. DOD SECTION 6 SCHOOLS

a. Departmental Responsibilities. Under the policy guidance of the Assistant Secretary of Defense (Force Management & Personnel) (ASD(FM&P)), the DoD Section 6 Schools are intended to provide a free public education of high quality from pre-kindergarten through grade twelve for eligible dependent children of U.S. military personnel and federally employed civilian personnel residing on Federal property within CONUS and the U.S. possessions, where an adequate education is unavailable. The DoD Section 6 Schools Office operates as an organizational element of the DoD Education Activity (DODEA), a DoD activity under the purview of the ASD(FM&P), and is responsible for performing all the duties necessary to organize, manage, fund, direct, and supervise the complete operation of the DoD Section 6 Schools.

b. Budget Policy

(1) Basic Funding Policy. Headquarters, DoD Section 6 Schools programs, budgets, and funds all costs for the operations of the schools.

(2) Reimbursement Policy. Except those supply, equipment, and services costs incurred through contracts with non-DoD agencies, DoD Section 6 Schools should reimburse all facilities, logistics, and administrative support costs to the host activity through support and service agreements in accordance with DoD Directive 4000.19 and DoD Directive 1400.16.

(Change 63)

075208 DEFENSE LOGISTICS AGENCY

1. PURPOSE. This paragraph delineates basic guidance concerning financial relations between the Department of the Navy (DON) and the Defense Logistics Agency. (DLA).

2. BUDGET POLICY

a. General. The DON has financial relationships with DLA in several major program areas. The policies and principles governing interservice support (see par. 075361) are applicable to most DON relationships with DLA. However, specialized arrangements have been established for certain program relationships, as indicated in subpars. b,c, and d.

b. Disposal. DLA has administrative and funding responsibility for Defense Property Disposal Activities, and support provided to these activities is subject to reimbursement in accordance with policies stated in par. 075202. Additional policy guidelines for reimbursement to DON for expenses incurred in connection with the preparation for and the disposal of personal property are contained in par. 075141.

c. Warehousing. The current issuance of DoD Directive 4145.19 states that warehousing services provided to DLA will be funded on a common-service basis, except where such services are beyond the existing capability of the performing activity and involve significant, unbudgeted costs. In such cases, an exception is authorized, permitting the provision of these services to be funded on a reimbursable basis.

d. Subsistence. DLA has developed the World-wide Integrated Management of Wholesale Subsistence Program (WIMS), a totally integrated subsistence management program that includes:

(1) world-wide management of wholesale subsistence stocks to the consumer level;

- (2) funding of subsistence stocks including mobilization reserve inventories by the DLA division of the Defense Stock Fund (DSF); and
- (3) administrative support to DLA to be funded by the military services.

Normal stock fund procedures will govern the procurement of subsistence items. However, there are specific funding arrangements for the related transportation. Transportation movements within the scope of the procedures for distribution of transportation costs outside the United States under WIMS are budgeted and funded by DLA within the DSF. These transportation costs are recovered from operating appropriations of the military services through the application of accessorial charges. Further, the basis for allocations of transportation costs to the military services will be the dollar value of billings for subsistence to overseas customers. The transportation covered by these procedures includes transportation of subsistence:

- (1) from continental United States (CONUS) ports to first destination overseas, including DLA wholesale storage points overseas; and
- (2) between DLA wholesale storage points overseas; and
- (3) from overseas vendor sources to first destinations overseas, including DLA wholesale storage points and direct deliveries to customer activities.

However, the funding of transportation to Alaska and Hawaii, as well as transportation from DLA wholesale storage points overseas to consuming activities, is excluded from these procedures.

e. Hazardous Waste Disposal Activities. The military services have assumed financial responsibility from DLA for their own hazardous waste disposal operations. Beginning in FY 1987, the DON budget will include Operation and Maintenance funds for hazardous waste disposal operations. Environmental restoration activities, however, will be funded via the DoD transfer appropriation entitled "Environmental Restoration, Defense."

(Change 54)

075209 PACKING, CRATING, HANDLING, TRANSPORTATION, STORAGE, AND REMOVAL OF INDUSTRIAL PLANT EQUIPMENT

1. GENERAL. In order that idle Industrial Plant Equipment (IPE) may be reutilized to the maximum extent possible, the Defense Logistics Agency (Defense Industrial Plant Equipment Center (DIPEC)) under certain

conditions directs the storage or movement of IPE that is required to meet planned current or future needs. This paragraph delineates funding responsibility for packing, crating, handling, and transportation (PCH&T) costs and storage and removal costs related to the movement of idle IPE from DIPEC facilities, from Navy activities, or from contractors' plants.

2. POLICY

a. PCH&T Costs. When an item of IPE is moved on the basis of a movement notice issued by DIPEC, notwithstanding the fact that it may be received via a Department of the Navy (DON) central inventory manager, all costs incurred for PCH&T are the funding responsibility of DIPEC. When the movement of an item of IPE is directed by a DON command, all related PCH&T costs are the funding responsibility of the DON directing command or a designated subordinate activity. The DON directing command is also responsible for PCH&T costs in connection with the transfer of items of IPE in DON industrial preparedness packages (Assistant Secretary of Defense approved packages) stored at DIPEC facilities; DON-controlled IPE items; and items in the DON prepositioned war reserve stocks, whether or not stocked at DIPEC facilities.

b. Storage and Removal Costs

(1) Contractor-Owned Facilities or Contractor-Operated Government Facilities. When DIPEC prescribes on-site storage of IPE items at contractor-owned facilities or contractor-operated Government facilities for a period beyond that covered by a production or facilities contract, DIPEC will fund and contract separately for all storage and removal costs. Upon completion of a DON contract, if removal of an IPE item is required without additional storage, removal costs are considered to be a part of the contract and are chargeable thereto.

(2) DON Activities. At DON activities, idle IPE that has been reported to DIPEC for redistribution becomes DIPEC property. If DIPEC requests on-site storage of the IPE, it will be accomplished by the activity without reimbursement. In addition, if the DON activity requires that the item be removed from its working location to a storage location at the same activity, the removal costs will be absorbed by the DON activity. Any subsequent costs of removal from storage pursuant to a DIPEC movement notice will be the funding responsibility of DIPEC. When IPE items are to be removed from the DON activity immediately upon becoming available for redistribution, the costs of removal will be funded as follows:

(a) from operation and maintenance funds supporting nonindustrial activities,

(b) as an overhead cost of the applicable production cost center at industrial-commercial activities.

(Change 48)

075210 GENERAL SERVICES ADMINISTRATION

1. GENERAL. Pursuant to the provisions of Public Law 92-313, all Federal agencies are subject to standard level user charges for space, services, and facilities provided by the General Services Administration (GSA) in both Government-owned and leased space. The rates for these charges are approximately equivalent to commercial charges for comparable space and services. In addition, services above the level included in the standard level user charges that are furnished by the GSA are billed directly to the ordering activity.

2. BUDGETING

a. General. All the estimated cost of payments to the GSA Federal Buildings Fund for space occupied by elements of Navy, both within and outside the National Capital Region (NCR), including the Department of the Navy (DON) Secretariat and Staff Offices, should be funded within the operating appropriation of the affected activity which holds the lease. While O&M funded activities have their leased space centrally managed and budgeted, activities funded with other appropriations are centrally managed, but not centrally budgeted. Activities which are industrially funded, RDT&E,N funded, or Foreign Military Sales (FMS) funded will make lease payments from their respective appropriations. In addition, activities funded in the reserve O&M appropriations should make lease payments from these appropriations.

b. Budget Preparation. The Chief of Naval Operations (CNO) through his designated agent prepares appropriate budget backup exhibits on total Navy requirements to be reflected in the various phases of budget formulation and execution review. These exhibits combine NCR space data obtained from the Administrative Officer, Department of the Navy and data on Navy space occupancy outside the NCR obtained from GSA as transmitted to the DON by the Assistant Secretary of Defense (Force Management and Personnel). The Commandant of the Marine Corps (CMC) similarly prepares appropriate budget backup exhibits based on NCR space occupancy outside the NCR that is obtained from CNO or his designated agent.

3. CERTIFICATION AND PAYMENT OF BILLS

a. Procedure. The DON receives a single billing from the Under Secretary of Defense (Comptroller) (USD (C)) for space assigned to the DON within the NCR, and another billing from GSA for all space assigned to the DON outside the NCR.

b. NCR Space. The Administrative Officer, Navy Department receives from the USD (C) requests for advances or payments for the DON share of space and facilities assigned to the Department of Defense (DoD) in the NCR. The Administrative Officer certifies the validity of the billing or endorses the requests for advances, prepares a proportional distribution of charges between the Navy and Marine Corps, and passes them to the CNO or a designated agent to process for payment, subject to appropriate coordination with Headquarters, Marine Corps.

c. Space outside the NCR. The CNO or his designated agent, upon receipt of the billing from GSA for all assigned space, services and facilities outside the NCR, obtains requisite certifications, including appropriate Marine Corps coordination, and processes for payment the proportional share applicable to Navy and Marine Corps funds.

4. MANAGEMENT RESPONSIBILITY. The CNO, the CMC, and DON staff offices have the responsibility for ensuring that space usage by subordinate commands appropriately emphasizes efficient and effective usage and that plans concerning space changes are made with due consideration of the fiscal impact. It will be necessary to provide funding for costs which may be incurred as a result of decisions on space changes made subsequent to submission of the DON budget to OSD and which result in an overall increase in rental costs. For such changes outside the NCR, Navy major claimants must ascertain whether CNO can make budgetary adjustments for funding of the first partial and/or full year of new occupancy not included in the annual budget request. CMC must also make internal budgetary adjustments to accommodate the financial impact of out-of-cycle space decisions affecting Marine Corps costs. The Administrative Officer, Navy Department, will coordinate with CNO and CMC in connection with potential unfunded space occupancy decisions within the NCR to ensure that they can be accommodated within available resources. In addition to budgeting for the reimbursement to GSA for standard level user charges, CNO, CMC, subordinate commands, and activities will be required to reimburse GSA directly for special services above the level included in the standard level user charge (defined by GSA as those normally furnished by the private sector).

5. SOURCE DOCUMENT. Detailed information related to the subject covered in this paragraph is contained in the current issuance of SECNAVINST 7000.21.

(Change 59)

075211 UNITED STATES POSTAL SERVICE

1. AUTHORITY. The Defense Management Review determined that the costs of official mail could be lowered within the Department of Defense through the decentralization of postal payment management. Therefore, as of 1 October 1993, DON converted to commercial mail in place of penalty

postage and shifted the budget function from the headquarters level to the user.

2. BUDGET POLICY. The cost of official mail is the budgeting and funding responsibility of each activity that obtains postage from the post office. These costs should be funded from the appropriation that finances the operations of the activity.

3. PAYMENT POLICY. Payment for all U.S. Postal Service (USPS) services will be made at the time the service is contracted. The Comptroller and the command Official Mail Manager (OMM) will jointly determine which of the following forms of payment is appropriate for each type of USPS service.

a. Treasury Check. Users shall follow local procedures for obtaining Treasury checks from the Disbursing Office for the purchase of USPS services.

b. Cash. The OMM may be appointed paying agent and allotted a small amount of cash to pay for incidental postal expenses.

c. Cash From an Imprest Fund. Imprest fund cashiers may either provide cash for the purchase of postal services or reimburse authorized personnel for such purchases.

d. Advance Deposit Trust Account (ADTA). ADTAs may be established at civil post offices to pre-pay for future services and should be limited to the amount of anticipated requirements for the current quarter. The USPS is paid in advance by treasury check and services are charged to the account as they are used.

4. SOURCE DOCUMENT. OPNAVINST 5218.7A provides detailed information on financial and non-financial aspects of official mail management policies and procedures.

(Change 64)

075212 DEPARTMENT OF LABOR

1. PURPOSE OF FUND. Title 5 U.S. Code 8147 provides, in part, that each agency must include in its annual budget estimates a request for an appropriation equal to the amount of the total payments made by the Department of Labor in behalf of each department's employees. It further provides that funds appropriated pursuant to such requests shall be used to reimburse the Employees' Compensation Fund of the Department of Labor.

2. BUDGETING PROCEDURES. In accordance with arrangements made by the Office of the Secretary of Defense, the Department of Labor provides statements of compensation benefits paid on account of injury or death of employees or persons engaged in military functions under the jurisdiction of

each military department. The amounts so identified are included in the estimates for the Operation and Maintenance, Navy and Operation and Maintenance, Marine Corps appropriations, as appropriate, for the forthcoming budget year.

3. BUDGET POLICY. Individual activities and installations are responsible for budgeting and funding contributions to the Employees' Compensation Fund for costs associated with their civilian employees.

(Change 61)

075213 UNITED STATES COAST GUARD

1. AUTHORITY. The United States Coast Guard, an agency of the Department of Transportation, is designated by statute to be a military service and a branch of the armed forces of the United States at all times. The statutes provide that, upon declaration of war or when the President directs, the Coast Guard will operate as a service in the United States Navy, and shall so continue until the President, by Executive order, transfers the Coast Guard back to the Department of Transportation. Also, the statutes provide that the Secretaries of the armed forces may enter into agreements whereby supplies, services, equipment, facilities, real estate and material may be provided with or without reimbursement. The statutes further provide that, in time of war, the Coast Guard will become part of the U.S. Navy. In the accomplishment of Navy mission responsibilities, the United States Coast Guard, by operational and joint financial and logistic agreements with the Navy, has provided support in naval operations requiring its expertise.

2. BUDGET POLICY. To ensure the ready integration of the Coast Guard or specific Coast Guard units into the Navy, the Chief of Naval Operations shall provide to the Coast Guard all Navy-owned military readiness equipment and associated spare support materials that the Navy deems necessary to enable the Coast Guard or specific Coast Guard units to carry out assigned missions while operating with the Navy. Principles covering this logistic and budgetary support are covered in formal agreements between the Chief of Naval Operation and the Commandant of the Coast Guard.

3. SOURCE DOCUMENT. Additional information related to the subject covered by this paragraph is contained in the current issuance of OPNAVINST 4000.79.

(Change 61)

075214 STATE DEPARTMENT

1. POLICY. Under Office of Management and Budget policy, the State Department is required to bill and obtain reimbursement for costs incurred by State Department overseas activities providing support to activities of other United States agencies. The term applied to this support function is

“International Cooperative Administrative Support Services (ICASS)”.

2. INTERNATIONAL COOPERATIVE ADMINISTRATIVE SUPPORT SERVICES. ICASS includes personnel services, budget and fiscal services, general services, communications services, management services, and other direct services provided by State Department overseas activities to other agencies' activities. Unlike the arrangement under the Foreign Affairs Administrative Support (FAAS) program, which was the predecessor to ICASS, the costs for utilities, long-term leases, local guards, and community liaison offices will be also shared by the Federal Agencies with a presence on post rather than fully absorbed by the State Department. This will provide greater flexibility and accountability and result in a more equitable distribution of overseas administrative costs. Overseas security services are addressed in subpar. 7.

3. ICASS AGREEMENTS. At least once each fiscal year, the respective State Department overseas activities and each supported activity enter into local agreements covering the amount to be reimbursed for such services. The State Department activities measure services and related costs in accordance with standard work factors and formulas promulgated by the Department of State.

4. DEPARTMENT OF THE NAVY FUNDING. The funds for the services in subpar. 2 are budgeted by the Navy or Marine Corps component assigned funding responsibility for the activity receiving the ICASS services. The Office of the Chief of Naval Operations budgets for unified commands for which the Navy has been assigned financial responsibility. The parent office or command budgets for ICASS services provided to its subordinate activities.

5. SERVICES PROVIDED BY THE DEPARTMENT OF THE NAVY. The value of services provided by Navy and Marine Corps activities to State Department activities is offset against the consolidated billings submitted by the State Department for ICASS. However, this does not apply to services of Marine Corps guards provided under the Marine Security Guard program which is governed by the Memorandum of Understanding between the Department of State and the U.S. Marine Corps.

6. OFFSET PROCEDURES. The State Department issues separate bills to the Navy and Marine Corps for ICASS. The Chief of Naval Operation (N09BF) has been designated as the Navy office to receive the bill for offset and settlement action. Headquarters, Marine Corps (PP&O-PLU) has been designated as the Marine Corps office to receive the bill for offset and settlement action. The parent claimant for each activity receiving services from the State Department will provide N09BF or HQMC (PP&O-PLU), as appropriate, with certification of services received and the appropriate fund citation to be charged. Prior to the citing of funds, offsetting adjustments will be made for support provided to State Department activities. For this purpose, claimants assigned funding responsibility for Navy and Marine Corps

activities providing support to State Department activities overseas will report to N09BF or HQMC (PP&O-PLU), as appropriate, the estimated costs to be incurred for a full fiscal year. This report is due on 30 April for the fiscal year being reported on.

7. OVERSEAS SECURITY SUPPORT. Overseas Security Support services are governed by a Memorandum of Understanding (MOU) between the Department of State and the Department of Defense in accordance with the Omnibus Diplomatic Security and Anti-terrorism Act of 1986 (22 U.S. Code 4801). Payment for these services is also administered by CNO (N-09BF) or HQMC (PP&O-PLU).

(Change 67)

075215 NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

1. GENERAL. A joint agreement between the Department of Defense (DoD) and the National Aeronautics and Space Administration (NASA) provides specific guidance for estimating, budgeting, and billing for contract administration and related support services provided to the NASA.

2. POLICY. A basic hourly rate is applied to the actual direct hours worked for NASA by the Navy and includes the following elements of cost:

- a. direct labor,
- b. indirect labor,
- c. fringe benefits,
- d. travel,
- e. administrative support.

The hourly rate is reviewed annually and adjusted if necessary to reflect cost changes resulting from wage increases and changing workload. NASA-authorized overtime will be applied at the currently established overtime billing rate.

3. PROCEDURES

- a. Estimating. The Chief of Naval Operations (CNO) provides NASA with estimates, by 15 April and 15 October each year, of the total reimbursable costs projected for the current and budget fiscal years. Estimates are based on uncompleted contract administration services, audit work on hand, and work to be performed on NASA delegations. Reimbursements earned are continuously reviewed to ascertain whether they are in line with annual cost estimates. NASA is advised promptly of any significant (5 percent variation) revisions considered appropriate.

CNO advises NASA by 20 June of any such revision for the current fiscal year.

b. Billing. Each Navy activity bills NASA directly for work it performs under a prime delegation from NASA, or under regulations therefore from other DoD activities. Bills submitted monthly to NASA Headquarters are broken down according to the NASA installation requesting the services as identified in the letter of delegation, showing the following information:

- (1) the month of performance;
- (2) each NASA prime contract number, direct hours worked, and dollar amounts extended where machine capabilities exists, except that for Equal Employment Opportunity compliance work, the name and location of the contractor or subcontractor is shown instead of a contract number;
- (3) total direct hours, the basic rate, and the total basic charge;
- (4) add-on charges for NASA-authorized overtime, identified by prime contract number;
- (5) indication of those contracts on which work has been completed and billing is final.

4. SOURCE DOCUMENTS. Additional information related to the subject covered by this paragraph is contained in the current issuance of NAVCOMPTINST 7030.17.

(Change 48)

075216 MARITIME ADMINISTRATION

1. GENERAL. Naval ships of basic merchant design going to an inactive status are usually transferred to the custody of the Maritime Administration (MARAD) for assignment to the National Defense Reserve Fleet (NDRF). Funding for Navy assets in the NDRF will be provided as follows:

- a. MARAD will budget for fleet additions, maintenance and operations for ships in the Ready Reserve Fleet (RRF);
- b. Navy will budget for the costs involved in the support of all other NDRF ships in the custody of MARAD;
- c. the authorized removal and replacement of equipment from ships transferred to MARAD is a funding responsibility of the activity requesting the equipment.

2. ACTIVATION. The activation of vessels in the RRF is governed by the Memorandum of Agreement (MOA) between the Department of Defense (DoD) and the Department of Transportation (DOT). Funding responsibility

for RRF ship activation should be determined based on the following:

- a. activation costs planned in advance and required for routine operations will normally be included in the MSC budget rates;
- b. unplanned activations necessitated by changes in shipping demands or the availability of ships will be financed as part of the NWCF overhead as a cost of doing business;
- c. activation costs incident to SECDEF directed mobilization or contingency operations will be financed by the Operation and Maintenance, Navy appropriation as DoD's Single Manager for Ocean Transportation (SEALIFT); and
- d. activation costs incurred as a result of a specific request for a RRF ship(s) will be financed by the requesting activity.

(Change 60)

075217 SECRET SERVICE

1. GENERAL. In accordance with Public Law 94-524, the Department of Defense (DoD) has a responsibility to assist the Secret Service in the performance of its protective duties. A joint agreement between DoD and the Secret Service specifies that, upon request, DoD shall make available mechanical service, helicopter and other aircraft, motor vehicles, communication, and such other support as may be necessary to assist the Secret Service in the performance of its protective functions. Such support is provided on a temporary basis without reimbursement when assisting the Secret Service in its duties directly related to the protection of the President or the Vice President or other officer immediately next in order of succession to the Office of the President. Temporary services provided other protectees or any permanent provisions of services will be on an incremental cost basis.
2. SPECIAL CLOTHING REQUIREMENTS. One aspect of support includes explosive ordnance disposal (EOD) and explosive detector dog (EDD) support for protective missions of the President, Vice President, and other selected dignitaries. Associated with such support is a requirement for EOD and EDD personnel to wear civilian attire while providing support to the Secret Service. A cash allowance is therefore authorized for personnel to acquire the necessary attire. Personnel performing these duties are not restricted to the 15-day limitation in connection with temporary duty.
3. OTHER GUIDANCE. Specific details of the logistical assistance and other support that DoD provides to the Secret Service are provided in the current issuance of SECNAVINST 3020.4. Statutory requirements pertaining to uniform allowances and special clothing are delineated in 5 U.S. Code, sections 5901 and 7903, and 29 U.S. Code, section 668.

(Change 60)

075218 NATIONAL SCIENCE FOUNDATION

1. GENERAL. The total program responsibilities for the U.S. Program in Antarctica, including all funding management, was assigned to the National Science Foundation (NSF) on 1 July 1971 by executive action of the President. The Office of Management and Budget (OMB) guidance, which provides for Federal agency support of this program, directs the Department of Defense (DoD) to provide logistics and operational support. The Secretary of Defense designated the Secretary of the Navy as DoD Executive Agent for logistics and operational support of the program. The Secretary of the Navy designated the Assistant Secretary of the Navy for Installations and Environment (ASN(I&E)) as the Navy coordinator. Within OPNAV, the Navy Program Sponsor is the Director, Environmental Services Division. However, the Assistant Secretary of Defense for International Security Affairs (ASD(ISA)) provides policy representation on Antarctica for DoD.

2. AUTHORITY. In accordance with a joint agreement between DoD and NSF, the Navy is the designated DoD Military Department (DoD/DMD) for providing the agreed DoD support for the U.S. Program in Antarctica by means of a support force, viz., Commander, U.S. Naval Support Force, Antarctica (CMSFA) is designated the senior U.S. representative in Antarctica. CMSFA serves as Executive Agent for and provides staffing to ASN(I&E) in carrying out Navy responsibilities. In addition, as requested, CMFSA furnishes advice to ASD(ISA) in furtherance of the latter's responsibility to the Secretary of Defense for Antarctica policy guidance. The CMSFA is the DoD point of contact on all logistics support matters between NSF and various DoD/Department of Transportation organizations providing logistics support to the U.S. Program in Antarctica. An exception is the designated DoD/DMD aircraft squadron, currently, VXE-6, for which Commander, Antisubmarine Warfare Wing, U.S. Pacific Fleet, is the DoD point of contact. In executing responsibilities for operational management and control over those logistics support functions provided by DoD and assigned Coast Guard units, CMSFA develops fiscal, logistics, and operations plans annually prior to the operating season. These plans prescribe the activities that are under the cognizance of CMSFA. In addition, CMSFA exercises contractual authority over certain civilian contractor functions.

3. FUNDING POLICY. The agreement between DoD and NSF provides that NSF shall budget for and reimburse DoD/DMD for the essential logistics support element/functions. NSF is responsible for the programming, budgeting, and funding for all logistics support services requested by NSF and provided by DoD. The DoD is precluded from increasing the scope (adding new cost elements) of Antarctic logistics support services without the prior approval of NSF. The requirements of logistics support functions considered essential by NSF and DoD/DMD include:

- a. Intercontinental airlift;

- b. Intracontinental and field support airlift;
- c. Sealift, including ice-strengthened cargo and bulk fuel carriers;
- d. Facilities planning and engineering services;
- e. Shore electronics, engineering, and maintenance;
- f. Operational weather support including ice forecasting and ship routing;
- g. General supply systems operations and management assistance, including parts allowance and inventory control support;
- h. Subsistence, retail sales, welfare and recreation services;
- i. Bulk fuel supply systems;
- j. Contracting support and management services;
- k. Experimental design, development and testing of equipment and methods to be used in the Antarctic environment;
- l. Mechanical and health care service; and
- m. Operational communications.

Civilian and military personnel needed to perform required functions form an integral part of the logistics support service. The following items that pertain to personnel services are specifically identified for reimbursement:

- a. Civilian personnel costs to DoD, including compensation and related benefits, travel and per diem, which are incurred as a result of providing direct support to the U.S. Program in Antarctica.
- b. Military personnel costs to DoD for (a) Man-year costs for full and part-time military personnel assigned to DoD operating units which provide logistics support will be based on DoD standard reimbursement rates, as amended. For personnel of units not dedicated to the U.S. Program in Antarctica, reimbursement is required only for the time spent in direct support; (b) Man-year costs for military personnel on detail to the NSF and those assigned to CMSFA and identified by the DoD for reimbursement. Such reimbursement shall be based on standard DoD reimbursement rates, as amended; (c) Permanent change-of-station travel costs for military personnel upon assignment to the activities which provide full-time support to the U.S. Program in Antarctica. The DoD standard rate method will be used to compute costs; (d) Administrative support costs normally chargeable to Operation and Maintenance appropriations, based on DoD standard reimbursement rates, which shall include travel and per diem directed or necessary for support of the U.S. Program in Antarctica.

4. SOURCE DOCUMENT. Additional information on the logistic and operational support that DoD activities provide to the U.S. Program in Antarctica is contained in the current issuance of SECNAVINST 3160.2.

(Change 48)

075219 DEFENSE HEALTH PROGRAM

1. GENERAL. The medical mission of the Department of Defense (DOD) is centrally directed by the Office of the Secretary of Defense and decentrally executed by the Military Departments. For the Department of Defense, the Assistant Secretary of Defense for Health Affairs (ASD(HA)) controls non-deployable medical resources, facilities and personnel.

2. FUNDING RESPONSIBILITY. ASD(HA) prepares and submits a unified medical budget which includes resources for medical activities under his control within the DOD. Beginning in FY 1993, funding for operation and maintenance and procurement requirements for the DOD medical program, is appropriated in a single appropriation entitled Defense Health Program (DHP). Funding for research, development, test and evaluation and military construction requirements is appropriated in the appropriate Defense Agency appropriation. Funds for active and reserve military medical personnel continue to be budgeted and appropriated in the appropriate service military personnel appropriation. All DHP resources allocated to the DON are administered by the Bureau of Medicine and Surgery (BUMED).

a. The unified medical budget includes funding for all fixed medical treatment facilities/activities, including such costs as real property maintenance, environmental compliance, minor construction and base operations support. In addition, medical training facilities/activities, medical information systems, and medical-related research and research facilities, where the end-user is the medical program or where the research has traditionally been resourced from within the medical program are included.

b. The unified medical budget does not include resources associated with combat support medical units/activities, Navy fleet support units, Navy shipboard medicine, and Navy hospital ships assigned or subordinate to a Combatant or Supporting Command. In these instances the funding responsibility is appropriately assigned to the respective Fleet or U.S. Marine Corps Commanders.

(Change 63)

075220 SPECIAL OPERATIONS

1. GENERAL. Special Operations in the Department of Defense are centrally controlled by the Commander, United States Special Operations Command (COMSOC), and executed by the Military Departments. Most of the

resources that support special operations programs are programmed and budgeted in Department of Defense appropriations; however, some resources are programmed and budgeted in the regular appropriations of the Military Departments. Responsibility for each type of funding is assigned as follows.

2. FUNDING RESPONSIBILITY. COMSOC is responsible for programming, budget formulation and budget execution for all resources to support special operations except as specified below.

a. The Department of the Navy (DON) will budget and execute resources for military personnel assigned to Special Operations in the Military Personnel, Navy and Reserve Personnel, Navy appropriations.

b. DON will program, budget and execute resources in the Operation and Maintenance, Navy and the appropriate Navy procurement appropriations for the following support of special operations forces:

(1) Common and administrative base support services as defined in paragraph 075123

(2) Common items in allowance charges

(3) Common spares

(4) Common boat alterations and modifications to craft, vehicles and equipment

(5) Other common usage items such as standard Navy communications equipment and intelligence systems and devices

(6) Individual entry-level training and required professional and leadership training such as Service schools, advanced Service schools and the Service College

The word "common" in paragraphs 2.b.2-5, when used in conjunction with equipment, services or programs, refers to items common throughout the Navy. Equipment, materials, supplies and services required for special operations mission support for which there is no broad conventional force requirement (called "SO-peculiar") are funded by COMSOC.

3. AUTHORITY. The provisions of this section are governed by a Memorandum of Agreement between the United States Navy and United States Special Operations Command dated 24 August 1994, and are subject to change only upon revision of this agreement.

(Change 64)

Section VII: INTERNATIONAL RELATIONSHIPS

075240 GENERAL

As a corollary to the carrying out of assigned support responsibilities in connection with international treaty organizations or to the furnishing of supplies or services or performance of work for foreign governments, a precise delineation of funding relationships between the Department of the Navy and the international organization or foreign government is required. These relationships are usually governed by provisions of law or by Department of Defense directives and are stated in written agreements or memoranda of understanding. The involvement of the Department of the Navy may take one of the following forms:

1. furnishing support or material to the international organization of foreign government on a reimbursable basis,
2. furnishing support or material on a nonreimbursable basis when the performance is a mission responsibility stemming from an administrative agent designation by the Department of Defense or when the support consists of routine port or airport services to friendly foreign governments performed by military personnel,
3. cost-sharing on a bilateral or multilateral basis with the host and other user nations of the operation and maintenance costs of the North Atlantic Treaty Organization infrastructure.

(Change 48)

075241 SUPPORT OF INTERNATIONAL MILITARY ACTIVITIES

1. ADMINISTRATIVE AGENT. The administrative agent is the Secretary of the military department charged with the determination of U.S. national requirements and provisions of logistical and administrative support to a U.S. element of the particular international treaty involved. The support responsibility of the administrative agent includes complete supply support for consumable and non consumable material, with the exception of certain initial issuances made by assigning service to its Table of Organization or equivalent type units and of personally assigned equipment provided by the assigning service. Military personnel costs are also the budgetary responsibility of each service for its own military personnel. DoD Instruction 2010.1 provides general policy and accounting guidance with a list of the international agencies for which the Department of the Navy has been designated the administrative agent.

2. INTERNATIONAL BUDGET COSTS. International budget costs are those costs normally accepted into the international budget on the basis of international agreements and understandings. In general, they include the costs directly related to the operation and maintenance of international headquarters organizations and the provisions of appropriately equipped facilities for that purpose. The United States' share of international budget costs is provided from the operating funds of the designated administrative agent.

3. NATIONAL BUDGET COSTS. National budget costs are those costs related to participation by agencies of the Department of Defense in support of international military headquarters normally not accepted into the international budget. Generally, these include all military personnel costs, whether for personnel who are on international staffs or who are attached to support units of a U.S. element; expenses for U.S. civilian personnel not assigned to international functions; and all other support costs excluded from international funding. The national budget costs, except for military personnel costs and personally assigned equipment provided by the assigning service, are generally the responsibility of the administrative agent.

(Change 48)

075242 NORTH ATLANTIC TREATY ORGANIZATION INFRASTRUCTURE PROGRAM

1. DERIVATION OF NAVY FUNDING RESPONSIBILITY. The participation of the United States as a member nation of the North Atlantic Treaty Organization (NATO) requires a sharing of the financial responsibility for the common infrastructure program. The United States' share of the funding of each infrastructure facility is determined on the basis of cost-sharing agreements negotiated for each funding period between host and user nations and approved by the North Atlantic Council (NAC). The Department of the Navy is the sponsoring U.S. military department for those facilities required for support of U.S. Naval Forces assigned to NATO missions.

2. DEFINITIONS

a. Infrastructure. The term "infrastructure" as employed in connection with NATO facilities includes all those fixed installations required for the training, deployment, and operation of military forces; e.g., airfield, fuel and ammunition storage, pipelines, communications, navigational aids, anchorages, and waterfront facilities.

b. Common Funding. The term "common funding" describes the usual method of financing NATO infrastructure projects, which involves the sharing of costs of construction by NATO member nations. Each nation's share is determined on the basis of periodically negotiated cost-sharing agreements, which are approved by NAC.

c. Prefinancing. The term "prefinancing," as related to NATO infrastructure, means the act of financing by NATO host country or NATO user with its own funds, in accordance with agreed NATO common-funding procedures, with intent to recoup the prefunded funds from NATO eventually, of projects or items which are required immediately and have been approved for common financing, or are still being considered for possible inclusion in a NATO infrastructure program.

3. BUDGET POLICY

a. Construction of Infrastructure Facilities

(1) Common Funding. The Under Secretary of Defense, Comptroller has assigned the Department of the Army as executive agent with the responsibility for programming, budgeting, funding, accounting, and reporting of the United States' share of the NATO infrastructure program as an item in the military construction program.

(2) Correlation. The Department of Defense military construction program and the NATO infrastructure program must be closely correlated beginning at the initiating level and by each higher echelon of command, so the maximum amount of the U.S. construction requirements will be funded in the NATO common-funded infrastructure program in conformance with U.S. policy to keep to a minimum the amount of U.S. dollars being invested in real property facilities in the NATO area.

(3) NATO Host Nation Infrastructure Support. Standard life safety, fire protection, environmental, and energy conservation items which exceed the NATO minimum military requirement are not eligible for NATO infrastructure funding and normally must be conjunctively funded. In those instances when the United States acts as a host nation, these items will be funded by the annual MILCON project, "NATO Host Nation Infrastructure Support." In addition, the "NATO Host Nation Infrastructure Support" project will provide funding for roads, utilities, and unfunded administrative costs.

(4) Prefinancing. If a decision is made that U.S. military urgencies, when weighed against the risk of failing to secure common funding, require that a project for U.S. use be prefunded by Department of Defense (DoD) appropriations, it may be funded, as appropriate, from appropriations for military construction, procurement, or if the project costs not more than 20 percent of the amount specified by law as the maximum amount for a minor military construction project, appropriations available for operation and maintenance (O&M and RDT&E) may be utilized. In such instances, the prescribed NATO procedures for prefunding will be followed in order to assure ultimate recoupment of U.S. funds. Such recoupments, when collected, are credited to the North Atlantic Treaty Organization

Infrastructure appropriation. In order to protect future recoupment rights, precautionary prefinancing statement will be issued for projects that may become eligible for NATO funding at a later time. DoD policy requires that prefinancing be held to an absolute minimum and that it be submitted for thorough screening by NATO authorities, negotiated with the host country, and approved through the U.S. chain of command. The Chief of Naval Operations serves as the focal point for establishing and interpreting Department of the Navy policy with respect to prefinancing of infrastructure projects, coordinating any changes in such policies with the Comptroller. In view of the fact that recoupments, even if achieved, are not credited to Navy appropriations, it is unlikely that prefinancing with Navy funds will be approved at the headquarters level.

b. Operation and Maintenance. The Chief of Naval Operations has assigned responsibilities for participation of the U.S. Navy in the NATO infrastructure program to the Commander, Atlantic Fleet (COMLANTFLT) and the Commander, U.S. Naval Forces, Europe (COMUSNAVEUR). COMUSNAVEUR is responsible for base services such as cargo port handling and local delivery cartage for mobile units associated with NATO infrastructure cost sharing in the continental European area. COMLANTFLT has similar responsibility for all other NATO areas. For their respective areas of concern, they budget, fund, and administer within their operating budgets, all U.S. Navy operation and maintenance costs of the NATO infrastructure. The amount for which the U.S. Navy is responsible in connection with each common infrastructure facility of which it is a user depends upon agreements reached by the United States and the host nation for each facility.

4. SOURCE DOCUMENTS. Additional information related to the subject covered by this paragraph, particularly with respect to the financing of construction of NATO infrastructure projects, is contained in par. 074727 and the current issuance of OPNAVINST 4000.35.

(Change 54)

075243 SUPPLIES AND SERVICES TO FOREIGN GOVERNMENTS

1. AUTHORITY FOR REIMBURSABLE SUPPLIES AND SERVICES. Pursuant to law (10 U.S. Code 7227) and as authorized by Navy Regulations, Art. 0835, work may be performed for, or supplies and services provided to, friendly foreign governments on a reimbursable basis without a formal logistical services agreement between the Department of the Navy and the foreign country. The supplies and services which may be furnished on a reimbursable basis are as follows:

- a. routine port services to naval vessels in territorial waters of the United States or in waters under U.S. control, including pilotage, tugs, garbage removal, line handling, and utilities;
- b. routine airport services to military aircraft, including landing and takeoff assistance, use of runways, parking and aprons, and servicing;
- c. miscellaneous supplies to naval vessels and military aircraft, including fuel, provisions, spare parts, and general stores, but not including ammunition (subject to the approval of the cognizant fleet or force commander when provided overseas);
- d. subject to the approval of the Chief of Naval Operations in each instance, overhauls, repairs, and alterations to naval vessels and military aircraft, including necessary equipment and its installation required in connection therewith. OPNAVINST 4900.79 series applies.

When items a and b are performed by military personnel without direct cost to the Department of the Navy, such services are provided to friendly foreign governments without charge, except at industrial fund activities.

2. FUNDING. Reimbursable work for foreign governments is initially financed by Department of the Navy operation and maintenance appropriations or by the Navy Working Capital Fund.

3. AUTHORITY FOR NONREIMBURSABLE PORT SERVICES. Pursuant to law (10 U.S. Code 7227) and as authorized by Navy Regulations, Art. 0835, routine port services may be provided without reimbursement to naval vessels of allied countries (NATO countries, Australia and New Zealand, and other countries designated by the Secretary of Defense) provided there is an agreement providing for reciprocal provision of port services to U.S. naval vessels without charge. If these routine port services are performed by an industrially funded activity; e.g., shipyard or public works center, the costs are to be charged to military support funds of the command in charge of the industrial activity.

(Change 60)

075244 FUEL EXCHANGE AGREEMENTS

1. AUTHORITY. Pursuant to law (10 U.S. Code 7227), and as implemented by Navy Regulations, Art. 0835, fuel may be provided to, or received from a friendly foreign government on a replacement or reimbursable basis under a Fuel Exchange Agreement (FEA). An FEA is an international agreement following different billing and reimbursement guidance from that contained in par. 075243. Under FEA's, transfers of fuel are normally replaced in kind. However, fuel issues paid for in cash by foreign governments will be charged the standard price in effect at the end of the calendar year, when the status of the accounts of the participating governments is determined, without assessment of administrative or accessorial charges. Statements and billings are required at least annually with settlement in cash, or by replacement of

fuel in a reasonable period of time, ordinarily no more than 6 months after the end of the calendar year.

2. FUNDING. Department of the Navy (DON) receipts of foreign fuel are funded through operation and maintenance appropriation reimbursements to the Working Capital Fund (WCF), while foreign receipts of fuel from DON are recorded as accounts receivable in the WCF.

3. REFERENCES. Additional guidance regarding FEA's is contained in OPNAVINST 4020.26, NAVSUPINST 7300.26, and NAVSUP Manual, Volume 2, Chapter 5, par. 25095.

(Change 60)

075245 LATIN AMERICAN COOPERATION FUNDS

1. AUTHORITY. Pursuant to law (10 U.S. Code 1050), the Secretary of the Navy may provide for expenses of travel, subsistence and special compensation of officers and students of Latin American countries, and other expenses that the Secretary considers necessary for Latin American cooperation.

2. FUNDING. Latin American Cooperation (LATAM COOP) Funds under the Operation and Maintenance, Navy (O&MN) appropriation may be utilized to finance official entertainment, VIP visits, etc. in furtherance of cooperation between countries of Latin America.

3. REFERENCE. Additional guidance regarding specific items authorized for expenditure, the request for funds, accounting procedures and documentation is contained in SECNAVINST 7042.13.

(Change 48)

Section VIII: PRIVATE PARTIES AND ORGANIZATIONS

075260 PRIVATE PARTIES

1. DEFINITION.

"Private parties" is a term that collectively covers many categories of individuals, corporations or companies, and certain state and local municipality entities that receive work, services, and materials from Department of the Navy (DON) activities. A general feature of DON transactions with private parties is that the recipient must provide funds in advance of the service or materials to be received. Additionally, private parties are assessed full costs for all services provided to them. A condition precedent to providing services or materials to private parties is that the DON will not be placed in the position of providing competition to commercial

organizations of the private economy which are available to provide private parties the services or materials requested from the DON.

2. FINANCING

a. General. Advances from private parties for work or services are credited to the Suspense, Navy (SN) account. As work is performed or material is issued by Navy and Marine Corps activities, the cost of performance including overhead and applicable surcharges is charged to the SN account. Any balances remaining in the SN account after the work or materials have been furnished are refunded to the private party. Certain aeronautical contractors and commercial airlines having continuous need to use Navy or Marine Corps air stations to land their aircraft provide bonds rather than advances of funds. In the latter case, the applicable company is billed after the fact for material or services received. In the event that a company becomes delinquent or defaults in payment, the DON can redress from the bonding company.

b. Exception. The cost for space occupied by private parties in Navy controlled facilities including utilities, maintenance and related support services provided may be waived by an installation commander when benefits contributed to the morale and welfare of DoD personnel are considered within mission responsibilities of the activity.

(Change 48)

075261 PRIVATE ORGANIZATIONS

1. GENERAL.

Private organizations are self-sustaining, non-Federal entities, incorporated or unincorporated, which are operated on a Department of Defense (DoD) installation, with the written consent of the installation commander or higher authority, by individuals acting exclusively outside the scope of any official capacity as officers, employees, or agents of the Federal Government. It is DoD policy under DoD Directive 5124.5 that procedures be established for the operation of private organizations on DoD installations to prevent the official sanction, endorsement, or support by DoD Components except as in DoD 5500.7-R (Joint Ethics Regulation). Private organizations are not entitled to sovereign immunity and privileges accorded to Federal entities and instrumentalities. Private organizations are not Federal entities and are not to be treated as such, in order to avoid conflicts of interest and unauthorized expenditures of appropriated, commissary surcharge, or nonappropriated funds.

2. BUDGET POLICY

a. General. Private organizations are self-sustaining, primarily through dues, contributions, service charges, fees, or special assessment of

members.

b. Exclusions. There will be no direct financial assistance to a private organization from a nonappropriated fund instrumentality in the form of contributions, repairs, services, dividends, or other donations of money or other assets. In conformance with DoD Directive 1015.1, nonappropriated fund instrumentality funds or assets will not be directly or indirectly transferred to private organizations. No support or assistance can be provided to organizations that compete with resources and services commercially available in the public domain (except as provided in subpar.d(1) through d(5)); for expenditures the Congress has not authorized; to confer an explicit or apparent benefit, favor or endorsement upon any entity; or to benefit or favor Department of the Navy (DON) personnel. DON installations and activities cannot provide support that should be hired or leased, or provided by a sponsoring organization or locality, such as security, transportation, medical and other logistical support. Finally, the extent of support rendered single-Service affiliated organizations should be the same as support normally offered other organizations and events.

c. Authorized Support for Private Organizations. DoD Components may provide logistical support to private organizations with appropriated Federal Government resources in accordance with DoD 5500.7-R (Joint Ethics Regulation).

d. Special Cases. This policy does not apply to the following organizations, which are governed by specific DoD Directives and Instructions as referenced:

(1) Scouting Organizations Operating At U.S. Military Installations Located Overseas (DoD Instruction 1015.9). The Boy Scouts of America and the Girl Scouts of America are organizations chartered by the Federal Government and are recognized as important adjuncts to the overall requirements for accommodating and supporting DoD personnel and their families assigned to overseas areas. Any appropriated fund (APF) and nonappropriated fund (NAF) support provided will be programmed and approved on an annual basis by the DoD Components. APF support may be used to provide the following services to overseas scouting organizations on a non-reimbursable basis: transportation of personnel, office space, warehousing, utilities, and means of communication. NAF support may be used in conjunction with these overseas scouting organizations to provide support authorized for youth activities programs, to reimburse scouting organizations for salaries and benefits of employees in direct support of DoD personnel and their families and to reimburse travel to and from official meetings of the overseas scouting committee.

(2) American National Red Cross (DoD Directive 1330.5). The American National Red Cross is entitled to provision of space, maintenance, utilities, and common services on a nonreimbursable basis. The Red Cross is also entitled to official local area telephone service and access to AUTOVON when locally available. However, long distance toll charges and costs for specialized installation and/or equipment will be borne by the American National Red Cross. At those locations where Class B unofficial telephone service is not provided, the American National Red Cross should make arrangements with the local telephone company to have charges for toll and other special service billed directly to the American National Red Cross. Office furniture and equipment may be furnished on a loan basis, if available from existing stocks in excess of Navy and Marine Corps local requirements. Additional budget policy guidance pertaining to American National Red Cross personnel assigned to Navy and Marine Corps activities is contained in the current issuance of SECNAVINST 5760.1.

(3) United Service Organizations, Inc (DoD Directive 1330.12). The United Service Organizations, Inc. (USO), is a voluntary civilian organization through which the people of the United States may serve the religious, spiritual, social, welfare, educational, and entertainment needs of members of the Armed Forces. According to its by-laws, the USO is responsible to the President and to the Secretary of Defense. The USO mission is to enhance the quality of life of the personnel within Armed Forces military communities and to create a partnership between U.S. military and civilian communities worldwide. In furtherance of USO objectives, it is general DoD policy to make resources available to recognized USO facilities to the maximum extent permitted by law. The USO is responsible for soliciting funds for the accomplishment of its mission and the DoD shall not be responsible for funding and shall not be an active participant in USO fund-raising activities.

(4) United Seamen's Service (DoD Directive 1330.16). The United Seamen's Service (USS) is a nonprofit, charitable organization whose mission is to promote the welfare of seamen and other personnel of the United States Merchant Marine. Logistical support to the USS is limited to those instances when the economic condition or isolated location of the area is such that the support is not available from local civilian sources, or the support cannot be imported from other sources, or is available, whether from local civilian sources or by importation, only at prohibitive cost. There will be no direct financial assistance to the USS from DoD nonappropriated fund instrumentality in the form of contributions, dividends, or other donations of money or other assets. Supplies and services that can be made available free of charge as determined by the local commander are enumerated in the current

issuance of DODD 1330.16. Support which may be provided to USS facilities on a reimbursable basis is also outlined in that issuance.

(5) Financial Institutions on DoD Installations (DoD Directive 1000.11). Except where they already exist as of May 1, 2000, no more than one banking institution and one credit union are permitted to operate on a DoD installation. Policies governing these institutions differ depending on the institution's status as domestic bank, overseas bank, domestic credit union, or overseas credit union. Detailed policies concerning financial institutions on DoD installations are contained in DoD 7000.14-R, Chapter 34, Volume 5 (DoD Financial Management Regulation).

(Change 66)

PART C: INVESTMENT FUNDING POLICY

Section I: GENERAL

075300 SCOPE

This section contains budget and funding policy for investment programs, mainly budgeted in the procurement and military construction appropriations. It also contains budget and funding policy for certain expenses budgeted in other appropriations which are closely related to investment programs, such as equipment installation, training and technical support.

(Change 48)

Section II: INVESTMENT FUNDING POLICY

075320 SCOPE

The policy in this Section applies to procurement and construction programs, as appropriate, which are financed by procurement and construction accounts included in the annual Department of Defense (DoD) Appropriations and Military Construction Appropriations Acts. Included are definitions, a discussion of the full funding policy, time-phased procurement, advance procurement, multiyear procurement, termination liability advance procurement, incremental construction, and approval for production.

(Change 48)

075321 DEFINITIONS

Terms and definitions used for investment procurement actions follow:

Advance EOQ Procurement (Multiyear Procurement)

An exception to the full funding policy that allows the use of expanded advance procurement in conjunction with a multiyear contract to budget and purchase more than one fiscal year's program increment of components, materials, and parts in order to obtain the maximum economic advantages of multiyear procurement.

Advance Procurement (Long Lead-time Items)

An exception to the full funding policy that allows budgeting of long lead-time components, material, parts, and effort in a fiscal year(s) before that in which the related end-items is to be budgeted.

Cancellation

A procedure unique to multiyear contracts that involves the unilateral right of the Government to discontinue contract performance for subsequent fiscal years' quantities of items. Cancellation is effective only upon the failure of the Government to fund successive fiscal year quantities under a multiyear contract.

Cancellation Ceiling

The maximum amount the Government will pay the contractor as a result of a cancellation. This amount shall reflect the incurred costs that the contractor would have recovered as a part of the unit price of subsequent fiscal year canceled items. The amount paid to the contractor upon settlement for unrecovered costs (which can only be equal to or less than the ceiling) is referred to as the cancellation charge.

Economic Order Quantity (EOQ)

When used in connection with multiyear procurement, the procurement of material for future-year production quantities of items that is not required by procurement lead-times but is desirable for economic reasons. When used in annual contracts, EOQ is the procurement of more than one year's requirement to achieve economic efficiencies at a lower unit price based on production economies.

Effort

As related to advance procurement, the costs associated with the further processing of components, parts, and material or the preparation for such processing.

Full Funding

At the time of contract award, funds are available to cover the total

estimated cost to deliver the contract quantity of complete, militarily usable items. If a future-year appropriation is required for delivery of the end-items, the contract is not fully funded. It should be noted that the actual method of financing a contract is a different consideration than the budget policy of fully funding a program. Full funding within the budgetary sense is that the procurement and construction accounts are to fully fund in one fiscal year the total cost of end-items and construction projects to be acquired.

Major Procurement Appropriations

Includes those accounts or portions thereof that finance shipbuilding, aircraft, missile, and weapons procurement within the Department of the Navy (DON).

Multiyear Contract

A contract covering current and future-year procurement quantities of items but not more than 5 years' procurement quantities as reflected in the Future Years Defense Program (FYDP). Each program year is budgeted and funded annually. At the time of award, funds need only to have been appropriated for the first year.

Multiyear Procurement

A generic term describing the process, planning, and contract under which the Government will commit to procurement of the current year procurement quantity of items and future quantities as long as they are contained in the FYDP. It does not apply to advance procurement of long lead-time items.

Nonrecurring Costs

Those production costs generally incurred on a one-time basis including such costs as plant or equipment relocation; plant rearrangement; special tooling and special test equipment; pre-production engineering; initial spoilage and rework; pilot runs; allocable portions of the costs of facilities to be acquired or established for the conduct of the work; costs incurred for the assembly, training, and transportation of a specialized work force to and from the job site; and unrealized labor learning.

Recurring Costs

Production costs that vary with the quantity being produced, such as labor and materials.

Termination

A procedure that may apply to any Government contract, including multiyear contracts. Unlike cancellation, which is commonly affected between fiscal years and must apply to all subsequent fiscal years' quantities of items, termination may be effected at any time during the life

of a contract and may apply to the total quantity or to a partial quantity of items.

Termination Liability

The maximum cost the Government would incur if a contract is terminated.

Termination Liability Funding

A budgeting technique that would provide funds on a contract to cover the maximum value of outlays that could be incurred for work accomplished by the end of the budget year plus the maximum cost to the Government associated with termination of the contract at the end of the budget year.

(Change 59)

075322 FULL FUNDING

1. GENERAL.

It is the preferred policy of the Department of Defense and its Oversight Congressional Committees that the procurement and construction accounts are to fully fund in one fiscal year the total cost of end-items and construction projects to be acquired. The objective is to ensure that the Congress and the public can see the full dimensions and cost of an acquisition program when presented in the budget. Accordingly, each program budget request will encompass all of the cost associated with the acquisition of an approved quantity of distinguishable usable end-items through completion of deliveries or completion of construction. Time-phased procurement, advance procurement, multiyear procurement and incremental construction are approved derivatives of the full funding policy as discussed in paragraphs 075323 through 075326 and paragraph 075385.

2. COST ESTIMATES.

Full funding applies to an initial estimate. Estimates will change, and full funding of an item can exist only at a point in time. However, the Future Years Defense Program (FYDP) shall be a consistently reliable foundation for stating the total cost of acquiring defense systems. Thus, the FYDP will reflect the Department of the Navy's (DON) best estimate of end cost. Program estimates will be kept current and fully financed through the Planning, Programming, and Budgeting System (PPBS) process and reprogramming procedures established within the DON.

3. RELATIONSHIP OF BUDGETING AND CONTRACTING.

An end-item is fully funded in a budgetary sense only when funds are programmed and available to cover the total estimated cost of the item at the time when procurement action is to begin. Contracting, on the other

hand, is a part of the execution phase or acquisition process within the framework of a program. The number of contracts required to procure a defense system, the type of contract awarded, and the timing of the award have no bearing upon whether or not an item is fully funded. However, in executing a contract, no procurement of material or equipment, or work or services therefore, shall be directed or implemented unless the full amount required is available, except for authorized economical order quantity and advance procurement. Similarly, the value of existing contracts for the procurement of material or equipment shall not be increased (through contract modifications) unless the funds are available to fully fund the new contract price. Limitations of funds clauses shall not be used as a means of avoiding the requirement to fully fund procurement programs. This guidance does not, however, affect the proper use of limitations of funds clauses in incrementally funded development contracts. For multiyear contracts, the test of full funding does not include the cancellation ceiling associated with items in the FYDP to be procured in fiscal years not yet funded (that is, beyond the budget year). When multiyear contracts are being considered that would exceed the approved FYDP funding in the outyears, notification of this fact, including identification of specifically programmed outyear funding offsets prior to awarding the contract must be provided to the OASN (FM&C), who will forward the notification to the Under Secretary of Defense (Comptroller) (USD (C)).

4. PROCEDURES FOR EXCEPTIONS.

Exceptions from the provisions of this paragraph will be authorized on a case-by-case basis. Proposals for exceptions should be included in the annual budget submission for approval by the Secretary of the Navy and submission to the Secretary of Defense as part of the annual DON Budget Submission. All requests for exceptions during budget execution shall be forwarded via the chain of command to the Comptroller of the Navy for review and approval. Such requests shall include all justifications made before the Congressional Appropriations Committees in regard to the program, the status of the program as shown in the Base for Reprogramming Actions (DD Form 1414), and any Reprogramming Action (DD Form 1415). If justified, the request then will be forwarded to the USD (C) for approval.

(Change 67)

075323 TIME-PHASED PROCUREMENT

1. GENERAL.

The following guidance is applicable to procurement programs. There are certain nonrecurring costs of certain production items related but not integral to equipment end-items that are considered part of the overall acquisition program. Examples are pre-production costs, peculiar support equipment, training equipment, ship outfitting costs, interim contractor

support (described in 075343), initial spare and repair parts, documentation, and systems software and integration costs. Planning and budgeting will be accomplished in a manner to ensure completion of the nonrecurring effort or delivery of these production items consistent with the planned delivery of the associated end-items. That is, the programming and budgeting will be on a time-phased "lead-time away" or "need to commit" basis. However, funds may not be budgeted for support, trainers, or data for obligation before the design or specifications of such items are essentially complete. These items will be programmed on an "ability to contract" basis as well as on a "lead-time away" basis. In general, all integrated logistics support costs and systems software/integration costs necessary to support the initial quantity of end-items will be budgeted in the initial procurement year. Circumstances may warrant a budget request for nonrecurring costs and production items related to the end-item earlier than lead-time considerations dictate, e.g., procurement of spare parts along with production end-items to ensure configuration control. In the case of engineering changes occurring during the production process, all associated nonrecurring costs will be funded by the first benefiting fiscal year appropriation; i.e., the appropriation that financed the first end-items affected by the change during production. Exceptions will be on a case-by-case basis and will be recognized during the Program Management Proposal (PMP) process. Recurring costs will be funded by the fiscal year appropriation that financed the affected item.

2. PRODUCTION SUPPORT SERVICES.

Certain production support services (described in par. 075342) should be budgeted on an annualized basis instead of a fully funded basis to minimize unobligated balances in the procurement appropriations. The following guidance is provided:

a. Acceptance Test and Evaluation (AT&E).

(1) AT&E which is necessary to allow Government acceptance of an item from a contractor, i.e., to satisfy acceptance requirements specified in the contract, should be fully funded in the fiscal year program that the item is budgeted;

(2) AT&E which is not necessary to allow Government acceptance of an item from a contractor, but is performed for the Government's own assurance that the item fulfills the contract specifications should be budgeted on an annual basis;

As an example, since most operational safety and improvement programs involve commercial off-the-shelf or non-developmental items that do not have a research and development phase, testing required for articles beginning in the production phase is categorized as AT&E and appropriately financed by procurement appropriations on an annualized basis.

- b. other production support services necessary to produce the item, which are performed by the manufacturer, should be fully funded in the fiscal year program that the item is budgeted;
- c. other production support services performed by either Government support activities or support contractors should be budgeted on an annual basis;
- d. budgeting of production support services on an annual basis, as described in items 2 and 4, assumes a multi-fiscal year procurement program. If the procurement is a one-time buy in a single fiscal year budget line item, all production support services should be fully funded in that fiscal year. Similarly, the last fiscal year containing end-items of a multi-fiscal year procurement program should include all production support services necessary to complete the program. The intent is to avoid a request for production support funding in a fiscal year in which no end-items are budgeted;
- e. Shipbuilding and Conversion, Navy (SCN) programs should be fully funded to include all costs necessary to construct/convert/acquire a ship, subject to time-phased procurement and advance procurement guidance.

3. BUDGETING FOR SPARES AND REPAIR PARTS.

Funding will be requested for a 12-month delivery period lead-time away from need. Spares and repair parts funding will be fully committed in the first year of availability. Funding will budget based on 100 percent of commitments in the first year of availability. Spare parts will not be funded in a fiscal year prior to the end-item they support. A waiver of this policy may be granted by USD (C) if an economic analysis indicates that other procedures would be cost effective.

4. BUDGETING FOR POST DELIVERY PROJECTS.

Within the SCN appropriation, costs associated with post delivery projects are budgeted as annual requirements usually in the year of post shakedown availability (PSA). In distinguishing between the ship end cost and the post delivery costs, the following guidance pertains:

a. Ship end cost.

Ship end cost includes, in addition to the basic ship construction or conversion cost, deferred work identified prior to ship delivery, and the following items when unrelated to a specific fix: normal changes authorized prior to completion of fitting out (CFO), advanced planning, and travel.

b. Post delivery.

Post delivery funding includes design, planning, government

furnished material, and related labor for government- responsible defects and deficiencies identified during builders trials, acceptance trials, and testing during the post delivery period. Post delivery includes all work required to correct defects or deficiencies identified during the post delivery period. Post delivery also includes all work required to correct trial card deficiencies on a ship of a particular class, as well as on subsequent ships of that class (whether or not delivered) until the corrective action for that ship class is completed.

(Change 66)

075324 ADVANCE PROCUREMENT OF LONG LEAD-TIME ITEMS

1. GENERAL.

The following guidance pertains to procurement programs. Under specific limited conditions, long lead-time items may be budgeted in advance of the fiscal year in which the end-item is budgeted. Long lead-time procurement shall be for components, parts, material or effort of the same end-item that must be funded in an advance procurement timeframe in order to maintain a planned production schedule. Advance procurement requests for long lead-time items shall be limited to the major procurement appropriations and shall be for those elements of the end-item whose lead-times are significantly longer than other elements of the same end-item. The cost of elements categorized as long lead-time should be a relatively low percentage of the cost of the end-item. Also, proposals for advance procurement funding should take full consideration of the applicability of the items to other programs or as spares in the event that the prospective program fails to materialize. All advance procurement requests must be specifically identified in the budget and apportionment submissions.

2. BUDGETING.

Advance procurement will be budgeted only one year in advance of the end-item funding year. This applies to major weapons systems unable to deliver within 24 months of authorization, or to protect reorder lead-time. Nonrecurring costs may be budgeted as advance procurement only in the first advance procurement year. Exceptions to allow more than one year of advance procurement will be approved on a case-by-case basis in the budget review process. Typical exceptions to this policy are advance economic order quantity (EOQ) procurements associated with multiyear contracts (discussed below) and exceptionally long lead-time materials, such as nuclear cores, associated with the shipbuilding program. The preferred funding method is to budget the full cost of advance procurement items which would have utility if the subsequent end-item was not procured. At a minimum, termination liability will be funded for the items for which the advance procurement request is being made.

However, the full cost of these items should be budgeted when it is economically more efficient.

(Change 48)

075325 MULTIYEAR PROCUREMENT

1. GENERAL.

The following guidance pertains to procurement programs. Multiyear procurement (MYP) is a contractual commitment for support of outyear end-items. Planning should be conducted sufficiently early in the acquisition strategy formulation process to permit inclusion of monetary requirements and the multiyear concept adopted (including any necessary request for cancellation ceiling authority) in the appropriate Program Objectives Memorandum (POM) and budget documents. Development of the strategy involving multiyear concepts shall be the responsibility of program, system, support or commodity managers in close cooperation with contracting and financial management specialists. MYP may be used to contract for the purchase of supplies or services for more than one, but not more than five years. MYP contracts with a value exceeding \$500 million must be specifically provided for in an appropriations act or an act other than an appropriations act. Proposed legislation and funding must accompany the MYP request in the President's budget submission, requested as a budget amendment, or by the Secretary of Defense requested in writing to the congressional defense committees. Finally, USD (C) must certify support costs are fully funded in the future years defense program (FYDP).

2. CLASSICAL MULTIYEAR PROCUREMENT.

Multiyear procurement contracts will comply with the full funding policy. A contract may cover more than one year of requirements; however, funds will be budgeted and the contract will be financed in annual increments that fully fund only the annual quantity requirements. The full funding policy will apply to each individual year of the multiyear contract. Multiyear contracts will not be used as a vehicle for incrementally funding items across the fiscal year covered by the contract. The production lots on the contract will be the same as those described in the budget and advance procurement will not be used to achieve a higher production rate for the end item. Funds will not be "borrowed" from the amounts budgeted for items in the early fiscal years of a multiyear contract to begin work on items not budgeted until later fiscal years of the contract. The contractor will be protected against the loss resulting from cancellation of subsequent contract increments to allow reimbursement of unrecovered nonrecurring costs through a cancellation charge.

3. ECONOMIC ORDER QUANTITY (EOQ) PROCUREMENT

a. General.

Items which are part of end-items being acquired under multiyear contracts may be produced in quantities exceeding the current fiscal year contract requirements when it is more economical to do so, i.e., EOQ procurement. It is the general policy of the DoD not to create unfunded contract liabilities for EOQ procurements (recurring costs) associated with multiyear contracts. Rather, funding for EOQ procurements shall be included in advance procurement budget requests, unless the DON has obtained an exception to the general policy from the USD (C). Normally, such EOQ procurement should be fully funded. At a minimum, advance procurement funding for EOQ procurement must cover the estimated termination liability costs. This advance procurement technique may be used in all multiyear contracts, including those funded by the Other Procurement, Navy and Procurement, Marine Corps appropriations. Normally, EOQ procurement may not be used as an advance procurement exception to the full funding policy outside of multiyear contracts. However, it may be requested for annual procurements under unusual circumstances (such as a combined parts buy for a block of satellites). This does not affect procurement of items being acquired as end-items themselves, such as spare parts, when EOQ is a consideration in the requirements calculation.

b. Budgeting.

A MYP contract must budget for production at not less than the minimum economic rate given the existing tooling and facilities. Each budget request shall cover the estimated termination liability of the EOQ procurement, unless it would be more effective to fully fund the EOQ or an exception has been approved by USD (C) to include EOQ costs in an unfunded cancellation ceiling.

4. CANCELLATION CEILINGS AND CONGRESSIONAL NOTIFICATION.

- a. Under 10 U.S.C. 2306b, the DoD is authorized to enter into multiyear contracts containing cancellation charges, which may include both nonrecurring and recurring costs. This law requires written notification of the congressional defense committees and a 30-day waiting period before award of a multiyear contract that contains a clause setting forth a cancellation ceiling exceeding \$100 million. Contract cancellation ceilings may be created up to this congressional limitation for nonrecurring costs. Inclusion of an unfunded cancellation ceiling in the contract acquisition strategy is an exception that must be approved by USD (C). Justification provided to USD (C) must include what costs are included in the unfunded ceiling, and why these costs are not fully

funded. The inclusion of recurring costs in cancellation ceilings is an exception to normal contract financing arrangements and must be approved by the Secretary of the Navy and the USD (C). Such requests shall be reviewed when specific advantage to the government can be demonstrated. These procedures are subject to any limitations or conditions set forth in the annual Department of Defense Authorization or Appropriations Act.

- b. Written notification of the congressional defense committees and a 30-day waiting period before award of a multiyear contract is required for a contract that employs EOQ procurement exceeding \$20 million in any one year of the contract, employs advance procurement leading to a MYP contract that employs EOQ procurement exceeding \$20 million in any one year, or includes an unfunded contingent liability exceeding \$20 million. The congressional defense committees must be notified 10 days prior to the termination of any MYP contract.

5. CRITERIA.

The approval, initiation and execution of multiyear procurements must meet the following statutory requirements (10 U.S.C. 2306b, Section 806 of Public Law 105-85, and Section 8008 of Public Law 105-56).

a. Substantial Savings

A multiyear procurement should yield substantial savings of the total associated costs when compared to conventional annual contracting methods. MYP structures with greater risk to the Government should demonstrate increased cost avoidance or other benefits over those with lower risk. Savings can be defined as significant either in terms of dollars or percentage of total cost. A present value analysis must be used to determine the lowest cost compared to an annual procurement.

b. Stability of Requirement

The minimum need (e.g., inventory or acquisition objective) for the production item is expected to remain unchanged or vary only slightly during the contemplated contract period in terms of production rate, fiscal year phasing, procurement rate and total quantities.

c. Stability of Funding

There should be a reasonable expectation that the program is likely to be funded at the required level throughout the contract period to avoid cancellation.

d. Stable Design

The item should be technically mature, have completed Research, Development, Test and Evaluation (RDT&E) (including development

testing or the equivalent) and Initial Operational Test and Evaluation (IOT&E) with relatively few changes in item design anticipated and underlying technology should be stable. This does not mean that changes will not occur but that the estimated cost of such changes is not anticipated to drive total costs beyond the proposed funding profile.

e. Realistic Cost Estimates

There should be a reasonable assurance that cost estimates for both contract costs and anticipated cost avoidance are realistic. Estimates should be based on prior cost history for the same or similar items or proven cost estimating techniques. Normally, production assets should have been delivered in order to obtain accrual costs for the comparison (exceptions include satellites and ships).

f. National Security

Use of multiyear contracts will promote the national security of the United States.

6. EXECUTION

Funds obligated for multiyear contracts must be sufficient to cover any potential termination costs. The costs of cancellation or termination may be paid from (1) appropriations originally available for the performance of the contract concerned; (2) appropriations currently available for procurement of the type of property concerned, and not otherwise obligated; or (3) funds appropriated for these payments.

(Change 67)

**075326 TERMINATION LIABILITY ADVANCE
PROCUREMENT**

The guidance that follows is applicable to procurement programs. To the extent that end-item authorization is reduced or deleted, the following will pertain with respect to termination liability funded advance procurement contracts:

1. for terminated programs, on a case-by-case basis an evaluation must be made to determine if the advance procurement contract should be terminated, continued or modified to deliver some usable product short of a major end-item. Recommendations for application of funds related to such terminated programs should be forwarded to the Comptroller of the Navy before contractual action is taken;
2. for reduced programs, the advance procurement contract, to the extent that it is for a quantity within the approved FYDP, will remain in effect as written with the product of the effort distributed to succeeding end-item

programs until amortized. When programs are reduced to the extent that advance procurement contract supports a quantity that exceeds the approved FYDP, the guidance in item 1. applies for that effort applicable to the excess quantities, e.g. partial termination, contract modification, etc.

Obligations and expenditures of a termination liability advance procurement contract may not be decreased below costs incurred once recorded. In those instances where administrative procedure provides for an advance procurement contract to be redefined into the end-item contract awarded in the subsequent fiscal year, no decrease below costs incurred will be made to the total obligation recorded in the advance procurement fiscal year at the point of definition into the end-item contract or later in the acquisition process. In those instances where the end-item quantity is adjusted from that anticipated and contracted in the advance procurement instrument, the advance procurement instrument will remain the document of record without decrease other than termination in whole or part.

(Change 59)

075328 APPROVAL FOR PRODUCTION

Department of the Navy (DON) system acquisition policy requires that the appropriate decision authority grant production approval before a system enters production. Accordingly, it is the policy of the DON to budget initial production funding for weapons systems and other equipment if approval for limited or full production can be reasonably expected to be provided in time to allow full program execution during the fiscal year for which funds are requested. Additional explanatory guidance is contained in the Budget Guidance Manual.

(Change 50)

Section III: SYSTEMS COSTS

075340 SCOPE

Standard terminology for Department of Defense systems acquisition is required for uniform presentation of requirements in the budgeting and reporting processes. This section outlines the costs to be included in procurement appropriation budget line items.

(Change 48)

075341 COST DEFINITIONS

1. GENERAL.

The basic method for presenting procurement requirements is the Procurement Programs Line Item (Exhibit P-1) prepared for the Congress as supporting justification to budget estimates. The line item should include all procurement costs required to acquire and initially deploy a system except for its complement of initial spares, which is budgeted as part of a separate line item covering all initial spares for all systems. Within the individual line item, those costs related to the production of a usable end-item of military hardware are commonly referred to as "Flyaway Costs." This term has evolved in connection with aircraft and missile programs although it equates to "Rollaway" in the case of vehicles or "Sailaway" in the case of ships. It includes the cost of the basic unit to be fabricated (airframe, hull, chassis, etc.), the propulsion/engine equipment, electronics, armament (excluding ammunition), avionics, installed Government-furnished equipment, other level three work breakdown structure hardware/software subsystem elements, production testing, and any project management costs appropriately budgeted in Procurement appropriations. Production costs associated with the end-item include both contract and in-house costs of all nonrecurring engineering (pre-production, advance production, start-up, etc.), recurring engineering, engineering support to production, tooling, manufacturing, purchased equipment, quality control, allowance for engineering changes, warranties, first destination transportation integral to contract price, general and administrative charges and profit are also included in "Flyaway Costs." First article testing for conformance with contract requirements before or in the initial stage of production (including pre-production models, initial production samples, test samples, first lots, pilot models, and pilot lots) is also considered an element of "Flyaway Costs." The balance of the individual line item is referred to as "Support Costs" and contains those peculiar procurement costs required to deploy a system, such as ground support equipment, training equipment, publications, technical data, contractor technical services, etc. The sum of these two segments within the line item is referred to as "Weapons System Cost." Expense costs required to make Government-owned equipment available to support new acquisition programs will be budgeted in the Operation and Maintenance appropriations. An example of these costs is the refurbishment of shipping containers and test equipment. This does not apply to intrinsic expense costs required to make Government-owned equipment available for the manufacture of the item being procured, such as equipment necessary for the manufacturing process, equipment to be incorporated into the item being manufactured (including initial outfitting), and equipment necessary for production acceptance testing. These are considered to be investment costs properly budgeted in the procurement appropriations.

2. STANDARD DEFINITIONS.

Standard definitions have been developed for initial, replenishment, and war reserve spare parts to ensure consistency in systems spare parts pricing for budgeting and Selected Acquisition Reports (SARS). The following applies:

a. Initial Spare Parts.

Initial spare parts will include those repairable components, assemblies, or subassemblies required as initial stockage at all levels including the pipeline in support of newly fielded end-items. Whole spare engines are covered by separate guidance and will be classified as initial spare parts through the life of the system.

b. Replenishment Spare Parts.

Replenishment spare parts will include those repairable components, assemblies, or subassemblies required to resupply initial stockage or increase stockage for reason other than support of newly fielded end items. Replenishment would include additional stockage due to increases in usage, readiness initiatives, and redeployment of end-items.

c. War Reserve Spare Parts.

War reserve spare parts will be budgeted as replenishment.

(Change 59)

075342 PRODUCTION SUPPORT SERVICES

1. GENERAL.

Standard terminology and a cost breakdown structure have been developed to categorize and display production support service costs in the Procurement appropriation budget backup exhibits. It is not necessary to utilize each element of the standard cost breakdown structure in every P-1 line item. Rather, the standard cost elements should be utilized in the budget backup exhibits as necessary when production support services are separately identified in a P-1 line item. Production support services are not required to be separately identified, but when they are, the standard cost elements should be utilized in lieu of other terminology.

2. STANDARD COST BREAKDOWN.

The standard cost breakdown structure consists of Production Engineering, Quality Assurance, Product Improvement, Acceptance Test and Evaluation, Contractor Engineering and Technical Services (CETS). These cost elements may be utilized under both the "Flyaway Cost" and "Support Cost" section in the budgets exhibits when these major cost areas are segregated (usually for major weapon systems). However, CETS can

only be utilized in the "Support Cost" section.

3. STANDARD TERMINOLOGY.

The standard terminology follows:

Production engineering

The application of design and analysis techniques to produce a specified item. Includes functions such as: analysis of producibility and production operations, processes and systems; applying new manufacturing methods, tooling and equipment; preparation, test and technical evaluation of engineering changes to correct deficiencies in the production item; preparation, test and technical evaluation of waivers and deviations; value engineering; review and evaluation of production design data and documentation; production configuration control; maintenance engineering and logistics supportability efforts designed and incorporated into the production manufacturing process; and other related engineering functions which are integral to the item's manufacture. Production engineering encompasses both nonrecurring or startup effort to establish a production capability and recurring effort.

Quality Assurance

The preparation of procedures and the conduct of inspections, examinations and tests during production that are necessary to deliver an item of the required quality as specified by the terms of the contract.

Product Improvement

Engineering services and related effort by the producing contractor or manufacturing installation, applied to an item in production to extend the useful military life of such item or to improve the item within the current performance envelope. Typically, such improvements take advantage of such things as newly developed materials, progress in state-of-the-art, improved design and other technical advances which, when incorporated in production, provide improved safety, reduced environmental impact, improved reliability/maintainability/availability, decreased cost, or correction of deficiencies exclusive of contractual specifications.

Acceptance Test and Evaluation

Test and evaluation of a production item, including components, to demonstrate that the item fulfills the requirements and specifications of the procurement contract or agreement. The costs to conduct the tests, such as range charges and expendable/consumable items, as well as preparation of the test plan, data analysis and evaluation, are included.

Contractor Engineering and Technical Services (CETS)

Contractor engineering and technical services consist of the furnishing of advice, instruction, and training to Department of Defense personnel, by commercial or industrial companies, in the installation, operation, and maintenance of Department of Defense weapons, equipment, and systems. See par. 075366 for limitations on funding CETS with Procurement appropriations.

4. EXCLUSIONS.

Certain production program support costs must be funded as expense in the Operation and Maintenance appropriations. See par. 075001 for guidance concerning procurement/production program costs, and par. 075365 for guidance concerning factory training costs.

(Change 63)

075343 INTERIM CONTRACTOR SUPPORT

1. GENERAL.

This paragraph applies to interim contractor support (ICS) for weapon systems.

2. STANDARD DEFINITIONS.

a. Contractor Logistics Support (CLS).

The provision of long-term contractor support functions that have been formally reviewed and approved as part of the acquisition planning process.

b. Interim Contractor Support (ICS).

Temporary contractor support pending establishment of organic/in-house logistics capabilities, such as maintenance, supply, and technical support. Interim Contractor Support (ICS) is used when the design is unstable, support delivery schedules are compressed, and, supply and maintenance support resources are not organically available. ICS may consist of the identification and procurement of spares and repair parts; requirements determination including organizational, intermediate and depot requirements; warehousing and inventory control of government-owned material; compilation of usage and performance data; and, all levels of maintenance and repair including labor, materials engineering and logistics support. ICS is not to be confused with Contractor Logistics Support (CLS).

c. Organic Maintenance.

Maintenance performed by a Military Department, under military control, using government-owned or government-controlled facilities,

tools, test equipment, spares, repair parts, and military or civilian personnel.

d. Weapon Systems.

A particular weapon, class of weapons, or subsystem, and/or the entire ship, aircraft or mobile land equipment platform which either carries a weapon or provides associated combat force.

4. BUDGET POLICY.

ICS is financed on an annualized basis in the same procurement appropriation and line item as the end item and should not be budgeted more than three years beyond the initial operational capability (IOC). ICS requirements should be identified early in the acquisition process and included in the formulation of the acquisition plan. If necessary, ICS will only be funded until the design stabilizes and organic support can be programmed.

5. BUDGET RESPONSIBILITY.

The cognizant program manager responsible for acquisition of the system, sub-system or parts finances ICS.

(Change 63)

Section IV:
EQUIPMENT PROCUREMENT AND SUPPORT

075360 REAL PROPERTY FACILITY EQUIPMENT

1. SCOPE.

This paragraph applies to installation of equipment in all Department of the Navy real property facilities except for research and development facilities, equipment incident to military construction projects, and industrial-commercial activities.

2. DEFINITIONS

a. Equipment.

The term "equipment" as used herein applies to equipment defined as personal property in the current issuance of OPNAVINST 11010.20, Facilities Projects Manual, par. 6103, with the exception of training devices and training equipments. Information relating to training delineations is contained in par. 075365. The term "equipment" also applies to ancillary equipment integral to the operation of the personal property to be installed.

b. Equipment Installation.

The term "equipment installation" costs as used herein includes items described in the Facilities Projects Manual as "construction" in par. 3112 and "nonconstruction" in par. 6105.

3. BUDGET POLICY

a. Appropriation Purchases Account Cognizance Symbol Manager.

A systems command that is the Appropriation Purchases Account (APA) cognizance symbol manager, or other organization responsible for funding servicewide procurement of specific items, funds equipment installation costs. When equipment installation is complete and reported in the plant property inventory, the station assumes responsibility for the operation and maintenance support, such as power, repair parts, etc., for the equipment. Specific examples of this responsibility include:

- (1) when the equipment is procured for installation at a specific activity (i.e., at the time of budget formulation the equipment is programmed for installation at a specific location and is so justified, even though practical consideration may later change priorities and require installation at a different activity when the equipment actually becomes available);
- (2) when the requesting organization has provided the requirement for procurement/installation to the appropriate APA cognizance symbol item manager or other authority responsible for funding servicewide procurement in adequate time for budgeting (i.e., prior to 1 Sept., 13 months prior to execution of the budget, in order that the full requirement may be included in the budget formulation process);
- (3) when technical direction/system direction exercised by a systems command or other authority responsible for funding servicewide procurement or sponsoring development requires that equipment be installed as a result of technical field inspections, revised standards, or central systems development/configuration requirements;
- (4) when system development responsibility is exercised by a systems command or other authority responsible for servicewide development and the responsibility requires that leased equipment be installed as a result of the system design or development, notwithstanding that the central manager or the user is responsible for funding subsequent lease costs.

b. Installation of Items Funded From Budget Activity 7, Other Procurement, Navy Appropriation.

Equipment installation costs for items budgeted in the appropriation Other Procurement, Navy, Budget Activity 7, is assigned to the organization budgeting for the item of equipment.

c. Installation of Items Requisitioned From Inventory.

Budgeting for equipment installation costs is the responsibility of the major claimant for items requisitioned from inventory by their local activity; i.e., procured by technical systems commands (APA cognizance symbol managers) or other authority responsible for funding servicewide procurement to meet inventory objectives and not programmed for installation at specific activities.

d. Reinstallation or Relocation.

Costs of reinstallation or relocation of present equipment, which is not associated with a military construction project, are expenses to be borne by the operating funds of the activity involved.

e. Application of Expense/Investment Criteria.

The systems command or the operating organization budgets for investment costs in procurement appropriations and expense costs in operations appropriations. Accordingly, the cost of equipment procurement, including ancillary equipment, will be funded by procurement or operations appropriations according to the criteria contained in par. 075001. The cost of equipment installation will be funded by the same appropriation in which the equipment is procured. In the case of previously purchased and installed equipment, removal and reinstallation is operationally financed.

f. Unanticipated Installation.

In those cases where unanticipated and unbudgeted equipment installations are directed by higher authority, and such actions result in deficiencies, the responsible organization should address the requirements in apportionment submissions and midyear reviews.

g. Intrusion Detection Systems.

Funding for Intrusion Detection Systems (IDS) is subject to the expense-investment criteria.

4. SOURCE DOCUMENTS.

Additional information relating to equipment installation in real property facilities is contained in pars. 074601 and 075361, and in the current

issuance of SECNAVINST 7040.6 and OPNAVINST 11010.20.

(Change 60)

075361 PERSONAL PROPERTY EQUIPMENT

1. SCOPE.

This paragraph provides guidance for funding personal property equipment not installed or built-in as an integral part of a facility construction project financed by a military construction appropriation. See paragraph 075382 for guidance on installed equipment

2. DEFINITIONS

a. Personal Property.

Personal property includes both accessory equipment and furnishings that are movable in nature and not affixed as an integral part of a real property facility. Personal property also includes specialized equipment (production, processing, medical, technical, training, servicing, and research, development, test, and evaluation (RDT&E) equipment) that, although not readily movable in nature, is necessary for a specified function in a real property facility. Personal property includes industrial plant equipment and ancillary equipment in support of end items of personal property.

b. Collateral Equipment Initial Outfitting.

Collateral equipment initial outfitting is the first provision of personal property equipment and furnishings for a facility construction project financed by a military construction appropriation. These items are financed as either expenses or investments based on the criteria in paragraph 075001.

c. Work required to support the installation of personal property equipment in an existing facility, such as the installation of false floors or platforms, prefabricated clean rooms, electromagnetic shielding, installation mountings or secondary utility work necessary to connect the equipment, will be considered an integral part of the equipment costs. As such, the costs are either expense or investment, as long as the modifications do not include structural changes to the building. If the modifications include structural changes, they will be considered investment costs and budgeted in construction.

d. Family Housing.

Initial outfitting of family housing with kitchen equipment, shades, carpeting, etc., is considered a construction cost funded from family housing construction.

3. FUNDING

a. Operation and Maintenance Appropriations.

Fund personal property equipment whose unit cost is less than the current expense investment threshold (see paragraph 075001 for additional guidance).

b. Procurement Appropriations.

Fund personal property equipment whose unit cost is greater than or equal to the current expense/investment threshold. (see paragraph 075001 for additional guidance).

c. RDT&E Appropriations.

Fund personal property equipment for RDT&E funded activities.

d. Navy Working Capital Funds (NWCF).

Personal property equipment to support NWCF mission requirements is either funded by the NWCF operating budget or the capital purchases program as determined by the current expense/investment threshold and the useful life of the asset (see paragraph 074602 for additional guidance).

e. Specialized Equipment.

Specialized equipment (e.g., test equipment, trainers, etc.) is financed by the major command that has the technical responsibility for the requirement. Specialized equipment is centrally managed.

f. Non-appropriated funds.

Personal property equipment requirements are financed by the non-appropriated funds equipment custodian.

4. PERSONAL PROPERTY EQUIPMENT RELOCATION.

The budget and funding responsibility for the relocation of personal property equipment resides with the command that directs the relocation. In most cases, this is the command that has custody of the equipment or ownership per the property records. The cost of relocation includes the moving, packing, unpacking, assembly, attachment, and testing of equipment being relocated from an existing site or structure to a new site or structure being constructed under the military construction appropriations.

(Change 67)

075363 MAJOR EQUIPMENT OR COMPONENT

1. SCOPE.

This paragraph provides requirements guidance and budget policy for procurements of major spare equipment or system components required for expeditious replacement in the event of major damage from battle, fire, collision, explosion, storm, etc. These major equipment and components are principle items as opposed to secondary item spares and repair parts generated by the equipment provisioning process.

2. REQUIREMENTS.

Generally, spare equipment or system components will be acquired only if the equipment provisioning process will not provide all secondary items necessary to assemble a complete equipment or system component, and the nonavailability of the spare for replacement will seriously degrade the capability of a combatant unit to prosecute the missions for which designed. As a general rule, one spare will be acquired when 50 or less equipment installations are planned and two spares will be acquired when more than 50 installations are planned. However, actual spare quantities of a specific equipment or system component will be approved by the Chief of Naval Operations and the Commandant of the Marine Corps, as applicable.

3. BUDGET POLICY.

Spare equipment or system components will be budgeted in the same procurement appropriation in which the equipment or system is normally budgeted. However, the Shipbuilding and Conversion, Navy (SCN) appropriation will only budget spare equipment or components for those equipments and systems included in a shipbuilding program for the first time. Replacement spares and spares for equipment included in a previous shipbuilding program will not be budgeted in the SCN appropriation.

(Change 48)

075364 INITIAL OUTFITTING

1. SCOPE.

This paragraph provides funding policy for the initial outfitting of investment end-items such as ships, aircraft, vehicles, or other weapons and equipment. However, this guidance is not applicable to Research, Development, Test and Evaluation activities or end-items.

2. POLICY.

Initial outfitting is the complement of support items required to make a newly deployed end-item complete and ready to operate. Allowance list changes for operating end-items are also considered initial outfitting. As

delineated in par. 075001, initial outfitting costs are classified investments by definition and are chargeable to procurement appropriations. This includes both items that would be otherwise classified as expenses or investments.

3. FUNDING GUIDANCE

a. Investment End-Items.

Initial outfitting requirements necessary to support end-items such as ships, aircraft, weapon systems, and equipment will be financed by the same procurement appropriation as the end-item to be supported and are the budget responsibility of the command budgeting for the acquisition of the end-item. This guidance applies to both support items peculiar to the end-item and to common-use items capable of supporting several different end-items.

(1) Ships.

Under the sailaway concept, the investment end item is the complete operational new construction/conversion ship. This includes the cost of approved allowances of on-board support items. It excludes all other supply system items. For ships funded in the Shipbuilding and Conversion, Navy appropriation, contractor and government furnished equipment spares requirements are financed in the outfitting line on a lead time to need basis.

(2) Aircraft.

Under the flyaway concept, the investment end-item is the complete new procurement or modified aircraft including the cost of approved allowances of items carried on-board. It excludes all other supply system items.

(3) Vehicles.

Under the rollaway concept, the investment end-item is the complete new procurement or modified vehicle including the cost of approved allowances of items carried on-board and issued with the vehicle to render it initially operable. It excludes all other supply system items.

(4) Other Weapons/Equipment.

The investment end-item is the complete new procurement weapon/equipment including the cost of items that must be issued with the weapon/equipment to render it initially operable, e.g., special tools and test equipment, protective gear, other equipment, manuals, software, spare and repair parts, etc. Items "issued with" means those items issued with the weapon/equipment when it is

sent to a ship, an aircraft, a unit, a training activity or issued for any other end-use purpose.

b. Operating End-Items.

Items required as a result of allowance list changes for operating end-items, i.e., ships, aircraft, vehicles, and other investment equipment, are funded by the procurement appropriations. Items procured through the Navy Working Capital Fund (NWCF) for allowance list changes are financed by the procurement appropriations when drawn from the supply system:

(1) Operating Ships.

Allowance list (Consolidated Shipboard Allowance List) changes are financed in the Other Procurement, Navy appropriation.

(2) Operating Aircraft.

The Aviation Consolidated Allowance List (AVCAL) is a retail level NWCF inventory. The Consumable Aviation Consolidated Allowance List (CAVCAL) is a subset of AVCAL. Items required as the result of AVCAL changes are initially financed by the NWCF and "bought out" by the Aircraft Procurement, Navy appropriation when available. They remain NWCF inventory until sold to customer operating appropriations upon issue.

(3) Other Operating Equipment.

When changes are made to allowance lists involving expense items, the items will be financed from the procurement resources available to the command having cognizance over the investment end-item being supported.

c. Shore Installations.

The cost of expense items issued with an investment end-item of equipment to be installed at a shore activity, as defined in subpar. a(4), will be financed by the applicable investment appropriation. These items support the initial operation and maintenance of the particular equipment. A Coordinated Shore-based Allowance List (COSBAL) is a consolidated listing of spares, repair parts, and consumable items tailored to support organization maintenance for all authorized shore activity. The COSBAL serves the same purpose for shore activities as the Coordinated Shipboard Allowance List (COSAL), does for ships. Expense items for COSBAL's will be funded as follows:

(1) Establishment for existing equipment will be financed by operation and maintenance funds of the activity.

(2) Outfitting of a COSBAL for new equipment installations or

modifications of equipment will be financed by operation and maintenance funds of the systems commands.

(3) Replenishment of a COSBAL, and changes not associated with new equipment installations or modifications, will be financed by operation and maintenance funds of the activity, if the COSBAL is accounted for as end use inventory or by the NWCF, if it is accounted for as stock funded inventory.

d. Organizational and Intermediate Maintenance Level Aeronautical Shore Maintenance Activities.

The Individual Material Readiness List (IMRL) provides support to investment ground support equipment end-items. Intrinsic expense material, issued with the investment end-item or equipment as defined in subpar. a(4), is financed from the applicable investment appropriation. The cost of expense items on the IMRL, when not issued with the end-item of equipment, is financed by the Air Type Commander, with distribution of funds to units providing organizational and intermediate maintenance.

(Change 65)

075365 MILITARY TRAINING FACILITIES, EQUIPMENT AND SUPPORT COSTS

1. GENERAL.

This paragraph provides the basis for determining funding responsibility for facilities, equipment, publications and training aids required for the training and instruction of military personnel of the Department of the Navy (DON). Funding responsibility for training of foreign military personnel is also discussed.

2. BUDGET POLICY.

a. Training Support Agency.

The training support agency is an office, command or headquarters responsible for providing material and other forms of support to the training agencies, and is assigned the following financial responsibilities:

(1) provision of an initially usable item of training equipment encompassing all investment and expense costs, for those items of equipment which are normally funded for service use by the agency, including procurement (except for collateral equipment associated with military construction projects), modification, modernization and initial spare parts and test equipment normally issued with training equipment when furnished for service use. The procurement of training equipment is budgeted in the same

procurement appropriation as the equipment to be supported. However, training equipment will be budgeted in the Shipbuilding and Conversion, Navy (SCN) appropriation only if it is required for lead crew training and the equipment to be supported is budgeted in the shipbuilding program for the first time;

(2) development of the Navy Training Plan, the development and delivery of a usable training package for systems in production, and the provision of training to an initial cadre of instructors and maintenance personnel to maintain the new equipment as the training is introduced, budgeted in the same procurement appropriation as the equipment to be supported as a part of the investment cost.

(3) installation of training equipment, including: preparation of plans; alterations, conversions, rehabilitations, etc., of facilities required incident to installation (excluding military construction); and field engineer services;

(4) removals and reinstallations which are an integral part of an initial equipment installation project, removal of equipment no longer used for training purposes, and reinstallations required because of the re-establishment of a training program;

(5) initial training for the equipment furnished until the training agency can acquire the capability. This is generally accomplished through factory training provided by a contractor to instruct personnel in the operation, maintenance and employment of equipment under procurement. Initial training includes instructional services as well as deliverable items of training documentation and materials required. The Operation and Maintenance appropriations fund instructional services and deliverables for both initial factory training and in-house Navy training. Procurement appropriations fund training investment items;

(6) preparation and provision of technical or journeyman's manuals for the maintenance and operation of the equipment, and initial "learner level" manuals with associated instructor guides and trainee measurement aids when required for training in new equipment as well as for major modification to service equipment.

b. Training Agency.

The training agency is an office, command or headquarters exercising command of and providing support to some major increment of the Department of the Navy's formalized training program and is assigned the following financial responsibilities:

- (1) provision of the basic buildings and/or ground sites required for the installation of technical or specialized equipment furnished by a training support agency;
- (2) provision of maintenance (including stock funded parts and materials) in accordance with the standards of the training support agency providing the equipment when that equipment has been accepted (except for depot level maintenance of aviation-related technical training equipment which is the financial responsibility of the Commander, Naval Air Systems Command);
- (3) removals and reinstallation incident to alteration, modification, or repair to the training facility's physical plant; the shifting of equipment within the training facility or removal and reinstallation incident to physical relocation from one training activity to another for the sole convenience of the training agency;
- (4) training, including factory training on equipment no longer in production or where the initial training provided by the training support agency has been completed;
- (5) provision of revisions to supplementary "learner level" manuals, with associated instructor guides and trainee measurement aids when required for use in established courses in the training agency's schools or training centers;
- (6) provision of all other equipment, supplies, and training materials used in day-to-day operations and required for training or instructional purposes in a school or training center under the command of the training agency, except as provided in subpar. d.

c. Training Devices.

A training device is composed of components and software which have been designed or modified exclusively for training purposes, involving to some degree, simulation or stimulation to demonstrate or illustrate a concept or simulate an operational circumstance or environment. The following funding responsibilities pertain:

- (1) Prototype Training Devices. The developing agency is responsible for the cost of development and acquisition of initial or prototype training devices as a Research, Development, Test and Evaluation (RDT&E) program cost until they are formally accepted by the Government.
- (2) Follow-on Training Devices. Acquisition of follow-on training devices in the applicable procurement account may be budgeted on a case-by-case basis in the fiscal year in which the satisfactory completion of the critical design review for the prototype training device is expected, as supported by a prior

successful development of the concept and cost data. Normally, however, acquisition team factory testing of the prototype should be completed by the time the follow-on procurement budget requests is submitted to the Congress. All follow-on training devices for surface and subsurface related training of active naval forces and all air-related follow-on training devices are the financial responsibility of the systems commands/project managers. The Chief of Naval Reserve is responsible for funding follow-on devices for surface and subsurface related training of Naval Reserve forces. Follow-on devices peculiar to requirements of the Marine Corps are budgeted by the Commandant of the Marine Corps. In cases when the Chief of Naval Operations has approved equipment that meets the definition of a training device for use on or installation in any type or class of ship for the training of ship's company, it will be considered as ship's equipment and financed accordingly.

(3) Maintenance. Organizational and intermediate level maintenance of training devices is the funding responsibility of the training agency having custody of the device. Depot level maintenance of training devices is the funding responsibility of the cognizant inventory manager.

d. Other Support.

Other forms of support are funded by specific offices, and commands as determined by the Chief of Naval Operations or the Commandant of the Marine Corps. For Navy activities engaged in formal classroom training and not under the command of the Commander, Naval Education and Training Command (COMNETC), the NETC has been assigned responsibility for providing without reimbursement, specialized training equipment and devices when those items are not within the cognizance of the systems commands/project managers.

3. COORDINATION.

The training agencies must furnish their requirements to the appropriate training support agency for timely insertion into the programming and budgeting system for appropriate action. Where budgetary or planning decisions result in a change in programmed training requirements, other component organizations affected by the change must be advised by the training agencies at the earliest possible opportunity. Likewise, the training support agencies must provide timely notice to the training agencies of budgetary and/or reprogramming decisions that affect training support capability and the development of new weapons systems or equipment.

4. FOREIGN MILITARY PERSONNEL.

All direct and indirect expenses of providing training to foreign military personnel (and civilians associated with foreign military organizations) under the International Military Education and Training (IMET) and Foreign Military Sales (FMS) programs are reimbursable, except for military personnel costs of IMET training and indirect costs of FMS training sold to North Atlantic Treaty Organization (NATO) countries under NATO Standardization Agreement (STANAG) 6002. This agreement authorizes the reciprocal provision of training between the United States and the participating NATO countries and asset use charges for IMET and STANAG 6002 FMS Training. The Chief of Naval Personnel is responsible for budgeting and funding the military personnel costs related to IMET training provided to foreign personnel. Major claimants providing FMS training to NATO countries participating in STANAG 6002 are responsible for budgeting and funding the indirect costs.

(Change 67)

075366 CONTRACTOR ENGINEERING AND TECHNICAL SERVICES

1. GENERAL.

Contractor Engineering and Technical Services (CETS) provides the bridge of technical support to install, operate and maintain DoD weapons, equipment and systems until military self-sufficiency is developed. It consists of the furnishing of advice, instruction, and training to DoD personnel, by commercial or industrial companies, in the installation, operation and maintenance of such equipment. CETS does not include consulting and management services, "contract-out" services under provisions of OMB Circular A-76, or other recognized categories of contractor support governed by separate policy guidance. The current issuance of SECNAVINST 4200.31C provides applicable guidance.

2. BUDGET POLICY

a. General.

All CETS contracted on an "on-call" basis may not extend beyond the obligational availability of the financing appropriation.

b. Procurement Appropriations.

CETS required to directly support the introduction of systems, components, and other investment end items, including modification kits, will be budgeted in the same Procurement appropriation as the item supported on the basis that:

1. CETS will not exceed the 12-month period after acceptance of the first production unit of the model being produced, and
2. CETS will be procured as a separate line item in the production contract.

In the event that items within a contract are funded by several Department of the Navy Procurement appropriations, CETS qualifying for funding under Procurement appropriations will be funded by the dominant Procurement appropriation involved.

c. Research, Development, Test and Evaluation, Navy Appropriation.

CETS required in direct support of research and development program effort for systems and other items, from inception through completion of initial operational test and evaluation, will be budgeted under the appropriation Research, Development, Test and Evaluation, Navy (RDT&E,N) and funded under the appropriate RDT&E,N project. Contract technical support which is not project oriented, e.g., range operations, is not categorized as CETS and is budgeted under RDT&E,N in the management and support category.

d. Operation and Maintenance Appropriations.

CETS required to support follow-on test and evaluation efforts directed for the demonstration of operational suitability of systems and other items being introduced into inventory will be budgeted under Operation and Maintenance (O&M) appropriations. Additionally, CETS not meeting criteria for funding under RDT&E,N or Procurement appropriations will be budgeted within O&M appropriations, e.g., CETS authorized after the 12-month limitation.

e. NWCF Activities.

CETS requirements for activities that operate under NWCF procedures will be included in total CETS requirements budgeted in Procurement accounts. However, CETS requirements beyond the 12-month period authorized to be financed by Procurement appropriations will be financed by the NWCF.

(Change 48)

075367 BOATS AND CRAFT

The Shipbuilding and Conversion, Navy (SCN) appropriation will budget for the following boats and crafts:

1. service craft included in the current issuance of SECNAVINST 5030.1, "List of classifications of naval ships and service crafts";
2. all landing craft;

3. boats which are part of the allowance list of ships being constructed or converted as SCN projects.

The Other Procurement, Navy (OPN) appropriation will budget for all new replacement boats other than those being provided as part of SCN projects.

(Change 60)

075368 FLEET MOORINGS

1. BUDGET POLICY

a. General.

The Naval Facilities Engineering Command (NAVFAC) is responsible for budgeting and funding for Navy-wide procurement, installation, maintenance, and repair of fleet moorings.

b. Exception.

The general policy in subpar. a is not applicable to those moorings which are a part of the North Atlantic Treaty Organization (NATO) infrastructure.

2. APPROPRIATION RESPONSIBILITY.

NAVFAC will budget and fund the costs associated with fleet moorings as follows:

1. procurement and installation

from Budget Activity 5 "Civil Engineering Support Equipment" of the appropriation Other Procurement, Navy;

2. maintenance and repair

from resources made available to NAVFAC within the Operation and Maintenance, Navy account.

3. NATO COMMON INFRASTRUCTURE MOORINGS.

In accordance with responsibilities set forth in par. 075242, the Commander, U.S. Atlantic Fleet and the Commander, U.S. Naval Forces, Europe will budget and fund the United States' share of the operation and maintenance costs of NATO common infrastructure moorings.

(Change 60)

075369 CRYPTOGRAPHIC DEVICES

1. SCOPE.

This paragraph prescribes funding responsibility for costs incurred in the

procurement, distribution, and repair of cryptographic devices within the Department of the Navy.

2. BUDGET POLICY

a. Procurement.

The costs of procurement of cryptographic devices, including initial outfitting of replacement parts, subsequent modification kits, and Appropriations Purchases Account replacement parts for the Navy, Marine Corps, and Coast Guard is a budgeting and funding responsibility of the Space and Naval Warfare Systems Command (SPAWAR) in the Budget Activity 2 "Communications and Electronic Equipment" of the Other Procurement, Navy appropriation.

b. Distribution.

The costs of distribution of cryptographic devices will be budgeted for and funded from resources made available to the Naval Security Group within the Operation and Maintenance, Navy (O&M,N) account.

c. Maintenance

(1) Shore-Based Devices.

The user activity will bear all costs of maintenance, repair, and modification of shore-based devices, including stock funded material. Navy activities will utilize resources made available within the O&M,N account. The costs for cryptographic devices held by the Registered Publications Issuing Office, however, will be funded by SPAWAR.

(2) Shipboard Devices.

The maintenance, repair, and modification of shipboard cryptographic devices performed by naval shore activities will be funded from resources made available to SPAWAR within the O&M,N account. Cost of work performed aboard by members of ship's complement will be borne by the supply and equipage operating target funds supporting the ship.

(3) Airborne Devices.

The maintenance, repair, and modification of airborne devices used in aircraft assigned to shore-based commands will be funded in accordance with the provisions of subpar. (1). The maintenance, repair, and modification of airborne devices used in aircraft assigned to afloat commands will be funded in accordance with the provisions of subpar. (2).

(4). Marine Corps and Coast Guard.

The maintenance, repair, and modification of cryptographic devices performed by Marine Corps and Coast Guard units are the funding responsibility of the Marine Corps and Coast Guard, respectively.

d. Technical-Consultative Assistance and Non-Navy Stock Account Repair Parts.

Technical-consultative assistance and non-Department of the Navy Stock Account repair parts are budgeted and funded from resources made available to SPAWAR within the O&M,N account. The non-Navy Stock Account repair parts will be provided to requiring activities on a nonreimbursable basis.

(Change 48)

075370 AERIAL TARGETS

Aerial Targets should be funded in the same manner as any other ancillary end item used in support of a major program. Program identification and related funding for aerial targets (drones or other types) will be in accordance with the following:

1. development of aerial targets - to be identified with and funded as a research, development, test and evaluation (RDT&E) cost;
2. procurement and/or augmentation of aerial targets solely related to missiles under development, including test and evaluation - to be identified with and funded as an RDT&E cost;
3. procurement and/or general augmentation of aerial targets having general application for fleet operational use in training or evaluation and for development purposes, including test and evaluation - to be funded by the appropriation which normally funds the procurement for fleet operational use;
4. technical augmentation of an aerial target procured for fleet operational use in training or evaluation to meet the requirements of a specific missile under development, including test and evaluation - to be identified with and funded as an RDT&E cost;
5. costs involved in connection with aerial targets furnished for Navy use by an non-Navy agency - to be funded by the appropriation and program supporting the missile requiring the use of the aerial target.

(Change 48)

075371 INFORMATION TECHNOLOGY, AUTOMATED INFORMATION SYSTEMS, AND GENERAL PURPOSE COMMUNICATION SYSTEMS

1. GENERAL

Information technology (IT), automated information systems (AIS), and general purpose communication systems that are not embedded in weapons systems and/or major end item procurements are budgeted according to the expense and investment criteria (see paragraph 075001) and the appropriation or fund's purpose.

2. BUDGETING

The following guidelines are provided to help determine which appropriation to use:

a. RDT&E Appropriation.

All costs associated with software development/modification efforts that provide a new capability or expand the capability of the current software program (i.e., expand the performance envelope) are funded in the RDT&E appropriation. Systems capability is defined as reaching the systems performance objective (Milestone C approval), as defined in the requirements documentation. Modifications to existing software programs are subject to this definition. Costs to be funded in the RDT&E appropriation include: software programming efforts, purchase of hardware required to develop the software change, contracted program management and technical assistance support, development testing (DT) and/or initial operational test and evaluation (OT&E) required prior to system acceptance/approval.

- (1) Some software programs may be approved for deployment/implementation prior to reaching the system performance objective (i.e., similar to LRIP approval). In such instances, all follow-on software programming efforts required to reach the system performance objective will be funded in RDT&E.
- (2) Commercial-off-the-shelf (COTS) packages/systems that require modification (engineering design, integration, test, and evaluation) to achieve the objective performance will be budgeted in RDT&E. This includes purchase of the COTS system.
- (3) The acquisition, operation and maintenance of IT systems that are used exclusively to support RDT&E activities will be budgeted and funded within an RDT&E appropriation.

b. Procurement Appropriations

The purchase of IT, AIS, and general communication equipment is subject to the expense/investment threshold, the criteria for which is discussed in paragraph 075001. Acquiring and deploying a complete system with a cost of \$100,000 or more is an investment and should be budgeted in a procurement appropriation. A complete system cost is the aggregate of all components (e.g. equipment and software) that are part of and function together as a system to meet an approved documented requirement. For modification efforts, only the cost of the upgrade (e.g. new software, hardware and labor) is counted towards the investment threshold. The total cumulative cost of the system is not considered when deciding the appropriate appropriation to fund modernization.

- (1) Proprietary software carries a copyright from the vendor that prohibits duplication or modification. Essentially, the purchaser is buying a license from the vendor to use the software on a particular system. Proprietary software is an investment, subject to the expense-investment criteria, unless it is financed on an “annual fee” basis. In the latter case, it is an expense item properly financed in RDT&E or O&M. Software procurements made under the Enterprise Software Initiative may be made through use of the Navy Working Capital Fund.
- (2) Procurement of fully developed and tested modification kits and associated installation, including labor costs, should be financed from a procurement appropriation.
- (3) Equipment purchased after successful system testing and a favorable fielding decision should be bought with procurement funding.

c. O&M Appropriations

Expenses incurred in continuing operations and current services are budgeted in the O&M appropriations. Modernization costs under \$100,000 are considered expenses, as are one-time projects such as developing planning documents and studies.

- (1) Software releases categorized as iterations on the basic release and not involving significant performance improvements or extensive testing are considered a maintenance effort. Minor improvements in software functionality accomplished during routine maintenance may also be O&M funded.
- (2) Items purchased from a commercial source that can be used without modification (e.g., COTS and non-developmental items) will be funded in either the procurement or O&M

appropriations, as determined by the expense and investment criteria.

d. Navy Working Capital Funds.

The IT systems developed and acquired through the Navy Working Capital Fund will be reflected in the capital budget if the system is \$100,000 or more. Additional information regarding capital investments can be found in the DOD FMR Volume 2B, Chapter 9, paragraph 090103 and in paragraphs 074602 and 074603 of this volume. Systems costing less than \$100,000 are funded through the operating budget.

e. Capitalization of Software Costs.

For accounting purposes, the total cost of software should be capitalized when the total cost of the system exceeds the Department's capitalization threshold amount, which is currently \$100,000. Capitalization of software is not dependent on the appropriation used to fund its purchase or development. Further information on capitalization may be found in DOD FMR, Volume 4, Chapter 6, paragraph 060210.

(Change 67)

075372 TACTICAL/STRATEGIC INFORMATION TECHNOLOGY

1. SCOPE.

The provisions of this paragraph are applicable to software for all tactical and strategic systems and equipment. These systems are also referred to as special purpose equipment and/or embedded computer systems.

2. BUDGET POLICY

a. Initial Software Acquisition.

All costs related to executive and applications software feasibility studies, system design, development, preparation, modification, integration, and test and evaluation, including interfaces with other equipment/systems, will be budgeted in the Research, Development, Test and Evaluation, Navy (RDT&E,N) appropriation as an element of the equipment/system development program. RDT&E,N will finance all efforts necessary to deliver the computer programs and documentation necessary for operational use. Integration of available software, i.e., software already developed, in new combinations/applications or for conversion/application to a new equipment/system will also be budgeted in the RDT&E,N appropriation. The intent of this policy is that RDT&E,N will fund all work leading up to a service approved operational software program

for the equipment/system. For ship construction or conversion, development of individual equipment/system software will be budgeted in RDT&E,N as outlined in this subparagraph. Integration of fully developed equipment/system software into a new construction or conversion ship will be budgeted in the Shipbuilding and Conversion, Navy (SCN) appropriation. However, if the lead ship is budgeted as an RDT&E,N prototype, software integration will also be budgeted in RDT&E,N. The cost of initial software acquisition for procurement financed equipment/systems which have not required a prior RDT&E,N financed development program will be budgeted in the applicable procurement appropriation using the guidance in par 075371.

b. Software Maintenance.

Expense items for life cycle maintenance of operational software will be budgeted in operation and maintenance appropriations. Investment items necessary for software maintenance will be budgeted in the applicable procurement appropriation. Both expense and investment costs related to software maintenance of tactical/strategic systems which are not placed into production/operational use but retained for further RDT&E effort will be budgeted in RDT&E,N.

c. Software Product Improvement.

The funding of product improvement of operational software is governed basically by the "performance envelope" concept as defined in paragraph 075403.2. In determining the proper funding source, the performance envelope criterion is tempered by the scope and cost of the effort involved. The following policy applies:

(1) software product improvement that expands the current performance envelope will be budgeted in the RDT&E,N appropriation. As a limited exception to this basic funding policy, minor improvements that expand the performance envelope may be incorporated during regular operation and maintenance-funded software maintenance (see paragraph 075001-4.L, technology refresh (IT)). However, these improvements must be relatively minor in scope/cost and must be capable of being accomplished concomitant with normal "within performance envelope" maintenance changes. Exercise of this exception is predicated on the existence of a configuration control management system in order to make the subjective review and decision that a performance envelope change is minor in scope/cost and can be incorporated during maintenance, and thereby qualify as an exception to RDT&E,N funding;

(2) software product improvement within the current performance envelope for an equipment/system currently in production will be

budgeted in the procurement appropriations if the improvement is prepared as an approved system change by the equipment/system manufacturer. Software product improvement within the current performance envelope for an equipment/system no longer in production will be budgeted in the Operation and Maintenance appropriations. In any case, level-of-effort software product improvement within the current performance envelope by either in-house activities or contractors will be budgeted in Operation and Maintenance appropriations as normal life cycle maintenance (see subpar. b).

(Change 66)

075373 SHIP INVESTMENT, OVERHAUL AND MODERNIZATION

1. GENERAL.

Normally, the Shipbuilding and Conversion, Navy (SCN) appropriation funds the construction of new ships and the acquisition, major reactivation, conversion, and service life extension of existing ships. Generally, ship overhaul and modernization is funded by the Operation and Maintenance appropriations for items classified as expenses and the applicable Procurement appropriation for items classified as investments. The classification of work performed on existing ships as either SCN or overhaul/modernization is determined by the scope of the work involved. When a ship program does not clearly fall within the category of overhaul/modernization, it should be budgeted in the SCN appropriation. There are specific instances where the Research, Development, Test and Evaluation appropriation will finance both acquisition and maintenance aspects of ships for use in research projects.

2. DEFINITIONS.

a. Construction.

Construction consists of that work necessary to build a new ship, including all hull, mechanical and electrical equipment, electronics, combat systems, communications systems, etc.

b. Acquisition.

Acquisition is the procurement of an existing ship, including the addition of equipment and systems required to meet approved initial operating characteristics.

c. Reactivation.

Reactivation is that work necessary to recommission a ship which was previously in the active fleet. If the work is of such magnitude to change the mission/characteristics or extend the useful life of a ship, it

is considered a major reactivation which constitutes an extension of the original capital investment in lieu of replacement by new procurement. When reactivation consists of work to repair and update the same or similar military capabilities with modern technical improvements without changing the mission/characteristics or extending the useful life of a ship beyond the original construction design, it is considered overhaul/modernization. For example, USS New Jersey was reactivated during the Southeast Asia conflict as a major gun platform without significantly changing the mission or military characteristics. At that time, the reactivation was funded with applicable Procurement appropriations and the O&MN appropriation. As the battleships are currently being reactivated, the SCN appropriation is being utilized to fund the significant increase as well as their new role in the fleet battle groups.

d. Conversion.

A conversion consists of that work necessary to change the mission or type classification of a ship and/or to appreciably change the military characteristics of a ship.

e. Service Life Extension Program (SLEP).

A Service Life Extension Program (SLEP) consists of that work necessary to significantly extend the useful life of a ship beyond that expected of the construction design considering normal maintenance, repair, and overhaul. This entails the work necessary to restore the hull, machinery, and all equipment, including combat systems, to a level of serviceability adequate to support mission requirements of the ship during its extended life. Improvements to military and technical characteristics by alterations made in conjunction with such restoration may be included. Typically, such work involves laying-up the ship for an extended period beyond that necessary for normally scheduled overhaul. A SLEP constitutes an extension of the original capital investment in lieu of replacement by new procurement.

f. Overhaul/Modernization.

Overhaul/modernization consists of that work necessary for depot level repair and for incorporation of military and technical improvements without significantly changing the mission and characteristics or extending the useful service life of the ship beyond the construction design. While such efforts are normally funded in the Navy O&M and other procurement appropriations, surface ship and submarine nuclear refueling overhauls, concurrent modernization efforts, and advance planning are funded in the SCN appropriation.

3. SCOPE OF SCN FUNDING

a. Ship Equipment.

An item will not be budgeted in the SCN appropriation if delivery of the item is scheduled to occur after ship delivery. Additionally, no items will be added to the SCN ship equipment list, if at the time of procurement, the item is scheduled to be delivered after ship delivery. All items scheduled to be delivered after ship delivery will be budgeted in the applicable Procurement or Operation and Maintenance appropriation. SCN will fund the installation of those items planned for installation prior to ship delivery but whose actual delivery slips into the ship post delivery period.

b. Concurrent Funding.

During the period from ship delivery to the SCN obligation/work limiting date for the ship, concurrent periods of availabilities (Post Shakedown Availability (PSA), Industrial Maintenance Availability (IMAV), Restricted Availability (RAV)) may be scheduled to accomplish post delivery work in the most cost effective manner. The overall obligation/work limiting date for SCN funding is 11 months following completion of fitting out (CFO) of the ship. During such periods, concurrent obligation and expenditure of SCN, Weapons Procurement, Other Procurement, and Operation and Maintenance (O&M) appropriations for appropriate categories of work may be made, provided that separate accounting of funds is maintained.

4. SCOPE OF O&MN FUNDING.

The authority to use O&MN funding after the end of the fiscal year for ship maintenance availabilities is contained in Title 10, United States Code Section 7313. This authority applies exclusively to major ship depot availabilities funded in the Ship Overhaul budget line items, including regular and complex ship overhauls, refueling overhauls for nuclear powered submarines, and depot modernization periods.

a. Unusual Cost Overruns.

Note the following:

- (1) applicable operations and maintenance appropriations available to the Department of the Navy for a fiscal year may be used for payment of unusual cost overruns incident to ship overhaul, maintenance, and repair for a vessel inducted into a NWCF activity or contracted for during a prior fiscal year;
- (2) the Secretary of Defense shall notify Congress promptly before an obligation is incurred for any payment under item 1.

b. Changes in Scope of Work.

An appropriation available to the Department of Defense for a fiscal year may be used after otherwise applicable expiration of the availability for obligation of that appropriation:

- (1) for payments to an industrial fund activity for amounts required because of changes in the scope of work for ship overhaul, maintenance, and repair, in the case of work inducted into the industrial fund activity during the fiscal year; and
- (2) for payment under a contract for amounts required because of changes in the scope of work, in the case of a contract entered into during the fiscal year for ship overhaul, maintenance, and repair.

5. CEREMONIES FOR KEEL LAYING, LAUNCHING, COMMISSIONING, RECOMMISSIONING, OR DECOMMISSIONING OF NAVAL SHIPS

a. General.

Guidelines for planning and coordinating ship ceremonies are contained in the current issuance of SECNAVINST 5720.44A.

b. Keel Laying.

Costs of significant keel laying ceremonies will be borne by the building activity as part of the construction cost of the ship. For example, it is appropriate to have keel laying ceremonies for the first launching and christening ceremony of another ship. Allowable costs will include the cost of music, local transportation, flowers, printed invitations and programs, minimum-sized platform built as simply as possible and large enough to accommodate the speaker and guests, modest decoration of the platform with bunting, and a speaker's shelter for rainy weather, if necessary. The costs described above are allowable under the shipbuilding contract, provided that they are clearly distinguishable from all other costs the builder incurs for keel laying ceremonies. No entertainment costs, such as personal expenses of the speaker and guests, engraved invitations, luncheons, dinners, or gifts for the speaker, will be charged either directly or indirectly to shipbuilding funds or to any Navy appropriations.

c. Launching.

Allowable costs of ceremonies as outlined in subpar. b, including the cost of one bottle of christening champagne, will be borne by the building activity as part of the construction cost of the ship for launching ceremonies. In addition, travel expenses of sponsors authorized in accordance with the Joint Travel Regulations, Volume 2, are allowable. However, there is no authority to pay the travel expenses of the children or attendants of sponsors because they travel

voluntarily and do not perform an official function. Authorized travel expenses will be paid from the SCN appropriation.

d. Precommissioning and Commissioning

(1) General.

The SCN appropriation funds the costs for those items required to place a newly constructed or converted ship on an operating basis. Funds are budgeted in the SCN appropriation for precommissioning and commissioning costs for all newly constructed or converted ships.

(2) Costs Chargeable to Precommissioning Fund.

The cost of supplies required in advance of actual commissioning for day-to-day purposes is funded by the SCN appropriation. These funds also finance miscellaneous costs attributable to precommissioning such as the costs of gasoline and oil for vehicles, tunnel and bridge tolls, and telephone services, but may not be used to build up a stock of supplies and equipage for future use.

(3) Costs Not Chargeable to Precommissioning Funds.

The following costs may not be funded by the SCN appropriation:

- (a) entertainment expenses, engraved invitations, luncheons, dinners, gifts, etc.; however, if warranted by the commissioning ceremony, official representation funds may be requested from the CNO (N09B) for a commissioning reception under circumstances as authorized by the current series of SECNAVINST 7042.7H;
- (b) ships allowance list requirements, or additional qualities of equipage;
- (c) recreational material, such as television receivers, fishing kits, ice cream machines, rental of commercial motion picture film, purchase of books for the library, and similar items;
- (d) furniture and furnishings, such as rugs, draperies, desks, chairs, wardrobes, tabletop coverings, and similar items;
- (e) various nonstandard supplies comparable with, but not listed on, the ship's allowance list, such as tablecloths, bread trays, and silver bowls, unless approved as in excess of authorized allowance pursuant to existing regulations;
- (f) souvenir or gift items such as oil paintings, cigarette lighters, pens, pencils, ash trays, and napkins embossed with the ship's name, profile, or both.

(4) Costs Chargeable to Commissioning Funds.

The following commissioning costs are properly funded by the SCN appropriation:

- (a) costs of a first commissioning ceremony for music, local transportation, flowers, decorations, printed invitations, and programs, and the cost of work and services necessary to commission the ship, such as assembly and disassembly of the speakers' platform, seating arrangements, the public address system, and related items, but these expenses will be kept to a minimum;
- (b) miscellaneous type charges incurred incident to commissioning, such as cost of gasoline and oil for vehicles, tunnel and bridge tolls, and telephone services;
- (c) invitational travel orders issued as authorized in Joint Travel Regulations, Volume 2, to fund the travel expenses of the speaker, sponsor, or anyone else who performs an official function in connection with a commissioning.

(5) Costs Not Chargeable to Commissioning Funds.

The same items listed in subpar. d (3) as not being chargeable to precommissioning funds or funded by the SCN appropriation.

e. Recommissioning.

Costs of recommissioning ceremonies are borne by the activity responsible for the reactivation and funded by the appropriation made available for the reactivation work. Allowable costs and guidelines are the same as those outlined in subpar. d for the first commissionings, in accordance with guidelines contained in SECNAVINST 5720.44A.

f. Decommissioning.

Costs of decommissioning ceremonies are borne by the fleet commanders and are funded by the same funds made available for the operation and maintenance of the ship involved. Allowable costs are the same as those outlined in subpar. d for the commissioning costs. Decommissioning ceremonies are usually modest, but may be significant for ships with noteworthy combat records or special significance in accordance with guidelines contained in SECNAVINST 5720.44A.

6. RESEARCH AND DEVELOPMENT SHIPS.

For ships assigned to Program VI (Research and Development) of the Future Years Defense Program the cost of reactivation, SLEP, conversion and overhaul/modernization will be budgeted in the Research,

Development, Test and Evaluation, Navy appropriation. In addition, ship platform financing for Research, Development, Test and Evaluation (RDT&E) purposes is further described in par. 075403.

7. MILITARY SEALIFT COMMAND (MSC) SHIPS.

Ship construction, acquisition, major reactivation, SLEP and conversion will be budgeted in the SCN appropriation. Ship overhaul will be financed by the NWCF for recovery through MSC rates. Ship modernization will be funded as delineated in par. 074601.

(Change 66)

075374 RECREATION EQUIPMENT

1. SCOPE.

Equipment that is used for recreation purposes at naval shore installations and aboard ships is classified as Morale, Welfare, and Recreation (MWR) Support Equipment (see par. 075500). This equipment supports leisure time activities of military personnel. Categories of recreation equipment supported from appropriated funds are athletic, entertainment, hobby and craft, physical fitness, and water sports.

2. BUDGET POLICY

a. General.

Recreation equipment is budgeted as an initial outfitting requirement for new construction/conversion ships and naval shore facilities financed under the Military Construction Program or as replacement/augmentation requirements for operational ships and facilities. Budgeting and funding responsibility is provided in subpars. b and c.

b. Initial Outfitting.

(1) Shipboard Recreation Equipment.

Initial outfitting of recreation equipment aboard naval vessels is determined in accordance with the allowance list developed for each class of ship. The Commander, Naval Sea Systems Command (NAVSEA) in conjunction with the Bureau of Naval Personnel (BUPERS) is responsible for reviewing the adequacy of shipboard allowance list. Recreation equipment for new construction/conversion ships is budgeted by the NAVSEA as a cost of initial outfitting in the Shipbuilding and Conversion, Navy appropriation.

(2) Shore Activity Recreation Equipment.

The Commander, Naval Facilities Engineering Command (NAVFAC) is assigned responsibility for budgeting and funding initial outfitting requirements of naval facilities constructed under the Military Construction Program. Certain MWR facilities may be eligible for initial outfitting of recreation equipment from appropriated funds as determined by review on a case-by-case basis. All equipment items needed to provide a complete and usable facility are included as initial outfitting requirements with the exception of consumables or expendables, which are funded by Navy claimants as expense items in operating appropriations. NAVFAC, in conjunction with BUPERS, is responsible for requirements determinations of recreation equipment for initial outfitting. The initial outfitting of naval shore facilities is budgeted as collateral equipment under the Other Procurement, Navy (OPN); and the Operation and Maintenance, Navy and Navy Reserve appropriation dependent upon the expense/investment classification of the equipment.

c. Replacement/Augmentation

(1) Investment Items.

Recreation equipment meeting the criteria of investment items for both shipboard and Navy shore activity use (including open messes) is centrally budgeted and funded by BUPERS in the OPN appropriation. Investment items for Marine Corps activities are centrally budgeted and funded by Headquarters, Marine Corps in the Procurement Marine Corps (PMC) appropriation.

(2) Expense Items.

Recreation equipment meeting the criteria of expense items is budgeted by Navy claimants in operating appropriations. Shipboard equipment is funded from ship Operating Targets (OPTAR), and shore activity equipment is funded from activity operating budgets and NWCF activity military support resources (see par. 075524.5).

(Change 61)

**Section V:
MILITARY CONSTRUCTION**

075380 SCOPE

This section presents investment funding policy for the military construction programs. It includes guidance for installed equipment and supervision, inspection, and overhead (SIOH). An explanation of cost and scope variations

is provided as project restrictions to the appropriated amount of a construction requirement. Additional authorizations are discussed, such as, restoration of damaged or destroyed facilities, contingency projects, emergency projects and environmental response projects. To conclude the section, a paragraph is devoted to requirements funded outside the Military Construction appropriations.

(Change 62)

075381 DEFINITION

Construction is the erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; the acquisition of a facility, or the relocation of a facility from one installation to another. Construction includes equipment installed and made part of such facilities, the cost of land and rights therein (other than leasehold), related site preparation, excavation, filling, landscaping, and other land improvements.

(Change 48)

075382 INSTALLED EQUIPMENT

Installed equipment, sometimes called "built-in equipment," is accessory equipment and furnishings that are required for operation and affixed as a part of the building or facility. The equipment is engineered and built into the facility as an integral part of the final design and as an essential part thereof. Equipment of this category is considered part of the building or facility and is normally accounted for under real property class 2. The following items are typical examples:

1. furniture, cabinets, and shelving (built-in);
2. elevators and escalators;
3. heating, ventilating, and air-conditioning installations;
4. electric generators and auxiliary gear, including facility Uninterruptible Power Supply (UPS);
5. waste disposers such as incinerators;
6. chapel pews and pulpits.

The initial costs of procurement and installation of installed equipment are specifically defined as construction costs and shall be included in the cost of a construction project.

(Change 62)

075383 SUPERVISION, INSPECTION AND OVERHEAD

Supervision, Inspection, and Overhead (SIOH) costs included in the military construction program cover the costs indicated herein which are incurred at Naval Facilities Engineering Command (NAVFAC) Headquarters and each Engineering Field Division (EFD) for administrative services and supplies, and on-site services and supplies in connection with supervision and inspection of military construction. Included are costs of civilian personnel compensation, travel, transportation, training, printing and binding, rents, contractual services, supplies, materials, and equipment in the performance of the following:

1. studies and analyses of plans and specifications and conferences of construction design personnel to establish construction sequence and review design requirements;
2. participation of construction staffs in pre-award activity to acquaint prospective bidders with nature of work;
3. award and administration of construction contracts;
4. award and administration of contracts which provide for supervision and inspection;
5. establishment of benchmarks and baselines required for layout of construction;
6. review of shop drawings prepared by construction contractors for suitability and fit with construction by other trades and contractors;
7. assuring that construction is performed in compliance with plans and specifications by supervision and inspection of construction work and conferences with the contractor to coordinate various features of the project and endorse compliance with schedule;
8. negotiation with the contractor on all contract modifications, including preparation of all contract documents required therefore;
9. estimating quantities, determining periodic payments to contractors, and reviewing and approving contract payments, including any measurements required therefore by Government forces;
10. construction staffs review and approval of construction schedules and progress charts, as prepared by the contractor;
11. preparation of progress and completion reports;
12. NAVFAC Inspector General services related to the military construction program;
13. additional expenses incurred by the Government representing

liquidated damages assessed contractors as a credit offset against the contracts;

14. project management and administration not otherwise identified herein.

Detailed guidance on SIOH may be found in the Military Construction Financial Management Handbook (NAVSO P-1570).

(Change 62)

075384 PROGRAM RESTRICTIONS

1. AUTHORIZED AMOUNT.

Each statement of a construction requirement, or project, is documented on a Military Construction Project Data form (DD Form 1391), which delineates the scope of the facility and supporting features and provides an estimate of their costs. This DD Form 1391 is the basis upon which annual congressional hearings on projects are held and subsequent authorization is granted. The limitations placed on exceeding these amounts are discussed in the following paragraphs. The authorization for a project expires in two years unless there is a construction start. In order to start construction the project must not only be authorized; funds must also be appropriated for the project.

2. TYPES OF VARIATIONS.

Within the military construction program, cost variations are restricted by individual program amounts, by the scope of work approved by Congress for individual projects, and by additional items of congressional interest. The authorized cost variations are provided in 10 U.S. Code 2853 for Military Construction, Navy (MCON), 10 U.S. Code 2233 for Military Construction, Naval Reserve (MCNR) and within the provisions of each Military Construction Appropriation and Authorization Act. The criteria for evaluating a requirement to increase authorized amounts are that the cost variations:

- a. must be required for the sole purpose of meeting unusual variations in cost; and
- b. could not have been reasonably anticipated at the time the estimate was submitted to the Congress.

3. PROJECT COST VARIATION.

The cost authorized for a military construction project or the current working estimate of the cost of the project may be increased by not more than 25 percent of the amount appropriated for the project by Congress or \$2 million, whichever amount is less. If a cost variation is required above this amount, a written notification of the facts relating to the proposed

increased cost must be submitted by SECNAV for MCON projects to the appropriate committees of Congress. For MCNR projects, the notification will be submitted by NAVFAC. Without specific congressional approval, 21 days must elapse from the date of submission before approval can be assumed.

4. PROJECT SCOPE VARIATION.

A military construction project may not be placed under contract if, based upon bids received, the scope of work for the project, as approved by Congress, is proposed to be reduced by more than 25 percent. Exceptions can only be provided by Congress through the notification/approval process, as provided for project cost variations.

(Change 62)

075385 CONTINUING AUTHORIZATIONS

1. RESTORATION OF DAMAGED OR DESTROYED FACILITIES

a. MCON Projects.

Under the authority of 10 U.S. Code 2854, continuing authority exists for the use of military construction funds, for repair, restoration, or replacement of facilities damaged or destroyed. When a decision is made to carry out construction under 10 U.S. Code 2854 and the cost is greater than the maximum amount for a minor construction project, SECNAV must notify in writing the appropriate committees of Congress of the decision, the justification for the project, the current cost estimate, the source of funds and justification for carrying out the project under 10 U.S. Code 2854. Without specific congressional approval, 21 days must elapse after the notification has been received by the committees before approval can be assumed. Funding for approved restoration projects which meet the appropriate criteria may be obtained either by submission in an annual appropriations request if time permits or reprogramming of appropriated funds. Urgency is generally a precondition for reprogramming.

b. MCNR Projects.

The lump sum authorization as provided in 10 U.S. Code 18233 allows the guard and reserve components to construct their highest priority projects within the total amount authorized and appropriated. If a damaged facility is to be replaced or repaired using MCNR funds, a project is inserted into the program through a reprogramming action and 21 days notification to the appropriate committee of Congress. Funds to be used are derived from savings accrued or the deferral of a project in the overall MCNR program.

2. CONTINGENCY PROJECTS.

Within the amount appropriated for such purpose, SECNAV can carry out a military construction project not otherwise authorized by law, if SECDEF provides authority to do so and determines that deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security or national interest. SECDEF must submit a written report to Congress including project justification, the current cost estimate and additional justification for it being considered contingency construction. The project may be carried out only after specific congressional approval, or at the end of 21 days after congressional receipt of the request, approval can be assumed. The continuing authorization for contingency projects is provided only in the MCON program.

3. EMERGENCY PROJECTS.

SECNAV can carry out a military construction project not otherwise authorized by law if SECNAV determines that the project is vital to the national security and the requirement for the project is so urgent that deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security. After the determination has been made to carry out an emergency construction project, SECNAV must submit a written report to Congress on the project justification and cost estimate, additional project justification for it being considered emergency construction, and the source of funds. If specific congressional approval is not received, 21 days must elapse beginning on the date the notification is received by Congress before approval may be assumed. The SECNAV maximum obligational authority in any fiscal year for all emergency construction projects is \$30 million. An emergency construction project must be carried out within the total amount of unobligated funds appropriated for military construction. It is therefore necessary to obtain funding approval for each project by a reprogramming action. The continuing authorization for emergency projects is provided only in the MCON program.

4. ENVIRONMENTAL RESPONSE PROJECTS.

Within the amount appropriated for such purpose, SECNAV can carry out a military construction project not otherwise authorized by law, if SECDEF provides authority to do so and determines that project is necessary to carry out a response action under chapter 160 (Environmental Restoration) of 10 U.S. Code or under the Comprehensive Environmental Response, Compensation and Liability Act of 1980. SECDEF must submit a written report to Congress including project justification, the current cost estimate and the justification for it being considered environmental response construction. The project may be carried out only after specific congressional approval, or at the end of 21 days after congressional receipt of the request, approval can be assumed.

5. INCREMENTALLY FUNDED MILITARY CONSTRUCTION PROJECTS.

As an exception to the full funding policy, OMB Circular A-11 allows construction projects to be incrementally funded if the following criteria are satisfied:

- (a) Estimated cost of proposed project is \$50 million or more
- (b) Construction schedule is 24 months or more
- (c) Incrementally funded contracts conform with the FAR to prevent over-obligation of the government
- (d) Configuration of the contract in separate increments will not significantly increase the cost of the project

Projects proposed for incremental funding must be fully justified during the annual DON budget review. If approved, the DON will request a waiver from the full funding policy from OSD. Authorization for the total cost of the project will be requested in the first year, but authorization of appropriation and appropriation of funds will be requested only for the increment being funded in the budget year. If the request is disapproved by the Deputy Secretary of Defense for lack of adherence to the above policy, the projects must be fully funded through offsets from the DON.

(Change 65)

075386 EXCLUSIONS

1. CERTAIN MINOR CONSTRUCTION PROJECTS.

- a. Minor construction projects for the active forces which cost \$750,000 or less are eligible for financing from appropriations available for operation and maintenance. Cost computation should include the value of Supervision, Inspection, and Overhead (SIOH). Approval authority for this category of minor construction has been delegated to the major claimants. This includes projects at Government-owned and Government-operated research and development activities to be funded within the Research, Development, Test and Evaluation, Navy (RDT&E,N) appropriation, and projects in support of NWCF to be funded by NWCF. Projects approved at a cost of \$750,000 or less are constrained in total cost, and if during execution it appears that an approved project will exceed the limitation, no work may proceed which will create obligations of the Government in amount in excess of the limitation. Immediate notification to the Chief of Naval Operations or the Commandant of the Marine Corps is required in order to obtain necessary authorization, dependent upon the revised estimated cost. Minor construction projects for the reserve forces which cost \$750,000 or less are eligible for financing from appropriations available for operation

and maintenance, with approval from the Chief of Naval Reserve or Commanding General, Fourth Marine Division as appropriate.

b. Minor construction includes any urgently required construction project not otherwise authorized by law having a cost equal to or less than \$1.5 million. However, if the military construction project is intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening, a minor military construction project may have an approved cost equal to or less than \$3 million. Minor construction projects costing more than \$750,000 may not be carried out unless 10 U.S. Code 2805 requirements are met. This includes advance approval by SECNAV and the 21-day notification to the Congress. An unspecified minor construction project intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening, up to \$1.5 million may be funded from operation and maintenance accounts.

2. SUSTAINMENT, RESTORATION AND MODERNIZATION PROJECTS.

a. Sustainment has the effect of merely keeping the facility in the customary state of operating efficiency without expectation of added future benefits. Thus, sustainment of a real property facility is classified as an expense. This includes the replacement of facility components, including that equipment which is installed or built-in as an integral part of the facility (included within Class 2 property).

b. Restoration of a facility is also classified as an expense. Under 10 U.S. Code 2811, facility repair projects costing more than \$5 million must be approved by the Secretary of the Navy in advance. The following criteria should be considered when categorizing facility repair projects:

(1) -Sustainment means the recurring, day-to-day, periodic or scheduled work required to preserve the real property in such condition that it may be used for its designated purpose.

(2) -Restoration means the restoration of real property to such a condition that it may be used for its designated purpose. Restoration includes repair or replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes.

(3) -Modernization means the alteration or replacement of facilities solely to implement new or higher standards, to accommodate new functions, or to replace building components that typically last more than 50 years (such as the framework or foundation).

3. RELOCATABLE FACILITIES

a. General.

A building meeting the criteria of relocatability may be included in a construction project as an unfunded cost under the restrictive conditions specified in the current issuance of OPNAVINST 11010.20, Facilities Project Manual.

b. Definition.

A relocatable building is one designed for the specific purpose of being readily moved, erected, disassembled, stored, and reused. All types of buildings designed to provide relocatable capabilities, including trailers, fall within this definition with the exception of shelters and building types and forms which are provided as an integral part of a mobile equipment item and which are incidental portions of such equipment components, such as communications vans or trailers.

c. Budget Policy.

Unless relocatable buildings are specifically authorized for procurement using military construction funds, they are budgeted in the Other Procurement, Navy, and Procurement, Marine Corps appropriations, as appropriate, and classified as personal property. The efforts required to render the relocatable facility usable as an interim facility, i.e., site preparation, foundations, exterior utilities, etc. are funded by the same appropriation used to procure the relocatable building. The cost of refurbishing, packaging, transporting, and erecting Navy-owned relocatable buildings used for interim requirements are unfunded costs of the construction project and financed by appropriations and funds available for expense. The expense costs normally are financed by the claimant requiring the interim facility.

4. PERSONAL PROPERTY

Personal property, sometimes called "plant equipment," or "equipment in place," is defined as accessory equipment and furnishings that are movable in nature and not affixed as an integral part of the facility. The costs associated with procurement of personal property are not construction. These costs are expense or investment based on the criteria provided in par. 075001. Further guidance on personal property is contained in par. 075361.

(Change 67)

075387 DEMOLITION WORK

1. GENERAL

Demolition not associated with a replacement project is financed from funds available for expenses.

2. CONSTRUCTION

The demolition of facilities and other structures in preparation for new construction is financed as a part of the construction project with the same funds used to finance the construction project.

3. WORKING CAPITAL FUND ACTIVITIES

DoD 7000.14-R, Financial Management Regulation, Volume 11B, Chapter 62 provides guidance on the treatment of demolition costs at working capital fund activities.

(Change 66)

PART D: RESEARCH, DEVELOPMENT, TEST AND EVALUATION (RDT&E) FUNDING POLICY

075400 SCOPE

This section contains budget and funding policy for the Research, Development, Test and Evaluation, Navy (RDT&E,N) appropriation which supports both Navy and Marine Corps programs. Categories of RDT&E work and the incremental programming policy are explained in detail. Several specific definitions of RDT&E work are provided and followed by an analysis of costs funded by RDT&E,N, RDT&E support costs funded by other appropriations, and cost determinations in special situations.

(Change 48)

075401 CATEGORIES OF RDT&E WORK

1. GENERAL.

The RDT&E program is divided into seven categories that correspond to the respective budget activities.

2. BUDGET ACTIVITY 1, BASIC RESEARCH.

Basic research is defined as systematic study directed toward greater knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications towards processes or products in mind. It includes all effort of scientific study and experimentation directed toward increasing fundamental knowledge and

understanding in those fields of the physical, engineering, environmental, and life sciences related to long-term national security needs. It provides farsighted, high payoff research that provides the basis for technological progress. It forms a part of the base for: (a) subsequent applied research and advanced technology developments in Defense-related technologies, and (b) new and improved military functional capabilities in areas such as communications, detection, tracking, surveillance, propulsion, mobility, guidance and control, navigation, energy conversion, materials and structures, and personnel support. Program elements in this category involve pre-Milestone A efforts.

3. BUDGET ACTIVITY 2, APPLIED RESEARCH

Applied research is defined as systematic study to gain knowledge or understanding necessary to determine the means by which a recognized and specific national security requirement may be met. It is a systematic application of knowledge toward the production of useful materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet general mission area requirements. Applied research translates promising basic research into solutions for broadly defined military needs, short of development projects. This type of effort may vary from systematic mission-directed research beyond that in Budget Activity 1 to sophisticated bread-board hardware, study, programming and planning efforts that establish the initial feasibility and practicality of proposed solutions to technological challenges. It includes studies, investigations, and non-system specific technology efforts. The dominant characteristic of this category of effort is that it be pointed toward general military needs with a view toward developing and evaluating the feasibility and practicability of proposed solutions and determining their parameters. Applied Research precedes the system specific research described in DODD 5000.1. Program control of the Applied Research program element will normally be exercised by general level of effort. Program elements in this category involve pre-Milestone B efforts, also known as Concept and Technology Development phase tasks, such as concept exploration efforts and paper studies of alternative concepts for meeting a mission need. Not all pre-Milestone B efforts are funded in Budget Activity 2. Some efforts are introduced by field activities.

4. BUDGET ACTIVITY 3, ADVANCED TECHNOLOGY DEVELOPMENT.

Advanced Technology Development (ATD) includes development of subsystems and components and efforts to integrate them into system prototypes for field experiments and/or tests in a simulated environment. The results of this type of effort are proof of technological feasibility and assessment of operability and producibility rather than the development of hardware for service use. Projects in this category have a direct relevance to identified military needs. ATD is used to demonstrate the general

military utility or cost reduction potential of technology when applied to different types of military equipment or techniques. Program elements in this category involve pre-Milestone B efforts, such as system concept demonstration, joint and Service-specific experiments or technology demonstrations. Not all pre-Milestone B efforts are funded in Budget Activity 3. Some efforts are introduced by field activities. Projects in this category do not necessarily lead to subsequent development or procurement phases.

5. BUDGET ACTIVITY 4, ADVANCED COMPONENT DEVELOPMENT AND PROTOTYPES.

The Advanced Component Development and Prototypes (ACD&P) phase includes all efforts necessary to evaluate integrated technologies, representative modes or prototype systems in a high fidelity and realistic operating environment. The ACD&P phase includes system specific efforts that help expedite technology transition from the laboratory to operational use. Emphasis is on proving component and subsystem maturity prior to integration in major and complex systems and may involve risk reduction initiatives. Program elements in this category involve efforts prior to Milestone B and are referred to as advanced component development activities and include technology demonstrations. Completion of Technology Readiness Levels 6 and 7 should be achieved for major programs. Program control is exercised at the program and project level. A logical progression of program phases and (development and/or production) funding must be evident in the FYDP.

6. BUDGET ACTIVITY 5, SYSTEM DEVELOPMENT AND DEMONSTRATION.

The System Development and Demonstration (SDD) phase includes those projects that have passed Milestone B approval and are conducting engineering and manufacturing development tasks aimed at meeting validated requirements prior to full-rate production. SDD is characterized by major line item projects and program control will be exercised by review of individual programs and projects. Prototype performance is near or at planned operational system levels. Characteristics of this budget activity involve mature system development, integration and demonstration to support Milestone C decisions, and conducting live fire test and evaluation (LFT&E) and initial operational test and evaluation (IOT&E) of production representative articles. A logical progression of program phases and (development and/or production) funding must be evident in the FYDP consistent with the Department's full funding policy.

7. BUDGET ACTIVITY 6, RDT&E MANAGEMENT SUPPORT.

RDT&E Management Support includes research, development, test and evaluation efforts directed toward sustaining or modernizing installations or operations required for general research, development, test and

evaluation. Included are test ranges, military construction, maintenance support of laboratories, operation and maintenance of test aircraft and ships, and studies and analyses in support of the RDT&E program. Costs of laboratory personnel, either in-house or contractor operated, would be assigned to appropriate projects or as a line item in the Basic Research, Applied Research, or Advanced Technology Development program areas, as appropriate. Military construction costs directly related to a major development program will be included in the appropriate element.

8. BUDGET ACTIVITY 7, OPERATIONAL SYSTEM DEVELOPMENT.

Operational System Development includes development efforts to upgrade systems that have been fielded or have received approval for full rate production and anticipate funding in the current or subsequent fiscal year. All items in this area are major line item projects that appear as RDT&E Costs of Weapon System Elements in other programs. Program control will be exercised by review of individual projects. Program Elements in this category involve systems that have received Milestone C approval. A logical progression of program phases and (development and/or production) funding must be evident in the FYDP, consistent with the Department's full funding policy.

(Change 67)

075402 INCREMENTAL FUNDING POLICY

1. POLICY.

The Department of the Navy (DON) policy is to program RDT&E effort on an annual incremental funding basis as opposed to the fully funded basis on which procurement programs are developed. The objective of this policy is that the DON RDT&E,N effort shall be funded in increments coincident with the Government fiscal year, except as provided below, and that budget estimates shall be formulated accordingly. The Incremental Programming Policy (IPP) is a budgeting technique which generally should be followed throughout the programming and budget formulation cycle and during execution. However, this policy is specifically intended to be flexible in order to accommodate the execution of highly complex programs funded by the RDT&E,N appropriation which is legally available for obligation for 2 fiscal years. It is recognized that late appropriations, fund deferrals, technical difficulties, and other reasons may make obligation of funds by the end of the first 12 months increment (i.e., 30 September of the budget year) impractical. Therefore, exceptions to IPP are discussed below. IPP is a Departmental budgeting policy, therefore failure to follow the policy prescribed in this paragraph is an administrative infraction only, and is not a violation of 31 U.S. Code 1301(a), if the funds are obligated within the 2-year availability of the appropriation and are otherwise appropriate as to purpose.

2. GUIDANCE FOR BUDGET FORMULATION

a. General.

The budget year estimates of the financing needed (amounts to be programmed) for individual RDT&E projects, to be performed by agencies of the Government or by contractors, will be formulated to cover all costs expected to be incurred during the 12-month period, except for specific exclusions, provided that the costs are incurred only to further the project toward its objective during that increment of the total project schedule. The term "cost" includes not only the estimate of actual costs to be incurred during the prescribed incremental time period, such as salaries and wages to be paid for work to be performed and material to be consumed, but also includes all other liabilities which will accrue to the Government and which have to be created during the time period in furtherance of the project, such as subcontracts to be awarded and lead time orders to be placed for project-related material and equipment which cannot be incremented. However, for a major weapon system, with a development program in excess of \$200 million, which is being developed under a multiyear prime contract, first tier subcontracts costs which may be included in an increment are those for a 12-month period extending not more than 12 months beyond the end of the fiscal year of the prime contract increment, if the subcontract is a cost-reimbursement contract of \$5 million or more. Total first tier subcontract costs may be included in an increment of the prime contract if the subcontract is a fixed-price contract or is less than \$5 million. Example 1 on chart shows funding coincident with fiscal year. Examples 2 and 3 show incremental variations for short-term contracts.

b. Short-Term Contracts.

For projects performed by private concerns in which full completion of contract is expected within a maximum period of 18 months, and where either:

- (1) it is considered that there is no logical way to divide the work, and therefore, it is in the best interests of the Government to finance the contract in full; or
- (2) it is expected to be clearly infeasible to limit the contract to a shorter period; or
- (3) the planned technical effort makes it clearly evident that no responsible contractor can be found who will accept the contract for a less-than-completion increment;

the budget estimates may provide for financing of more than 12 but not to exceed 18 months (Example 4 on chart).

c. Multiple-Year Contracts.

In many projects, especially those involving a major weapons system or complex components or subsystems, the contract(s) with private concerns normally are awarded for the full development effort or for phases of the development effort and cover a performance period longer than 1 year. In these cases, the budget estimate for the contract effort shall not exceed that necessary to cover "costs to be incurred" for contract performance for an incremental period not to exceed 12 months. Budget estimates for multiyear contracts, wherever possible, should be structured so that as soon as possible in the life of the contract the funded increment will be coincident with the 12-month period beginning in October (Example 6 on chart). Where budget estimates cannot anticipate contract award in October, the initial incremental period should be less than 12 months (Example 7 on chart). On an exception basis, the first budget increment may extend no more than 3 months beyond the fiscal year (Example 8 on chart). In addition, there may be rare exceptional cases where extraordinary factors prevent the prescribed phasing so that it is necessary that each 12-month increment extend beyond the end of each fiscal year (Example 9 on chart). In all such exceptional cases, approved specifically by the Secretary of the Navy, the period of the budget estimate for a major weapon system may extend up to 3 months beyond the fiscal year.

d. By Educational Institutions.

In cases of projects included within the research category which are to be performed by educational institutions, or by institutions affiliated with educational institutions, where it is considered in the best interest of both the Government and the institution to provide necessary stability to attract and retain the required skilled personnel to work on problems of vital interest to the Department of the Navy, the budget estimate may provide for initial financing of such research projects up to a maximum increment of 36 months from date of contract award (Example 11 on chart). Subsequent to the initial increment, budget estimates for renewal increments of such projects will be limited to not more than 12 months from date of renewal (Example 12 on chart).

e. Government-Owned RDT&E Installations.

The budget estimates covering the cost of operation and maintenance of Government-owned research, development, test and evaluation installations which are funded on an institutional basis under operating budgets (block funded) will provide for financing of such installations on an annual basis coincident with the fiscal year of appropriation (Example 13 on chart). In the case of multiyear tasks and projects to be awarded to Government installations by reimbursable work order, the budget estimate for the initial and each subsequent increment will

provide financing to cover the cost of installation labor, material and support to carry on the task or project for no more than a 12-month period. This period may not extend beyond the first 3 months of the year succeeding the budget year (Example 14 on chart). Contracts administered by a Government research, development, test and evaluation installation not in direct support of in-house effort shall be budgeted in accordance with subpars. b and c. Service and other contracts directly supporting in-house effort shall be budgeted in the same incremental manner as in-house effort except where incrementing is not feasible.

f. Federal Contract Research Center.

Budget estimates shall provide funding for a 12-month increment coincident with the Government fiscal year.

3. GUIDANCE FOR BUDGET EXECUTION.

Although the RDT&E,N appropriation is legally available for obligation for 2 fiscal years, the objective is to use these funds during the initial year of availability. If the budget could be executed precisely in accordance with the formulation plan, all funds would be obligated by the end of the first fiscal year and the major portion would have been disbursed. When because of late appropriations, fund deferrals, significant technical difficulties, protracted negotiations, and other reasons at either the headquarters RDT&E funds administering office or the performing activity, it may not be possible to execute a project as programmed and budgeted, the 2-year availability of the RDT&E appropriation for obligation provides for flexibility. If the award of a planned new contract, or the issuance of a reimbursable order, is not possible until the second year of availability, the preferred action is to restructure the funding plan to utilize the original funding in the first year of availability for urgent deficiencies elsewhere in the program and to use the following year appropriation to fund new contracts or orders. However, if adequate funds in the succeeding year's budget make it mandatory that funds be used in the second year of availability they may be used to fund new short term contracts for increments up to 18 months (Example 5 on chart), the first increment of a new multiyear contract or reimbursable order or extensions of existing contracts, orders and operating budgets which will not extend beyond the second year of availability of the appropriation. Funds for multiyear contracts or orders appropriated in the second year may be used to fund the second increment of the contract or order provided conformance with the incremental programming policy is attained by the end of the succeeding year (Examples 10 and 15 on chart).

RDT&E INCREMENTAL FUNDING

	Formulation	Execution	BY (CY) ONDJFMAMJJAS	BY + 1 (BY) ONDJFMAMJJAS	BY + 2 (BY + 1) ONDJFMAMJJAS	COMMENT
Short-Term Contract						
Example 1.....	X					Coincident with the FY (objective).
Example 2.....	X					Not coincident with the FY.
Example 3.....	X					All effort within part of the FY.
Example 4.....	X					Award made late in FY; maximum permitted duration is 18 months.
Example 5.....		X				Award made in second year of availability; maximum permitted duration is 18 months. Budget cannot be based on this type of funding plan.
Multiyear Contract						
Example 6.....	X					Coincident with the FY (objective).
Example 7.....	X					First increment made to coincide with end of FY.
Example 8.....	X					Exception: SECNAV approval is required if this pattern is used in budget formulation where the first increment extends beyond the end of the first year and the second increment is made to coincide with the end of the second year. Difficulties in execution may require this pattern.
Example 9.....	X					Exception: SECNAV approval is required if this pattern is used in budget formulation, where the increments are not coincidental with the fiscal year. Difficulties in execution may require this pattern.
Example 10.....		X				Award made in second year of availability; funding pattern as shown in example 6 restored by end of next succeeding FY. Budget cannot be based on this type of funding plan.
Research Contracts – Educational Institutions						
Example 11.....	X					Maximum duration of initial increment is 36 months from date of award.
Example 12.....	X					Maximum duration of any increment after the initial increment is 12 months from date of renewal.
Government Installation						
Example 13.....	X					Institutional funding.
Example 14.....	X					Reimbursable orders; planned increment may extend up to 3 months into the following FY.
Example 15.....		X				Reimbursable order issued in second year of availability; second increment funded in second year of availability, maximum duration is 6 months of the following FY. Budget cannot be based on this type of funding plan.

4. BUDGETING FOR TERMINATION LIABILITY.

The legal requirements of the Antideficiency Act and the long-standing policy of not committing a successor Congress to a course of action make it necessary for the unliquidated obligations for an incrementally-funded, multiple-year contract to be sufficient at all times to cover the cost of terminating that contract for the convenience of the Government. Budgeting to cover termination liability will not increase the total program amount. It will instead require that distribution of funds by fiscal year be shifted more towards the earlier years of the contract than if funds had been budgeted only to cover the actual bill to be paid in each year. The fiscal year distribution of funds shall be such that, if a contract is terminated at any point during the fiscal year, all termination costs can be financed from the unliquidated obligation on the contract without recourse to reprogramming of funds, supplemental appropriations, or awaiting the appropriation of funds for the succeeding fiscal year increment. With the exception of the following two circumstances (which are to be used rarely), all programs shall adhere to this policy.

- a. Special Termination Cost Clause (STCC). The use of an STCC in fixed-price incentive contracts and incrementally-funded cost reimbursement contracts is permitted by DoD FAR Parts 249.50170 and 252.249-7000. If contracts containing an STCC are terminated prior to completion, the special termination charges are to be covered by the unobligated balance of the applicable appropriation, subject to any required congressional reprogramming approval. The extent to which the STCC can be used is limited to the ability of the DON to cover expected termination costs from unobligated balances. Under the STCC, a recordable obligation arises at the time the contract is actually terminated. If a proposed STCC would require an above threshold reprogramming action as a result of program termination, the approval to use the STCC shall be obtained from the USD (Comptroller). Each STCC, regardless of dollar amount, requires prior notification of the House and Senate Appropriations Committees.
- b. Statutory Waivers. If a program is exempted by Public Law from the requirement to budget for termination liability, the fiscal year increments may be budgeted on a pay-as-you-go basis, providing only sufficient funds to cover disbursements anticipated in that fiscal year. When this situation arises, however, the budget exhibits for the program shall clearly indicate the value of the unfunded termination liability by year for the current, budget and outyears covered by the FYDP.

5. RDT&E,N LEGAL RESTRICTIONS.

The Incremental Programming Policy does not establish any additional legal restrictions beyond those already adhering to the RDT&E,N appropriation, i.e., funds are available for obligation for a period of 2 years and only for the purposes justified to and approved by the Congress. Therefore, there can be no violation of 31 U.S. Code 1301(a), in the RDT&E,N appropriation if an obligation occurs during the 2-year availability and is otherwise appropriate as to purpose. However, in regard to the application of this incremental programming policy, the absence of violations of law does not diminish the seriousness of infractions against the policy. Officials disregarding the policy as expressed herein expose themselves and the Department of the Navy to substantial criticism, potential reprimand, and future funding reductions to subject programs.

6. ADMINISTRATION OF THE POLICY.

Administering offices holding RDT&E,N allocations will be responsible for adherence to this policy in formulating and executing assigned segments of the appropriation. This includes responsibility for authorizing in-house work at field activities under operating budgets and reimbursable orders. The incremental programming policy does not impose any additional restrictions on field activities beyond those normally entailed in the acceptance of operating budgets and reimbursable orders except where the field activity is acting as a contracting agent. Contracts are to be administered by field activities subject to the guidelines established in subpar. 2 as modified for the exigencies of execution in subpar. 3.

(Change 67)

075403 PROGRAM AND BUDGET COSTS

1. SCOPE.

This paragraph establishes definitions, policy, and cost criteria for classifying the financial resources to support Department of the Navy (DON) RDT&E programs. This guidance shall be used to define the content of the RDT&E,N appropriation.

2. DEFINITIONS.

As used in this paragraph, definition of terms follows:

Development Test and Evaluation (DT&E) - Test and evaluation conducted to assist the engineering design and development process and to verify attainment of technical performance specifications and objectives.

Operational Test and Evaluation (OT&E) - Test and evaluation conducted to estimate a system's operational effectiveness and

operational suitability, identify needed modifications, and provide information on tactics, doctrine, organization and personnel requirements.

Initial Operational Test and Evaluation (IOT&E) - The early phase, or phases, of the normally longer overall OT&E program, conducted before commitment of a system to production, to provide a valid estimate of expected system operational effectiveness and suitability (including compatibility, interoperability, reliability, maintainability, and logistic and training requirements).

Follow-on Operational Test and Evaluation (FOT&E) - The latter phase, or phases, of the overall OT&E, conducted after commitment of a system to production to ensure that production items meet operational effectiveness and suitability thresholds, and to meet readiness and performance goals.

Prototype - An item representative of the intended production configuration utilized in IOT&E.

Product Improvement - All efforts of a research, development, design, or engineering nature which have the objective of improving major end items of components or major end items.

Aircraft Engine Component Improvement Program (CIP) - While logically included within Product Improvement, this is a specialized term which applies only to RDT&E,N-financed improvement of aircraft engines.

Government Acceptance of the First Procurement Funded Aircraft - One of the two minimum requirements for initiation of CIP funding, referring to the date when the Government formally accepts delivery of the first aircraft funded under Procurement appropriations.

R&D Installation/Activity - Those installations or activities whose support and operating costs are financed predominantly with RDT&E funds.

Special Support Costs - Those acquisition or hardware costs, other than those associated with the test item subject, which are incurred in direct support of the test and evaluation effort, such as special range instrumentation costs.

Command Support Costs - The additive "people-related" costs of the command and operational units providing collateral support to the test and evaluation effort, such as per diem pay, travel allowances, overtime, etc.

Preliminary Design Costs - Those costs incurred in the early stages of shipbuilding programs to produce a design that, on a performance or

requirements basis, approaches the DON goal.

Contract Design Costs - The phase of shipbuilding programs, following preliminary design, to produce a design, which carries the equipment specifications necessary to meet the DON requirements.

Detail Design Costs - The final design effort on ships normally performed in conjunction with lead-ship construction.

Approval for Production - The major milestone in a development program which represents the formal approval of an item for production for operational use by the Service forces. In some instances items are approved for production with qualifying restrictions or provisions pending correction of specific development deficiencies. In such instances the cost of funding the correction and test must be determined on a case-by-case basis. Typically, all post-production approval effort will be funded in the Procurement appropriations.

Unique Joint Test and Evaluation (JT&E) Costs - JT&E costs such as: feasibility determination of proposed joint tests; the provision for test design and planning support for joint tests selected; the development, procurement, installation, and operation of special instrumentation; transportation, travel, and per diem costs for the Test Director's staff; the modification of test articles as surrogates and to permit obtaining test data; transportation of equipment from permanent bases to the test site and return; and the provision for data collection/collectors, data reduction, analysis, and test reporting services. Transportation and per diem of participating personnel and maintenance and supply costs are not considered unique.

Performance Envelope - The demonstrated capability of a system, system components and special purpose software to perform its mission in relation to essential characteristics such as: speed, range, payload, altitude, rate of fire, etc.

3. COST FUNDED BY RDT&E,N.

Generally, all RDT&E-related effort should be funded in the RDT&E,N appropriation so that it can be assessed from a priority standpoint with other research and development programs. Gray areas are to be resolved in favor of RDT&E funding. Contractual Services and other costs, such as Government personnel, supplies, material, equipment and instrumentation are included.

a. General.

The conduct and support of RDT&E includes basic research, applied research, theoretical studies, scientific experiments, feasibility studies, design studies, engineering studies, related weapon studies, operational

and cost/effectiveness studies and analyses, definition studies, the various systems development stages, and related test and evaluation.

b. Test Articles.

RDT&E test articles include the development, engineering, design, purchase, fabrication, or modification of experimental development, test, evaluation, or prototype articles (including end-items, weapons, equipment, components, or materials) in the quantities required to support testing in the conduct of approved RDT&E programs. Costs related to test articles also include any related design and manufacturing engineering, tools, tooling, and facilities necessary for the fabrication of a specific article under realistic conditions essential for reliable test results leading to approval of the end product for operational use. All items expected to be consumed or used solely in R&D developmental or operational test and evaluation will be financed by RDT&E appropriations. If the asset, originally procured for testing, will subsequently be fielded for operational use, then procurement funding should be used. Ammunition and tactical missiles, otherwise procured in quantity for inventory under existing procedures, may be issued on a priority basis for use in R&D testing without reimbursement.

c. Product Improvement.

RDT&E,N-financed product improvement includes the research, development, engineering, testing and evaluation effort related to redesign of major end-items and major components (currently in production or in the operational inventory) to increase the current performance envelope in order to extend the useful military life of such items.

d. Aircraft Engine Component Improvement Program.

The aircraft engine component improvement program (CIP) is funded by the RDT&E,N appropriation to provide for continuing improvements in the areas of reliability, maintainability, durability, correction of service-revealed deficiencies, time-between-overhaul, etc. The criteria for CIP is established at the point in time when there has been a Government acceptance of the first procurement funded item, and the item has successfully completed stringent qualification verification or testing to demonstrate initial production suitability.

e. Development Test and Evaluation (DT&E).

Development and pre-production prototypes will be RDT&E,N financed and used for DT&E, including scientific, technical and weapons effects tests.

f. Initial Operational Test and Evaluation (IOT&E).

Development and pre-production prototypes will be RDT&E,N financed and used for IOT&E. If it should be necessary to acquire a limited number of special pilot items from a pilot production line so as to provide the necessary representativeness, costs for establishing the initial pilot line and for these test items will be RDT&E,N funded. Retention of a pilot production line following a production decision is funded by Procurement appropriations.

g. Equipment or Instrumentation.

The provision of equipment or instrumentation required for RDT&E effort includes its development, design, purchase, installation, and acceptance testing. Installation includes directly related foundations, shielding, environmental control, weather protection, structural adjustments, utilities and access. Included are land-based or sea-based combat system test installations required to conduct DT&E and IOT&E when necessary on the combat system of a new ship class. Installation costs are excluded from RDT&E,N financing if the effort is accomplished concurrently with a military construction project. In these instances, the Military Construction appropriation finances the installation cost. To the extent that the installation cost exceeds \$500,000 and occurs at a government activity, no new facility or physical outer dimension expansion to an existing facility shall result from an RDT&E,N funded installation project.

h. Contractor Operated Facilities.

The support of contractor RDT&E effort at Government-owned and contractor-operated industrial facilities includes the costs of specialized equipment, instrumentation, and facilities projects. Statutory authority contained in 10 U.S. Code 2353 provides for the use of RDT&E,N funds as follows:

- (1) a contract for research or development, or both, may provide for the acquisition or construction by, or furnishing to, the contractor, of research, developmental, or test facilities and equipment that the Secretary of the Navy determines to be necessary for the performance of the contract. The facilities and equipment, and specialized housing for them may be acquired and constructed at Government expense and may be loaned or leased to the contractor with or without reimbursement, or may be sold to him at fair value. This section does not authorize new construction or improvements having general utility;
- (2) facilities that would not be readily movable or separable without unreasonable loss of value may not be installed or

constructed under this section on property owned by the United States, unless the contract contains:

- (a) a provision for reimbursing the Government for the fair value of the facilities at the completion or termination of the contract or within a reasonable period of time thereafter;
- (b) an option in the United States to acquire the underlying land; or
- (c) an alternative provision that the Secretary of the Navy considers to be adequate to protect the interests of the Government in the facilities;

(3) proceeds of sales or reimbursements under this section shall be paid into the Treasury as miscellaneous receipts, except to the extent otherwise authorized by law with respect to property acquired by the contractor;

(4) authority to make the required determination by the Secretary of the Navy is delegated as set forth in the Navy Acquisition Procedures Supplement (NAPS) 5245.302 for projects under \$3 million. Projects exceeding \$3 million require OSD approval, in accordance with DFARS 245.302-1, in addition to Secretarial determination.

i. RDT&E Activities.

RDT&E,N financing is appropriate for the operation and maintenance expenses of organizations/activities (including those operated by contract) which are classified as R&D activities because they are engaged in the conduct of the RDT&E program or primarily engaged in its management, administration, and direct support. This includes costs of end-items, weapons, equipment, components, materials, services, salaries, and base operations support of direct R&D effort, including minor construction projects within the dollar amount authorized for operating appropriations. Installation costs of equipment, when accomplished concurrently with a military construction project, will be financed by the Military Construction appropriation financing the construction project. The salaries of R&D activity personnel who are performing technical work within the scope of a properly funded RDT&E,N reimbursable order or expense operating budget are properly chargeable to the RDT&E,N appropriation, regardless of where the work is performed (e.g., contractor's plant, departmental headquarters, program management offices). Base operations not in direct support of R&D effort are funded by Operation and Maintenance appropriations. This includes common support costs under host-tenant agreements; support of military facilities such as barracks, BOQs, and chapels; and support of

morale, welfare, and recreation activities. (See Part B, Section II, of this Chapter.)

j. Aircraft and Ships Assigned RDT&E Missions.

The support of aircraft, service craft, and ships which are not part of the operating forces because they are assigned to Program VI (RDT&E) in the Future Years Defense Program includes all costs of operation and maintenance, such as flying-hours and depot level maintenance for aircraft, and steaming, alteration, overhaul, activation/inactivation for ships. Requirements for commercial charter and/or hire of ships and aircraft are also included when the primary purpose of the charter and hire is to support RDT&E,N funded projects.

k. Shipbuilding Design.

The support of ship building design includes preliminary design and contract design costs as follows:

- (1) preliminary design refers to costs incurred in definition of a ship's mission and performance parameters within limitations of technical feasibility that should result in a design which, on a performance-basis or requirements-basis, approaches the Navy's goal;
- (2) contract design follows preliminary design and refers to the tasks that expand preliminary design and engineering to establish configurations for a bid package containing the contract plans and specifications necessary to meet the Navy requirements for the ship contract.

l. Prototype Training Devices.

The development and initial acquisition of a training device are considered to be RDT&E program costs. The prototype training device, including its Government-furnished equipment and support, is funded by the RDT&E,N appropriation until formal Government acceptance of the device. The RDT&E,N account will not fund beyond the initial system unless more than one system is required to demonstrate the training device performance. However, the RDT&E,N appropriation does finance the development cost of enhancing performance capability of devices already in inventory.

m. Manufacturing Technology.

The Manufacturing Technology (MT) program, which demonstrates factory application of new or improved technology in producing defense items, will be RDT&E,N financed.

n. Development Efforts Related to Future Leased Services.

When the ultimate product to be procured by the Government is a leased service budgeted and funded in an Operation and Maintenance appropriation, and the provider of the service requires up-front funding in order to design or develop major changes or improvements to meet the Government's requirement, then the costs of such development efforts will be budgeted and funded in the RDT&E,N appropriation.

4. RDT&E SUPPORT BY OTHER APPROPRIATIONS

a. Military Construction.

The Military Construction, Navy appropriation provides for construction projects in excess of \$750,000 at Government-owned and Government-operated R&D activities.

b. Military Personnel.

The Military Personnel appropriations finance the cost of military personnel assigned to support RDT&E projects.

c. Family Housing.

Costs of construction, operation, and maintenance of family housing at R&D installations and activities are financed by the Family Housing, Navy and Marine Corps appropriation.

d. General Use Vehicles at R&D Activities.

Requirements at R&D activities for general use vehicles in the Navy inventory are financed by using Other Procurement, Navy (OPN), Budget Activity 5, Civil Engineering Support Equipment funding, and are a responsibility of the Naval Facilities Engineering Command. The RDT&E,N appropriation, however, would appropriately finance the cost of a vehicle, trailer, or item of equipment required solely for a specific RDT&E purpose.

e. Departmental Headquarters Support.

Expenses of R&D management and administrative organizations at major systems commands, headquarters organizations and administrative organizations at DON departmental headquarters levels will be financed in the Operation and Maintenance (O&M) appropriations. However, support services obtained from in-house field activities or by contract are considered direct RDT&E support costs and are funded by the RDT&E,N appropriation when integral to the execution of RDT&E programs. Additionally, travel of department-level personnel may be funded by the RDT&E,N appropriation when integrally related to the technical execution of a specific RDT&E project (see par. 075183).

f. Fleet Support.

The operating cost of Fleet aircraft and ships in support of DT&E and IOT&E is financed from Operation and Maintenance appropriations by Fleet Commanders as Fleet operations costs. However, reimbursement to the Fleet from the RDT&E,N appropriation is authorized for command support and special support costs incurred in connection with DT&E and IOT&E.

g. General Procurement.

Articles (including major end-items, weapons, equipment, components, and materials) of types regularly procured to meet established general requirements may be assigned or allocated on a priority basis for use in support of approved R&D programs, and if not consumed in testing, may be financed by Procurement appropriations. These articles may include those which are normally procured for operational use, operational training, or for inventory. If the article is procured and utilized prior to being received into physical inventory or operational use, then proper records must be established and maintained to assure accountability. This policy applies to all investment items of equipment, including assemblies, spares and repair parts subject to centralized individual item management (Appropriation Purchases Account and Marine Corps Appropriation Stores Account). The RDT&E,N appropriation will finance any costs necessary to return the item to serviceable condition following test activities. Reimbursement by the RDT&E,N appropriation is also required if the items cannot be returned after use.

5. NON-RDT&E RELATED COSTS FUNDED BY OTHER APPROPRIATIONS

a. Production and Logistics Testing.

Testing funded by appropriations other than RDT&E,N includes acceptance, quality control, and surveillance testing of articles obtained for other than RDT&E purposes; routine testing in conjunction with logistics support; and testing related to the operation and maintenance of equipment and material acquired for use under appropriations other than RDT&E.

b. Follow-on Operational Test and Evaluation (FOT&E).

For programs proceeding in the classical sense, FOT&E is funded by Procurement appropriations for acquisition of test articles and by the developing agency's Operation and Maintenance appropriation for special support and command costs incident to FOT&E (through OT-III) efforts.

c. Commercial Items.

Commercial items for testing and operational evaluation by field units

for doctrine, operational, or organizational use purposes and not requiring R&D engineering, design or integration effort are funded by Procurement or Operation and Maintenance appropriations, as applicable.

d. Advance Production

Costs associated with advance production engineering and other efforts to establish and test the capability of production facilities to produce items approved for production are included in the initial acquisition cost for the end-item procurement quantity within the Procurement appropriations.

e. Management Studies and Analyses.

Costs of evaluating organizational structure and distribution of functions, administrative operating policies, procedures, methods and systems (management studies) and applications of the management sciences to improve effectiveness in carrying out assigned functions are to be financed from the Operation and Maintenance appropriations. See par. 075404.

f. Product Improvement.

Product Improvement of major end items and components thereof, within the current performance envelope, except for aircraft engine component improvement, is funded as follows:

- (1) engineering services and related effort by the producing contractor or manufacturing installation applied to an end item currently in production should be funded by Procurement appropriations. The phrase "an item currently in production", implies that the item has end item production funding in the year the product improvement effort is to take place;
- (2) engineering services and related effort by a manufacturing or operations type installation applied to an item no longer in production but still in the operational inventory should be financed by Operation and Maintenance appropriations.

g. Modification Kits.

Fully developed and tested modification kits should be financed by Procurement appropriations. Associated installation costs of the modification kits into the operational inventory will be financed by the same appropriation that purchased the kits.

h. Shipbuilding Detail Design.

Detail design such as development of working drawings, engineering blueprints, and technical data on which actual ship construction is

based will be funded by the Shipbuilding and Conversion, Navy (SCN) appropriation for those ships appropriately funded by the SCN account.

6. SPECIAL SITUATIONS

a. General.

Depending upon actual program circumstances, certain types of costs may be funded either by RDT&E,N or other appropriations. Therefore, each Program/Budget proposal made in accordance with these instructions will be subject to review and determination. Special situations in this category are discussed in the following subparagraphs.

b. Test Articles.

Whenever an appropriate number of test articles for an item under development has been financed by the RDT&E,N appropriation, and subsequently, additional test articles become necessary to complete the DT&E and/or IOT&E program, then articles from approved initial production financed by procurement appropriations may be assigned to the test program. Costs to reconfigure the articles, first for test and subsequently for restoration, are financed by the RDT&E,N appropriation. Articles which will be consumed in T&E and cannot be reconfigured for the inventory are also financed by the RDT&E,N appropriation. Conversely, articles/prototypes for T&E financed by the RDT&E,N account and still available at the completion of the IOT&E test program may be reassigned for operational use or inventory, in which case the cost to reconfigure such articles for operational use is financed by the Operation and Maintenance or Procurement appropriations, as appropriate.

c. Production Tooling Facilities.

When an end item under development has also been approved for production, hard tooling and production facilities requirements common to both the development and production phases will be financed by Procurement appropriations. When an end item under development has not been approved for production, tooling and other preliminary production facilities required to produce realistic development hardware for test and evaluation will be financed by the RDT&E,N appropriation, even though such tooling and facilities might later be used in whole or part for production if and when the item is subsequently approved for production.

d. Off-the-Shelf Equipment Redesign.

While existing off-the-shelf equipment may be procured with Procurement appropriations, items which require engineering, design,

integration, test, or evaluation effort shall be procured with RDT&E,N funds in sufficient numbers to support such effort. Product improvement to existing off-the-shelf equipment should be funded in accordance with the guidance contained in this paragraph.

e. Ships and Ship-Type Vehicles

(1) Experimental Ships.

An experimental test bed type of ship or an experimental ship will be financed by the RDT&E,N appropriation. This includes all such experimental ships required to support an approved R&D program or for the purpose of experimenting with new or radical ship concepts or to demonstrate the military usefulness of new ship designs, configurations or fabrication techniques, when the ship-type test vehicle itself can be predicted to be consumed or expended in testing, or to have little or no operational usefulness in the force structure. Prototype ships, when designated by the Secretary of Defense, are included.

(2) Conventional Ships.

A ship of demonstrated, conventional concept and design having a high probability of military usefulness and inclusion in the force structure, even though first of a class, will be constructed using Shipbuilding and Conversion, Navy funds. A ship of demonstrated conventional concept and design temporarily or permanently assigned from inventory to support R&D effort will be furnished without reimbursement. However, the cost of providing all R&D types of equipment or instrumentation, the cost of "non-standard" modifications of the ship required to make the ship suitable for R&D support, as well as the cost of any related restoration to conventional or operational ship conditions upon release from assignment to R&D, will be financed by the RDT&E,N appropriation.

f. Information Technology

See par. 075371 for guidance on information technology, automated information systems, and general purpose communication equipment and par. 075372 for guidance concerning tactical/strategic information technology.

g. Joint Test and Evaluation (JT&E)

(1) General.

JT&E refers to test and evaluation conducted jointly by two or more Department of Defense (DoD) components as directed by the Director, Strategic and Tactical Systems (OUSD/S&TS) in the Office of the Secretary of Defense. JT&E is conducted to test and

evaluate capabilities of developmental and deployed systems in a joint environment, to evaluate joint operations concepts, and to determine requirements and interoperability of systems and forces. Tests involving alternative concepts, organizations, tactics, or procedures are coordinated with DoD components and The Joint Staff. By definition, JT&E must be directed by DDT&E and does not encompass that joint testing initiated by and mutually agreed to by two or more DoD components for their own purposes.

(2) Operational Test and Evaluation, Defense (OT&ED) Appropriation.

The Department of the Navy (DON) is reimbursed from the Operational Test and Evaluation (OT&E), Defense appropriation (Program Element 0605804D) for any unique costs associated with JT&E in which the Navy or Marine Corps participates. The costs to be reimbursed are for the direction, supervision and performance of JT&E and are for those costs unique to the needs of JT&E.

(3) Department of the Navy (DON) Appropriations.

DON appropriations are responsible for those non-unique costs associated with JT&E in which the Navy or Marine Corps participates. Non-unique costs include: military expenses; transportation and per diem of participating personnel; hardware utilized for the test (other than special instrumentation and modifications); and operation, maintenance and supply costs. When designated by the Secretary of Defense as executive agent for a particular JT&E, the Navy or Marine Corps is responsible for ensuring that all resources necessary for accomplishment of the JT&E are available to the Joint Test Director (JTD). This includes administrative management support and facilities for the JTD, which are also the responsibility of DON appropriations. The responsibility of specific appropriations for funding JT&E costs assigned to the DON parallels the test and evaluation funding guidance contained elsewhere in this paragraph.

h. Follow-on Operational Test and Execution (FOT&E).

When a program is to be executed in a concurrent manner, i.e., commitment of the system to production prior to completion of RDT&E, FOT&E is properly chargeable to the RDT&E,N appropriation until completion of the RDT&E program. This FOT&E generally encompasses evaluation during IOT&E, accomplishment of deferred or incomplete IOT&E, and verification of correction of deficiencies discovered during IOT&E. Typically, approval for full production is dependent upon this testing. See subpar. 5b for policy regarding programs proceeding in the classical, non-concurrent manner.

i. Low Rate Initial Production (LRIP) Assets.

LRIP provides production configuration or representative articles for operational test (RDT&E funded); establishes an initial production base for the system (procurement funded); and permits an orderly increase in production rate for the system (procurement funded). If the asset requires development or operational testing by an independent test agency (COMOPTEVFOR), then it should be procured with RDT&E funds. If the asset will be fielded, procurement funds must be used. LRIP quantities will be determined as part of the Production and Deployment approval (Milestone C) and must be identified in budget documentation. RDT&E funds will be budgeted to procure the items required for operational testing of LRIP assets.

7. USE OF DEPARTMENT OF THE NAVY RESEARCH FACILITIES BY ACADEMIC INVESTIGATORS

a. General.

Department of the Navy (DON) specialized facilities will be made available for research by academic investigators who are working on experiments which have scientific merit, relate to Department of Defense (DoD) research objectives, or contribute to the advancement of national research and research training. Academic investigators must agree to make the results of their research available to the DoD and all other interested Government agencies. It is anticipated that the scope of most academic research performed at DON activities will be sufficiently limited to be covered by funds and resources controlled directly by the activity concerned. However, NWCF activities may request that funding be provided by the academic institution and/or sponsoring organization.

b. Funding

(1) Department of the Navy Activities.

Normal operating costs of the research facility being used by academic investigators will not be billed, unless significant incremental costs not directly related to the mission of the research facility will be incurred. Additional costs generated from the academic research may be borne by the DON activity concerned. The significance of such costs and the anticipated impact on the mission will be determined, primarily:

- (a) by the local DON activity director, for research activities of the DON; and
- (b) by the primary DON contract monitor, for DON-sponsored research centers.

If the use of specialized research facilities by academic investigators for work directly related to the mission of a DON facility exceeds the significant cost levels, the DON activity concerned will use its established program/budget procedures to obtain required funding.

(2) Sponsoring Academic Institutions.

Significant incremental operating costs not directly related to the mission of the DON activity concerned will be reimbursed by the researcher's sponsoring academic institution and/or any other organization involved. Significant costs for specialized equipment either purchased or fabricated will be borne by the sponsoring academic institution and/or other organizations involved. Academic institutions will make reimbursements for damage to DON furnished equipment and facilities.

(3) Significant Costs.

For purpose of cost reimbursement, significant costs are defined as those in excess of \$200.

(Change 67)

075404 STUDIES AND ANALYSES

1. GENERAL.

Studies and analyses are those nonrecurring examinations of a subject which are utilized as essential tools by management in order to facilitate the decision-making processes. The authority and responsibility for approval and management of Department of the Navy (DON) studies is distributed among the senior commands and staffs; approvals of certain types of studies are specifically reserved for particular commands or principal advisors of the Secretary of the Navy as indicated in the current issuance of SECNAVINST 4200.31.

2. FUNDING.

Those studies and analyses that support research and development activities, such as research, technology exploration and development, and test of initial tactics and doctrine, will be programmed and budgeted in the Research, Development, Test and Evaluation, Navy (RDT&E,N) appropriation. In those cases where the scope of a study cannot be categorized as a specific research and development activity, such studies and analyses will also be programmed and budgeted in the RDT&E,N appropriation. Studies and analyses, which are in reality engineering or technical efforts integral to the production and delivery of specific end-items of equipment for operation use, will be funded by the procurement appropriation under which the equipment is being procured. Examples of

studies and analyses eligible for procurement appropriation funding are those necessary for production equipment layout, engineering changes, improvements to the manufacturing process, etc. Studies and analyses directly related to general industrial-commercial operations and management at a NWCF activity, i.e., not related to a specific customer order, will be funded by the NWCF and charged as general overhead. However, any studies and analyses directly related to military support, i.e., non-industrial-commercial functions at a NWCF activity, will be funded by the appropriation of the management command that normally finances military support at the activity. Studies and analyses not subject to the financing criteria for RDT&E,N procurement appropriations, or NWCF activities will be programmed and budgeted in the Operation and Maintenance appropriations.

(Change 56)

PART E: MORALE, WELFARE AND RECREATION

Section I: GENERAL

075500 SCOPE

1. GENERAL.

Consistent with Department of Defense (DoD) policy to fund a well-rounded morale, welfare and recreation (MWR) program, the Department of the Navy (DON) operates and maintains various MWR activities and facilities which contribute to military effectiveness by promoting and maintaining the mental and physical well-being of military and civilian personnel. MWR programs cover a wide variety of activities including community support, child care, crafts, entertainment, physical fitness, and youth and family recreation. MWR programs are funded by both appropriated and nonappropriated funds. Administration of nonappropriated funds which support MWR programs is accomplished through nonappropriated fund instrumentalities. In accordance with 10 U.S. Code, Chapter 147, nonappropriated funds are subject to the same fiduciary responsibility as are appropriated funds (see par. 074724).

2. MILITARY MWR PROGRAMS.

Military MWR programs consist of activities that fall along a continuum, with activities that are essential to the accomplishment of the military mission at one end and activities that are desirable from a community standpoint at the other. Generally, this continuum also reflects the inverse

relationship between an MWR activity's essential mission and its ability to generate revenues.

a. Mission Sustaining Activities.

At one end of the spectrum are mission sustaining activities in which the military organization is a primary beneficiary and the activity provides identifiable recruiting and/or retention incentives. The activity generally has universal appeal to the DoD community and develops duty related skills or capabilities. Similar activities in the private sector are heavily subsidized by corporations or local government, and the activity usually has little potential to produce revenue independently. This category of MWR activity is supported almost exclusively with appropriated funds.

b. Basic Community Support Activities.

In the middle of the spectrum are activities that contribute to the mission, but are capable of generating some revenue. However, they are not expected to sustain their operation solely as a result of that revenue. Appropriated fund support is authorized for a significant portion of the operating costs of these activities.

c. Business Activities.

At the other end of the spectrum are activities that primarily benefit the individual. These activities are similar to those operated for profit or by private enterprise in the civilian sector. Business activities have a significant capacity to generate revenue, and authorized appropriated fund support is very limited.

3. CIVILIAN MWR PROGRAM.

Civilian employee MWR activities are separate from their military personnel MWR counterparts. Civilian MWR activities consist primarily of food services, vending, resale activities and civilian general welfare, self-development, recreation, and leisure self-directed activities. Generally, they are required to be self-supporting (i.e., dependent on self-generated nonappropriated funds for support). Unless explicitly stated otherwise, the policies addressed below apply to military MWR programs. Policies governing civilian morale support activities are contained in SECNAVINST 7548.1.

(Change 64)

075510 PROGRAM MANAGEMENT

Within the Department of the Navy (DON), the Assistant Secretary of the Navy (Manpower and Reserve Affairs) provides broad policy guidance on MWR programs while the Assistant Secretary of the Navy (Financial Management & Comptroller) has responsibility for financial policy provisions

applicable to MWR activities. The Chief of Naval Operations (CNO) and the Commandant of the Marine Corps (CMC) are responsible for detailed policy and coordination of MWR programs within their respective Services. Further, within the Navy, the Chief of Naval Personnel (CHNAVPERS) acts as an agent for the CNO and the Commander, Naval Supply Systems Command has been assigned technical management responsibility for the Navy Exchange System (including temporary lodging facilities). Within the Marine Corps, MWR program responsibility has been assigned to the Morale, Welfare, and Recreation Support Activity (CMC(MW)).

(Change 57)

075511 DEFINITIONS

1. NONAPPROPRIATED FUNDS (NAFs).

Nonappropriated funds consist of cash and other assets received by NAFIs from sources other than monies appropriated by Congress. They are to be used for the collective benefit of military personnel, their dependents, and authorized civilians who generated them. While they are considered government funds, they are separate and apart from funds which are recorded in the books of the United States Treasury.

2. NONAPPROPRIATED FUND INSTRUMENTALITY (NAFI).

A NAFI is an organizational entity that performs a government function. It acts in its own name to provide or to assist other DoD organizations in providing MWR programs. As a fiscal entity, it maintains custody of and control over its nonappropriated funds. NAFIs may be established for each MWR activity or for larger segments of a program via the "single fund" concept. NAFI contracts are U.S. Government contracts; however, they do not obligate appropriated funds of the United States. Policies governing NAFIs are contained in SECNAVINST 5401.2. NAF and NAFI also apply to certain resale activities and other authorized organizations designated as morale support activities which operate independently from MWR programs/activities.

3. NONAPPROPRIATED FUND INSTRUMENTALITY (NAFI) EMPLOYEE.

NAFI employees are persons employed by a NAFI and compensated from nonappropriated funds. While considered government employees, NAFI employees are governed by different laws and regulations than are civil service employees.

4. MWR FACILITY.

An MWR facility is a building, structure, land area, or other real property used for MWR purposes.

5. SALE/RESALE OF MERCHANDISE AND SERVICES.

Sale/resale pertains to the acquisition and resale of goods and services by MWR activities and/or concessionaires. Specifically excluded from this definition are activity fees and charges.

(Change 57)

075512 CLASSIFICATION OF ACTIVITIES

1. GENERAL.

MWR activities have been divided into three categories, with the level of direct appropriated support allowable defined by category, following budget policy established below.

2. CATEGORY A: MISSION SUSTAINING.

This category contains those activities considered most important for the health and well-being of the military member. Also included are all consolidated support service functions such as accounting, procurement, or personnel services for one or more MWR activities, regardless of category. Category A activities include:

- a. Armed Forces Professional entertainment programs overseas,
- b. MWR consolidated support service offices,
- c. gymnasium/physical fitness/aquatic training,
- d. general libraries (excludes technical libraries),
- e. parks and picnic areas,
- f. recreation centers/rooms,
- g. shipboard activities,
- h. shipboard/isolated/deployed/free admission motion pictures,
- i. sports/athletics (self directed, unit level, intramural), and
- j. unit level programs and activities.

Fees are usually not charged for activities in this category and thus limited revenues are generated. Category A activities should be supported primarily with appropriated funds (APF), with the use of nonappropriated funds authorized as supplemental funding for the operation of a facility or program.

3. CATEGORY B: BASIC COMMUNITY SUPPORT ACTIVITIES.

Category B contains activities closely related, in terms of supporting the military mission, to those grouped in Category A. These activities differ

from those in Category A, primarily, because fees are usually charged for participation and thus some revenue is generated. Category B activities include:

- a. amateur radio;
- b. arts and crafts skill development;
- c. automotive crafts skill development;
- d. bowling centers (12 lanes or less);
- e. child development centers;
- f. community centers;
- g. entertainment (music and theater);
- h. marinas without resale or private boat berthing;
- i. outdoor recreation;
- j. recreational information, tickets and tours services;
- k. recreational swimming pools;
- l. sports programs (above the intramural level);
- m. Stars and Stripes;
- n. youth activities.

These activities are not expected to sustain themselves based purely on the fees charged and are generally supported by a mixture of APF and NAF.

4. CATEGORY C: BUSINESS ACTIVITIES.

Category C activities have the highest capability to generate revenue through the sale of goods and services to authorized patrons for use in specific morale programs. Category C activities include:

- a. academic bookstores,
- b. Aero clubs,
- c. amusement machine locations and centers,
- d. animal care funds,
- e. Armed Services exchange and related activities,
- f. Armed Forces recreation centers (accommodation/dining and resale facilities),
- g. audio/photo and other resale activities,

- h. bingo,
- i. bowling centers (over 12 lanes),
- j. cabins/cottages/cabanas/recreational guest houses,
- k. catering,
- l. golf courses,
- m. Joint Service facility (The New Sanno),
- n. marinas and boating activities with resale or private boat berthing,
- o. military open messes/clubs,
- p. motion pictures (paid admission functions),
- q. motorcycle clubs,
- r. package stores,
- s. pro shops,
- t. recreation rental equipment checkout,
- u. rod and gun clubs,
- v. scuba/diving,
- w. skating rinks,
- x. skeet/trap ranges,
- y. snack bars/soda fountains,
- z. stables,
- aa. temporary lodging facilities, and
- bb. unofficial commercial travel services.

Business Activities receive only limited APF support. However, business activities located in extremely remote and isolated areas, as approved by Congress, may be provided appropriated support similar to that authorized for Basic Community Support Activities (Category B). Paragraph 075521.3 contains additional information on Military Open Messes/Clubs, Temporary Lodging Facilities, Joint Service Facility (The New Sanno), and Recreation Rental Equipment Checkout activities.

(Change 57)

Section II: BUDGET POLICY FOR OPERATIONS

075520 GENERAL

The classification of an MWR activity as Mission Sustaining (Category A), Basic Community Support (Category B) or Business (Category C) generally governs applicability of appropriated fund (APF) and nonappropriated fund (NAF) support. In general, Category A and Category B activities depend largely on appropriated funds, with nonappropriated funds used as a supplement to maintain operations when necessary. Category C activities are primarily dependent on nonappropriated funds to sustain operations. All costs directly related to the sale of merchandise or services and to the internal management (e.g., NAF financial management, NAF personnel management, NAF forms, NAF payroll documents and time clocks/sheets) of NAFIs should be financed using nonappropriated funds, regardless of category of activity. Both appropriated and nonappropriated funds required to support military MWR programs must be identified in annual budgets.

(Change 57)

075521 DIRECT OPERATING COSTS

1. OPERATIONS OF CATEGORY A (MISSION SUSTAINING) ACTIVITIES.

Category A activities are generally financed with appropriated funds (APF). Nonappropriated funds (NAF) may be used to supplement appropriated funds and must be used for the following:

- a. costs associated with NAF employees assigned to Category A activities;
- b. costs incurred related to the sale of goods and services; and
- c. costs related to the internal management of NAFIs.

2. OPERATIONS OF CATEGORY B (BASIC COMMUNITY SUPPORT) ACTIVITIES.

Category B Activities are also generally financed with appropriated funds. Nonappropriated funds may be used to supplement appropriated funds and must be used for the following:

- a. costs associated with NAF employees assigned to Category B activities;
- b. costs incurred related to the sale of goods and services;
- c. costs related to the internal management of NAFIs; and
- d. royalty payments for music and theater.

3. OPERATIONS OF CATEGORY C (BUSINESS) ACTIVITIES.

Category C activities are generally financed by nonappropriated funds. Appropriated funds may be used only in the following specific instances:

- a. transoceanic and inland transportation of U.S. and foreign goods purchased with APF;
- b. transoceanic movement of NAF purchased goods to and from CONUS sea and aerial ports of debarkation to first destination overseas, including Alaska and Hawaii, and to the first foreign destination (including Guam) for goods stocked and redistributed or procured from Alaska and Hawaii;
- c. transportation of NAF purchased goods in foreign areas where commercial transportation is not available, and in combat zones;
- d. movement of NAF purchased U.S. goods between DoD installations because of base closures or to safeguard goods under emergency conditions, e.g., threat of hostile force or natural disaster;
- e. transportation of NAF purchased goods if authorized for APF purchase;
- f. utilities, including fuel, for activities located overseas including Alaska and Hawaii;
- g. electronic communications in support of command management functions, statistical data gathering, communications with other DoD and government agencies, overseas including Alaska and Hawaii;
- h. postal services involving official communications within and between government agencies, persons and private commercial agencies not related to the sale of goods and services;
- i. equipment maintenance for NAF purchased equipment, if authorized for purchase with APF where title transfers to the government;
- j. printing and reproduction not related to the sale of merchandise or services or the internal operation of NAFIs;
- k. routine grounds maintenance (excluding golf courses);
- l. acquisition of surplus/excess government equipment;
- m. rents and leases overseas;
- n. architect/engineer services in support of APF construction and in support of NAF construction, provided that no additional personnel authorizations are required;

- o. investment equipment in support of food preparation equipment;
- p. purchase of real property as approved by Congress; and
- q. use of existing facilities.

Business Activities (Category C) located in extremely remote and isolated areas, as designated by Congress, may be provided appropriated support similar to that authorized for Basic Community Support Activities (Category B).

(Change 67)

075522 COMMON SUPPORT COSTS

1. GENERAL.

Common support consists of services and related goods normally supplied throughout the installation as a mission function. Whether or not costs of common support services are identified as MWR program costs, or must be reimbursed by nonappropriated funds (in the case of Category C activities), depends upon the kind of service, the severability of the cost, and the amount of the cost. Costs associated with essential control and command supervision and with the protection of the health and safety of participants, employees, resources and property are treated differently than are costs for other common services. In general, when costs for provisions of common support are additional, identifiable, and can be segregated on a reasonable and meaningful basis, these costs should be identified as MWR costs. Finally, when the sum of common support services provided by a base or installation commander to an MWR program or activity is less than \$500 per year, the cost is generally considered to be uneconomical for billing purposes. Common service support costs less than \$500 per year which are not billed to the MWR activity are not considered to be a cost to the MWR activity or program.

2. ESSENTIAL CONTROL AND COMMAND SUPERVISION.

Commanding officers have an oversight responsibility for MWR programs. To exercise this responsibility, commanding officers must provide guidance and direction to MWR activities under their purview in the same manner as for all non-MWR activities under their cognizance. Essential control and command supervision consists of general management functions and includes any assistance in carrying out these functions provided by the Commanding Officer's staff. Specifically excluded from this definition is the direct operation of MWR programs and activities (e.g., functions performed by the MWR program director and staff). The essential control and command supervision function is inherently the responsibility of the commanding officer. Accordingly, appropriated fund support is authorized for essential control and command

supervision, regardless of activity category. Furthermore, this function is not included as a cost of MWR.

3. PROTECTION OF HEALTH AND SAFETY.

All MWR activities, regardless of category, are authorized to receive appropriated fund common support associated with protecting the health and safety of participants, employees, resources and property. Such services include, but are not limited to: fire protection (including acquisition and installation of extinguishers and sprinkler and alarm systems); security protection, including physical security of buildings (such as alarm systems and security bars) and protection of funds; pest control; sewage disposal; trash and garbage removal (not authorized for military exchanges in the CONUS); snow removal; safety; medical veterinary and sanitary inspections; authorized veterinary care; rescue operations; and facility maintenance or repair necessary to maintain the structural integrity and external appearance of the building (includes electrical, mechanical, roofing, foundations, windows, and doors), or to correct fire and safety deficiencies. When these costs are additional, identifiable, and can be segregated on a reasonable and meaningful basis, they should be identified as MWR costs on the appropriate MWR reports regardless of whether such costs are funded with appropriated or nonappropriated funds.

4. OTHER COMMON SUPPORT.

All MWR activities may utilize other common support services normally provided by a base or installation commander and not directly related to the health and safety of personnel or property. Such common support services typically include, but are not limited to, custodial services, communications, legal services and advice, and technical guidance, administration, and assistance on accounting, financial management, procurement, and civilian personnel. These common support services should be identified as MWR costs, and in the case of Category C activities, NAF must be charged to reimburse the costs.

(Change 64)

075523 PERSONNEL COSTS

1. MILITARY PERSONNEL.

Military personnel may be utilized by all Category A and B activities on permanent assignment, temporary assignment (no more than 90 days), and for additional and collateral MWR duties. If 25 percent or less of assigned duties are MWR specific, no cost should be allocated to MWR. If more than 25 percent are MWR specific, the costs must be reported as MWR. All costs associated with military personnel, including temporary duty travel, must be financed using appropriated funds. Additionally, the use of military personnel is authorized for all MWR categories when

essential for the provision of executive control and command supervision and also for the provision of security, when not otherwise available overseas. Active duty military personnel are authorized in sufficient numbers for military exchanges to provide a trained cadre to meet wartime and deployment requirements.

2. CIVIL SERVICE PERSONNEL.

Civil service personnel may be utilized on permanent assignment or on an additional or collateral duty basis in Category A and B activities if they are performing managerial functions or if the position requires technical/professional qualifications. Paragraph 075524.6 provides special provisions for child care employees. Personnel accountable for appropriated fund resources and the protection of the interests of the federal government should also be civil service employees. Civil service employees may also be engaged in essential control and command supervision (not included as a cost of MWR), regardless of the category of activity. All other personnel at Category B activities and all personnel at Category C activities should be NAF employees. For civil service employees, if 25 percent or less of assigned duties are MWR specific, no cost should be allocated to MWR; if more than 25 percent, the costs must be reported as MWR. All costs associated with civil service personnel should be financed utilizing appropriated funds, regardless of the category of activity by which the civilian is employed. These costs include permanent change of station travel, transportation of household goods, temporary duty travel, and education and training.

3. NAFI EMPLOYEES.

Costs related to NAFI employees must be paid from nonappropriated funds, regardless of the category of activity to which the employee is assigned. These costs include permanent change of station travel and transportation of household goods. Travel of NAFI employees that is associated with programs funded using appropriated funds may be charged to appropriated funds. Personnel directly and primarily involved in resale must be NAFI employees.

(Change 67)

075524 SPECIAL SITUATIONS

1. RESALE ACTIVITY LIMITATION.

MWR activities often engage in the purchase and resale of goods and services to provide specific benefits to the MWR audience. Resale activities, except those required by statute to sell at cost, should be self-sustaining in terms of operating expenses for civilian employees, purchase of operating equipment, stock, supplies, transportation, utilities, printing and reproduction, and interior maintenance (other than shipboard) of space

occupied and of equipment used. Personnel directly and primarily involved in resale must be NAF employees.

2. ARMED SERVICES EXCHANGES AND RELATED ACTIVITIES.

Although the exchanges have a high degree of mission essentiality, they have been placed in Category C because of their significant ability to generate revenue. In general, exchanges must be completely self-sustaining. Civil service personnel may not be assigned to exchanges. However, active duty military personnel are authorized in sufficient numbers for military exchanges to provide a trained cadre to meet wartime and deployment requirements, and for provision of security, when not otherwise available overseas. Custodial and janitorial services must be provided using NAF. Costs incurred by military exchanges in managing, distributing, selling and after-sale servicing of military clothing and other appropriated funded items are reimbursable from appropriated funds.

3. PRIVATE OWNERSHIP.

Privately owned items may not receive financial support from either appropriated or nonappropriated funds. Private ownership support includes that provided to privately owned recreational vehicles, boats, aircraft, or horses that are operated, maintained, moored, or stabled by MWR activities. Such support will be provided on a reimbursable basis only.

4. REIMBURSEMENTS.

Appropriated funds may not be used to reimburse a NAFI. This does not preclude any government activity from contracting with the NAFI for services, functions, or goods that the NAFI is in a unique position to provide, (e.g., catering an official event), or when there are organizational or functional reasons which make it impractical for the required services, functions, or goods to be furnished by other than a NAFI. A DD 1155 form or other appropriate contractual document should be used when contracting with a NAFI.

5. ACTIVITIES OPERATING UNDER NAVY WORKING CAPITAL FUND PROCEDURES.

MWR activities receive from and provide services to DON Navy Capital Working Fund (NWCF) activities, which are unrelated to the industrial mission. These non-industrial functions, primarily common support and personnel services, are not part of the NWCF cost of operations. Such work and/or services are financed directly from applicable appropriated or nonappropriated funds, based on actual costs comparable to Resource Management System (RMS) practices.

6. CHILD CARE.

Naval facilities may be used for military and civilian child care centers and administrative offices for dependent care programs. For military child care programs, appropriated funds are also authorized for child development center directors, assistant directors, supervisory staff, administrative clerks, and for monitoring programs to ensure child safety and quality care in government facilities, and to guard against potential government liability. Generally, costs directly related to the care of dependents, including caregiver wages, may be paid from appropriated or nonappropriated funds. APF support for other than center based care (e.g., family day care/home referral services) will be considered family support costs and will not be budgeted, accounted for, or reported as MWR costs.

7. AUDITING SERVICES.

Auditing services include the independent examination, review, and evaluation of the records, controls, practices, and procedures in the area of financial and operational management of an MWR activity. In general, routine, periodic audits or reviews conducted to satisfy MWR program requirements are considered a cost of conducting business. For Category C activities, NAF must be utilized. For Category A and B activities, either APF or NAF may be used. Audits and reviews to satisfy emergent command requirements to protect against waste, fraud and abuse are responsibilities of executive command and control and APF may be used for this purpose at all MWR activities. Audits and inspections performed by the Naval Audit Service and the Inspector General of the Navy as part of their Departmental function are, by definition, not considered a cost to the MWR program.

8. SUPPLEMENTAL MISSION FUNDS.

Supplemental mission NAFIs provide mission support activities, which may receive appropriated fund support, with a mechanism for collecting and utilizing nonappropriated funds. Some examples of mission support activities which may utilize a supplemental mission NAFI include military museums, in-flight services and billeting or housing. These NAFIs are separate and distinct from NAFIs associated with the MWR program (see par. 074724-3). Mission support activities with supplemental mission NAFIs may also receive appropriated fund support, including, but not limited to, support for the same types of costs for which appropriated fund support is available to MWR programs and activities as described in par. 075522. In all cases, the use of appropriated funds must be consistent with the purpose of the appropriation.

9. FISHER HOUSES

The mission of Fisher Houses and Suites is to provide temporary and reasonable lodging for families of patients who are hospitalized for complicated or critical medical problems at a military treatment facility.

Title 10 U.S.C. 2493 directs the Department of the Navy to operate Fisher Houses and Suites as a single NAFI. Section 914 of the FY 2001 National Defense Authorization Act limits appropriated fund support to base operating support at a level equivalent to that provided to MWR Category B community activities. SECNAVINST 7010.8 provides guidance for the establishment, management, and control of the Fisher House Program.

(Change 66)

075525 UTILIZATION, SUPPORT AND ACCOUNTABILITY PRACTICE FOR MORALE, WELFARE AND RECREATION NONAPPROPRIATED FUND INSTRUMENTALITIES

1. GENERAL

The Department continues to emphasize the network of programs that support the quality of life (QOL) of our service members and their families. To that end, the Secretary of Defense established the Utilization, Support and Accountability (USA) practice to facilitate the effective use of funds for the Morale, Welfare and Recreation (MWR) program. The USA practice provides flexibility to both the activity commander and the MWR Program Manager that maximizes the availability of appropriated (APF) and nonappropriated (NAF) fund support to the MWR program.

2. SCOPE

This policy applies to all DON commands and activities with Operation and Maintenance appropriation (Operation & Maintenance, Navy/Marine Corps/Reserves (O&M,N; O&M,NR; O&M,MC; O&M,MCR) funding.

3. POLICY

- a. Commanding Officers have a fiduciary responsibility for the APF and NAF resources that support military MWR programs. Total program cost shall be accounted for through sound financial management practices.
- b. The Antideficiency Act, 31 United States Code (U.S.C.) 1341(a), 1512-19, prohibits incurring of obligations in excess or in advance of available funds. The Purpose Statute, 31 U.S.C. 1301(a), requires APF to be used only for the purposes and programs for which appropriated. The bona fide need rule, 31 U.S.C. 1502, precludes the use of funds to purchase supplies or services to satisfy future year needs.
- c. By authority of 10 U.S.C. 2783, the Secretary of Defense prescribes regulations governing the purpose for which NAF funds may be spent, as well as the financial management of those funds

to prevent waste, loss and unauthorized use. There are penalties for misuse of APF and NAF funds. Violations by personnel subject to the Uniform Code of Military Justice are punishable under Section 892, Article 92.

- d. APF may be used through USA procedures to support an MWR nonappropriated fund instrumentality (NAFI) for NAF expenditures if the original transaction was an appropriate APF charge, unless specifically prohibited by law or regulation. Commanding Officers are accountable for the implementation of the USA practice, which requires that the APF support must be obligated prior to the NAF expenditure.

4. PROCEDURES

- a. A Memorandum of Agreement (MOA) established between the MWR Director, the Base Comptroller, and the Commanding Officer will outline the MWR services that are eligible for APF support that will be funded using the USA practice. (See paragraph 5b for further discussion of the MOA.)
- b. All APF for base operations support, to include that provided through the USA practice, will continue to be included in APF budget exhibits, installation accounting records, and financial reports.
- c. APF provided to the MWR NAFI through the USA practice will not exceed the actual cost of providing the services. For example, APF support provided for equipment purchased, as identified in the MOA, will be limited to the actual cost of the equipment and will not include any overhead or administrative costs.
 - i. APF must be used for a bona fide need of the current fiscal year, and must be obligated prior to the NAF expenditure. The USA practice cannot be used to extend the availability of the APF.
 - ii. The USA practice shall not be used to circumvent regulations concerning the timely obligation of funds. Therefore, during the last two months of the fiscal year, funds provided through the USA practice are limited to no more than 20 percent of either the total annual APF obligations supporting the NAFI or the budgeted USA practice support, whichever is less.
- d. Funds provided through the USA practice shall not be used to circumvent prohibited uses of either APF or NAF. That is, the initial expenditure of NAF must relate to the MWR mission and, to

be considered for APF support under the USA practice, must be specifically authorized for APF support.

- e. The USA practice shall not be used to circumvent the controls of the APF procurement process by obtaining goods and services that are not a mission responsibility of the MWR NAFI from or through the MWR NAFI e.g. purchasing furniture for the installation Commander's administrative office.
- f. Funding for civilian personnel positions utilizing the USA practice is governed as follows:
 - i. The USA practice shall not be used as a mechanism to convert encumbered MWR APF civilian positions to NAF positions. If a civil service position becomes vacant, the MOA may be modified to specify that those services shall be provided by the NAFI. However, if an unencumbered position is converted to NAF or contract, then it will not be converted back to an APF position. APF positions must be budgeted and executed in accordance with full-time equivalent requirements.
 - ii. The USA practice may be used to fund NAF labor costs to perform functions normally assigned to an authorized APF position within the MWR program if the position is converted to a NAF position. Positions funded through the USA practice shall be identified on official manning documents or approved under existing personnel standards.
 - iii. The USA practice shall not be used to fund non-MWR positions such as the Commanding Officer's secretary or the Public Works Center's grounds maintenance crew. The APF-funded positions under the USA practice shall perform MWR mission-related functions only.
- g. Category C MWR revenue-generating activities are not eligible for APF support under the USA practice.
- h. The USA practice procedures will be a special interest item of MWR field reviews. An annual audit of USA practice procedures will be conducted by the respective MWR program managers.
- i. The total amount of APF used to fund authorized individual MWR functions will continue to be displayed on the MWR (OP-34) exhibit. APF provided through the USA practice will be a part of the total amount budgeted for MWR and will be reflected as a memo entry.

5. RESPONSIBILITIES

- a. BUPERS (PERS-65) and CMC (MR) shall monitor APF and NAF programs, budgets, and execution reports for the proper use and suitable allocation of APF and NAF resources, to include funding through the USA practice. Specific guidance regarding account numbers, activities and department coding and requirements is included in the Navy's Recreation and Mess Central Accounting System (RAMCAS) User Handbook and the Marine Corps Community Services (MCCS) Policy Manual.
- b. Station Commanding Officers shall establish an MOA at the station level where appropriate and ensure accountability for proper use and suitable allocation of APF provided through the USA practice resources. The MOA will normally be negotiated prior to the beginning of the fiscal year and will:
 - i. Specify the use of the USA practice and the MWR services, by function, to be provided by the NAFI to meet APF support requirements for the MWR program.
 - ii. Specify the APF support (amount and obligation schedule) to be provided, and that such funding is subject to fund availability. This clause is included to clarify that the MOA, prepared prior to the start of the fiscal year, is subject to change if the station budget base changes and that obligations are not valid until funds are available. The MOA will also include a provision that requires the NAFI to maintain detailed accounting records of APF provided to the MWR program and the purposes for which those funds are used. The MOA is to be signed by the station Comptroller and MWR Director, and approved by the Commanding Officer. Copies of approved MOAs should be provided to the respective Navy and Marine Corps Program Managers.
- c. Station Comptrollers shall ensure accurate and timely preparation of budget exhibits and execution reports, ensure amendments to the MOA are promptly prepared as circumstances change, and prepare necessary documents (DD 2406) to ensure obligation of APF support funding prior to the MWR incurring expenses and to certify payment of APF funds on an SF 1034 on a monthly basis in accordance with the MOA.
- d. Station MWR Directors shall ensure that billing information is provided to the Comptroller on a monthly basis, documenting expenses funded through the USA practice on an SF 1034. They shall ensure that only MWR operating expenses eligible

for APF support, as well as those already incurred, are included.

(Change 67)

Section III:

BUDGET POLICY FOR CONSTRUCTION

075530 GENERAL

MWR facilities should be constructed using a single source of funds, either nonappropriated funds (NAF) or appropriated funds (APF), following guidance provided in the Conference Report on the DoD Military Construction Authorization Bill for Fiscal Year 1980 (Public Law 96-125). This policy also applies to the funding of minor and major construction following guidance contained in the National Defense Authorization Act for Fiscal Year 1987, Report of the Committee on Armed Services, U.S. House of Representatives (Report 99-718). It is recognized that from time to time unique situations or exigencies that need immediate or more specific attention may require deviation or exception to the basic funding policy. Requests for deviations or exceptions should be forwarded via the chain of command to the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) (OASN (FM&C)) and the Assistant Secretary of the Navy (Research, Development, and Acquisition) (ASN(RDA)).

(Change 59)

075531 USE OF APPROPRIATED FUNDS

1. GENERAL.

Appropriated funds (APF) may be used for all MWR construction related to the establishment, activation, or expansion of a military installation or relocation of facilities for convenience of the government; to correct life safety deficiencies; to maintain structural integrity; and, with prior approval of the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) (OASN (FM&C)), for replacement of facilities denied by country-to-country agreements and for restoration of facilities destroyed by acts of God, fire, or terrorism. In the case of installation "expansion," a major increase in authorized and assigned personnel strength over a short period of time is necessary before appropriated fund construction can be programmed. Such expansion must be the result of a mission change or influx of new units or systems. Personnel increases resulting from an evolutionary expansion occurring over several years do not satisfy these criteria. APF construction is bound by the policies covered in discussions of military construction elsewhere in this Manual.

2. MILITARY CONSTRUCTION.

Military construction applies to the erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; or the relocation of a facility from one place to another. Construction includes acquisition of land, facilities, and other fixed improvements, and equipment installed in, and made part of, such facilities and related site preparation, excavation, filling, and landscaping or other land improvements.

3. MINOR CONSTRUCTION.

Minor construction includes associated architectural and engineering services and applies to erection, addition, expansion, alteration, conversion or replacement of an existing facility; the relocation of a facility, provided that the cost of such construction does not exceed the limits of minor construction, as enumerated in paragraph 075386. (As noted above, with prior approval of OASN (FM&C), APF is authorized for all categories for restoration of facilities destroyed by acts of God, fire, or terrorism.) Policies expressed in this section apply equally to minor construction projects.

4. TYPE OF FUNDS TO USE FOR MWR CATEGORIES

a. Category A:

Mission Sustaining Activities. Appropriated funds should be used for all construction projects in support of Category A activities or programs.

b. Category B:

Basic Community Support Activities. Child development centers and overseas youth centers, including courts and playing fields may utilize appropriated funds for construction projects. All other activities and programs in Category B should utilize nonappropriated funds for construction.

c. Category C:

Business Activities. Generally, business activities must utilize nonappropriated funds for construction. Exceptions include exchange facilities required in areas of military conflict, or constructed in conjunction with an appropriated funded military construction project, such as an air terminal, hospital, housing or other construction project; exchange logistical facilities outside the U.S. and all storage and maintenance facilities, laundry and dry cleaning plants, bakeries, dairies, and similar facilities operated by an exchange in support of the

military mission; and military clubs or consolidated open messes located outside of the CONUS.

(Change 57)

A

Academy	
Gift and Museum Fund	074700
Midshipmen's Store.....	074642
Pay and allowances of midshipmen	074101
PCS Travel Costs	075187
Accident repairs	075123, 075131
Active duty for training	074121, 074161
Activity/subactivity group	
Administration	074203, 074223, 074243, 074263
Coding Structure	074202, 074222, 074242, 074262
Administering Office	
Allocations	073200
Apportionment	073101
Administrative agent for international activities	075241
Administrative control of funds.....	073001, 073201, 073400
Administrative subdivisions of appropriated funds	
Allocation holder responsibilities	073201
Comptroller responsibilities	073002, 073003
Statutory Limitations	073200
Advanced Component Development and Prototypes	074401, 075401
Advanced Technology Development	074401, 075401
Agreements, Interdepartmental and Interservice	075201
Agricultural leases	075143
Aircraft	
O&M	074201, 074221
Appropriations/Funds, APN	074300, 074301, 074302, 074303
Appropriations/Funds, OPN	074361
Appropriations/Funds, RDT&EN	074501, 075403
Appropriations/Funds, WPN	074341
Aviation Depots, NWCF.....	074601
Flyaway costs	075341, 075342, 075364
Initial outfitting	075364, 075001
Inspection Related Costs.....	075151
Alignment of funding responsibility	075002
Allocation	
Definition	073200
Financial Responsibilities	073203
General	073201
Operating budget procedure.....	073202
Role of Comptroller	073001, 073002
Sub allocations	073200
Allotments	
Antideficiency Act Responsibility	073003
Centrally Managed Allotments	073201, 074700, 074742
Definitions	073200

Limitations	073201
Allowance Lists	075001, 075364, 075367, 075373, 075374
Alterations	
Aircraft modification kits/conversion	074300, 074301, 075403
Expense/Investment Determination	075001
Family housing	074540
Host/Tenant Responsibility.....	075121, 075202
MWR Construction.....	075531
National Defense Sealift Fund.....	074643
Public Works Centers	075131
Reimbursement from Foreign Governments	075243
Service Life Extension Program	075373
Ships and aircraft	075001, 075148, 075220, 075403
American Red Cross	075261, 075180, 075183
Ammunition and explosives	
OPN	074360, 074361
PAN&MC	074350, 074351
RDT&E Consumable	075403
Single manager assignment	075204
Antarctic Program.....	075185
Antideficiency Act Investigations/Reporting Requirements	073002, 073400, 073401
Applied Research.....	074401, 075401
Apportionment (Also see Allocation)	
Approval Procedures.....	073101
General	073002, 073100
Responsibilities	073001
Appropriation (Also see Apportionment)	
Annual	074001
Continuing Appropriations	074003
Continuing Resolution Authority.....	073003
Definition	074000
Fund balances, reporting of.....	073102
Language.....	074020
Multiple year	074002
Reprogramming	073301
Structure.....	074040
Temporary Lapse	073003
Warrants.....	073003
Year-End Obligations	073003
Appropriation Purchases Account	
Cryptographic Devices.....	075369
Expense/Investment Criteria.....	075001
OPN	074361
Installation in real property facility	075360
Artillery.....	074350, 074381

ASN (Installations & Environment) (ASN(I&E))	
Approval of Minor construction	074501
Coordination for National Science Foundation	075218
ASN (Manpower & Reserve Affairs) (ASN(M&RA))	
MWR Program Policy.....	075510
Responsibility for Civilian Workforce.....	075147
ASN (Research, Development & Acquisition) (ASN(RD&A))	
RDT&E appropriation administration	074403
Automated Information Systems	075371
Automatic apportionment	073200, 073201, 074800, 074801
Aviation Consolidated Allowance List.....	075364
Awards	075144
B	
Ballistic missiles	074321, 074341
Banking facilities	075202, 075261
Bases	
NWCF operations	074601
Host/Tenant relationships	075121, 075123, 075202
Realignment and Closure (BRAC)	074560
Transportation for closures and shore establishment realignments	075181
Basic Research.....	074401, 075401
Bequests	074700
Berthing and Messing.....	075158
Boats and Craft	075148, 075220, 075367
Boy Scouts of America	075261
Budget (Also see each appropriation)	
Appropriation Structure	074040
Authority, Procedures for Establishing	073003
Execution, Definition.....	073000
Execution, Responsibilities.....	073001
Nonappropriated funds.....	074724
Reimbursable programs	074800, 074801, 074802
Reprogramming	073301
Budget and Impoundment Control Act	073003, 073101, 073200
Bureau of Medicine and Surgery (BUMED)	
Defense Health Program	075219
Medical/Dental Facilities.....	075121, 075132
RPN Funding	074123
Transportation/Hospitalization	075183, 075185
Bureau of Naval Personnel (BUPERS) (Also see CNP)	
Legal Costs/Military Personnel.....	075159
MPN/RPN Funding.....	074103
Recreation Equipment.....	075374
TAD Travel Costs.....	075183
Transportation and Handling/Military Personnel	075180
Business Cards.....	075161

C	
Cadets, pay and allowance of	074101
Cancellation Ceiling.....	075321, 075322, 075325
Capital Budget	
For IT Systems in the NWCF	075371
For National Defense Sealift Fund.....	074643
For Nonappropriated Funds	074724
General	074602
Capital Lease.....	074603, 075001
Categories of RDT&E Work.....	075401
Chief of Naval Operations (CNO)	
Operating budget procedure	073202
Chief of Naval Personnel (CNP) (Also see BUPERS)	
Military Personnel Funding.....	073202
MWR Agent for the CNO.....	075510
Permanent Change of Station.....	075187
Travel in Connection with Temporary Duty.....	075184
Training of Foreign Military Personnel	075365
Chief of Naval Research	073202, 074403
Chief of Naval Reserve	
MCNR Funding.....	074521, 075386
OPN Funding	074361
RPN Funding	074123
Training Devices for Reserve Forces.....	075365
Transportation of Marine Corps Reserve Air Units.....	075182
Child Care	075123, 075500, 075523, 075524
Civil defense	075001, 075154
Civil disturbances	075154
Civil engineering support equipment	074361, 075368
Claims	
Legal Costs	075159
Medical and Dental.....	075132
Closed Account.....	073302
Closure, Base Realignment and (BRAC)	074560
Clothing	
Costs Incurred at Military Exchanges.....	075524
Expense/Investment	075001
Midshipmen's Store	074642
Organizational Clothing/Food Handling Personnel	075152
Prisoners.....	075155
Protective, for handling personnel	075364
Secret Service.....	075217
Uniforms, Marine Corps	074141, 074161
Uniforms, Navy	074101, 074121
Coast Guard, U.S	074301, 075204, 075213, 075218, 075369
Collateral equipment	074361, 075361

Command support equipment	074361
Commandant of the Marine Corps	073202
Commercial charter and hire services	075149, 075403
Commissary stores	074006, 075121, 075156
Commitments	073003, 073102, 073200, 073201
Common service support	075003, 075120, 075121, 075123, 075202
Common support costs.....	075522
Communications	
Base Communications	075123
Family Housing.....	074542
Intraservice/interservice agreement	075202
MWR activities	075521, 075522
O&M support of	074201, 074221
Procurement	074361, 074381
Community relations.....	075153
Component improvements of aircraft engines.....	075403
Comptroller	
Allocation	073003, 073201
Budget role.....	073002
Continuing review	073300
Operating budget procedure	073202
Organizations	073002
Responsibilities	073002, 073003
Concurrent funding	075373
Congressional committees	
Implementation of report provisions	074024
Reprogramming	073301
Conservation	074723, 075123, 075141, 075242
Construction	
Appropriations in support of RDT&E N	075403
Appropriations, MCN	074500, 074501
Appropriations, MCNR	074520, 074521
Berthing and Messing Expenses	075158
BRAC.....	074561
Collateral equipment	075361
Continuing Authorizations (Contingency, emergency, environmental).....	075385
Contractor Claims.....	074501, 074503
Defense Health Program.....	075219
Demolition Work	075387
Equipment installation	075360
Exclusions to MILCON Funding.....	075386
Family housing appropriation.....	074540, 074541
Full funding concept	075322
Incremental Funding.....	075385
Initial Outfitting	075361, 075374
Land acquisition	074500, 074501, 074521, 074541

MILCON Project Cost Variations	075384
Minor construction	075001, 075386
MWR	075531
NATO Infrastructure Program	075242
NWCF	074602
Personal Property Equipment	075361
Relocatable facilities	075386
Supervision inspection and overhead (SIOH)	074541, 075383, 075386
Consumable Aviation Consolidated Allowance List	075364
Contingencies	
Establishment of reserves	073100
Funding limitations	073200
Funding of operations	074201, 075140, 075216, 075182
MILCON contingency projects	075385
NWCF Costs	074603
Overseas Contingency Operations Transfer Fund (OCOTF)	074903
Continuing Resolution Authority	073002
Contractor engineering and technical services	075342, 075366
Conversion	
NDSF	074643
SCN	074320, 075373
Coordinated Shorebased/Shipboard Allowance Lists	075364
Copyright	075135, 075159, 075371
Cost account	073202
Cost centers	073202
Courts Martial, Financial Responsibility	075159, 075183
Credit Unions	075261
Cross service	075003, 075202
Cryptographic devices	
General	075369
Procurement	074361
Custodial services	
Damaged facilities, restoration of	075154
Dependent Schools	075207
Family housing	074541
MWR activities	075521, 075522, 075524
Public Works Centers	075131
D	
Death Gratuity for Civilians	075160
Decedent Affairs	075181
Defense Acquisition Board	074401, 075401
Defense Business Operations Fund (DBOF)	074600
Defense Education Benefits Fund	074121, 074161
Defense Health Program	074728, 075219
Defense Logistics Agency	
Disposal Programs	075141

General	075208
Industrial Plant Equipment.....	075209
Prepositioning Vessels	074643
Defense Reutilization and Marketing Office	075141
Demolition Costs.....	075387
Demurrage and detention charges	075181
Department of Labor.....	075212
Dependents Schools	075207
Deserters	
MILPERS appropriations	074101, 074141
Temporary additional duty travel	075183
Dining facility, operation of	
Facilities using appropriated funds	075152
Open messes (Clubs) MWR	075512, 075521
Organizational clothing for food handling personnel	075152
Direct Reporting Program Managers (DRPM)	
Administrative Control of Funds	073400
Disability benefits	074123, 074720
Disasters or emergencies	075121, 075154, 075183
Disposal Programs	075141
Dominant users	075148,075201
Drug Interdiction and Counterdrug Activities, Defense	074901
E	
Electronic equipment	074361, 074381
Emergency and Extraordinary expenses	073200
Emergency expenses, Section 3732 authority	073003
Emergency leave travel	075185
Employees Compensation Fund	075212
Enactment of appropriations	073003
Energy Conservation.....	074541, 075141, 075242
Engineering	
Changes.....	075323, 075341, 075404
Support equipment	074361, 074381
Entertainment	
MWR activities	075500
Prohibition against expenditures	073200
United Service Organizations (USO)	075261
Environmental compliance	074561, 075123, 075219, 075242
Environmental hazard remediation.....	074542
Environmental restoration	
BRAC.....	074560, 074563
Defense Environmental Restoration Account.....	074561
Environmental Response Projects.....	075385
Environmental Restoration, Navy Transfer Account.....	074902
Hazardous Waste Disposal	075208
Kaho’Olawe Island	074727

Evacuation Orders.....	075183, 075207
Excepted expense (41 U.S. Code 11).....	073002
Excess property	075141, 075181, 075521
Expense authority	073200, 073202, 074040
Expense limitation	073202
Expense/investment criteria ...	074602, 075001, 075360, 075361, 075364, 075371, 075374
Expired Account	073302
F	
Facility leases	074603, 075001, 075202, 075210, 075261, 075403
Factory training	075365
Family Housing, Navy & Marine Corps Appropriation	074540
Financial Authority	073003, 073202
Financial Institutions.....	075261
Financial plan	073101, 073202
Financial Responsibilities for Allocations.....	073203
Fire protection	
Dependent Schools.....	075207
Family housing	074541
Host Responsibility.....	075123
Interservice Support.....	075202
MWR Common Support.....	075522
Public Works Lead Activity, fire alarm system costs	075131
First article testing	075341
Fiscal Director Marine Corps	
MPMC Funding	074143
PMC Funding.....	074383
Retired Pay Defense Funding	074721
RPMC Funding.....	074163
Fish and game conservation	074723
Fishing permits	074723
Fisher Houses.....	075524
Flag Housing.....	074542
Fleet Antiterrorism Security Teams (FASTS)	075140
Fleet Modernization Program (FMP)	075148, 075158
Fleet Moorings.....	075368
Flyaway concept	075341, 075342, 075364
Foreign Governments/International Relationships	
Agreements/international funding relationships	075240
Courts and penal institutions	075155, 075159
Disaster or Emergency assistance	075154
Fuel Exchange Agreements (FEA)	075244
Gifts/Solatia	075146
Latin American Cooperation (LATAM COOP) Funds	075245
Military Assistance (Transfers to Navy)	074741
MRTFB Use/Reimbursement	075206
NATO Infrastructure Program.....	075242

Port Services	075149
Sales, Foreign Military (FMS) 074603, 074740, 074743, 074802, 075210, 075365	
Security Assistance Program	074740
Shipyards	074320
Supplies and services to foreign governments	075243
Support of international military activities	075241
Training of foreign military personnel	074742, 075365
Free Assets	074800, 074802
Full funding concept	075321, 075322, 075325, 075385
Functional/subfunctional categories	073202, 074202, 074222
Functional Transfer	075004
Funding	
Approval Procedure	073101
Authorization	073101
Availability, establishment of	073003
Reimbursable Program	074801, 074802
Reprogramming	073301
Transfer of functions.....	075004
Future Years Defense Program	
Full Funding and Multiyear Procurement.....	075322, 075325
RDT&E reporting	074040, 075147, 075401
G	
General and Flag Officer Quarters.....	074542
General Housing	074542
General Provisions, DOD Appropriations Act	073003, 074022
General Purpose Communication Systems.....	075371
General Services Administration	075141, 075210
Gift and Museum Fund	074006, 074700
Gifts	
Department of the Navy Gift Fund	074006, 074700
Naval Academy Gift and Museum Fund	074006, 074700
Solatia	075146
Trust Funds	074006, 074700, 074801
Girl Scouts of America	075261
Government bills of lading	075180
Gratuities	
Appropriation Language	074100, 074120, 074140, 074160
Death.....	074101, 074121, 074123, 074141, 074161, 075160
Uniform.....	074121, 074161
Ground support equipment	074301, 075341, 075364
Guard forces	
Marine Corps Security Guard Program/State Department	075214
Security Forces.....	075140
TAD Travel	075183
Guided missiles and equipment	074341, 074361, 074381
Guns	074341, 074361, 074381, 075512

H

Hazardous waste	074902, 075208
Headquarters personnel travel.....	075183
Health and comfort items for prisoners	075155
History fund	074006, 074700
Host/Tenant	075120, 075121, 075122, 075123, 075202
Human Resources Offices	075130
Hunting permits	074723

I

Inactivation of ships	074201, 075148, 075158, 075185, 075186, 075403
Incremental funding	074403, 075327, 075385, 075402
Individual Material Readiness List	075364
Industrial-commercial activities	
Civilian guard forces	075140
Industrial Plant Equipment Movement/Storage.....	075209
Medical and dental costs	075132
Mobile Utility Support Equipment Program.....	075150
Studies and Analysis.....	075404
Transportation/handling of household goods/POVs	075180
Industrial plant equipment	075209, 075361
Industrial relations services	075130
Information Technology	075123, 075371, 075372
Initial outfitting	
Aircraft	075364
Budget policy	075364
Collateral equipment	075361
Cryptographic Devices.....	075369
Expense/investment	075001, 075364
Family housing	074541, 075361
Other Weapons/Equipment	075364
Personal Property Equipment	075361
Recreation Equipment.....	075374
Ships	074320, 075364
Training	075364, 075365
Vehicles.....	075364
Inspection services	075151
Installation Core Business Model.....	075123
Installation of equipment	
Expense/Investment Criteria	075001
Interservice Support/Joint Use Facility.....	075202
Real Property Facility Equipment.....	075360
Training	075365
Integrated Logistics Support (ILS)	075323
Intellectual Property Attorney.....	075135
Interdepartmental support	075201
Interest on deposits	074100, 074101, 074140, 074141, 074700

Interim contractor support (ICS)	075323, 075343
Interim lodging	075157
Intermediate command budgeting	073202
International Cooperative Administrative Support Services (ICASS)	075214
International Military Activities	075241
International Military Education and Training	074740, 074742
Interservice/intraservice support	074802, 075003, 075201, 075202
Intra appropriations transfers	075004
Intrinsic expense	075001, 075341, 075364
Intrusion detection systems	075360
Investment funding policy	075320
Invitational travel orders	
General	075183
For a commissioning	075373
J	
Joint Chiefs of Staff	
Interservice Support	075202
Joint Test and Evaluation	075403
USTRANSCOM Order	074603
Joint Ethics Regulation	075261
Joint Test and Evaluation	075403
Joint Travel Regulation	075147, 075180, 075183, 075185, 075186, 075187, 075373
Judgment Fund	073303
L	
Labor, Department of	075212
Labor, Military	075202
Land acquisition and easements	074500, 074501, 074502, 074521, 074541, 075381
Language changes to appropriations	074023
Latin American Cooperation Funds (LATAM COOP)	075245
Lead activities	075180
Lease Agreements	075001
Lease-Purchase Analysis	075001
Legal Costs, Claims	075159
Limitations (Also see each appropriation)	
Allocations and operating budget	073200, 073201, 073202
Apportionment approval procedure	073101
Budget role of the Comptroller	073002
Establishing availability	073003
Functional transfer	075004
MWR Resale Activity	075524
Reprogramming	073201, 073301
Statutory limitations	073200
Line item procurement	073301, 074040, 075341
Litigation Costs	075159
Logistic support	075201, 075203, 075207, 075261
Long lead-time items	074320, 075321, 075323, 075324

Low Rate Initial Production (LRIP) Assets	075403
Lumber or timber products, production of	075141, 075143
M	
Machine tools	074300, 074320, 074340, 074350, 074360, 074380
Maintenance	
BRAC	074561
Depot level, NWCF	074601
Expense/Investment Determination	075001
Host/Tenant Responsibility	075121, 075123, 075202
Information Technology-Related	075371, 075372
MWR activities	075521, 075522
O&M	074201, 074221, 074241, 074261, 074730
Plant Property	075142
Real property facilities, Family housing	074541
Real property facilities, NWCF	074603
Real property facilities, Public Works Center	074601, 075131
Sealift Vessels	074643
Training	075365
Use of Family Housing Funding	074542
Major Claimants	
Budget role	074501, 074521, 074562
Financial authority	073202
FMS Training to NATO Countries	075365
FMS Trust Fund	074743
HRO Support	075130
Installation of items requisitioned from inventory	075360
Midyear Review	073300
Minor Construction Approval Authority	074501, 074521, 075386
Nonappropriated fund support	074724
NWCF Contingency Transportation Costs	074603
Second Destination Transportation Funding	075181
Major end items	073301, 075001, 075403
Major Programs, FDYP	074040
Major Range and Test Facility Base	075206
Management Funds	074005
Manufacturing technology	075403
Marine Corps	
Commandant of the Marine Corps	073202
Marine Corps/Navy interface, Security forces	075140
Marine Corps/Navy interface, Transportation	075182
State Department interface, Embassy security guards	075214
Maritime Administration	074643, 075216
Materials-handling equipment	074361, 074381
Medical and dental	
Armed Services Health Professions Scholarship	074121, 074123
Claims	075132

Defense Health Program	074728, 075219
Dependents Schools	075207
Facilities Maintenance UIC	075121
Interservice Support	075202
O&M Facilities Costs	075132
Procurement of equipment	074361, 074381
Travel for treatment	075183, 075185
Mess operations	075512, 075521, 075152
Midyear review	073300
Military Assistance appropriation.....	074740, 074741, 074802, 075001, 075185, 075187
Military Land Utilization Programs	075143
Military Personnel (Active forces)	
Appropriations, Marine Corps (MPMC)	074140, 074141
Appropriations, Navy (MPN)	074100, 074101
Military Personnel (Reserve Forces)	
Appropriations, Marine Corps (RPMC)	074160, 074161
Appropriations, Navy (RPN)	074120, 074121
Military Sealift Command	
First and Second Destination Transportation.....	075181
Inspections	075151
NDSF	074643
Ocean Shipments of Household Goods and POVs.....	075180
Plant Property in inactive status.....	075142
Single Manager	075204
Transportation, NWCF	074601, 074603, 075373
Missile procurement	074340, 074341, 074381
Mobile utility support equipment (MUSE)	075150
Modernization/modification	
Aircraft	074201, 074300, 074301
Expense/Investment	075001
Information Technology	075371
Ships.....	074643, 075158, 075373
Training Equipment	075365
Morale welfare and recreation	
Activity Classifications.....	075512
Appropriated versus Nonappropriated Fund Use	075521, 075522, 075524
Construction Costs.....	075530, 075531
Definitions/General Information.....	075500, 075511
Management Responsibilities	075510
Personnel Costs.....	075523
Utilization, Support and Accountability Practice	075525
Mortgage insurance premiums	074541
Multi year contract/procurement	075321, 075322, 075325, 075402
Municipal Services	075121
Museum Fund - U.S. Naval Academy (USNA) Gift and	074006, 074700
Museums	074006, 074700, 074724, 075524

N

National Aeronautics and Space Administration	075215
National Defense Reserve Fleet (NDRF)	075216, 074643
National Defense Sealift Fund (NDSF)	074004, 074643
National Science Foundation	075185, 075218
Naval Education and Training Command (NETC)	
FMS Training Cases.....	074743
NROTC Medical Matters.....	075132
OPN Funding	074361
RPN Funding.....	074123
Training Aids for Military Personnel, Funding Responsibility	075365
Naval Inventory Control Point (NAVICP).....	074740, 074743
Naval Network Warfare Command (NNWC)	074361, 075123
Naval Records and History Fund	074006, 074700
Navy Management Fund.....	074005
Navy Offices of Patent Counsel	075135
Navy Working Capital Fund	
Budget Formulation	074602
Financial Policy	074603
General	074600
Structure and Content	074601
Nonappropriated Funds	
Award Payment.....	075144
Base Closure	074563
Collateral equipment	075361
Dependents Schools.....	075207
Morale, welfare and recreation activities	075511, 075512, 075521
Nonappropriated Fund Instrumentality (NAFI)	074724, 075261, 075512
Nonappropriated Funds (NAF)	074724, 075512
Permanent Change of Station (PCS).....	075187
Private Organizations.....	075261
Supplemental Mission NAFI	074724, 075524
Transportation of household goods and POVs	075180
Utilization, Support and Accountability Practice	075525
Nonrecurring costs	074743, 075321, 075323, 075324, 075325, 075341
North Atlantic Treaty Organization (NATO)	
Fleet moorings procurement and maintenance	075368
Infrastructure Program.....	074726, 075242
Medical and dental/NATO SOFA	075132
Non-reimbursable port services	075243
Training agreements	075365
O	
Obligation	073003
Obligational authority	
Availability	073000, 073003, 073101, 073200, 073202
Foreign Military Sales (FMS).....	074743

Oceanography	074201, 074361
Office of Management and Budget (OMB)	
Appropriation language changes; procedures for	074023
Appropriation structure changes	074042
Approval procedure for apportionment	073101
Budget execution responsibilities	073001, 073003
Circular A-11	073100, 074042, 075385
Circular A-76	075366
Circular A-94	075001
Granting exemptions from apportionment	073100
Reporting requirements	073102
Office of Naval Research	
Intellectual Property	075135
Oil spill cleanup	075149
Operating budgets/operation and maintenance appropriations	
Appropriations/Funds, Family Housing	074541
Appropriations/Funds, NWCF	074600
Appropriations/Funds, RDT&EN	074400, 075403
General, Allocations and operating budgets	073200
General, Appropriation Structure	074040
General, Operating budget procedure	073202
General, RDT&E facilities O&M	075403
General, Reprogramming	073301
O&MMC	074240
O&MMCR	074260
O&MN	074200
O&MNR	074220
O&M, Defense-Wide	074730
Operating Lease	075001, 074603
Operating targets (OPTARS)	073200, 074103
Operational System Development	074401, 075401
Operational Safety and Improvement Programs	075323
Operational System Development	074401, 075401
Ordnance	
APN Funded	074300
OPN Funded	074360
PAN&MC Funded	074350
Secret Service	075217
Single Manager	075204
Support equipment	074361
Other Military Personnel Operations expense authority	073202
Overexpenditure	073003, 073201
Overhaul	
Berthing and Messing	075158
Determination of funding type	075373
Expense/Investment Definitions	075001

Mobile Utility Support Equipment	075150
NDSF	074643
O&M	074201, 074221, 075148
RDT&E	075403
Travel and Transportation During Overhaul	075185, 075186
Overobligation	073003, 073201
Overseas Contingency Operations Transfer Fund (OCOTF)	074903
Overseas dependents schools	075207
Overseas Security Support.....	075214
P	
Patent Claims	075159
Patent Counsel	075135
Pay and allowances	074101, 074121, 074141, 074161
Performance envelope	075001, 075342, 075371, 075372, 075403
Permanent disability retirement	074720
Personal property equipment	075361
Personnel support equipment	074361
Petroleum/oil/lubricants (POL)	
Classification as expense	075001
Transportation	075181
Plant property; inactive status	075142
Pollution abatement/control	074301, 074361, 075123, 075141
Port services	075149, 075243
Post delivery projects (SCN)	074320, 074321, 075323, 075373
Postal Service, US	075159, 075211
Prefinancing, NATO infrastructure	075242
Printing Services/Offices	075134
Prisoners	
Health care and comfort items	075155
MPN and MPMC funding	074101, 074141
Temporary additional duty travel	075183
Private organizations	074724, 075206, 075261
Private parties	075131, 075260
Procurement (Also see each appropriation)	
Full funding concept	075321, 075322, 075325, 075385
Investment funding policy	075320
Line item procurement	073301, 074040, 075341
Multi year procurement	075321, 075322, 075325, 075402
Procurement, Marine Corps (PMC) appropriation	074380, 074381
Procurement of Ammunition, Navy & Marine Corps (PAN&MC) appropriation....	074350
Production support services	074301, 075183, 075323, 075342
Program elements	
Future Years Defense Program (FYDP)	074040
RDT&E,N	073101, 073301, 074403, 075401
Program Executive Officers (PEO)	
Administrative Control of Funds	073400

Programs, Major	
Future Years Defense Program (FYDP)	074040
Prototype	075365, 075372, 075403
Public works	
Centers	075131
Funding for local moves of personnel	075180
NWCF Base Support business area	074601
Supporting Activity	075120
Q	
Quarters	
Berthing and Messing	075158
Common-Service Support Function	075123
Dependents Schools	075207
General and Flag Officers	074542
Interim Lodging	075157
PCS and Local Moves	075180
Security Forces Support	075140
Supplemental Mission NAFI	074724
R	
Railroad systems	075131
Range and test facilities	075206
Rate Stabilization	074603
Ready Reserve Force (RRF)	075216
Reapportionment requests	073103
Recreation equipment	075374
Recreation organizations/activities	074724, 075500
Recurring costs	075321, 075323, 075325
Recycling	074902, 075141
Red Cross	075180, 075183, 075261
Reduction in force	074603, 075180
Reimbursements and collections	
Definitions/Administration of Reimbursable Program	074801, 074802
Family housing	074540, 074541, 074542
Intraservice/interdepartmental support	075003, 075201, 075202
NWCF	074600, 074602
Revolving Fund	074004
Relocatable facilities	075386
Rental guarantee payments	074541, 075180
Rental collections for family housing	074541
Repair	
Accident/disasters, Damaged facilities	075154, 075385
Accident/disasters, Public Works Centers	075131
Cryptographic Devices	075369
Expense/Investment Determination	075001
Host/Tenant responsibility	075121, 075123
MWR activities	075521, 075522

O&M	074201, 074220, 074260
Plant property inactive status	075142
Projects, NWCF	074601, 074602
Projects, Family housing	074541, 074542
Projects, Military construction (MCON)	075380, 075386
Public Works Centers (PWCs)	075131
Ships and Craft.....	075148, 075373
Replacement-In-Kind.....	074802, 075244
Report	
Monthly and Annual Reporting Requirements	073102
Reprogramming	
Definition	073301
Limitations and thresholds	073301
Transfer Authority	073003
Research, Development, Test & Evaluation, Navy (RDT&E,N)	
Administration/Reprogramming	073301, 074403
Appropriation Scope and Structure.....	074040, 074400, 074401
Categories of Work.....	075401
Classification of Resources.....	075403
Incremental Funding Policy	075402
Major Range and Test Facility	075206
Operating budget procedure	073202
Studies and Analysis.....	075404
Reserves	
Appropriations, Marine Corps personnel(RPMC)	074160, 074161
Appropriations, Navy personnel (RPN)	074120, 074121
Appropriations, O&M Marine Corps (OMMCR).....	074260, 074261
Appropriations, O&M Navy (OMNR)	074220, 074221
Appropriations, MILCON Reserve (MCNR)	074520, 074521, 075384, 075385
Force ships	075148
ROTC.....	074121, 074161, 075132
Travel in Connection with Reserve Duty.....	075188
Resource Management Systems (RMS)	073200, 073201, 075003
Responsibility centers	073202
Responsible office	
Allocations	073200, 073202
Reporting Requirements	073102
Restoration of damaged facilities	075154, 075385
Retired Pay, Defense	074720, 074721
Retirement, Disability	074720
Revolving Funds	
Definition	074004
Navy Working Capital Fund	074600, 074601, 074602, 074603
Rewards.....	075145
Rollaway concept	075341, 075364

S

Sailaway concept	075341, 075364
Scouting Organizations	075261
Sealift	074643, 075216
Secret Service	075217
Secretary of Defense	
Allocation	073201
Budget execution	073000, 073001
Secretary of the Navy	
Budget Execution	073001
Directed interservice support	075201
Section 3732 Authority	073003
Section 6 Schools	075207
Security Assistance Program	074740, 075181, 075185
Security forces	
Civilian guard forces	075140
Marine Corps, at Navy activities	075140
Separation payments	074101, 074141
Service life extension program (SLEP)	075001, 075373
Ships and craft	
Administration/Availability of SCN funding.....	074323
Appropriations/Funds, OPN	074361
Appropriations/Funds, RDT&EN	075403
Appropriations/Funds, SCN	074320, 074321
Appropriations/Funds, WPN	074341
Boats and craft (procurement)	075367
Ceremonies	075001, 075373
Conversion	074320, 075001, 075373
Design efforts	074320, 075403
Determination of proper appropriation	075373
Fleet Modernization Program (FMP)	075148, 075158
Full Funding.....	075323
Funding responsibility, Operating costs	075148
Initial outfitting	074320, 075364
Inspections	075151
Maintenance and Technical support, NWCF shipyards	074601
Maintenance; Berthing and Messing	075158
National Defense Reserve Fleet (NDRF)	075216
National Defense Sealift Fund (NDSF)	074643
Port Services	075149, 075243
Post Delivery Projects.....	074320, 074321, 075323, 075373
Sailaway concept	075341, 075364
Ship Cost Adjustment (SCA) Review.....	074323
Transportation Associated with Ship Overhaul	075185, 075186
Ships' Stores Profits, Navy	074006, 074700
Shipyards	074320, 074601, 074643

Shore activity	
Operating budget procedure	073202
Single manager	075204, 075216
Social security tax	074101, 074141
Solatia payments	075146
Spares and repair parts	
APN Funded.....	074301
Definitions.....	075341
Expense/Investment Determination	075001
Initial outfitting	075364
Major equipment or component.....	075363
OPN Funded.....	074361
PAN&MC Funded	074350
PMC Funded	074381
Procurement, Defense-Wide Funded	074731
Time-Phased Procurement	075323
Training Equipment	075365
WPN Funded.....	074341
Special accounts	
Defense Health Program	074728
Kaho’Olawe Island Conveyance, Remediation and Environ Restoration	074727
Nonappropriated Funds	074724
North Atlantic Treaty Organization Infrastructure	074726
Operation and Maintenance, Defense-Wide	074730
Procurement, Defense-Wide	074731
Quality of Life Enhancements, Defense	074729
Retired Pay Defense, Marine Corps portion	074721
Retired Pay Defense, Navy portion	074720
Wildlife Conversation Military Reservations	074723
Special Operations	075220
Sponsoring commands for RDT&EN	073202
Sponsors, appropriation or program	
Funding Approval Procedures	073101
Operating Budget Procedures	073202
Standard rate usage support agreements	075201, 075218
State Department administrative support	075214
Statutory	
Limitations	073200
References	074021
Stock funded material	075181, 075208, 075369
Studies and analyses	075383, 075401, 075403, 075404
Suballocation.....	073200
Subclaimant	073202
Subheads (Also see paragraph for each appropriation)	074040
Subsistence	
Basic allowance, MILPERS appropriations	074101, 074121, 074140, 074160

In Kind	074101, 074141
Latin American Cooperation Funds.....	075245
National Science Foundation	075218
Operating dining facilities.....	075123, 075152
World-Wide Integrated Mgmt of Wholesale Subsistence (WIMS)	075208
Supervision Inspection and Overhead (SIOH)	075383, 075386, 074541
Supply support equipment	074361
Surgeon General of the Navy	075132
Surplus property	075141, 075181, 075521
Survivors benefits	074101, 074141, 074720
Sustainment, Restoration and Modernization (FSRM).....	074602, 075120, 075121
	075123, 075386
System Development and Demonstration.....	074401, 075401
T	
Tactical/Strategic Information Technology	075372
Targets	
Aerial, Funding policy	075370
Aerial, Procurement appropriation	074341
Underwater, Procurement appropriation	074341
Telecommunications	
Capital Asset.....	074602
Intraservice/interservice agreement	075123, 075202
NNWC funding responsibilities.....	074361, 075123
PMC funding.....	074381
Temporary disability	074720, 075183
Temporary Additional Duty Travel	075159, 075183
Temporary duty travel	075184, 075187
Termination liability	075321, 075324, 075325, 075326, 075402
Test articles	075403
Timber	075141, 075143
Torpedo launching systems	074320
Torpedoes	074340, 074341
Training	
Agency/Support Agency.....	075365
Aids and devices	074301, 074361, 075365, 075403
Budget policy/funding responsibility for military personnel	075365
Civilians long term training	075147
Initial outfitting	075364
International Military Education and Training.....	074742
MWR Personnel.....	075523
Single manager assignment (Specialist)	075204
Transfer Authority	073301, 073302, 074323
Transportation	
Assistance and Support.....	075189
Claims.....	075159
Crew Transportation, Berthing and Messing.....	075158

Defense Logistics Agency costs	075208
Destination, First (FDT)	075181
Destination, Second (SDT)	075181
Disaster Relief.....	075189
Household goods, privately owned vehicles	075147, 075180, 075181, 075187
Industrial Plant Equipment	075209
Interservice Support.....	075202
Marine Corps units	075140, 075182
Mobile Utility Support Equipment	075150
Nonappropriated (NAF) Costs.....	075521
Ocean Transportation, single manager	075204, 075216
Rates for non-DoD Missions	075189
Student Dependents	075183
Travel	
Evacuations.....	075183
Funded in RPMC appropriation.....	074161, 074163
Funded in RPN appropriation.....	074121, 074123
Host/Tenant Funding Guide.....	075123
In connection with ADA investigations.....	073401
In connection with temporary duty	075184
In connection with Reserve duty.....	075188
Interservice.....	075183
Invitational Travel.....	075183, 075373
MWR personnel	075523
Permanent change of station, Funding policy	075187
Permanent change of station, MPMC	074141, 074143
Permanent change of station, MPN	074101, 074103
Ship overhaul, new construction or inactivation	075186
Special Assignments.....	075183
Temporary additional duty	075183
Transportation of Household Goods and POVs.....	075147, 075180
While in leave status	075185
Treasury Department	073000, 073001, 073102
Treasury warrants	073003
Trust Funds	074006, 074121, 074161, 074700, 074743, 074801
Tuition	075147, 075204, 075207
U	
Unfunded requirements	073300
Unified/Specified commands	075203
Uniform allowances	074101, 074121, 074141, 074161, 075217
Uniform funding policy, MRTFB	075206
United Service Organization (USO)	075261
Unobligated balances	073102, 073201, 074323
Unpaid obligations	073102
USA Practice.....	075525

Utilities

Appropriations, MCON	074500
Dependents Schools	075207
Foreign Governments.....	075243
Housing tenant responsibility	074541
Interservice support	075202
Mobile utility support equipment (MUSE)	074361, 075150
MRTFB	075206
MWR activities	075521
NATO Infrastructure Program.....	075242
Personal Property Equipment	075361
Port services ships' utilities	075149
Private parties/organizations	075260, 075261
Public Works Centers (PWCs)	075131
Utilization, Support and Accountability (USA) Practice.....	075525

V

Vehicles

Accident repairs	075123, 075131
Allowance Lists	075001
Procurement vehicles, General use vehicles	074603, 075403
Procurement vehicles, Passenger and support	074360, 074361, 074380, 074381
Procurement vehicles, Tracked combat	074380, 074381
Rollaway concept	075341, 075364
Transfer of privately owned vehicles	075180

Violations of Administrative Control of Funds

U.S.C. 1301	073200, 075402
U.S.C. 1512.....	073001, 073003, 073100, 073101, 073200, 073201, 073202
U.S.C. 1517.....	073003, 073200, 073203
U.S.C. 1518.....	073003
U.S.C. 1519.....	073003
Investigation of ADA Violations	073401

Voluntary associations	075261
------------------------------	--------

W

Warehousing services	075123, 075202, 075208, 075261, 075343
Weapons Procurement Navy (WPN) appropriation	074340
Weapons systems	075341
Wildlife conservation	074723
Working capital funds	074004, 074600

Y

Year-end closing statement.....	073102
Year-end obligations	073003