

ARMY WORKING CAPITAL FUND FISCAL YEAR 2026 BUDGET ESTIMATES



SUBMITTED TO CONGRESS JUNE 2025

Front Cover Photograph:

A Soldier patrols during situation-based battle drills

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An M1A2 Abrams fires during a deployment readiness exercise

The estimated cost of this report for the Department of Defense (DOD) is approximately \$74,237 for Fiscal Year (FY) 2025. This includes \$2,527 in expenses and \$71,710 in DOD labor.

All photographs in this document were obtained from official U.S. DOD web sites.

Includes FY 2025 Full-Year Continuing Appropriations and Extensions Act, 2025 (Public Law (P.L.) 119-4)

ARMY WORKING CAPITAL FUND
Fiscal Year (FY) 2026 Budget Estimates

Summary of Budget Activity (\$ in Thousands)			
Army Working Capital Fund	FY 2024	FY 2025	FY 2026
Total Contract Authority (Includes CIP)	8,537,306	8,187,784	8,359,546
Operating Contract Authority	9,080,462	8,073,486	7,300,110
Supply Management	9,080,462	8,073,486	7,300,110
Industrial Operations	0	0	0
Capital Investment Program (CIP)	94,947	114,298	212,792
Supply Management	19,730	14,030	15,059
Industrial Operations	75,217	100,268	197,733
Total Spending Authority from Offsetting Collections	4,997,922	4,929,020	4,225,454
Supply Management	0	0	0
Industrial Operations	4,997,922	4,929,020	4,225,454
Direct Appropriations, Total	154,000	143,604	20,589
Supply Management	6,449	1,828	0
Industrial Operations	147,551	141,776	20,589
Total Budget Authority	14,327,331	13,260,408	11,758,945
Supply Management	9,106,641	8,089,344	7,315,169
Industrial Operations	5,220,690	5,171,064	4,443,776

ARMY WORKING CAPITAL FUND
Fiscal Year (FY) 2026 Budget Estimates

President's Budget FY 2026 Summary (\$ in Thousands)			
Army Working Capital Fund	FY 2024	FY 2025	FY 2026
Total Revenue	12,922,167	13,084,112	11,738,178
Supply Management	7,872,223	8,091,834	7,317,634
Industrial Operations	5,049,944	4,992,278	4,420,545
Total Expenses	12,169,556	13,134,633	11,459,384
Supply Management	6,990,462	8,045,528	7,073,722
Industrial Operations	5,179,094	5,089,105	4,385,661
Total Recoverable NOR	-461,452	-355,229	372,991
Supply Management	-405,167	-353,694	243,911
Industrial Operations	-56,285	-1,535	129,080
Total Net Operating Result Adjustments	-839,637	-141,796	-149,715
Supply Management	-912,502	-237,088	-243,911
Industrial Operations	72,865	95,292	94,196
Total Accumulated Operating Result (AOR)	61,409	-129,079	0
Supply Management	188,953	0	0
Industrial Operations	-127,544	-129,079	0
Total Capital Investment Projects	94,947	114,298	212,792
Supply Management	19,730	14,030	15,059
Industrial Operations	75,217	100,268	197,733
Total Direct Appropriations	154,000	143,604	20,589
Supply Management	6,449	1,828	0
Industrial Operations	147,551	141,776	20,589
Total Collections	12,661,783	12,938,761	11,712,988
Supply Management	7,872,147	8,091,835	7,317,634
Industrial Operations	4,789,636	4,846,927	4,395,355
Total Disbursements	11,936,225	13,188,099	12,228,488
Supply Management	7,117,205	8,137,244	7,810,170
Industrial Operations	4,819,020	5,050,855	4,418,318
Total End of Period Cash Balance	3,060,345	2,554,573	2,059,662
Supply Management	2,194,201	1,750,619	1,258,083
Industrial Operations	866,144	803,954	801,579
Total Cash Lower Operating Limit	1,628,814	1,573,289	1,580,684
Supply Management	1,178,620	1,180,765	1,189,393
Industrial Operations	450,193	392,524	391,290
Total Cash Upper Operating Limit	3,917,309	3,861,784	3,869,179
Supply Management	2,940,971	2,943,115	2,951,744
Industrial Operations	976,338	918,669	917,435

Personnel Data			
Army Working Capital Fund	FY 2024	FY 2025	FY 2026
Civilian Full Time Equivalents	18,563	19,431	16,344
Supply Management	1,897	2,126	1,746
Industrial Operations	16,666	17,305	14,598
Months of Carryover			
Army Working Capital Fund	FY 2024	FY 2025	FY 2026
Depot Months of Carryover	7.2	6.5	5.8
Industrial Operations	7.2	6.5	5.8

Army Overview

Background

Working capital funds were established by Congress to more effectively control and account for the cost of programs and work performed in the Department of Defense. Under the provisions of Title 10 United States Code, § 2208, the Secretary of Defense may establish working capital funds to finance inventories of supplies and industrial-type activities that provide common services such as repair, manufacturing, or remanufacturing. Unlike profit-oriented commercial businesses, the revolving fund's goal is to break even by returning any monetary gains to appropriated fund customers through lower rates or collecting any monetary losses from customers through higher rates.

Revolving fund prices are generally stabilized or fixed during the year of execution to protect customers from unforeseen fluctuations that would impact their ability to execute the programs approved by Congress.

The basic tenet of the revolving fund structure is to create a customer-provider relationship between military

operating units and support organizations. This relationship is designed to make managers of the Army Working Capital Fund (AWCF) and decision-makers at all levels more aware of costs for goods and services.

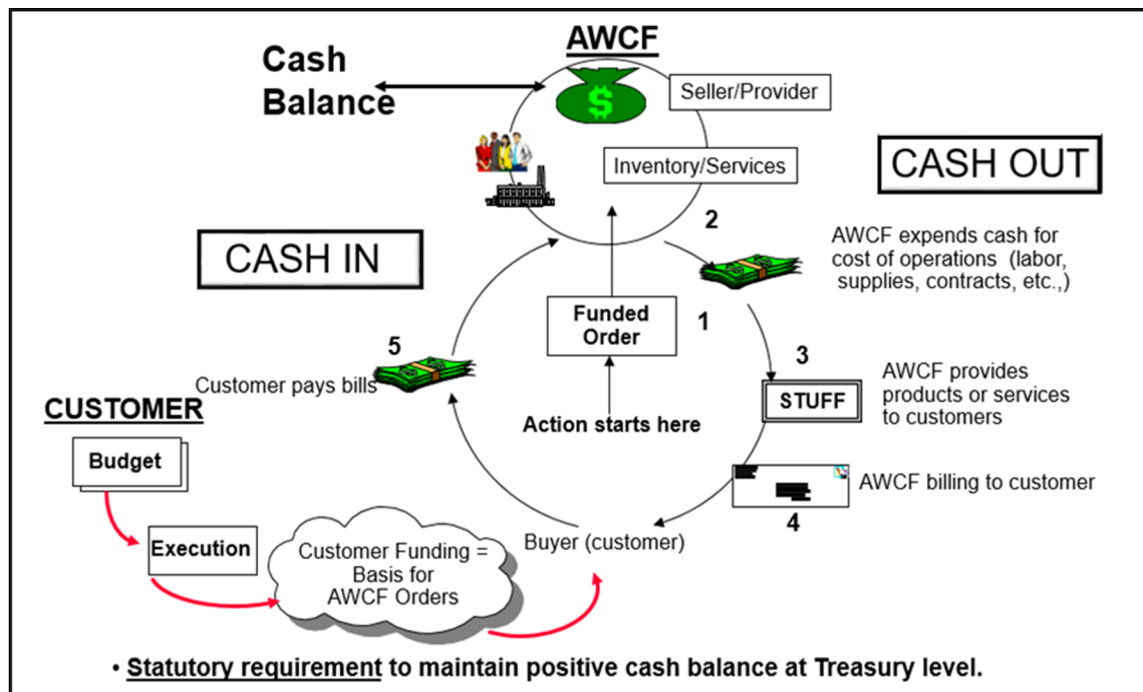
The Army's revolving fund activities evolved from two separate types of funds. The first type, known as the Stock Fund, procured spare parts in volume to either sell to customers or hold in inventory. The second type, known as the Industrial Fund, provided industrial services to customers, such as depot maintenance, munitions and weapon systems component manufacturing, and ammunition storage. Both types of revolving funds were financed primarily by reimbursements from customer appropriated accounts.



Army Soldiers trained to destroy, defeat, or disrupt the enemy with integrated fires

Figure 1 shows the interaction between customers' appropriated funds, AWCF business operations, and cash. Customer appropriated funding is synchronized with AWCF workload forecasts during budget development. During the year of execution, appropriated fund customers submit funded orders (1) to AWCF providers requesting services (repair, overhaul, or manufacturing) or supplies (spare or repair parts). This obligates appropriated funds. In step 2, AWCF Supply Management purchases inventory for resale to customers. Also in step 2, Industrial Operations orders materiel and hires labor, supporting the projected workload (CASH OUT). In step 3, the customer receives the completed product or service and a bill (4) for payment. The customer pays the AWCF (5) for the materiel or services (CASH IN). Proper pricing of inventory and services, and accurately forecasting workload allows a balance between CASH OUT and CASH IN. Variance between these actions results in either a gain or loss of AWCF cash. Gains are returned to customers through lower future prices while losses are recouped through higher future prices.

Figure 1 - AWCF Cash Process



Introduction

The FY 2026 AWCF budget supports the Army's vision to deliver ready, combat-credible forces capable of conducting Joint Force operations across a full range of military contingencies. The AWCF directly enables materiel readiness by resourcing depot maintenance and supply activities essential to sustaining operational capability and warfighter support. Aligned with the Army Transformation Initiative (ATI), the AWCF advances efforts to optimize sustainment, divest legacy systems, and modernize Industrial Operations in support of Multi-Domain Operations. ATI prioritizes agile, data-driven logistics and targeted investments that improve efficiency and responsiveness while addressing future operational demands. The AWCF's revolving fund structure reinforces these priorities by providing full cost visibility, budget flexibility, and price stability for supported customers.

The revolving fund structure encourages cost-effectiveness, flexibility, and adaptability to meet changing workload requirements in the year of execution. It helps protect appropriated fund customer accounts from year of execution price fluctuations. The AWCF consists of the Supply Management and Industrial Operations activity groups, with operations spanning across 17 cities and local areas within 14 states. The exact locations are shown in each business activity's portion of the budget. The AWCF activities disbursed approximately \$11.9 billion in FY 2024 to maintain the readiness and sustainability of military equipment.

Performance Measures

Key financial measures are net operating result, Accumulated Operating Result (AOR), and unit cost.

The Net Operating Result (NOR) represents the difference between revenue and expenses within a fiscal year. AOR represents the summation of all operating gains or losses since activity group inception along with any prior period adjustments. Prices and rates are set at a level that brings the accumulated gains and losses to zero over the budget cycle. The unit cost is a metric primarily used in the Supply Management activity

group to relate operating costs to each dollar of sales. It is measured by dividing gross operating cost (the sum of total obligations, depreciation expense, and credit) by gross sales. Adjusting the unit cost determines how much obligation authority may be distributed based on gross sales.



Army Soldier returns fire against an opposing force during the Joint Readiness Training Center Rotation

In addition to financial measures (NOR, AOR, and unit cost), operational measures assess how well the financial inputs reflected in the AWCF budget support Army strategic goals and operational readiness. Operational measures include productive yield (an indicator of whether direct labor employees can support projected workload) and stock availability (a measure of the ability of AWCF inventory to fill a customer's requisition). These are identified within each activity group's narrative.

Logistics Modernization Program (LMP)

LMP provides a modernized logistics and finance solution that allows the U.S. Army Materiel Command (AMC) to provide world-class logistics readiness to Soldiers. LMP delivers a fully integrated suite of software and business processes, providing streamlined data on maintenance, repair and overhaul, finance, acquisition, spare parts, and materiel. It is the Army's core logistics Information Technology (IT) initiative, which meets the Army's IT logistics vision of transformation from legacy applications to a modernized logistics enterprise solution.

LMP manages approximately seven million transactions daily and is integrated with more than 56 DOD systems including interfaces with Army's other enterprise resource planning systems: Army Enterprise Systems Integration Program; Global Combat Support System-Army; and General Fund Enterprise Business Systems. LMP is currently used by more than 21,000 users at more than 50 Army and DOD locations worldwide. Enhancements and system changes continue to be applied to LMP to ensure compliance with statutory and regulatory requirements.



Army Soldier showcasing the M142 High Mobility Artillery Rocket System (HIMARS) capabilities during a static display

Activity Groups

Supply Management

The Supply Management activity group acquires and manages spare and repair parts for sale to its customers, primarily Army operating units. This activity group remains critical to building and sustaining Army readiness in the face of evolving threats and changing operational demands in FY2026. The Army's equipment and operational readiness, and the strength to win the Nation's wars, are directly linked to the availability of spare parts. Supply Management administers spare parts inventory for Army Managed Items (AMI) and Non-Army Managed Items (NAMI). The Life Cycle Management Commands (LCMC) assigned to the Army Materiel Command (AMC), manage the Supply Management activity, which consists of four major commodity groups: aviation and missile; communications-electronics; tank-automotive and armament; and NAMI. Continued modernization of Army formations will drive targeted additions to the supply inventory, ensuring synchronization with priority capabilities. With the Army focused on multi-domain operations, the demand for technically complex, high-velocity spare parts continues to increase.

Industrial Operations

The Industrial Operations activity group delivers the Army's organic industrial base capability, supporting depot-level maintenance, repair, recapitalization, and upgrade efforts.

In FY 2026, the focus remains on executing the Army's Organic Industrial Base (OIB) Modernization Implementation Plan – one of the largest reinvestment efforts in the industrial base in four decades. Industrial Operations encompasses 13 government-owned, government-operated (GOGO) sites, including five hard-iron maintenance depots, three arsenals, two munitions production plants, and three key storage and distribution sites. These installations support all Army Commands and other DOD Services by executing maintenance, producing munitions and large-caliber weapons, storing and demilitarizing materiel, and retrograding combat systems. The complex operational environment continues to place tremendous demands on equipment, resulting in higher usage rates than in routine peacetime operations. The Industrial Operations activities play an integral role in resetting equipment as it



Army National Guard Soldier fires an M240H machine gun during Joint aerial gunnery operations

retrogrades from combat operations. The activity group supports recapitalization, repair, and sustainment efforts that ensure Army equipment remains operationally capable and aligned with mission requirements. Industrial Operations continues to execute repairs and upgrades to meet 10/20 maintenance standards and extend equipment life cycles. The Industrial Operations budget accounts for workload associated with high-demand operating environments, elevated usage rates, and emerging threat response. In FY 2026, the group also prioritizes modernization of production lines and workforce development to sustain future force readiness.

Budget Highlights

Overview

The FY 2026 budget represents a business plan that supports Soldier and weapon systems readiness for both peacetime training and overseas operating requirements. The AWCF provides materiel readiness to operating units in support of the Army's training and modernization objectives, ensuring sustained warfighting capability under evolving strategic conditions. This posture aligns with ongoing Department of Defense and Army guidance, which prioritize modernization, industrial base reform, and readiness initiatives to prepare for multi-domain operations and future conflict environments.

The predictability of resources is critical for accurately forecasting and executing workload. OPTEMPO assumptions help inform budget formulation; however, changes in mission demands or funding levels may significantly alter AWCF execution forecasts. To mitigate these risks, both Supply Management and Industrial Operations activity groups must remain agile – adjusting to evolving workload requirements while managing cost pressures to ensure the Army retains materiel readiness at an acceptable cost to the taxpayer.

In FY 2026, a unit cost goal (UCG) set to 1.0 will fully replenish the projected sales and balance future readiness with forecasted cash affordability. Potential readiness impacts will be monitored and can be addressed with variability target to respond rapidly to unexpected variances in costs or customer demands during the year of execution. The Industrial Operations activity group budget request includes a mix of permanent, temporary, and term-appointment employees, in addition to contract labor, to better respond to unanticipated increases or decreases in new orders.

Personnel

In Fiscal Year 2026, both the Supply Management and Industrial Operations activity groups will reduce civilian end strength and full-time equivalents. Changes to personnel levels are discussed within the narrative of each activity group. These reductions to civilian authorizations align with the Army's broader workforce optimization efforts. They are part of the Army's initiative to align end strength with operational requirements and support transformation efforts across both the Supply Management and Industrial Operations activity groups. Civilian and military end strength and civilian full-time equivalents are shown in the following table.

Table 1 - Personnel

	FY 2024	FY 2025	FY 2026
Supply Management			
<i>Civilian End Strength</i>	1,967	2,126	1,746
<i>Full Time Equivalents</i>	1,897	2,126	1,746
<i>Military End Strength</i>	2	2	2
Industrial Operations			
<i>Civilian End Strength</i>	16,882	17,501	14,798
<i>Full Time Equivalents</i>	16,666	17,305	14,598
<i>Military End Strength</i>	24	22	22
Total			
<i>Civilian End Strength</i>	18,849	19,627	16,544
<i>Full Time Equivalents</i>	18,563	19,431	16,344
<i>Military End Strength</i>	26	24	24

Revenue and Expenses

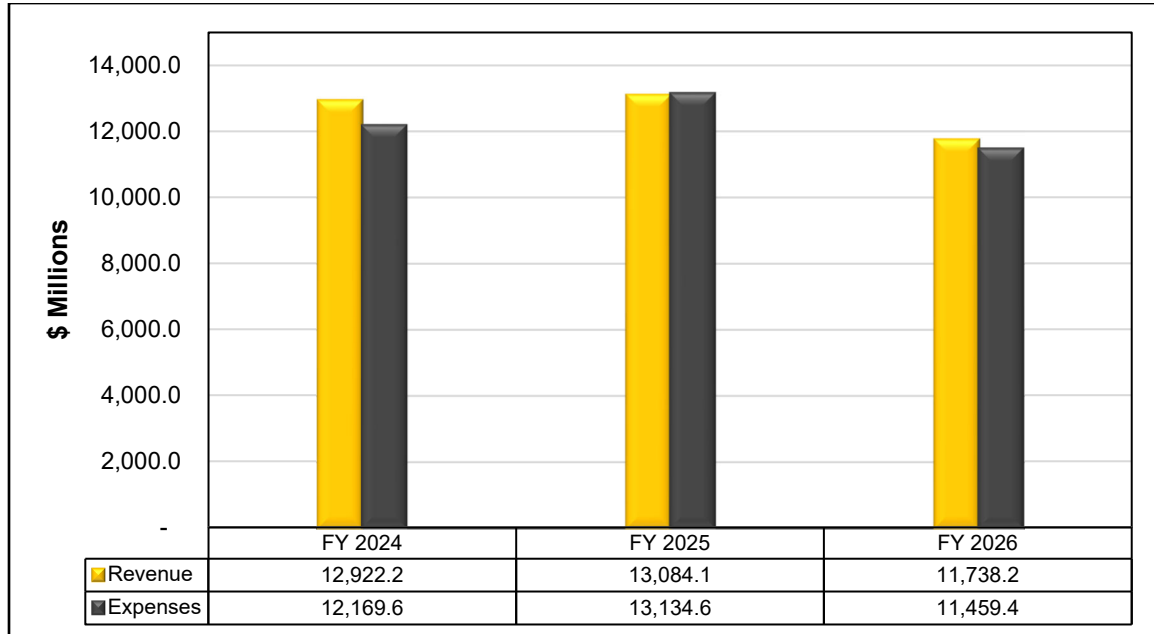
Revenue reflects the volume of work executed by the AWCF activity groups, while expenses capture the cost of goods and services produced or sold. In FY 2026, both revenue and expenses are projected to decline compared to prior years, consistent with reduced workload forecasts. Total expenses are projected to decline in FY 2026, largely due to lower labor and material costs associated with decreased Industrial Operations workload and reduced cost of goods sold in Supply Management.

Table 2 and Chart 1 show revenue and expenses for Supply Management and Industrial Operations.

Table 2 - Revenue and Expenses

(\$ Millions)	FY 2024	FY 2025	FY 2026
Revenue			
<i>Supply Management</i>			
<i>Gross Sales</i>	9,601.0	9,744.8	8,953.5
<i>Less Credit</i>	1,728.7	1,653.0	1,635.8
<i>Net Supply Management</i>	7,872.2	8,091.8	7,317.6
<i>Industrial Operations</i>	5,049.9	4,992.3	4,420.5
Total Revenue	12,922.2	13,084.1	11,738.2
Expenses			
<i>Supply Management</i>	6,990.5	8,045.5	7,073.7
<i>Industrial Operations</i>	5,179.1	5,089.1	4,385.7
Total Expenses	12,169.6	13,134.6	11,459.4
Note: Total revenue above does not include Supply Management appropriated funds as shown on the Supply Management Exhibit Fund 14, <i>Revenue and Costs</i> . Numbers may not add due to rounding.			

Chart 1 - Revenue and Expenses



Net and Accumulated Operating Results

Financial performance is measured by comparing actual results to goals. The goal of the AWCF is to break even over time. Army considers several factors when determining the amount of Accumulated Operating Result (AOR) to return in the rates. Returning a large positive AOR balance in one year may cause the rates to drop significantly in that year and increase significantly in the following year. In addition, the Army reviews the cash balance and the projected balance for the budget year to determine if sufficient cash exists to return the gain to the customers. The Supply Management and Industrial Operations activity groups' rates will drive AOR of zero in FY 2026. Table 3 shows the net and accumulated operating results for both Supply Management and Industrial Operations. Details can be found under the Net Operating Result (NOR) and AOR section for each business area.

Table 3 - Operating Results

(\$ Millions)	FY 2024	FY 2025	FY 2026
Supply Management			
<i>NOR</i>	(405.2)	(353.7)	243.9
<i>Prior Year AOR</i>	213.2	189.0	0.0
<i>Non-Recoverable AOR</i>	380.9	164.7	(243.9)
<i>AOR</i>	189.0	0.0	0.0
Industrial Operations			
<i>Recoverable NOR</i>	(56.3)	(1.5)	129.1
<i>AOR</i>	(127.5)	(129.1)	0.0
<i>Note: Numbers may not add due to rounding.</i>			

Customer Rates

Each activity group has a unique rate structure. The Supply Management activity group adds a Cost Recovery Rate (CRR) to the price of inventory items sold to recoup operating costs. Typical cost categories within the CRR include civilian pay, distribution depot costs, transportation costs, other Defense bills associated with supply operations, and costs of replacing inventory losses. The Industrial Operations activity group sets customer rates on a Direct Labor Hour (DLH) basis. The hourly composite rate recovers all costs, both direct and overhead.

Activity group rates are stabilized so that the customer's buying power is protected from price swings during the year of execution. The Supply

Management CRR will slightly increase in FY 2026. The Industrial Operations FY 2026 rate decreases as the business right sizes workforce to workload. Table 4 shows the Supply Management composite CRR and the Industrial Operations composite DLH rates.

Table 4 - Customer Rates

	FY 2024	FY 2025	FY 2026
Supply Management	19.6%	17.7%	19.5%
Industrial Operations	\$233.58	\$238.29	\$227.15

Customer Rate Change

The Supply Management customer rate change is expressed as the change in overhead costs, materiel markup, and other pricing adjustments weighted by the change in materiel costs. The Industrial Operations composite revenue rate is comprised of direct labor and material costs, overhead costs (mission indirect and non-mission indirect costs) and accumulated operating result adjustments that are designed to return gains or recover losses. Table 5 shows the customer rate change for both business areas.

Table 5 - Price Change to Customer

	FY 2024	FY 2025	FY 2026
Supply Management	(2.4%)	(1.8%)	1.7%
Industrial Operations	14.1%	2.0%	(4.7%)

Fund Balance with Treasury

The Defense Working Capital Fund (DWCF) Fund Balance with Treasury, account symbol 97X4930, is subdivided at the Treasury into five sub-numbered Treasury accounts. The Army's account is 97X4930.001. The current balance of funds with Treasury is equal to the amount at the beginning of the fiscal year plus the cumulative fiscal-year-to-date amounts of collections, appropriations, and transfers-in minus the cumulative fiscal-year-to-date amounts of disbursements, withdrawals, and transfers-out. The AWCF is required to maintain a positive cash balance to prevent an Anti-deficiency Act violation under Title 31, United States Code, § 1517(a), *Prohibited obligations and expenditures*. Unlike appropriated funds, the AWCF cash balance is not equal to outstanding obligations. Cash on hand at Treasury must be sufficient to pay bills when due and should remain

sufficient to support operational requirements plus six months of Capital Investment Program (CIP) disbursements.

The operational requirement may include any positive Accumulated Operating Results (AOR) returned to customers, cash equal to undisbursed direct appropriations, and an appropriate level of reserves to address risk mitigation factors. The cash balance is primarily affected by cash generated from operations, but the balance is also impacted by appropriations, transfers, and withdrawals. Maintaining a proper cash balance is dependent on setting rates to recover full costs, including prior year losses, and accurately projecting workload.

Cash From Operations

The day-to-day operation of the AWCF consumes cash with disbursements and replenishes cash with collections. The FY 2026 cash plan includes all expected collections and disbursements from the operation of both the Supply Management and Industrial Operation activity groups, including appropriations and transfers.

Chart 2 displays collections and disbursements from operations; however, it does not include receipt of appropriations or transfers. The Army forecasts a slight decrease to collections in FY 2026 as net sales are projected to decrease. Disbursements are projected to decrease due to lower contract authority requirements in FY2025 and FY 2026.

Chart 2 - Cash from Operations

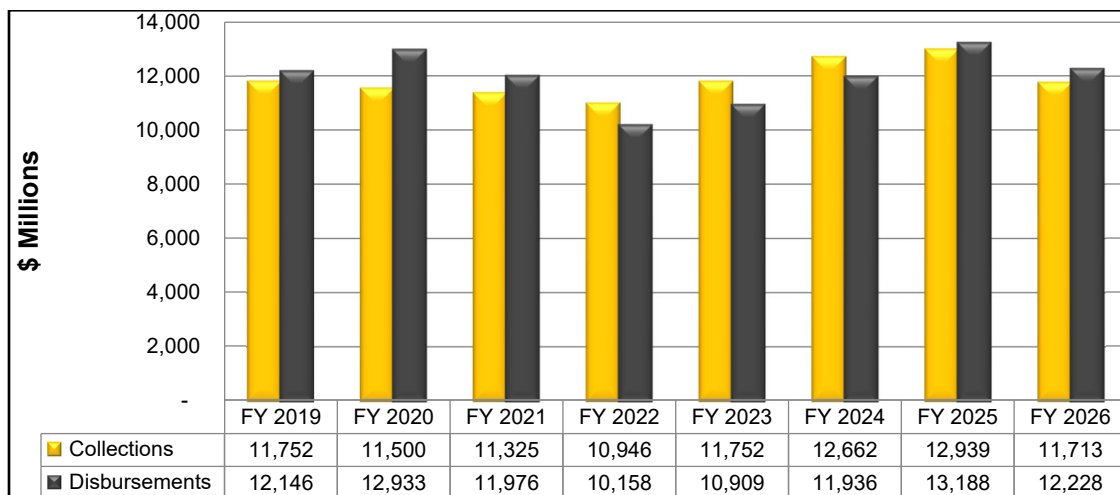
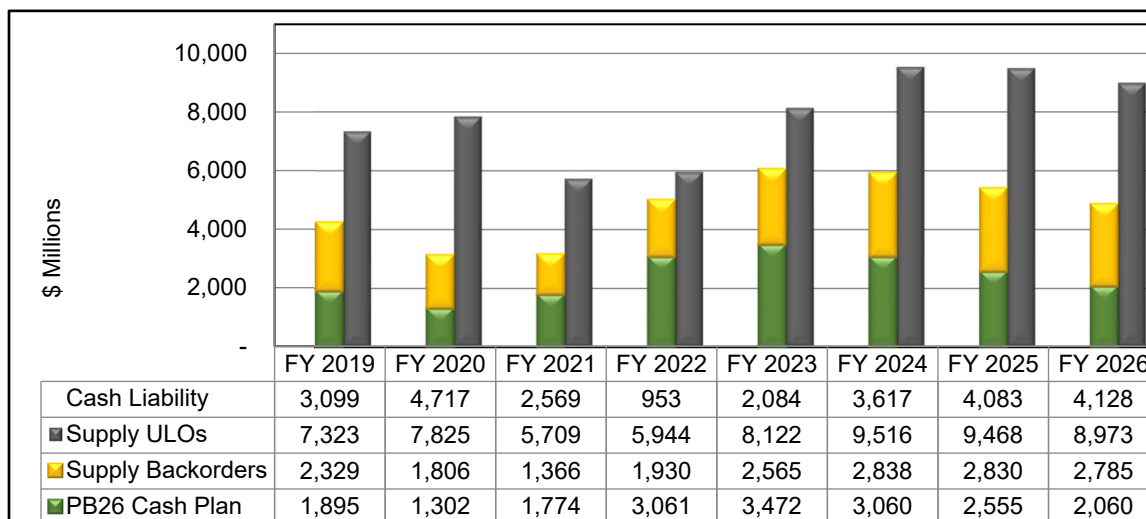


Chart 3 displays the potential risk to the AWCF cash balance through FY 2026 due to unliquidated obligations (ULOs). The ULOs represent the dollar value of material and services ordered but not yet received by the AWCF. The ULOs will result in future disbursements, reducing cash. There is increased risk to cash when ULOs are high even though collections from backorders mitigate a portion

of this risk. Fund managers must maintain a sufficient cash balance to cover future disbursements as the material and services are delivered. The AWCF experienced a large increase to ULOs from FY 2018 through FY 2020 due to significant increases in material obligations supporting the Army's readiness objectives. The Supply Management activity group projects ULOs will decrease in FY 2026, but the overall cash liability will increase due to a decrease in cash and supply backorders.

Chart 3 – Cash Liability



Appropriations

Table 6 shows a consolidated overview of the AWCF appropriation for both the Supply Management and Industrial Operations activity groups. A more detailed breakdown is shown in each activity group's specific section. The Army is requesting \$20.6 million for FY 2026 for Industrial Mobilization Capacity (IMC) requirements. This appropriation request sustains Organic Industrial Base (OIB) equipment required for mobilization that is idle for more than 80 percent of the time in any one month but used at least once during the year. The Army OIB workload has steadily declined over the past ten years, resulting in some equipment being utilized at these lower rates. The Army requires IMC funding to sustain this equipment, enabling the OIB to rapidly surge in support of a future mobilization.

Table 6 – Appropriations

(\$ Millions)	FY 2024	FY 2025	FY 2026
War Reserve Secondary Items	6.4	1.8	-
Industrial Mobilization Capacity	27.6	21.8	20.6
Arsenal Sustainment Initiative	120.0	120.0	-
Total Appropriated Funds	154.0	143.6	20.6

Cash Management Plan

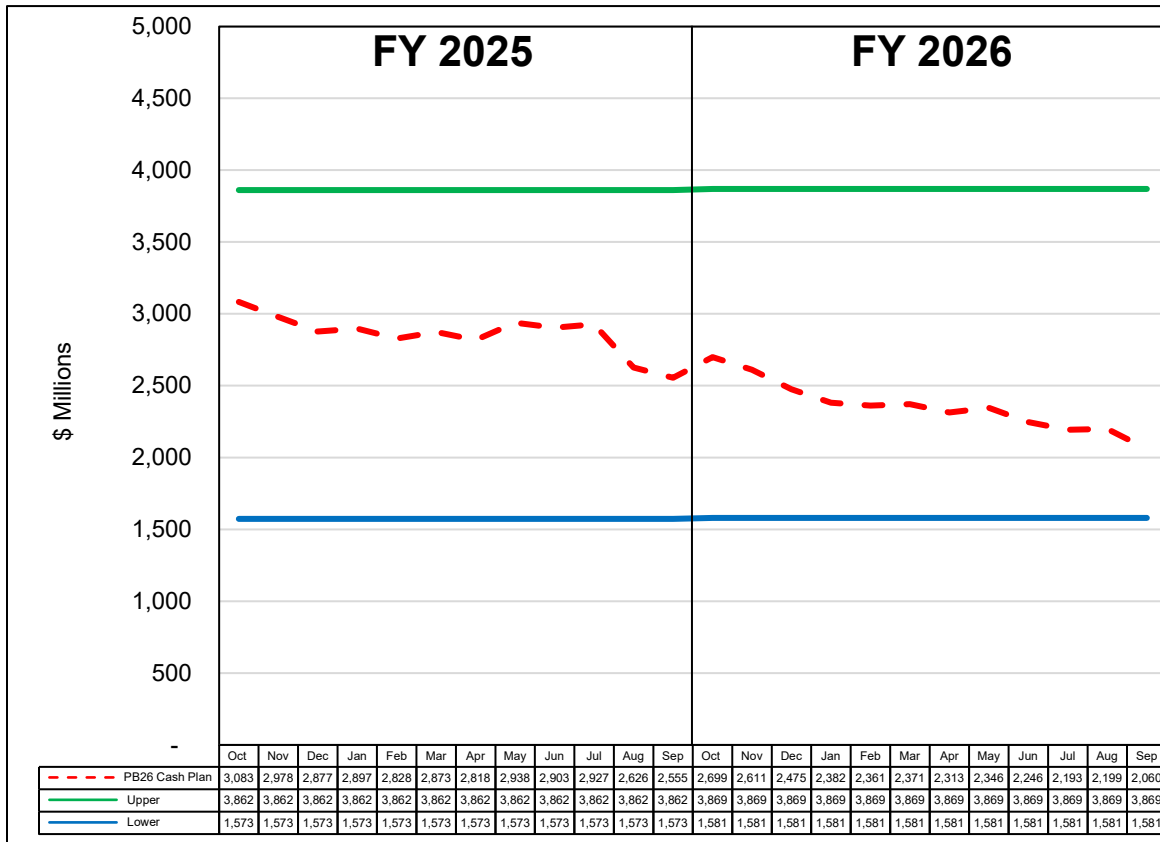
The AWCF cash requirement establishes an upper and lower operational cash requirement using a process based on four primary elements: 1) rate of disbursements; 2) range of operations; 3) risk mitigation; and 4) cash reserves. This method is known as the “Four Rs”, and the elements are explained below:

1. **Rate of Disbursements** - This element is intended to measure the average amount of cash needed between collection cycles. It is calculated by dividing the total projected disbursements by the total projected number of collection cycles in each fiscal year. For the Supply Management activity group, the assumption is 48 collection cycles per year, or approximately four per month. For the Industrial Operations activity group, the assumption is 24 collection cycles per year, or approximately two per month. The overall consolidated projected rate of disbursements has trended upward from FY 2022 to FY 2025. This is primarily due to an increase in contract authority obligations; however, the projected rate of disbursements trends downward between FY 2025 and FY 2026. A more detailed breakdown of disbursements can be found in the individual activity group's section.
2. **Range of Operations** - The range of operations is derived using the difference between the highest and lowest observed monthly cash level over a 12-month period in the preceding fiscal years. In general, the range of operations will increase in years following increased cash volatility. The Army factors in the rate of disbursements into the projected range of operations. The range of operation remains stable between FY 2025 to FY 2026 for both activity groups.
3. **Risk Mitigation** - The risk mitigation calculation accounts for near-term operational risk, derived from historical operational volatility, due to events such as having multiple disbursement cycles before a collection cycle. The Army considers historical intra-month cash volatility when calculating the risk number for each activity group. The Army performs a statistical analysis to calculate the historical intra-month operational cash volatility to three standard deviations. This amount is held in cash reserves to reduce risk of insolvency for any given month. Risk mitigation is calculated separately for each of the activity groups based on their historical net outlays, and then added together for a total AWCF risk mitigation amount. The consolidated risk mitigation element has remained consistent from FY 2025 to FY 2026.
4. **Cash Reserves** - The cash reserve element allows fund managers to hold cash in reserve for risk mitigation purposes. It acts as a strategic buffer to mitigate unexpected reductions in Supply Management demand or Industrial Operations orders. It also reduces the risk of solvency in the

event of high levels of future disbursements tied to past due deliveries and ULOs. Additionally, cash reserves hold cash to account for future rate reductions required to return accumulated operating results. The cash reserves slightly increase from FY 2025 to FY 2026. The Army's current assessment is that the reserves projected in this budget, combined with reduced contract authority expenditures, will be adequate to sustain AWCF operations with low risk of future insolvency.

Chart 4 shows the projected monthly cash balances for FY 2025 and FY 2026. Additionally, the cash management plan includes an upper and lower operational cash requirement. Chart 4 displays how the cash from operations and appropriations affect the cash balance and where the projected ending balance falls within the upper and lower operating range. The lower operational cash requirement is calculated by adding risk mitigation and reserves for the given fiscal year. The upper operating requirement is calculated by adding the range of operation to the lower operating requirement.

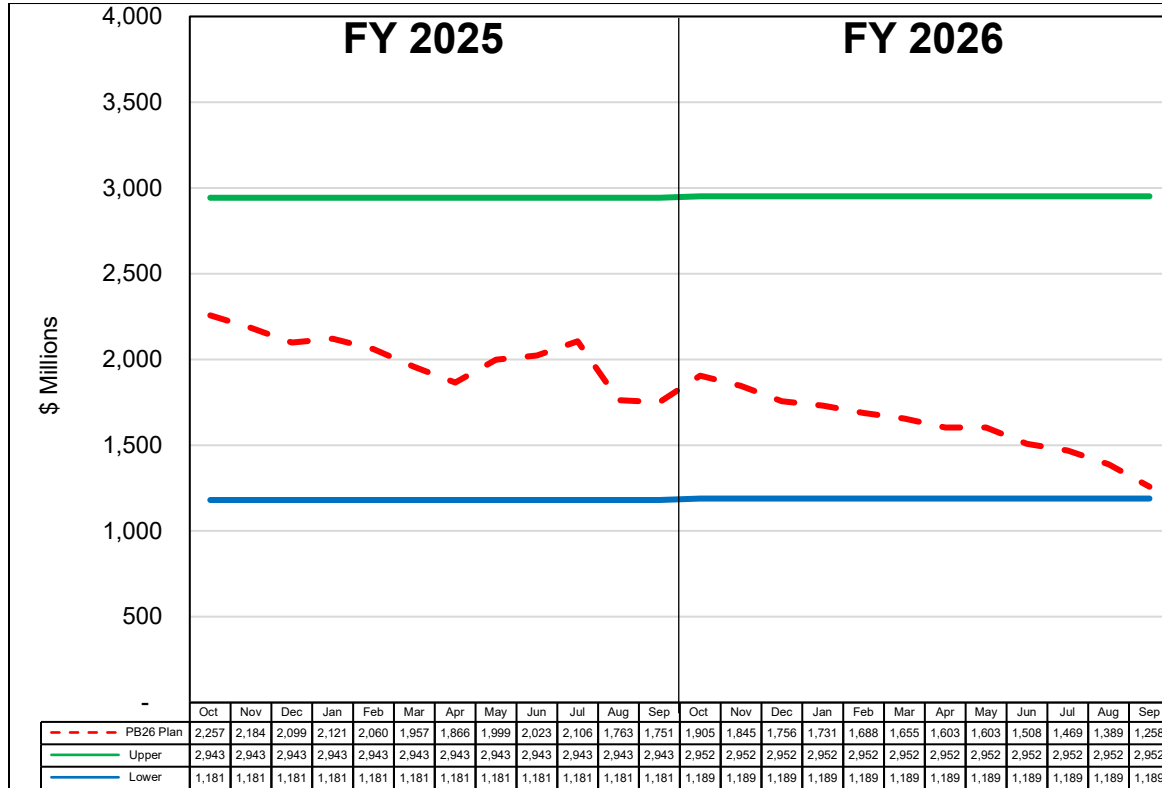
Chart 4 – AWCF Cash Management Plan



Supply Management Cash Plan

Chart 5 displays the Supply Management cash plan for FY 2025 and FY 2026. Separate upper and lower operational limits continue to be calculated within the specific activity group. The Supply Management cash balance is expected to end FY 2026 between the upper and lower operational limits.

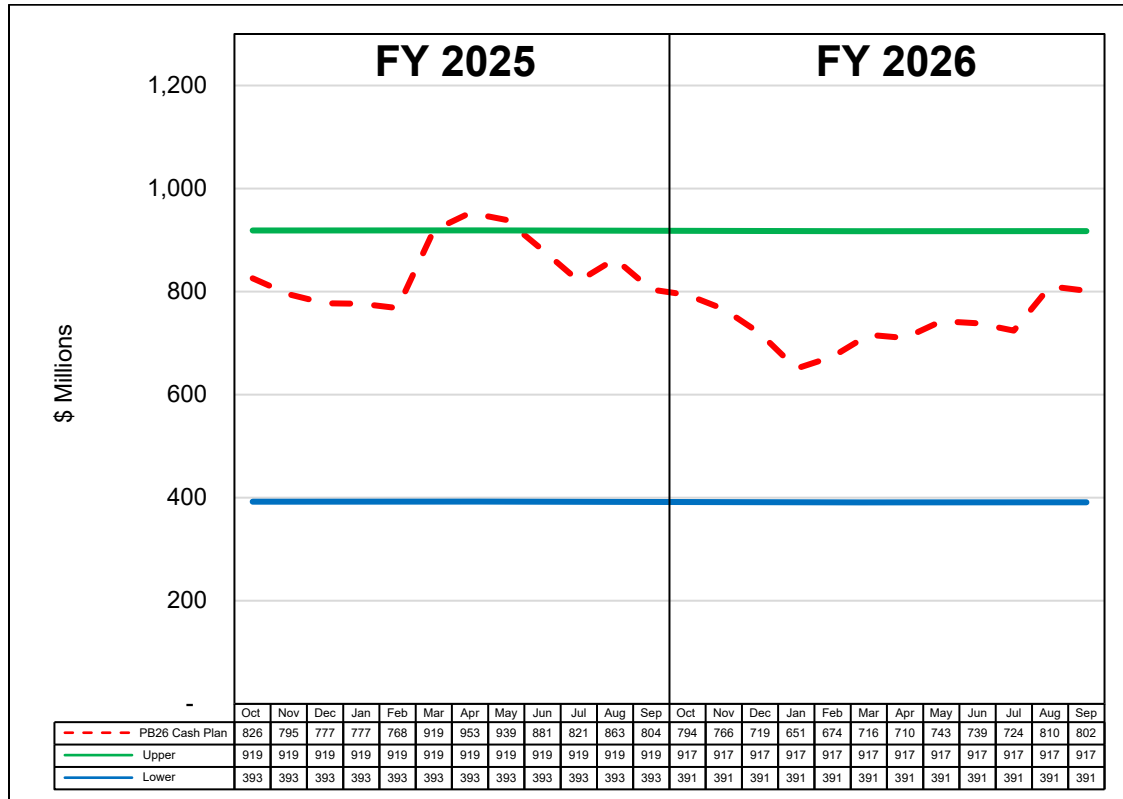
Chart 5 – Supply Management Cash Plan



Industrial Operations Cash Plan

Chart 6 displays the Industrial Operations activity group cash plan for FY 2025 and FY 2026. Separate upper and lower operational limits continue to be calculated within the specific activity group. The Industrial Operations cash balance is expected to end FY 2026 between the upper and lower operational limits.

Chart 6 – Industrial Operations Cash Plan



End of Year Cash Balance

Table 7 shows total collections, disbursements, net outlays, appropriations, transfers, and ending cash balances. Upper and lower operational range cash requirements are identified to measure the sufficiency of cash. The FY 2026 cash balance is projected to be within the upper and lower operational requirements.

Table 7 - Cash Balance

(\$ Millions)	FY 2024	FY 2025	FY 2026
<i>Disbursements</i>	11,936.2	13,188.1	12,228.5
<i>Collections</i>	12,661.8	12,938.8	11,713.0
<i>Net Outlays from Operations</i>	(725.6)	249.3	515.5
<i>Direct Appropriations</i>	149.2	143.6	20.6
<i>Transfers In</i>	0.0	0.0	0.0
<i>Transfers Out</i>	1,286.9	400.0	0.0
<i>Total Net Outlays</i>	412.2	505.7	494.9
Ending Cash Balance	3,060.3	2,554.6	2,059.7
<i>Upper Operating Range</i>	3,917.3	3,861.8	3,869.2
<i>Lower Operating Range</i>	1,628.8	1,573.3	1,580.7

Capital Budget

The AWCF activities develop and maintain operational capabilities by acquiring or replacing production equipment, executing minor construction projects, and developing software. New equipment is acquired to replace obsolete and unserviceable equipment, modernize production and maintenance processes, and eliminate environmental hazards. The cost of capital projects is recouped through capital investment recovery, which is included in customer rates. Unlike the operating budget, which contains the annual operating costs of each activity, the capital budget justifies the purchase of assets that equal or exceed a unit cost of \$250,000 and have a useful life of two or more years.

A more in-depth discussion and detailed exhibits are provided in the Capital Budget section. Table 8 summarizes the AWCF CIP request.

Table 6 - Capital Budget

(\$ Millions)	FY 2024	FY 2025	FY 2026
Supply Management	19.7	14.0	15.1
Industrial Operations	75.2	100.3	197.7
<i>Total Capital Budget</i>	94.9	114.3	212.8
<i>Total Capital Cash Outlays</i>	128.2	150.4	156.2
<i>Note: Numbers may not add due to rounding.</i>			

Supply Management

Introduction

The Supply Management activity group operates in a business-like environment by relying on sales revenue rather than appropriations to finance continuing operations. This enterprise uses contract authority to procure and repair spare parts. As suppliers deliver equipment components, the Army Working Capital Fund (AWCF) expends cash and places spare parts in inventory to await customer demands. Filled customer demands result in the collection of sales revenue, which replenishes cash. The Supply Management enterprise synchronizes rates and budget assumptions with Army appropriated funding requests in support of Soldier and weapon systems readiness. The bulk of demands originate from Operation and Maintenance, Army customers, who primarily request spare parts to maintain combat equipment readiness for the Army operating forces.

Mission:

Provide the Army with inventory management of spare and repair parts supporting equipment sustainment, operational readiness, and combat capability.

The Army prices spare parts based on the most recent acquisition cost from a commercial vendor, or the most recent repair cost from a contract or organic source of repair. The price of each item includes a surcharge known as the cost recovery rate (CRR), to recover the cost of AWCF operations. The intent of the CRR is to:

- Recover the activity's overhead costs such as payroll, supplies, contracts, storage, transportation, and depreciation
- Maintain a sufficient cash corpus to cover disbursements
- Break even over time

The core financial measures for Supply Management are the net operating result (NOR) and accumulated operating result (AOR). The NOR measures the activity's gain or loss within a single fiscal year and is used to monitor how closely the activity performs compared to its budget. The AOR measures the activity's accumulated gains and losses since the fund's inception. Rates are set during budget development to break even by bringing the AOR to zero over a budget cycle. This method returns accumulated gains through reduced rates and recovers accumulated losses through increased rates. The cash management section describes the impact of cash balance analysis on rate setting. The unit cost is another core financial measure, and relates operating costs to each dollar

of sales. The unit cost can be set at, above, or below 1.0 depending on projected sales volume; the unit cost section discusses this metric.

Efficiencies and Business Process Improvements

Cost efficiency is an inherent attribute of the AWCF. The revolving fund construct promotes total cost visibility, full cost recovery, and fosters a business-like, competitive atmosphere. Although commercial businesses focus on their bottom-line profit, the Supply Management activity focuses on unit cost and other indicators to gauge the efficiency of the operation. Supply Management activities are reducing overhead costs, also known as logistics operations (LOGOPS), by streamlining command and control structures and relying on technology to create efficiencies.

Army Materiel Command (AMC) continues proactive measures to reduce inventory and optimize supply chain management through the Sales and Operations Planning (S&OP) process. The S&OP process allows management better oversight and improves the supply chain review process and financial planning. The supply chain review process has shifted from the legacy review of inventory by segmentations to total inventory holdings. The S&OP decisions and action plans align to established strategic goals and are executed through the Army's supply action module, Material Requirements Planning (MRP), in the Logistics Modernization Program (LMP), AWCF's Enterprise Resource Planning (ERP). Army's current focus is on improving inventory turns, establishing new inventory reduction goals, and reducing forecast errors. AMC also facilitates quarterly reviews of unserviceable assets to better assess the ability to repair rather than initiating new procurement.

AMC is also adopting two new automated processes to complete its annual price and credit review:

- The Price and Credit Exercise Builder (PCEX) introduced automation to reduce manual effort and ensures seamless data integration. This enhancement significantly minimizes errors, expedites reviews, and shifts focus from trouble shooting to substantive analysis.
- The Decision Support Tool (DST) enhances visibility of demand patterns, excess inventory, stock availability, and other key metrics, enabling supply chain personnel to make informed pricing decisions while increasing data ownership and eliminating delays caused by intermediary coordination.

Inventory Management

The Army uses a monthly Supply Chain Planning and Reporting Tool (SCPRT) to calculate inventory requirements. SCPRT aligns reporting requirements with LMP's MRP. MRP uses backwards planning of requirements to improve forecasting and supports Warfighter requirements. The volume of inventory purchases is largely based on future projections of customer orders and the need to replenish past unplanned sales.

Army continuously takes proactive measures to ensure forecasted inventory meets future demands. Army reviews and validates requirement levels versus inventory levels, maintaining focus on buying and repairing items needed by customers, and not retaining excess inventory.

Functional Description

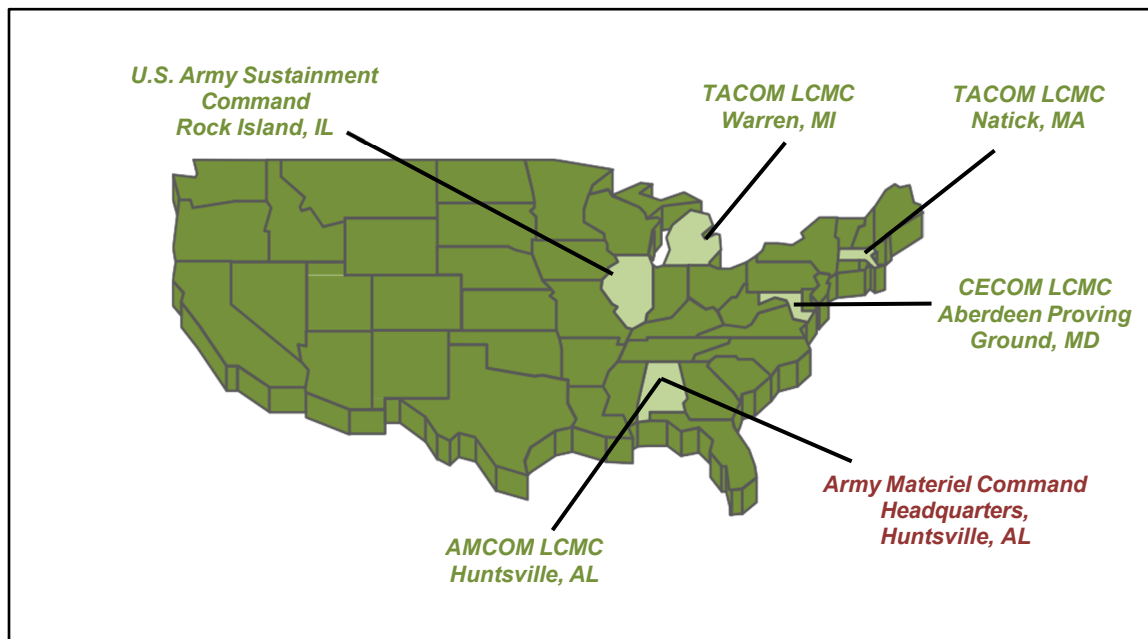
The Supply Management activity group buys and manages an operating inventory of Army-managed and non-Army managed spare and repair parts for sale to its customers, primarily Army operating units. The AWCF operating inventory is stored and maintained primarily at more than 200 supply support activities (SSA). SSA management includes, but is not limited to, stocking the items needed for customer readiness, monitoring performance metrics, and conducting inventories. Inventory is managed at national and below national levels as described below:

- National Level - consists of life cycle management commands, depots, and arsenals. Materiel may be Army managed or non-Army managed meaning the source of supply may be Department of the Army, another Service, or another Department of Defense activity. Typically, SSAs request and receive materiel from the national level.
- Below National Level:
 - Tactical – under the control of Sustainment Brigade Commanders. These SSAs provide spares supporting the immediate needs of combat support battalions and companies. The quantity of inventory items is limited to an amount capable of transport by unit organic vehicles or aircraft.
 - Installation - under the control of the Logistics Readiness Centers (LRC). These activities provide a means to retrograde unneeded materiel from tactical SSA to meet other Army requirements. They also stock back-up inventory to meet tactical units' requirements that exceed storage capacity. When deployed to a theater of operations, tactical activities receive back-up support from a theater distribution center established by the deployed force command to centrally receive, redistribute, and retrograde spares as required.

Activity Group Composition

Figure SM 1 below displays the locations of Headquarters, Army Materiel Command (AMC), each Life Cycle Management Command (LCMC), and the Army Sustainment Command (ASC). The AMC mission is complex and ranges from developing sophisticated weapon systems, to advancing research, to maintaining, and distributing spare parts. Three core competencies encompass AMC's mission: acquisition excellence, logistics power projection, and technology generation and application. AMC works closely with industry, colleges and universities, the other Services, and other government agencies developing, buying, and maintaining state-of-the-art materiel for Army.

Figure SM 1 - Supply Management locations



The LCMCs, assigned to AMC, manage the activity group. Each LCMC acquires and manages consumable supplies and spare parts for distinct categories of weapon systems. The Army Sustainment Command acquires and maintains the Army Prepositioned Stocks (APS), which contain materiel from each LCMC.

The mission of the Tank-automotive and Armaments Command (TACOM) LCMC includes developing, acquiring, equipping, and sustaining ground and support systems for Soldiers and other Joint

operations through the integration of effective and timely acquisition, logistics, and technology. The TACOM LCMC item managers support a diverse set of product lines through their life cycles, ranging from tracked combat and wheeled tactical vehicles, armaments, and watercraft, to Soldier-specific gear and biological/chemical equipment.

Major weapon systems supported include the M1 Abrams Tank, M2 Bradley Fighting Vehicle, Mine Resistant Ambush Protected (MRAP) vehicle, and Stryker family of vehicles. TACOM LCMC is also responsible for providing clothing and heraldry products to Soldiers, units, and veterans. Included in TACOM LCMC is a small retail business of high-demand non- Army managed items (NAMI). TACOM LCMC Headquarters activities are located at Detroit Arsenal in Warren, Michigan and U.S. Army Soldier Systems Center in Natick, Massachusetts.



Cavalry Scouts conduct military mission with an M2 Bradley Fighting Vehicle

The Communications-Electronics Command (CECOM) LCMC mission is to develop, provide, integrate, and sustain command, control, communications, computers, intelligence, surveillance, and reconnaissance capabilities for the Army. CECOM LCMC Headquarters activity is located at Aberdeen Proving Ground, Maryland.



A Soldier leans out of the gunner's window of a CH-47 Chinook



Army Ranger students provide security after exfiltrating out of a UH-60 Black Hawk

The mission of the Aviation and Missile Command (AMCOM) LCMC includes developing, acquiring, fielding, and sustaining aviation, missile, and unmanned vehicle systems, ensuring readiness with seamless transition to combat operations. Major weapon systems supported include the AH-64 Apache, UH-60 Black Hawk, CH-47 Chinook, Multiple Launch Rocket System, and Patriot missile. AMCOM LCMC Headquarters activity is located at Redstone Arsenal in Huntsville, Alabama

and has operational control of all aviation logistics management functions at Fort Rucker, Alabama, home of the Army Aviation Center.

The mission of the Army Sustainment Command (ASC) includes synchronizing the distribution and sustainment of materiel to and from the field. Army Prepositioned Stocks are acquired and maintained as part of this mission. These stocks include combat equipment, supplies, and humanitarian mission stocks at worldwide land and sea-based positions. ASC is located at Rock Island Arsenal, Illinois.

Budget Highlights

Assumptions

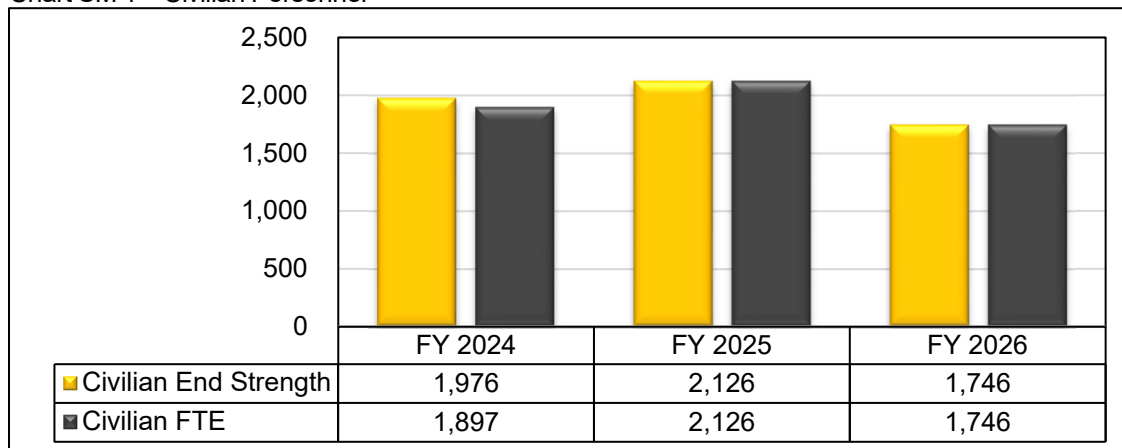
The FY 2026 budget represents a business plan that supports Soldier and weapon systems readiness for both peacetime training and overseas operating requirements. The AWCF provides materiel readiness to operating units in support of the Army's training strategy to build and sustain critical warfighting capabilities focused on multidomain operations. The AWCF provides support to ensure the Army remains the most lethal and ready land force in the world, prepared to meet any challenge, and defend the nation's interests.

If customer demand levels exceed budget estimates during the year of execution, variability target is included in the budget to ensure supply contract authority is available to remain ready and responsive to changing operational requirements. Variability target is further discussed in the Operating Contract Authority section.

Personnel

The personnel end strength reflects actual execution in FY 2024 and authorized levels in FY 2025 and FY 2026. The reduction to FY 2026 authorizations is part of the Army's initiative to streamline the civilian workforce to better align with operational requirements. Personnel levels include supply planners, logistics management specialists, and general and administrative support positions. Military end strength in FY 2026 is two.

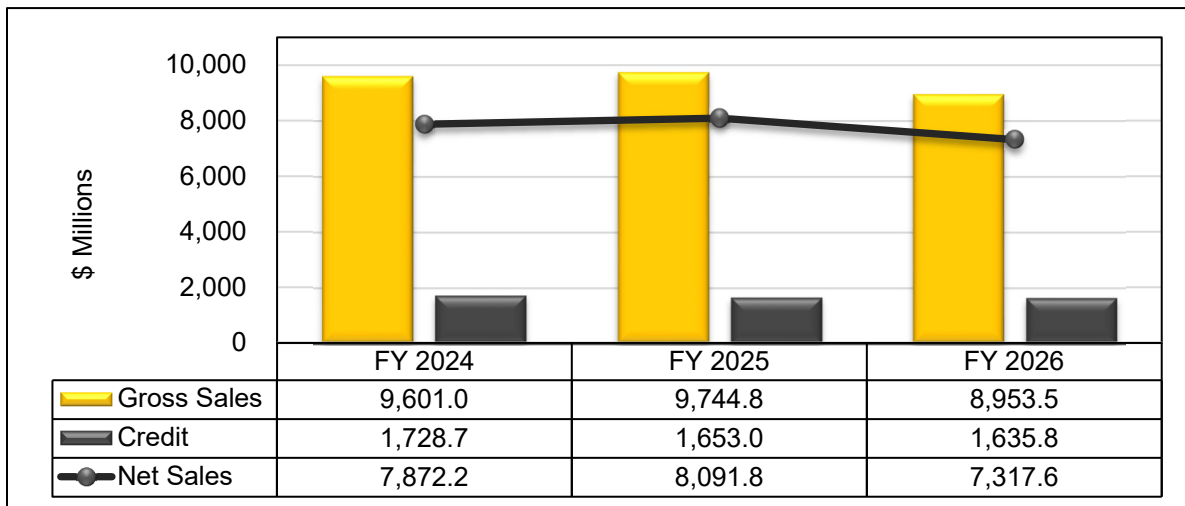
Chart SM 1 – Civilian Personnel



Sales

Sales reflect income from operations and do not include direct appropriations for war reserve materiel. Credit is issued to customers for materiel turn-ins that can be used by the supply activity to support a future sale. The amount of credit issued offsets revenue from Gross Sales. Chart SM 2 reflects actual execution in FY 2024 and projected levels in FY 2025 and FY 2026. FY 2026 Sales are projected to decrease as the Army reduces flying hours. Several exhibits display Sales: Fund 14, *Revenue and Costs*; Fund 11, *Source of New Orders and Revenue*; and SM 1, *Supply Management Summary* (sales net of credit).

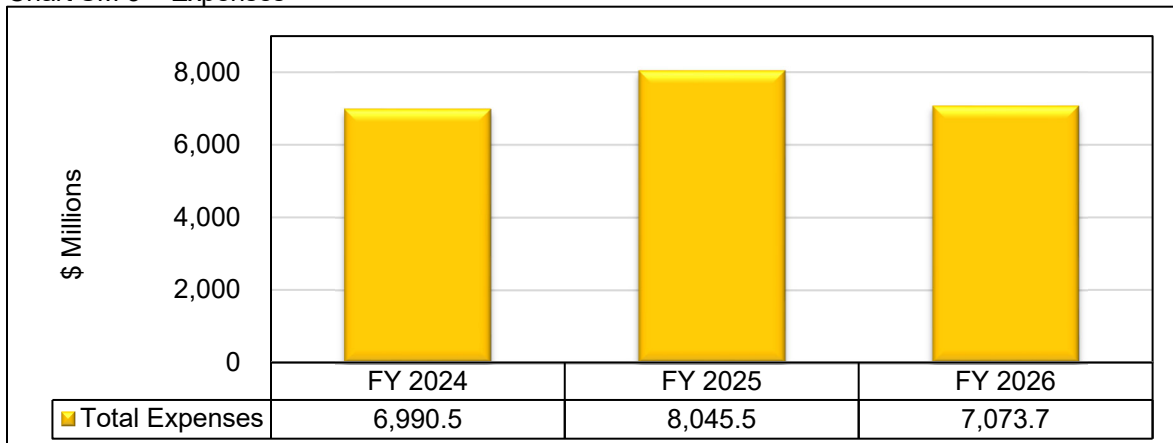
Chart SM 2 – Sales



Expenses

Expenses consist of materiel and operational costs. The decrease in projected FY 2026 expenses is attributed to both lower overhead operating expenses as well as lower Cost of Goods Sold. Expenses are displayed on exhibit Fund 14, *Revenue and Costs*.

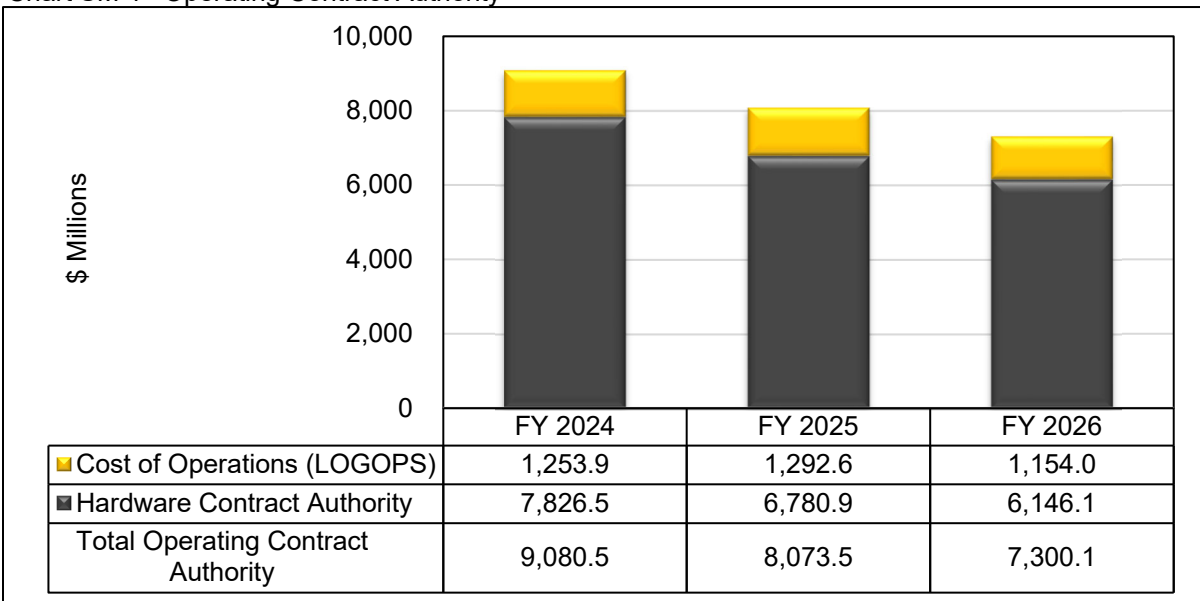
Chart SM 3 – Expenses



Operating Contract Authority

The budget requests operating contract authority for the acquisition, repair, and replenishment of spare parts. The FY 2026 contract authority request is consistent with projected sales to replenish the inventory sold in FY 2026, to balance future readiness with cash affordability. Army reduced Logistics Operations (LOGOPS) in FY 2026. The budget includes \$2 billion in variability target to ensure contract authority is available to respond rapidly to unexpected surges in customer demands during the year of execution. Operating contract authority is displayed on exhibit SM 1, *Supply Management Summary* and SM 3b, *Operating Requirements by Weapon System*.

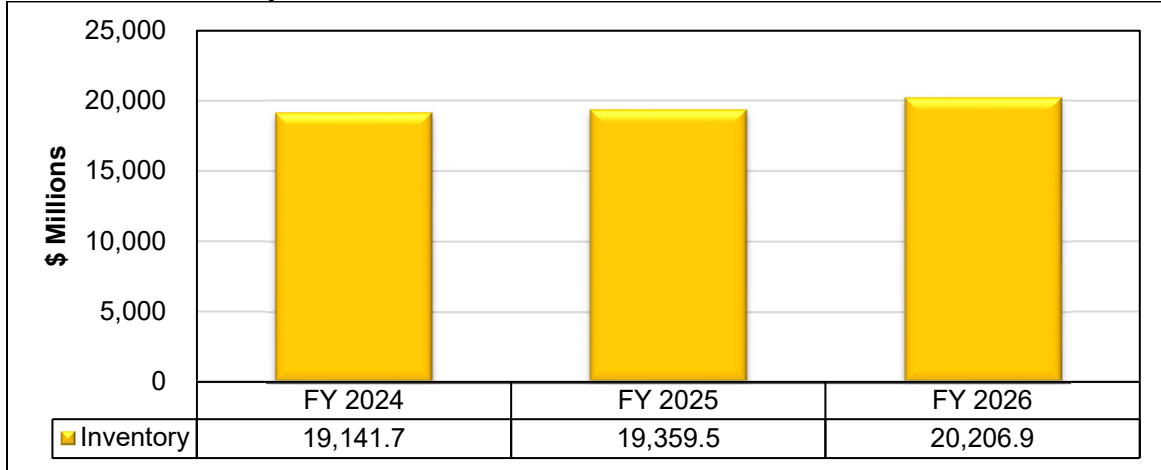
Chart SM 4 –Operating Contract Authority



Inventory

Inventory values shown in chart SM 5, include operational inventory, carcasses awaiting repair, inventory required beyond the budget year, economic and contingency retention stock, and secondary items included in war reserve. Supply Management inventory levels will increase due to reductions in sales. Inventory is displayed on exhibit SM 4, *Inventory Status*.

Chart SM 5 – Inventory



Operating Results

The net operating result (NOR) represents the difference between revenue and expenses within a fiscal year. The accumulated operating result (AOR) represents the summation of all operating gains and losses since activity group inception, along with any prior period adjustments. AWCF operates on a break-even basis during the budget cycle. The Supply Management AOR is projected to be zero in both FY 2025 and FY 2026. In the next budget cycle, Supply Management will evaluate its AOR projections, cash position, and impact on future rates to determine the amount of AOR to recover or return. NOR and AOR are displayed on exhibit Fund 14, *Revenue and Costs*.

Table SM 1 - Operating Results

(\$ Millions)	FY 2024	FY 2025	FY 2026
<i>Net Operating Result</i>	(405.2)	(353.7)	243.9
<i>Prior Year AOR</i>	213.2	189.0	0.0
<i>Non-Recoverable AOR</i>	380.9	164.7	(243.9)
<i>Accumulated Operating Result</i>	189.0	0.0	0.0

Cost Recovery Rate

The Supply Management cost recovery rate (CRR) is set to recover full costs and adjust for gains and losses. Typical costs recovered include civilian pay, distribution depot costs, transportation costs, other Defense bills associated with

supply operations, and costs of replacing inventory washouts. The FY 2026 CRR increases slightly due to removal of FY 2025 Accumulated Operating Result (AOR) returns that lowered the FY 2025 CRR. The price change to customer is the change in overhead costs, materiel markup, and other pricing adjustments weighted by the change in materiel costs.

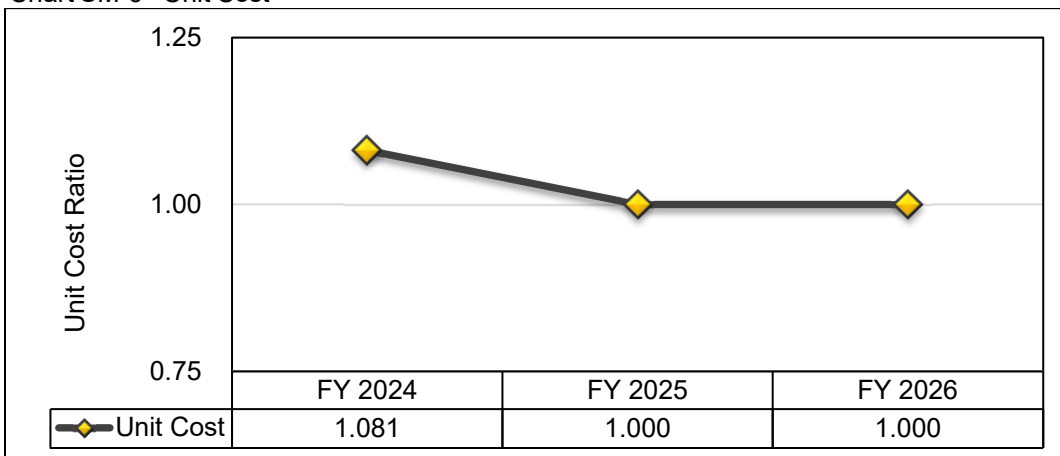
Table SM 2 – Cost Recovery Rate and Price Change

	FY 2024	FY 2025	FY 2026
<i>Cost Recovery Rate (CRR)</i>	19.6%	17.7%	19.5%
<i>Price Change to Customer</i>	(2.4%)	(1.8%)	1.7%

Unit Cost

The unit cost is a metric relating operating cost to each dollar of sales. Unit cost is calculated by dividing net operating costs (the sum of total obligations to include capital investment program (CIP) minus any prior year de-obligations) by net sales. A unit cost below 1.0 indicates that the enterprise is selling and not replenishing, thus reducing the contract authority requirement. A unit cost above 1.0 indicates the Army is purchasing inventory in anticipation of future need based upon inventory management forecasts or is replenishing inventory sold from previous years. FY 2026 unit cost is set to 1.0 to fully replenish FY 2026 projected sales and balance future readiness with forecasted cash affordability. Potential readiness impacts will be monitored and can be addressed with variability target to respond rapidly to unexpected variances in costs or customer demands during the year of execution. Chart SM 6 shows unit cost for FY 2024 through FY 2026.

Chart SM 6 - Unit Cost

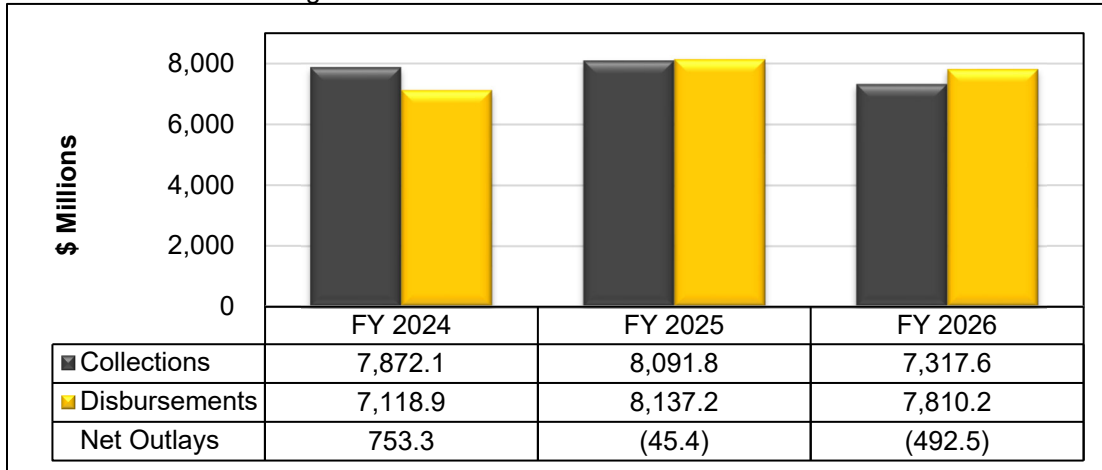


$$\text{Unit Cost} = \frac{\text{Net Obligations}}{\text{Net Sales}}$$

Collections, Disbursements, and Outlays

Collections are projected based on forecasted sales and changes in accounts receivable. Disbursements are projected based on monthly operating obligations, changes in accounts payable, and Capital Investment Program obligations. FY 2026 sales and collections are forecasted to decrease as the Army projects less flying hours. Disbursements are projected to decrease as lower contract authority requirements in FY 2025 and FY 2026 lead to reduced materiel deliveries. The values in Chart SM 7 do not include direct appropriations or cash transfers into the AWCF.

Chart SM 7 – Cash Management

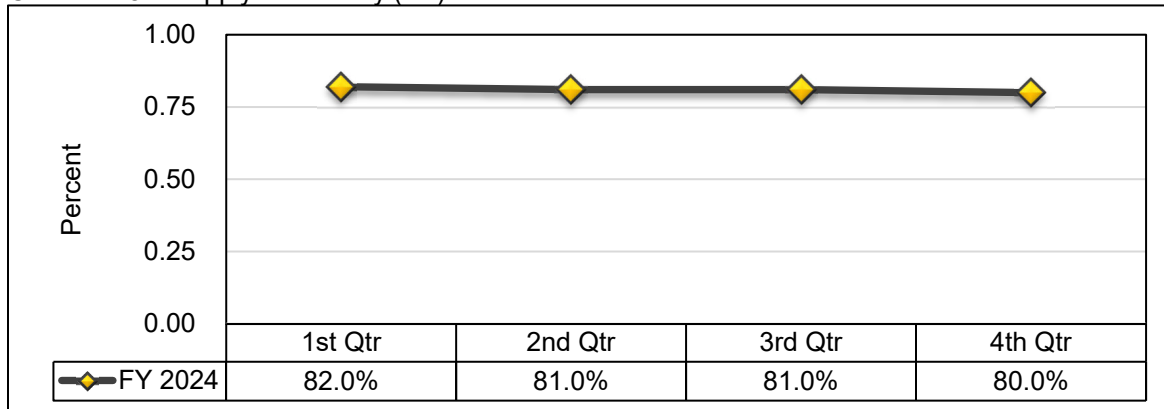


Performance Measurement

Supply Availability

Supplying and maintaining Army's equipment remain key components of readiness. The supply availability (SA) goal is a primary performance measure indicating the ability of the supply system to fill requisitions. The Army's goal is 85 percent of customer demands fulfilled immediately. SA is administered through adequate funding of hardware, proper management of the supply chain, and reliable oversight of materiel stockage requirements. Chart SM 8 displays SA throughout FY 2024 below the 85 percent goal and ending the fourth quarter at 80 percent. The Army projects to achieve SA goals as materiel deliveries increase in FY 2025 and FY 2026.

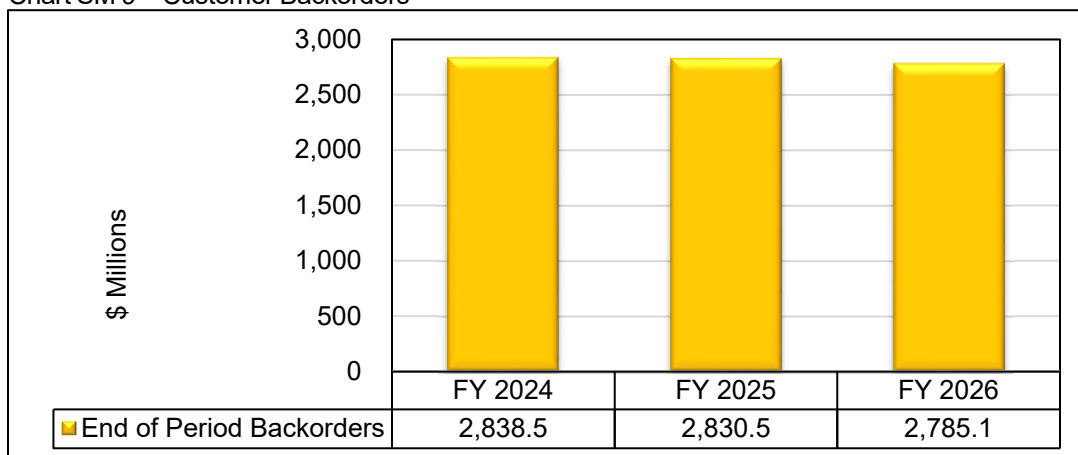
Chart SM 8 – Supply Availability (SA)



Customer Backorders

Backorders are expected to decrease in FY 2026 as a result of lower receipts of new orders. Customer backorders for the end of each fiscal year are displayed on exhibit Fund 11, *Source of New Orders and Revenue*.

Chart SM 9 – Customer Backorders



Supply Management Workload

Table SM 3 below displays Supply Management workload drivers. The decreases in workload are based on deployed force activity assumptions.

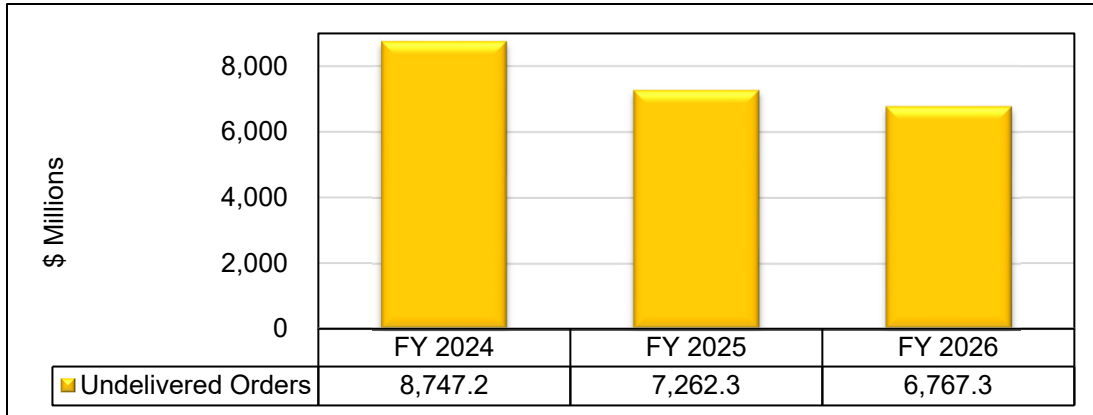
Table SM 3 - Supply Management Workload

Supply Management Workload	FY 2024	FY 2025	FY 2026
<i>Items Managed</i>	119,411	120,085	118,091
<i>Requisitions Received</i>	628,702	620,672	567,837
<i>Issues Completed</i>	376,954	382,603	351,532
<i>Procurement Receipts</i>	61,326	70,089	65,329
<i>Contracts Awarded</i>	10,313	8,481	7,893

Hardware Undelivered Orders

Undelivered orders represent goods and services ordered but not yet received by AWCF. A sufficient cash balance is required to pay suppliers upon receipt of these orders. As shown in chart SM 10, undelivered orders are projected to decrease in FY 2026 as less materiel is ordered.

Chart SM 10 – Hardware Undelivered Orders



Appropriations

Through FY 2025, the Army Working Capital Fund (AWCF) has made an annual request to purchase War Reserve Secondary Items (WRSI) for operational project stocks. Operational project stocks are equipment stocks above the Modification Table of Organizational Equipment (MTOE)/Table of Distribution and Allowances (TDA) requirements tailored to key contingency operations or to support civil disturbance relief, disaster relief, humanitarian assistance, or other approved missions. As part of the initiative to reduce Army Prepositioned Stocks (APS) to minimum sustainment posture, the AWCF is not requesting appropriations for WRSI in FY 2026. SM 4, *Inventory Status* and SM 6, *War Reserve Materiel* exhibits displays War Reserve inventory. Exhibit Fund 14, *Revenue and Costs* displays requested Appropriations.

Table SM 4 - Appropriations

(\$ Millions)	FY 2024	FY 2025	FY 2026
War Reserve Secondary Items	6.4	1.8	0.0

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Supply Management**

**Revenue and Costs
(\$ in Millions)**

	FY 2024	FY 2025	FY 2026
Revenue			
AMI Sales	7,720.2	7,726.1	7,187.1
NAMM Sales	1,880.8	2,018.7	1,766.4
AMC MOB Sales	0.0	0.0	0.0
Total Gross Sales	9,601.0	9,744.8	8,953.5
Credit and Allowances	1,728.7	1,653.0	1,635.8
Net Sales	7,872.2	8,091.8	7,317.6
Other Income	6.4	1.8	0.0
War Reserve-Secondary Items	6.4	1.8	0.0
Inventory Augmentation - Spares - Base	0.0	0.0	0.0
Inventory Augmentation - Spares - OCO	0.0	0.0	0.0
Total Income:	7,878.7	8,093.7	7,317.6
Costs			
Cost of Materiel Sold from Inventory			
AMI	3,786.0	4,595.0	3,981.3
NAMM	1,835.9	2,017.8	1,765.4
AMC MOB	0.0	0.0	0.0
Total Cost of Materiel Sold from Inventory	5,621.9	6,612.8	5,746.8
Inventory Losses/Obsolescence	134.6	121.8	108.5
Salaries and Wages Total	307.8	314.7	287.6
Military Personnel Compensation & Benefits	0.2	0.2	0.2
Civilian Personnel Compensation & Benefits	307.6	314.5	287.4
Travel & Transportation of Personnel	1.8	1.2	0.7
Materiel & Supplies (For Internal Operations)	3.3	0.8	0.9
Equipment	3.1	4.7	4.7
Other Purchases from Revolving Funds	420.8	436.2	365.1
Transportation of Things	100.7	97.0	99.4
Capital Investment Recovery (CIR) - Capital	20.9	18.3	17.5
Printing and Reproduction	0.0	0.0	0.0
Advisory and Assistance Services	55.3	66.4	65.5
Audit Readiness (memo entry)	16.4	15.2	15.2
Financial Statement Audit (memo entry)	14.4	18.7	18.7
Rent, Communication, Utilities & Misc. Charges	0.0	0.0	0.0
Other Purchased Services	320.2	371.7	330.2
Total Operating Expenses	1,234.0	1,311.0	1,171.5
Total Expenses	6,990.5	8,045.5	7,026.8
Operating Result	888.2	48.1	290.8
Less Recovery of Prior Year Pricing Discrepancies	0.0	0.0	0.0
Other Changes Affecting NOR:			
Less Direct Funding	(6.4)	(1.8)	0.0
Adjustment for Cash Transfer	(1,286.9)	(400.0)	0.0
Net Operating Result	(405.2)	(353.7)	290.8
Prior Year AOR	213.2	189.0	0.0
Non-Recoverable AOR for Budget Purposes	380.9	164.7	(243.9)
Accumulated Operating Result	189.0	0.0	46.9

**EXHIBIT FUND-14
REVENUE AND COSTS**

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Supply Management**

**Source of New Orders and Revenue
(\$ in Millions)**

	FY 2024	FY 2025	FY 2026
1. New Orders			
a. Orders from DoD Components:			
Department of Army			
Operation & Maintenance, Army	6,507.5	6,553.4	5,785.7
Operation & Maintenance, ARNG	820.8	819.6	733.5
Operation & Maintenance, AR	230.6	217.8	184.1
Subtotal, O&M Army	7,558.9	7,590.8	6,703.4
 Aircraft Procurement	 61.2	 50.5	 52.3
Missile Procurement	10.2	3.0	3.0
Weapons & Tracked Combat Vehicles	96.2	74.2	77.1
Procurement of Ammunition	3.8	3.8	3.0
Other Procurement	6.5	6.9	6.6
Subtotal Procurement	177.9	138.4	142.0
 RDT&E	 23.8	 24.6	 25.5
BRAC	0.0	0.0	0.0
Family Housing	0.0	0.0	0.0
Military Construction	0.0	0.0	0.0
Chem Agents & Munitions Dest, Army	0.0	0.0	0.0
Other Army	1.2	0.3	0.3
Subtotal All Other Army	25.1	25.0	25.8
 Subtotal, Department of the Army	 7,761.9	 7,754.1	 6,871.3
 Department of Air Force O&M	 4.6	 5.9	 6.2
Department of Air Force Investment	0.0	0.0	0.0
Department of Navy O&M	24.0	20.9	21.1
Department of Navy Investment	0.0	4.8	4.8
US Marines O&M	57.7	37.9	39.7
US Marines Investment	0.0	0.0	0.0
Other Department of Defense	332.2	246.1	247.7
Subtotal Other DoD Services	418.5	315.6	319.7

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Supply Management**

**Source of New Orders and Revenue
(\$ in Millions)**

	FY 2024	FY 2025	FY 2026
b. Defense Working Capital Fund (DWCF)			
Industrial Operations, Army	788.6	839.8	869.7
Supply Management, Army	1.8	1.7	1.8
Supply Management, Air Force	68.0	70.3	72.4
Supply Management, Navy	99.3	91.4	93.4
Supply Management, Marine Corps	3.8	1.4	1.4
DECA	0.0	0.0	0.0
DFAS	0.0	0.0	0.0
DISA	0.0	0.0	0.0
DLA	10.7	10.0	12.1
TRANSCOM	0.0	0.0	0.0
Other	0.0	0.7	0.8
Subtotal DWCF	972.2	1,015.4	1,051.7
c. Total DoD	9,152.5	9,085.0	8,242.7
d. Other Orders:			
Other Federal Agencies	13.2	11.9	11.9
Trust Fund	0.0	0.0	0.0
Non Federal Agencies	115.7	142.4	145.1
Foreign Military Sales	581.4	497.5	508.4
Nonappropriated	0.0	0.0	0.0
Subtotal, Other Orders	710.3	651.8	665.3
1. Total New Orders	9,862.8	9,736.9	8,908.0
2. Carry-In Orders (Back Orders From Prior Years)	2,576.6	2,838.5	2,830.5
3. Total Gross Orders	12,439.4	12,575.3	11,738.5
4. Carry-Out Orders (-)	2,838.5	2,830.5	2,785.1
5. Gross Sales	9,601.0	9,744.8	8,953.5
6. Credit and Allowances (-)	1,728.7	1,653.0	1,635.8
7. Net Sales	7,872.2	8,091.8	7,317.6

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Supply Management**

**Supply Management Summary
(\$ in Millions)**

	Net Customer Orders	Net Sales	Operating (Contract Authority)	Obligation Direct Appropriation - Mobilization	Targets Direct Appropriation - Other	Total
Non-Army Managed Items (NAMI)						
<i>FY 2024</i>	1,829.2	1,879.8	2,103.1	0.0	0.0	2,103.1
<i>FY 2025</i>	1,956.3	2,017.8	2,073.8	0.0	0.0	2,073.8
<i>FY 2026</i>	1,711.6	1,765.4	1,765.4	0.0	0.0	1,765.4
Army Managed Items (AMI)						
<i>FY 2024</i>	6,304.9	5,992.4	5,723.5	0.0	0.0	5,723.5
<i>FY 2025</i>	6,127.6	6,074.0	4,707.0	0.7	0.0	4,707.7
<i>FY 2026</i>	5,560.6	5,552.2	4,380.7	0.0	0.0	4,380.7
AMC Mobilization						
<i>FY 2024</i>	0.0	0.0	0.0	6.4	0.0	6.4
<i>FY 2025</i>	0.0	0.0	0.0	1.2	0.0	1.2
<i>FY 2026</i>	0.0	0.0	0.0	0.0	0.0	0.0
Total Hardware						
<i>FY 2024</i>	8,134.1	7,872.2	7,826.5	6.4	0.0	7,833.0
<i>FY 2025</i>	8,083.9	8,091.8	6,780.9	1.8	0.0	6,782.7
<i>FY 2026</i>	7,272.2	7,317.6	6,146.1	0.0	0.0	6,146.1
Cost of Operations (LOGOPS)						
<i>FY 2024</i>			1,253.9			1,253.9
<i>FY 2025</i>			1,292.6			1,292.6
<i>FY 2026</i>			1,154.0			1,154.0
Total Operating Authority						
<i>FY 2024</i>	8,134.1	7,872.2	9,080.5	6.4	0.0	9,086.9
<i>FY 2025</i>	8,083.9	8,091.8	8,073.5	1.8	0.0	8,075.3
<i>FY 2026</i>	7,272.2	7,317.6	7,300.1	0.0	0.0	7,300.1

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Supply Management**

**Supply Management Summary
(\$ in Millions)**

	Net Customer Orders	Net Sales	Operating (Contract Authority)	Obligation Direct Appropriation - Mobilization	Targets Direct Appropriation - Other	Total
<i>Total Capital Obligations (CIP)</i>						
FY 2024			19.7			19.7
FY 2025			14.0			14.0
FY 2026			15.1			15.1
<i>Variability Target</i>						
FY 2024			0.0			0.0
FY 2025			2,000.0			2,000.0
FY 2026			2,000.0			2,000.0
Target Total						
FY 2024	8,134.1	7,872.2	9,100.2	6.4	0.0	9,106.6
FY 2025	8,083.9	8,091.8	10,087.5	1.8	0.0	10,089.3
FY 2026	7,272.2	7,317.6	9,315.2	0.0	0.0	9,315.2
Direct Appropriations						
<i>Mobilization - War Reserve Materiel (Base)</i>						
FY 2024				6.4		6.4
FY 2025				1.8		1.8
FY 2026				0.0		0.0
TOTAL DIRECT APPROPRIATIONS						
FY 2024				6.4	0.0	6.4
FY 2025				1.8	0.0	1.8
FY 2026				0.0	0.0	0.0

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Supply Management**

**Operating Requirements by Weapon System
(\$ in Millions)**

Weapon System	FY 2024		FY 2025		FY 2026	
	Obligations	NMCRS ¹	Obligations	NMCRS ¹	Obligations	NMCRS ¹
AH-64, Apache	385.9	11.0%	517.4	10.0%	612.1	10.0%
CH-47, Chinook	777.3	9.3%	420.0	10.0%	542.5	10.0%
UH-60, Blackhawk	748.7	6.1%	200.7	10.0%	376.6	10.0%
Other Aviation	481.3	N/A	89.8	N/A	270.4	N/A
MLRS	0.5	10.4%	13.6	<10.0%	15.3	<10.0%
Patriot	271.1	19.6%	206.6	<10.0%	205.8	<10.0%
Other Missile	51.6	N/A	63.4	N/A	69.7	N/A
AN/TPQ-50 (Lightweight Counter Mortar Radar)	4.5	6.8%	5.7	<10.0%	5.3	<10.0%
AN/TPQ-53 (Counterfire Target Acquisition Radar)	29.3	19.5%	12.6	<10.0%	10.4	<10.0%
CSS VSAT (AN-TSC-1893A)	6.8	2.9%	15.4	N/A	12.8	N/A
Joint Network Node (JNN)	0.5	0.0%	3.1	<10.0%	0.0	<10.0%
PHOENIX AN/TSC-156	34.2	9.9%	6.9	<10.0%	2.6	<10.0%
Satellite Transportable Terminal (STT)	34.8	N/A	4.7	<10.0%	3.6	<10.0%
SMART-T AN/TSC-154/A EHF/AEHF	4.9	8.9%	0.9	<10.0%	0.7	<10.0%
Other Communications Electronics	494.6	N/A	459.1	N/A	443.0	N/A
FMTV	76.4	12.3%	115.1	<10.0%	16.9	<10.0%
HEMTT	57.3	13.2%	49.9	<10.0%	46.0	<10.0%
HMMWV	157.0	10.7%	143.7	<10.0%	130.1	<10.0%
JLTV	10.0	10.0%	14.1	<10.0%	10.8	<10.0%
M109, Paladin	6.2	16.5%	13.7	<10.0%	8.1	<10.0%
M777, Towed Howitzer	251.5	16.3%	165.1	<10.0%	79.6	<10.0%
M1A1, Abrams Tank	217.3	0.3%	579.7	<10.0%	484.5	<10.0%
M1A2, Abrams Tank (SEP)	101.2	22.7%	47.0	<10.0%	100.6	<10.0%
M2/M3, Bradley Fighting Vehicle	83.5	22.8%	189.9	<10.0%	186.7	<10.0%
Stryker	217.6	19.4%	234.0	<10.0%	236.2	<10.0%
Other Tank - Automotive & Armament	1,219.7	N/A	1,135.1	N/A	510.3	N/A
Subtotal:	5,723.5		4,707.0		4,380.7	
NAMM Hardware Contract Authority	2,103.1		2,073.8		1,765.4	
AMC-MOB Hardware Contract Authority	0.0		0.0		0.0	
Total:	7,826.5		6,780.9		6,146.1	

1: Non Mission Capable Rate Supply (NMCRS) represents the percent of time a weapon system is not mission capable due to lack of critical spare parts. The AWCF goals for NMCRS are: at or below 10% for ground and at or below 25% for aircraft. FY 2024 is actual data. FY 2025 and FY 2026 are the Army's goal for total weapon system readiness.

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Supply Management**

**Inventory Status
(\$ in Millions)**

FY 2024	TOTAL	Demand Based	Mobilization	Non-Demand Based
1. Inventory BOP	18,656.1	11,760.9	1,034.0	5,861.2
2. BOP Inventory Adjustments				
A. Reclassification (Memo)	0.0	0.0	0.0	0.0
B. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
C. Adj. Inventory BOP	18,656.1	11,760.9	1,034.0	5,861.2
3. Receipts at Cost	5,757.8	5,749.8	8.0	0.0
4. Sales at Cost	7,350.6	7,350.6	0.0	0.0
5. Inventory Adjustments				
A. Capitalization (+ or -)	35.1	30.6	0.0	4.4
B. Returns from Customers for Credit	1,728.7	1,728.7	0.0	0.0
C. Returns from Customers Without Credit	369.9	167.9	0.0	202.0
D. Returns to Suppliers (-)	(22.3)	(22.3)	0.0	0.0
E. Transfers to Property Disposal (-)	(234.9)	(67.0)	(3.7)	(164.1)
F. Issues/Receipts wo Reimbursements (+ or -)	(157.2)	(20.0)	(19.5)	(117.7)
G. Other	359.1	118.4	(10.5)	251.3
H. Total Adjustments	2,078.4	1,936.2	(33.7)	175.9
6. Inventory EOP	19,141.7	12,096.2	1,008.3	6,037.1
7. Inventory EOP (MAC)	19,141.7	12,096.2	1,008.3	6,037.1
A. Economic Retention (Memo)				0.0
B. Contingency Retention (Memo)				0.0
C. Potential DoD Reutilization (Memo)				6,037.1
8. Inventory on Order EOP (Memo)	8,747.2	8,694.5	52.8	0.0

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Supply Management**

**Inventory Status
(\$ in Millions)**

FY 2025	TOTAL	Demand Based	Mobilization	Non-Demand Based
1. Inventory BOP	19,141.7	12,096.2	1,008.3	6,037.1
2. BOP Inventory Adjustments				
A. Reclassification (Memo)	0.0	0.0	0.0	0.0
B. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
C. Adj. Inventory BOP	19,141.7	12,096.2	1,008.3	6,037.1
3. Receipts at LAC	6,830.6	6,822.5	8.0	0.0
4. Sales at Cost	8,265.8	8,265.8	0.0	0.0
5. Inventory Adjustments				
A. Capitalization (+ or -)	0.0	0.0	0.0	0.0
B. Returns from Customers for Credit	1,653.0	1,653.0	0.0	0.0
C. Returns from Customers Without Credit	0.0	0.0	0.0	0.0
D. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
E. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
F. Issues/Receipts wo Reimbursements (+ or -)	0.0	0.0	0.0	0.0
G. Other	0.0	0.0	0.0	0.0
H. Total Adjustments	1,653.0	1,653.0	0.0	0.0
6. Inventory EOP	19,359.5	12,306.0	1,016.4	6,037.1
7. Inventory EOP (MAC)	19,359.5	12,306.0	1,016.4	6,037.1
A. Economic Retention (Memo)				0.0
B. Contingency Retention (Memo)				0.0
C. Potential DoD Reutilization (Memo)				6,037.1
8. Inventory on Order EOP (Memo)	7,262.3	7,165.8	96.5	0.0

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Supply Management**

**Inventory Status
(\$ in Millions)**

FY 2026	TOTAL	Demand Based	Mobilization	Non-Demand Based
1. Inventory BOP	19,359.5	12,306.0	1,016.4	6,037.1
2. BOP Inventory Adjustments				
A. Reclassification (Memo)	0.0	0.0	0.0	0.0
B. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
C. Adj. Inventory BOP	19,359.5	12,306.0	1,016.4	6,037.1
3. Receipts at LAC	6,641.1	6,633.4	7.7	0.0
4. Sales at Cost	7,382.6	7,382.6	0.0	0.0
5. Inventory Adjustments				
A. Capitalization (+ or -)	0.0	0.0	0.0	0.0
B. Returns from Customers for Credit	1,635.8	1,635.8	0.0	0.0
C. Returns from Customers Without Credit	0.0	0.0	0.0	0.0
D. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
E. Transfers to Property Disposal (-)	0.0	0.0	0.0	0.0
F. Issues/Receipts wo Reimbursements (+ or -)	0.0	0.0	0.0	0.0
G. Other	0.0	0.0	0.0	0.0
H. Total Adjustments	1,635.8	1,635.8	0.0	0.0
6. Inventory EOP	20,253.8	13,192.6	1,024.1	6,037.1
7. Inventory EOP (MAC)	20,253.8	13,192.6	1,024.1	6,037.1
A. Economic Retention (Memo)				0.0
B. Contingency Retention (Memo)				0.0
C. Potential DoD Reutilization (Memo)				6,037.1
8. Inventory on Order EOP (Memo)	6,767.3	6,627.8	139.5	0.0

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Supply Management**

**WAR RESERVE MATERIEL (WRM)
STOCKPILE (\$ in Millions)**

FY 2024	Total	WRM Protected	WRM Other
1. Inventory BOP	1,034.0	1,034.0	0.0
2. Price Change	0.0	0.0	0.0
3. Reclassification	0.0	0.0	0.0
4. Inventory Changes			
a. Receipts @ standard	8.0	8.0	0.0
(1) Purchases	8.0	8.0	0.0
(2) Returns from Customer	0.0	0.0	0.0
b. Issues @ standard	(3.7)	(3.7)	0.0
(1) Sales	0.0	0.0	0.0
(2) Returns to Suppliers	0.0	0.0	0.0
(3) Disposals	(3.7)	(3.7)	0.0
c. Adjustments @ standard	(30.0)	(30.0)	0.0
(1) Capitalizations	0.0	0.0	0.0
(2) Gains and losses	0.0	0.0	0.0
(3) Other Adjustments	(30.0)	(30.0)	0.0
5. Inventory EOP	1,008.3	1,008.3	0.0
STOCKPILE COSTS			
1. Storage	0.0		
2. Management	0.0		
3. Maintenance/Other	0.0		
Total Costs	0.0		
WRM BUDGET REQUEST (OBLIGATIONS AT COST)			
1. Additional WRM	6.4		
2. Replenishment WRM	0.0		
3. Repair WRM	0.0		
4. Assemble/Disassemble	0.0		
5. Other	0.0		
Total Request	6.4		

**EXHIBIT SM-6
WAR RESERVE MATERIEL**

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Supply Management**

**WAR RESERVE MATERIEL (WRM)
STOCKPILE (\$ in Millions)**

FY 2025	Total	WRM Protected	WRM Other
1. Inventory BOP	1,008.3	1,008.3	0.0
2. Price Change	0.0	0.0	0.0
3. Reclassification	0.0	0.0	0.0
4. Inventory Changes			
a. Receipts @ standard	8.0	8.0	0.0
(1) Purchases	8.0	8.0	0.0
(2) Returns from Customer	0.0	0.0	0.0
b. Issues @ standard	0.0	0.0	0.0
(1) Sales	0.0	0.0	0.0
(2) Returns to Suppliers	0.0	0.0	0.0
(3) Disposals	0.0	0.0	0.0
c. Adjustments @ standard	0.0	0.0	0.0
(1) Capitalizations	0.0	0.0	0.0
(2) Gains and losses	0.0	0.0	0.0
(3) Other Adjustments	0.0	0.0	0.0
5. Inventory EOP	1,016.4	1,016.4	0.0
STOCKPILE COSTS			
1. Storage	0.0		
2. Management	0.0		
3. Maintenance/Other	0.0		
Total Costs	0.0		
WRM BUDGET REQUEST (OBLIGATIONS AT COST)			
1. Additional WRM	1.8		
2. Replenishment WRM	0.0		
3. Repair WRM	0.0		
4. Assemble/Disassemble	0.0		
5. Other	0.0		
Total Request	1.8		

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
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**WAR RESERVE MATERIEL (WRM)
STOCKPILE (\$ in Millions)**

FY 2026	Total	WRM Protected	WRM Other
1. Inventory BOP	1,016.4	1,016.4	0.0
2. Price Change	0.0	0.0	0.0
3. Reclassification	0.0	0.0	0.0
4. Inventory Changes			
a. Receipts @ standard	7.7	7.7	0.0
(1) Purchases	7.7	7.7	0.0
(2) Returns from Customer	0.0	0.0	0.0
b. Issues @ standard	0.0	0.0	0.0
(1) Sales	0.0	0.0	0.0
(2) Returns to Suppliers	0.0	0.0	0.0
(3) Disposals	0.0	0.0	0.0
c. Adjustments @ standard	0.0	0.0	0.0
(1) Capitalizations	0.0	0.0	0.0
(2) Gains and losses	0.0	0.0	0.0
(3) Other Adjustments	0.0	0.0	0.0
5. Inventory EOP	1,024.1	1,024.1	0.0
STOCKPILE COSTS			
1. Storage	0.0		
2. Management	0.0		
3. Maintenance/Other	0.0		
Total Costs	0.0		
WRM BUDGET REQUEST (OBLIGATIONS AT COST)			
1. Additional WRM	0.0		
2. Replenishment WRM	0.0		
3. Repair WRM	0.0		
4. Assemble/Disassemble	0.0		
5. Other	0.0		
Total Request	0.0		

Industrial Operations

Introduction

The Industrial Operations (IO) activity group is comprised of thirteen government-owned and operated installation activities, each with unique core competencies. IO promotes business-like behavior by relying on revenue from customers instead of direct appropriations to finance continuing operations. Customers purchase services from IO activities. These services include, but are not limited to, repairing and upgrading equipment, producing weapons and munitions and storing and demilitarizing material. The goal for the IO activity is to generate enough revenue to recover the full cost of operations while breaking even over the long term.

The core financial measures for IO are the Net Operating Result (NOR) and Accumulated Operating Result (AOR). The NOR measures the activity's gain or loss within a single fiscal year and is used to monitor how closely the activity performs compared to its budget. The AOR measures the activity's accumulated gains and losses since the fund's inception. Rates are set during budget development to break even by bringing the AOR to zero over a budget cycle or deferring it to preserve the ability to stabilize the rate if workload is expected to decrease. This method returns accumulated gains through reduced rates and recovers accumulated losses through increased rates. The rates are set to:

- Recover the activity's costs such as payroll, supplies, contracts, equipment, inventory, depreciation, and maintenance
- Maintain a sufficient cash corpus to cover operating disbursements
- Break even over time
- Maintain a stable and foreseeable cost of doing business
- Reduce large fluctuations to the customer

The IO activity relies heavily on customers funded by direct appropriations to support its operations. The activity synchronizes rates and budget assumptions with the appropriated funding levels of its customers. Reductions to customer appropriated funding requests impact the business by adversely affecting workloading decisions and projected staffing levels and may also affect equipment readiness of supported customers.

Mission:

- ***Provide an organic industrial capability to conduct depot level repair and upgrade***
- ***Produce munitions and large caliber weapons***
- ***Store, maintain, and demilitarize materiel for the Department of Defense***

Efficiencies and Business Process Improvements

Cost efficiency is an inherent attribute of the AWCF. The revolving fund construct promotes total cost visibility, full cost recovery, and fosters a business-like, competitive atmosphere. In the same way that commercial businesses focus on their bottom-line profit, IO activities focus on their Net Operating Result and other indicators to gauge the efficiency of their operations. To increase efficiency and maintain their competitive edge, IO activities are fully engaged in cost-cutting and business process improvement initiatives. IO customers ultimately garner the benefit of these efficiencies through reduced turn-around times, lower prices, and increased throughput. Examples include:



Anniston Army Depot small arms technician conducts a final inspection of the M240 machine gun prior to shipment

- **Continuous Process Improvement (CPI):** The Army Materiel Command (AMC) has been aggressively embracing the concepts of CPI since 2002. CPI is an overarching concept, using many improvement tools, including Lean Six Sigma (LSS), Value Engineering (VE), Quality Management, and others, to positively impact manufacturing, maintenance, storage, distribution and those military operations executing these critical missions. In addition, Army has received the prestigious “Class A” certification for demonstrated excellence in Sales & Operations Planning (S&OP) processes.
- **Shingo Award:** The Shingo Prize¹ is a globally recognized award given to organizations that demonstrate a deeply embedded culture of operational excellence, signifying the highest standard for organizational excellence in the world, where continuous improvement practices are ingrained in every aspect of the business, from leadership to employee behavior. Since FY 2005, AMC has received thirty-one Shingo Prizes for various programs at its depots and arsenals, including eight at Red River Army Depot, seven at Tobyhanna Army Depot, ten at Letterkenny Army Depot, three at the Rock Island Arsenal-Joint Manufacturing and Technology Center, two at Anniston Army Depot and one at Corpus Christi Army Depot.

¹ The Shingo Prize, administered by the Jon M. Huntsman School of Business at Utah State University, is the premier award for operational excellence world-wide.

- **International Organization for Standardization (ISO):** ISO is a worldwide federation of national standards bodies that independently audit and certify companies and organizations for conformance with established standards. The IO activities currently hold 29 ISO certifications for Quality Management Systems, International Aerospace Quality Systems, Environmental Management Systems, and Occupational Safety and Health Administration Systems. AMC is in the process of adopting ISO 45001, the world's first international standard for occupational health and safety geared toward senior management. ISO 45001 has the goal of helping businesses provide a healthy and safe working environment for their employees and everyone else who visits the workplace. Currently, Anniston Army Depot (ANAD), Letterkenny Army Depot (LEAD), Red River Army Depot (RRAD), Rock Island Arsenal (RIA), Tobyhanna Army Depot (TYAD) and Tooele Army Depot (TEAD) are ISO 45001 certified.
- **Adaptable Workforce Structure:** IO activities employ an adaptable workforce structure to maintain flexibility in response to shifting workload requirements. Activities adjust the size of their workforce using contractor, term, and temporary personnel to accommodate changes in workload.
- **Safety Improvements:** Safety is a high priority throughout AMC and leads to better morale, increased productivity and reduced operational costs. Army Safety & Occupational Health Management System (ASOHMS) directed all commands to implement a safety and occupational health management system (SOHMS). Subordinate commands are at varying stages of implementation and continue implementing SOHMS. Each command can determine which of three recognized SOHMS to implement; Occupational Safety and Health Administration (OSHA's) Voluntary Protection Program (VPP), ISO 45001, or the Army SOHMS. The Industrial Operations have two OSHA VPP recognized sites, seven ISO certified sites, and one Army SOHMS recognized site. Each site must maintain an effective safety and health management system that meets rigorous performance-based criteria and requires a total written commitment from labor to work safely.
- **Enterprise Resource Planning (ERP) Solutions:** The Logistics Modernization Program (LMP), an ERP solution, provides the Army with new and improved capabilities for logistics management and better cost performance while setting the stage for auditability. It provides real time updates and improved visibility of maintenance, production, and financial data when compared with legacy batch processes. It streamlines material/parts requisitioning and asset movements between Defense Logistics Agency (DLA) and the depots, improves visibility and accountability for inventory, improves collaboration in program planning, and shortens the time to accept and negotiate programs between the Life Cycle Management Commands (LCMCs), depots, and customers. Army is

leaning forward in the next generation of ERP solutions. Army is currently in the innovation and exploration phase of Enterprise Business Systems - Convergence (EBS-C) to determine what the next version of Army systems will comprise.

- **Utility Savings Programs:** AMC continues to implement performance-based initiatives that reduce utility consumption to lower operational costs and support Army readiness objectives. IO activities employ advanced metering systems, utility management controls, and facility-level conservation measures to improve efficiency and reduce utility expenditures. These actions result in measurable cost savings and improved resource utilization.
- **Modernization and Investments:** The FY 2026 President's Budget continues investments in the Army Organic Industrial Base (OIB) outlined in the Secretary of the Army's approved fifteen-year OIB Modernization Implementation Plan (OIB-MIP). The MIP addresses requirements in depots, arsenals and ammunition storage and production facilities beginning in FY 2024 and continuing through FY 2038. The goal of the MIP is to modernize manufacturing and production systems, moving current production processes toward 21st century technology with increased automation and modern data systems to more efficiently process and exchange data.

Functional Description

The AWCF IO includes five depots, three arsenals, two munitions production facilities, and three storage sites. These sites perform the following mission functions:

- Provides depot level maintenance, repair, and modernization of weapon systems and component parts
- Manufactures, renovates, and demilitarizes materiel
- Produces munitions and large caliber weapons
- Performs a full range of ammunition maintenance services for DOD and U.S. allies
- Performs ammunition receipt, storage, and issue functions

In addition to the mission functions, ten of the thirteen activities provide installation base support for both internal operations and tenant activities. Corpus Christi Army Depot and Crane Army Ammunition Activity are tenants on Navy installations. The Rock Island Arsenal-Joint Manufacturing and Technology Center receives installation base support from the Army Installation Management Command (IMCOM) which is a major subordinate command of AMC.

IO activities collaborate with the private sector through formal public-private partnership agreements to perform work or utilize facilities and equipment. Under authority granted by Title 10, United States Code, § 2474, these partnerships create opportunities for both the public and private sectors by capitalizing on each other's strengths and efficiencies. The benefits to the Army and its customers include leveraging capacity; sustaining core maintenance capabilities; sharing of overhead costs; and enhancing technical expertise in the workforce. The benefits to private industry include access to specialized facilities, equipment, and processes, and stimulating local economies. Current public-private partnership agreements are held with Boeing, General Dynamics Land Systems, Sikorsky Aircraft Corporation, and Honeywell International.



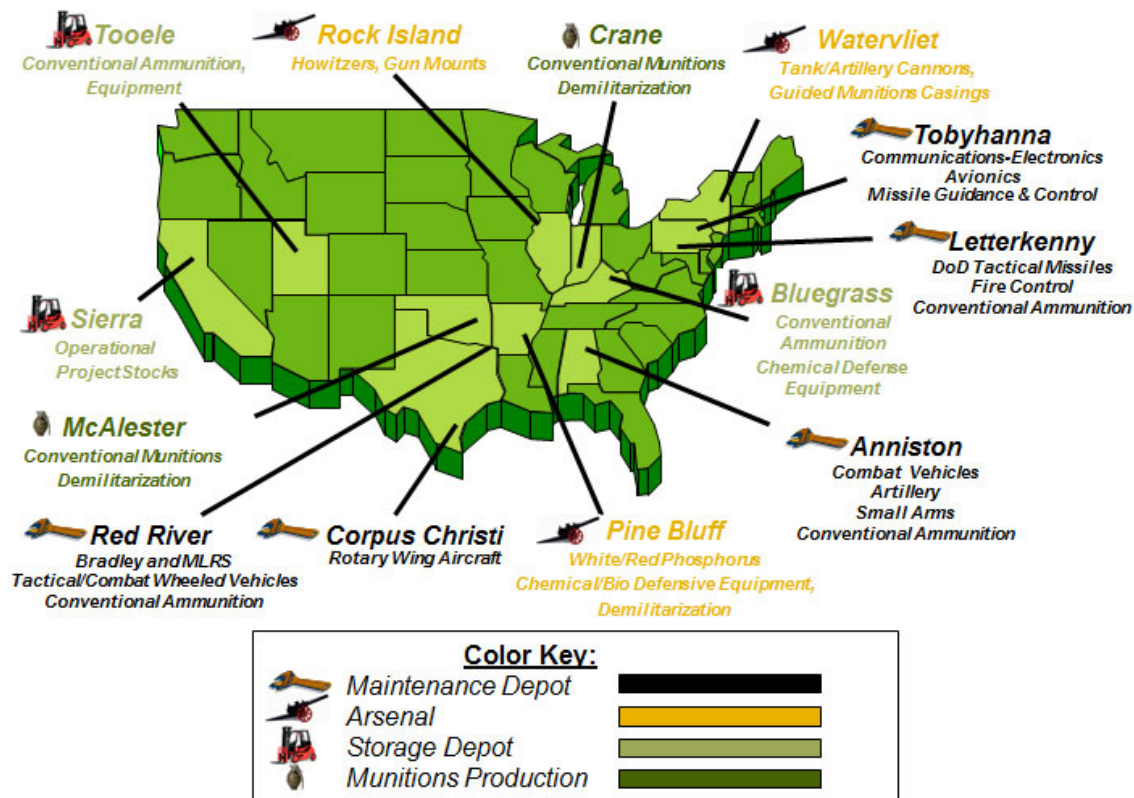
Blue Grass Army Depot
employee stenciling a
2,000 pound bomb

The five hard-iron maintenance depots (Anniston, Corpus Christi, Letterkenny, Red River, and Tobyhanna) and Pine Bluff Arsenal, Rock Island Arsenal-Joint Manufacturing and Technology Center, Sierra Army Depot, Tooele Army Depot, and Watervliet Arsenal are designated as Centers of Industrial and Technical Excellence (CITE) for the performance of core maintenance workload in support of DOD and foreign allies. The CITE designation provides authority under Title 10, United States

Code, § 2474 to partner with and lease facilities to industry on programs relating to core² maintenance and technical expertise.

Activity Group Composition

Figure IO 1 - Industrial Operations Activity Group Composition



Army Materiel Command, located in Huntsville, Alabama, serves as the management command for the IO activity group. Installations or activities in this group fall under the direct command and control of the Life Cycle Management Commands each aligned in accordance with the nature of its mission. The following are descriptions of the IO activities and their major core mission functions.

² Title 10, United States Code, § 2464. Core Logistics Capabilities - Government-owned and Government-operated equipment and facilities required to ensure a ready and controlled source of technical competence and resources necessary to ensure effective and timely response to a mobilization, national defense contingency situations, and other emergency requirements.

Anniston Army Depot (ANAD)

Location: Anniston, Alabama

2024 Workforce: 2,313



Description: ANAD is the Army's only depot with the capability to maintain both heavy and light-tracked combat vehicles, excluding the Bradley. As a CITE for ground combat vehicles, assault bridging, artillery systems, rail equipment, and small arms, ANAD provides sustainment for platforms including the M1 Abrams, Stryker, and M88. The depot also services individual and crew-served weapons, ensuring readiness for deployed forces. ANAD leads in public-private partnerships with over 150 agreements, generating substantial economic impact and employment in the region.

Blue Grass Army Depot (BGAD)

Location: Richmond, Kentucky

2024 Workforce: 789



Description: BGAD is a key Strategic Mobility ammunition depot that provides storage, renovation, ammunition demilitarization, and issue of conventional munitions to all military services. It also manages all Army Special Operations Forces ammunition and serves as DOD's center for handling chemical defense equipment. BGAD oversees the Anniston Munitions Center, which supports missile maintenance and conventional ammunition demilitarization operations.

Corpus Christi Army Depot (CCAD)

Location: Corpus Christi, Texas

2024 Workforce: 2,546



Description: CCAD is the Army's CITE for rotary wing aircraft. It provides full-spectrum support including maintenance, overhaul, and upgrades for the Apache, Black Hawk, Chinook, and Pave Hawk platforms. CCAD serves all branches of the military, DHS, and foreign military partners. It leads aviation accident investigations and supports forward-deployed repair capabilities while also providing training in rotary aircraft maintenance and UAV platforms.

Crane Army Ammunition Activity (CAAA)

Location: Crane, Indiana

2024 Workforce: 1,022



Description: CAAA provides comprehensive munitions logistics support including storage, shipping, surveillance, renovation, and demilitarization. As a Munitions Center of Excellence, CAAA also produces pyrotechnics and fabricates key components for military use. It supports Navy countermeasure requirements and large-

caliber ammunition programs. CAAA manages the Letterkenny Munitions Center (LEMC), which specializes in missile maintenance, testing, practice rocket production, air dominance missile repair, and demilitarization operations.

Letterkenny Army Depot (LEAD)

Location: Chambersburg, Pennsylvania

2024 Workforce: 1,160



Description: LEAD specializes in maintenance and modification of air defense systems, generators, shelters, and various sustainment systems. It features advanced climate-controlled facilities for electronics repair and environmental testing. LEAD capabilities include cable and harness fabrication, 3D molding, titanium welding, corrosion mitigation, and additive manufacturing. The depot supports both on-site and forward-deployed operations to maintain readiness. It is the DOD's only organic solution for One-Stop Service for Tactical Missile Maintenance, Modification and Integration. Since 2001, LEAD has been recognized by the Secretary of the Army as a Center of Industrial and Technical Excellence.

McAlester Army Ammunition Plant (MCAAP)

Location: McAlester, Oklahoma

2024 Workforce: 1,591



Description: MCAAP is responsible for the production, renovation, storage, shipment, and demilitarization of conventional munitions. Spanning over 45,000 acres, it includes production and renovation complexes and thousands of storage magazines. MCAAP manufactures bombs, rockets, warheads, and missiles, while also providing engineering and quality assurance services across the full munitions lifecycle.

Pine Bluff Arsenal (PBA)

Location: Pine Bluff, Arkansas

2024 Workforce: 563



Description: PBA specializes in the production, storage, and renovation of over 70 types of conventional munitions, including smoke, riot control, illumination, and infrared payloads. It is designated as the CITE for Chemical and Biological Defense Equipment and maintains mobile powered support systems for Soldiers. PBA actively engages in public-private partnerships to support ammunition and Chemical, Biological, Radiological, or Nuclear (CBRN) defense missions.

Red River Army Depot (RRAD)

Location: Texarkana, Texas

2024 Workforce: 1,468



Description: RRAD provides global sustainment support for ground combat and tactical systems. As the CITE for the Bradley Fighting Vehicle, MLRS, and tactical wheeled vehicles, RRAD also supports boats, cranes, engines, transmissions, and rubber products. The depot handles forward-deployed maintenance missions and Foreign Military Sales, delivering training and equipment sustainment for allied forces.

Rock Island Arsenal-Joint Manufacturing and Technology Center (RIA-JMTC)

Location: Rock Island Arsenal, Illinois

2024 Workforce: 790



Description: RIA – JMTC is the Department of Defense's only vertically integrated metal manufacturer. It provides Computer Numerical Control (CNC) machining, forging, welding, heat treating, painting, and engineering services for a wide range of products, including gun mounts, armor kits, and mobile maintenance systems. JMTC also leads Army efforts in additive manufacturing, prototyping, and sustainable legacy system modernization.

Sierra Army Depot (SIAD)

Location: Herlong, California

2024 Workforce: 1,081



Description: SIAD provides critical logistics and sustainment support, including long-term storage, reset, and deployment of Army equipment. Designated as the CITE for Petroleum and Water Systems and operational project stocks, SIAD also manages redistribution of Class VII and IX materiel. It serves as the Army's end-of-first-life center for combat and support vehicles and handles storage and management of Organizational Clothing and Individual Equipment (OCIE).

Tobyhanna Army Depot (TYAD)

Location: Tobyhanna, Pennsylvania

2024 Workforce: 2,351



Description: TYAD is the Army's CITE for Command, Control, Communications, Computers, Cyber, Intelligence, Surveillance, and Reconnaissance (C5ISR) systems; including electronics and missile control components. It provides overhaul, repair, fabrication, integration, and engineering services to Joint Warfighters. TYAD supports technology upgrades, field operations, and Foreign Military Sales while offering base operations support for assigned tenant organizations and facilities.

Tooele Army Depot (TEAD)

Location: Tooele, Utah

2024 Workforce: 453



Description: TEAD delivers lifecycle support for munitions and Ammunition Peculiar Equipment (APE). As the CITE for APE, TEAD stores, maintains, upgrades, and demilitarizes conventional munitions for all military services. It also oversees the Ammunition Equipment Satellite at MCAAP and leads global contingency support for APE systems.

Watervliet Arsenal (WVA)

Location: Watervliet, New York

2024 Workforce: 795



Description: WVA is the Army's premier manufacturer of large-caliber cannons and mortars. It supports full lifecycle requirements including research, prototyping, manufacturing, testing, and sustainment. WVA produces key systems such as the M1A1 Abrams main gun and maintains robust public-private partnerships to expand capacity and drive capital investment.

Budget Highlights

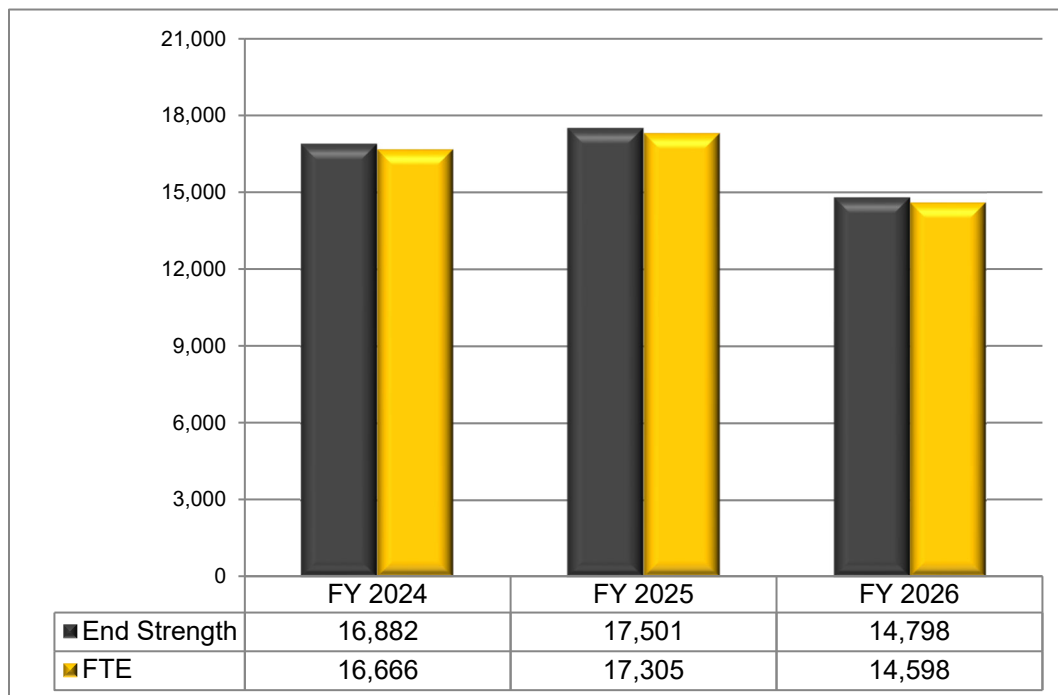
Assumptions

The budget reflects workload assumptions developed in coordination with customers and incorporates historical trend analysis when developing future workload requirements. However, as unit rotations and weapon system delivery schedules shift, annual projections can change significantly between when budgets are developed, and actual maintenance occurs. To offset these risks, the IO activity remains poised to increase or decrease output to accommodate customers' changing requirements.

Personnel

Civilian end-strength represents the number of personnel employed at the end of each fiscal year. Full Time Equivalents (FTE) represent the manpower level of effort necessary to accomplish the projected workload on an annual basis. The IO labor pool includes a mix of permanent, temporary, and term-appointed employees, in addition to contract labor, which allow for workforce flexibility to accommodate changing requirements.

Chart IO 1 – Personnel (excludes contractors)



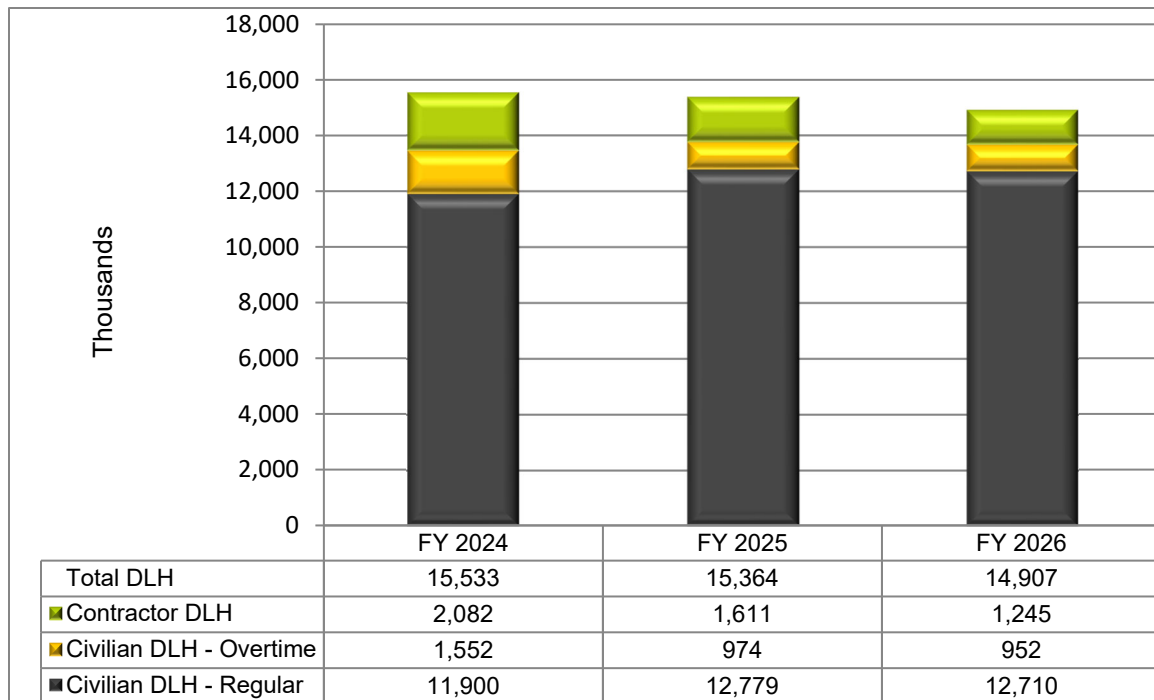
Maintaining a trained and ready workforce is critical to this labor-intensive business. IO activities engage in various workforce revitalization efforts to include interns, apprenticeship programs and a Pathways program which offers clear paths to Federal internships for students from high school through post-graduate school and to careers for recent graduates. Due to the specialized nature of the work and skill level requirements, training may require two to three years before an employee is able to perform specific tasks without supervision.

The Army is focused on optimizing processes across the industrial base. Aligned with the Army Transformation Initiative (ATI) and the Organic Industrial Base Modernization Implementation Plan (OIB-MIP), these efforts prioritize resource alignment and increased efficiency to support emerging priorities. These adjustments are part of broader DOD efforts to enhance performance and streamline operations. In addition to civilian personnel, twenty-two military personnel are assigned to IO activities in FY 2026.

Direct Labor Hours (DLH)

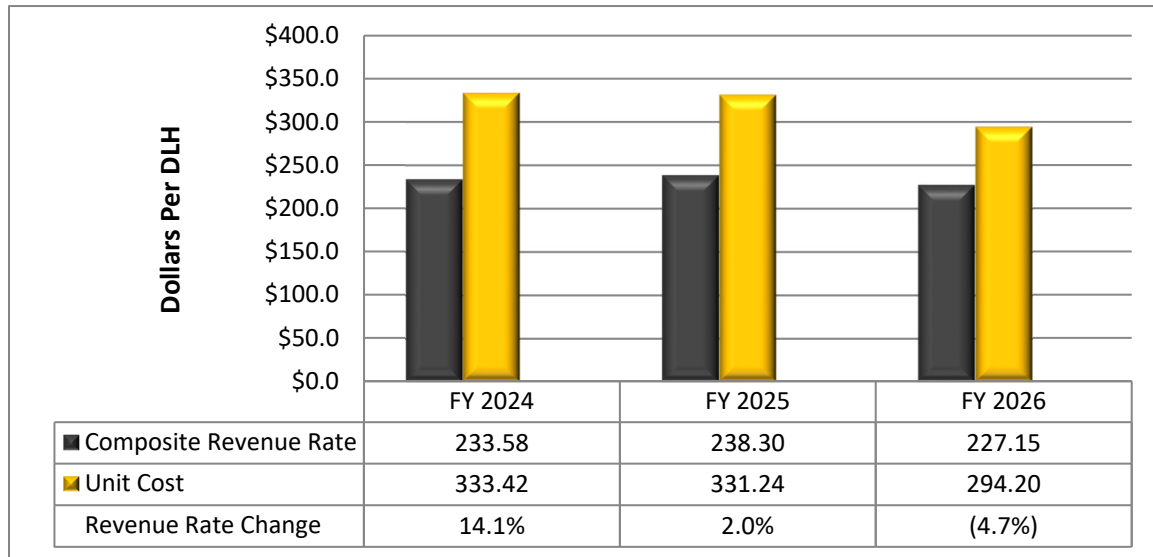
Total DLHs represent the number of hours required to complete the IO direct mission workload. DLHs decrease proportionately with the expected decline in workload. IO activities remain prepared to increase overtime and contractor DLHs in the event workload estimates increase.

Chart IO 2 - Direct Labor Hours



Direct Labor Hour Rate

Chart IO 3 - Direct Labor Hour (DLH) Rate



The composite revenue rate is an aggregate hourly rate established in the budget cycle and used to price rate-stabilized workload. It is comprised of direct labor and material costs, overhead costs (mission indirect and non-mission indirect costs) and accumulated operating result adjustments that are designed to return gains or recover losses. In contrast to rate-stabilized workload, cost-reimbursable workload reflects prototype or low-volume repair efforts and is excluded from the stabilized rate until repair history supports its inclusion.

The composite revenue rate calculation is influenced by several factors: (1) the commodity mix of workload planned (labor and material intensive or both), (2) planned gain/loss recovery across the budget cycle, (3) the volume of stabilized DLHs available to distribute overhead, and (4) the total number of DLHs supporting both stabilized and non-stabilized workload. A change to the composite revenue rate directly affects the total revenue and new order values for the budget year.

The FY 2026 composite rate decreases to \$227.15 per DLH, reflecting ongoing efforts to reduce indirect and overhead costs. These cost reduction measures directly support the Army's strategic guidance to optimize the Organic Industrial Base (OIB), emphasizing the need for data-informed decision-making, business process reengineering, and cost efficiency to ensure readiness in a constrained budget environment. The Army is reducing overhead and mission indirect expenses at the depot level, sustaining the Army's ability to meet future demand.

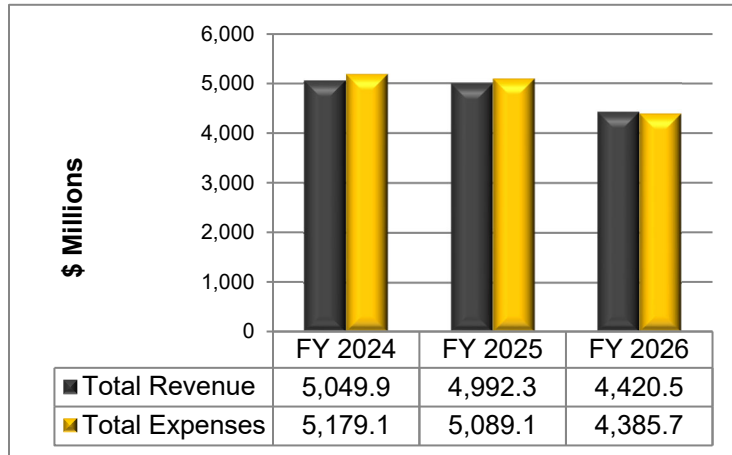
Unlike the composite revenue rate, which incorporates the AOR and is applied to rate-stabilized workload, the unit cost per DLH captures actual total cost execution for both prior and current year orders. The overall year-over-year decrease in unit cost

reflects improved efficiency driven by reduced overhead and mission indirect costs – demonstrating the Army’s commitment to fiscal responsibility and resource-informed planning.

Revenue and Expenses

The IO revenue amount represents earnings from work performed on customer equipment plus any direct appropriations designated to IO. Total expenses cover full costs, including material, labor, storage, and other direct or indirect costs associated with the products or services being provided. Revenue and expenses are displayed in more detail on Exhibit Fund 14, *Revenue and Costs*.

Chart IO 4 - Revenue and Costs



Operating Result

The Net Operating Result (NOR) represents the difference between revenue and expenses within a fiscal year. The recoverable NOR in FY 2024 and FY 2025 includes \$120 million each in direct appropriations provided to maintain competitive rates at the three arsenals. In addition, in FY 2024, FY 2025 and FY 2026 the recoverable NOR includes \$27.6 million, \$21.8 million, and \$20.6 million respectively, for Industrial Mobilization Capacity (IMC) costs associated with maintaining facilities to meet mobilization or war surge capacity. The Accumulated Operating Result (AOR) represents the summation of all operating gains or losses since activity group inception along with any prior period adjustments. The Recoverable NOR and AOR are displayed in the following table and on Exhibit Fund 14, *Revenue and Costs*.

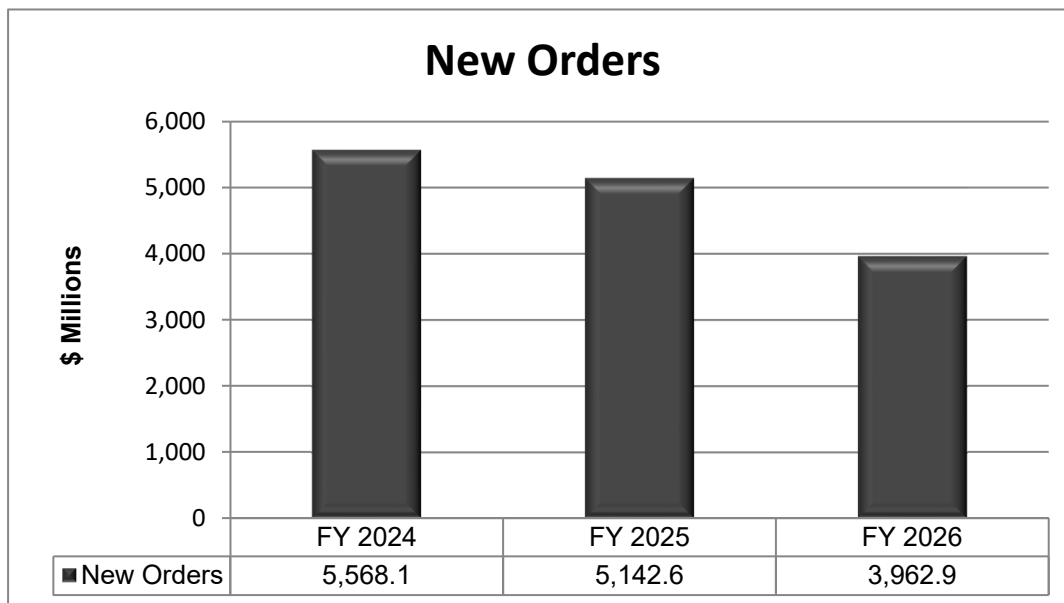
Table IO 1 - Operating Results

(\$Millions)	FY 2024	FY 2025	FY 2026
<i>Recoverable NOR</i>	(56.3)	(1.5)	129.6
<i>Accumulated Operating Result</i>	(127.5)	(129.1)	0.0

New Orders

IO activities develop workload projections based on close coordination with customers and their delivery schedule requirements. With fluid requirements and fiscal uncertainty, accurately predicting workload two to three years in advance has proven difficult. Increased workload in FY 2024 in support of Ukraine contributed to a rise in new orders, with some work projected to carry over into FY 2025 due to continued operational demands and evolving priorities. The budget includes workload assumptions that support the base program, contingency operations, Foreign Military Sales (FMS), and the restoration and sustainment of Army equipment in support of global operational commitments. The projected workload in FY 2026 is commensurate with customer projections and budgeted depot maintenance requirements. Exhibit Fund 11, *Source of New Orders and Revenue*, displays total new order estimates by fund category.

Chart IO 5 - New Orders



Carryover

Carryover, or unfilled orders, represents the dollar value of the production orders (parts, labor, and overhead) that have been ordered and funded by customers but not completed by the industrial activities at the end of each fiscal year. Some carryover is necessary; it leads to better planning, better decision making, and cost efficiencies at the depots and arsenals. It provides lead time to assemble necessary workforce skill sets, to establish supply chains, and to coordinate workload routing. Carryover also prevents production line stoppages and ensures the activities have funded work to provide a smooth transition between fiscal years.

The FY 2023 National Defense Authorization Act (NDAA) allowed a material end of period exclusion for the Army while the FY 2024 NDAA provides an exclusion for Foreign Military Sales workload. Current policy recognizes up to seven months of carryover workload as optimal to ensure a smooth flow of maintenance work between fiscal years. Conversely, less than three months of carryover workload could pose execution challenges that put production continuity at risk. The increase in unanticipated workload in support of foreign allies in FY 2024, along with lingering supply chain issues, increased carryover and added to current production scheduled in FY 2025. For FY 2026, the Army projects an end-of-year carryover of five months and twenty-four days, accounting for exclusions authorized under the NDAA. The Army continues to improve carryover management through improved workload planning, acceptance, and execution.

Managing Carryover

The Army is focused on reducing carryover by leveraging policy and process improvements aimed at increasing production, improving customer-provider communication, and strengthening controls over the acceptance of new orders. These initiatives were developed in response to the Government Accountability Office's FY 2013 carryover audit recommendations. The policy for accepting new workload requires:

- The customer and the executing industrial activity to assess the *availability of skilled labor* to execute the workload
- The viability of the *supply chain and availability of parts*
- The availability of *tools and equipment needed during production*
- The availability of *unserviceable assets*
- The scheduled *requirements per month*
- The availability of *funding to support the production*

All AWCF activities have fully implemented these criteria for accepting new orders. Additionally, Army program acquisition managers are required to identify organic procurement funded requirements to the appropriate LCMC no later than the end of the first quarter of the year of execution. The Army's goal is to ensure procurement funded depot maintenance workloads are inducted into the depots no later than the end of the second quarter of the fiscal year. The intent is to reduce orders placed late in the fiscal year that increase carryover.

Army leadership is committed to monitoring carryover and production goals on a recurring basis through senior leader forums. The Army plans to reduce carryover by \$500 million by the end of FY 2026. Carryover, Revenue and New Orders as they are displayed on the Exhibit Fund 11, *Source of New Orders and Revenue*, and Exhibit Fund 11a, *Carryover Reconciliation*.

Chart IO 6 - New Orders and Carryover

Carryover Calculation Categories	FY 2024	FY 2025	FY 2026
1. Total New Orders	5,568.1	5,142.6	3,962.9
2. Net Carry-in Orders	4,329.6	4,923.7	4,962.2
3. Total Gross Orders (Lines 1 + 2)	9,897.7	10,066.2	8,925.1
4. Revenue	4,699.6	4,846.9	4,395.4
5. Material End of Period Exclusion	2,102.0	2,187.3	1,931.7
6. Adjusted Carryover (Line 3-Line 4 & 5)	3,096.1	3,032.0	2,598.1
7. Foreign Military Sales Exclusion	276.5	405.3	471.3
8. Total Carryover (Line 6 - Line 8)	2,819.6	2,626.6	2,126.8
9. Total Months of Carryover	7.2	6.5	5.8

< 3 Months	3-5 Months	5-7 Months	7-8 Months	> 8 Months
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Performance Measurements

Performance measurements for the IO activity group include Recoverable NOR and Productive Yield. FY 2024 actual results and projections for FY 2025 and FY 2026 are shown in the following table.

A direct appropriation for the Arsenal Sustainment Initiative in FY 2024 and FY 2025 provided \$120 million to assist with maintaining competitive rates. In FY 2026, the composite rate is set to recover \$129.1 million, offsetting losses from previous years.

Table IO 2 - Performance Measurements

Measurement/Goals	FY 2024	FY 2025	FY 2026
Recoverable NOR	(56.3)	(1.5)	129.1
Productive Yield	1,461	1,519	1,524

Productive Yield represents the average number of regular DLHs for each full-time equivalent position involved in production and is an indicator of whether direct labor employees can support projected workload. The historical goal for productive yield has been 1,615 DLHs per work position and represents total available work hours after holidays, leave, and training are removed. The productive yield projections for all years are below the expected parameters as workforce is sized to workload in FY 2025 and FY 2026.

Appropriations

The IO activity received Direct Appropriations of \$120 million in FY 2024 and FY 2025 to maintain competitive rates at the Army's arsenals. The Army requests \$20.6 million for Industrial Mobilization Capacity (IMC) in FY 2026. IMC funding sustains industrial base equipment required for mobilization that is idle for more than eighty percent in any one month but used at least once during the year. The Army requires IMC funding to sustain this equipment, enabling the OIB to rapidly surge in support of a future mobilization or increased workload such as Foreign Military Sales.

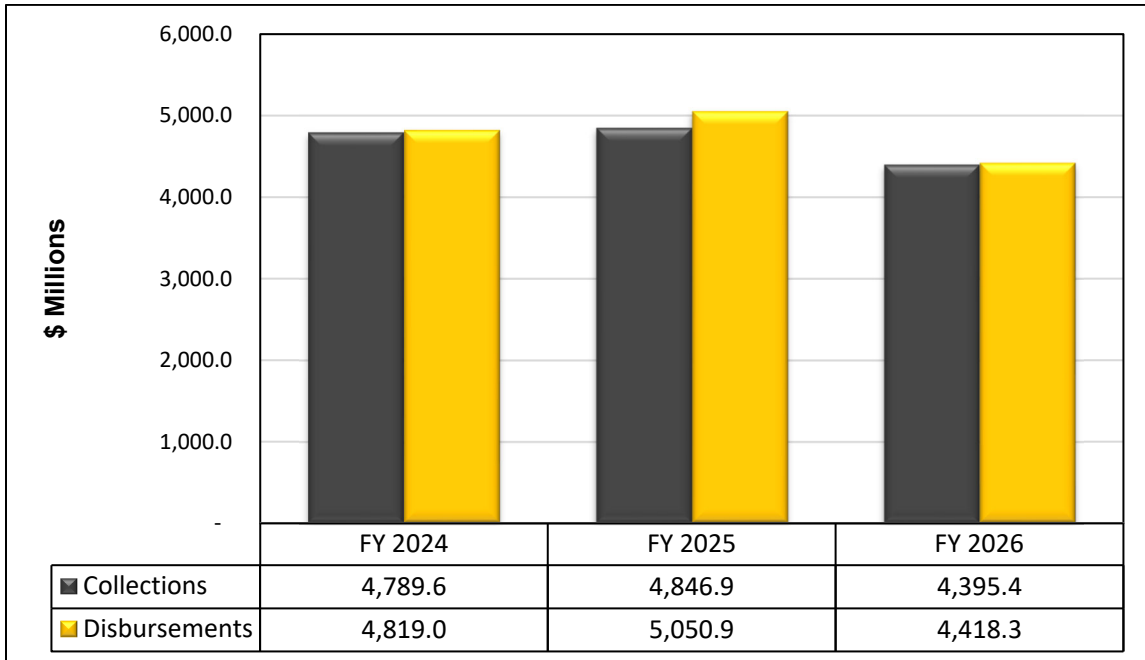
Table IO 3 – Appropriations

(\$ Millions)	FY 2024	FY 2025	FY 2026
<i>Arsenal Sustainment Initiative</i>	120.0	120.0	0.0
<i>Industrial Mobilization Capacity</i>	27.6	21.8	20.6
Total Appropriated Funds	147.6	141.8	20.6

Collections, Disbursements, and Outlays

Collections are calculated based on projected revenue and changes in accounts receivable. Disbursements are projected based on monthly operating expenses, changes in accounts payable, and Capital Investment Program obligations. Net outlays reflect the return of accumulated operating result to customers.

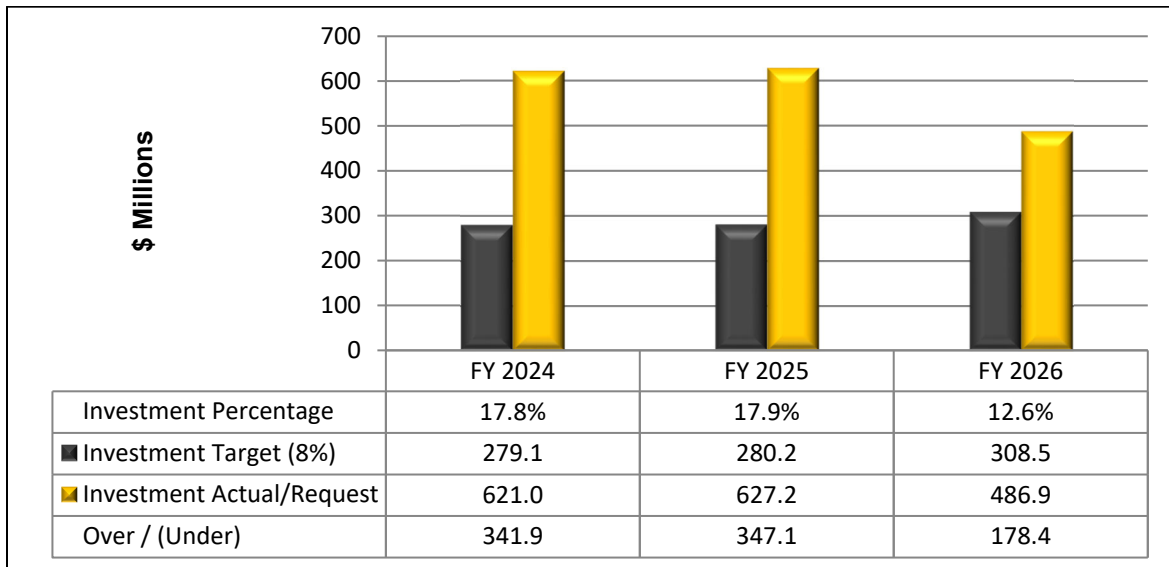
Chart IO 8 - Cash Management



Minimum Capital Investment Requirement

The NDAA for FY 2023 continues the supportive effort to modernize the Army's infrastructure and increases the amount of investment required by the five Army maintenance depots (Anniston, Red River, Letterkenny, Tobyhanna, and Corpus Christi), the three arsenals (Rock Island, Pine Bluff, and Watervliet) and Tooele Army Depot to the equivalent of at least eight percent of funded workload beginning in FY 2023. The NDAA also requires that at least 2% of the total investment be from Facilities Sustainment, Modernization, and Restoration (FSRM) projects.

Chart IO 9 – Minimum Capital Investment Requirement



The chart displays the total investment target and total investment amount planned. Since the minimum capital investment became law, the Army has invested over \$6 billion. IO activities review future production and infrastructure requirements and project return on investment when developing capital budgets. The Army is committed to meeting the investment requirement of eight percent in each year. Exhibit Fund 6, *Minimum Capital Investment Requirement* provides investment details by category for each activity.

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Changes in Cost of Operations
(\$ in Millions)**

		Costs
FY 2024 Actual		5,179.1
FY 2025 Estimate in President's Budget		4,760.2
Pricing Adjustments		(5.5)
FY 2025 Pay Raise	10.3	
-Civilian Personnel	10.3	
-Military Personnel	0.0	
Materials and Supplies	(9.9)	
Other	(5.9)	
Productivity Initiatives and Other Efficiencies		0.0
Lean Program	10.8	
Value Engineering Program	3.9	
Reinvestment of Lean savings (-)	(14.6)	
Program Changes		334.4
Labor	81.6	
Travel	(11.9)	
Material	31.8	
Equipment	22.6	
Transportation	(1.7)	
Depreciation	1.8	
Advisory and Assistance Services	(7.2)	
Other Purchased Services	180.4	
Other	37.1	
FY 2025 Current Estimate		5,089.1
Pricing Adjustments		6.2
FY 2026 Pay Raise	10.2	
-Civilian Personnel	10.0	
-Military Personnel	0.2	
Materials and Supplies	-18.7	
Other	14.7	
Productivity Initiatives and Other Efficiencies		0.0
Lean Program	10.2	
Value Engineering Program	6.0	
Reinvestment of Lean savings (-)	(16.2)	
Program Changes		(709.6)
Labor	(279.7)	
Travel	(9.7)	
Material	(91.8)	
Equipment	(24.5)	
Transportation	(0.4)	
Depreciation	0.1	
Advisory and Assistance Services	(5.2)	
Other Purchased Services	(299.2)	
Other	0.9	
FY 2026 Budget Estimate		4,385.7

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Minimum Capital Investment Requirement
(\$ Millions)**

	FY 2024	FY 2025	FY 2026
<u>Anniston Army Depot</u>			
Average Revenue for Investment	843.7	881.0	937.7
WCF Capital Investment Program			
Facilities/Work Environment	0.0	2.2	0.8
Equipment Modernization	6.4	6.2	45.5
Processes	0.0	2.2	1.9
Capital Investment Program	6.4	10.6	48.2
Operating Funds Investments			
Facilities/Work Environment	0.3	0.0	0.0
Equipment Modernization	7.7	23.5	11.5
Processes	2.3	2.7	2.8
Total Operating Funds	10.4	26.2	14.3
Appropriated Funding			
MILCON	0.0	0.0	0.0
Procurement	3.5	0.0	0.0
Operations & Maintenance	41.1	12.4	0.6
Total Appropriated Funding	44.6	12.4	0.6
Facilities Sustainment, Restoration and Modernization	24.2	40.6	13.8
8%- Total Actual/ Budgeted Investment	85.6	89.9	76.8
2%- FSRM Actual/ Budgeted Investment	24.2	40.6	13.8
6% Actual/ Budgeted Investment	61.3	49.3	63.0
8%- Total Required Investment	67.5	70.5	75.0
2%- FSRM Required Investment	16.9	17.6	18.8
6% Required Investment	50.6	52.9	56.3
8%- Total Investment Over/(under) Required Amount	18.1	19.4	1.8
2%- FSRM Investment Over/(under) Required Amount	7.3	23.0	(5.0)
6%- Investment Over/(under) Required Amount	10.7	(3.6)	6.7
8%- Total Investment Percentage	10.1%	10.2%	8.2%
2%- FSRM Investment Percentage	2.9%	4.6%	1.5%
6% Investment Percentage	7.3%	5.6%	6.7%

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Minimum Capital Investment Requirement
(\$ Millions)**

	FY 2024	FY 2025	FY 2026
<u>Corpus Christi Army Depot</u>			
Average Revenue for Investment	694.5	723.8	762.7
WCF Capital Investment Program			
Facilities/Work Environment	7.1	0.0	0.0
Equipment Modernization	0.0	22.0	44.0
Processes	0.0	5.2	1.0
Capital Investment Program	7.1	27.2	44.9
Operating Funds Investments			
Facilities/Work Environment	2.5	0.0	0.0
Equipment Modernization	10.1	20.2	19.4
Processes	0.0	0.0	0.0
Total Operating Funds	12.6	20.2	19.4
Appropriated Funding			
MILCON	0.0	0.0	0.0
Procurement	0.0	0.0	0.0
Operations & Maintenance	4.4	18.6	18.5
Total Appropriated Funding	4.4	18.6	18.5
Facilities Sustainment, Restoration and Modernization	4.1	11.6	12.0
8%- Total Actual/ Budgeted Investment	28.1	77.6	94.8
2%- FSRM Actual/ Budgeted Investment	4.1	11.6	12.0
6% Actual/ Budgeted Investment	24.0	66.0	82.9
8%- Total Required Investment	55.6	57.9	61.0
2%- FSRM Required Investment	13.9	14.5	15.3
6% Required Investment	41.7	43.4	45.8
8%- Total Investment Over/(under) Required Amount	(27.5)	19.7	33.8
2%- FSRM Investment Over/(under) Required Amount	(9.8)	(2.8)	(3.3)
6%- Investment Over/(under) Required Amount	(17.7)	22.6	37.1
8%- Total Investment Percentage	4.0%	10.7%	12.4%
2%- FSRM Investment Percentage	0.6%	1.6%	1.6%
6% Investment Percentage	3.5%	9.1%	10.9%

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Minimum Capital Investment Requirement
(\$ Millions)**

	FY 2024	FY 2025	FY 2026
<u>Letterkenny Army Depot</u>			
Average Revenue for Investment	444.7	419.1	401.5
WCF Capital Investment Program			
Facilities/Work Environment	0.6	0.0	0.0
Equipment Modernization	2.9	13.3	12.0
Processes	0.0	0.7	0.6
Capital Investment Program	3.5	14.0	12.5
Operating Funds Investments			
Facilities/Work Environment	0.0	0.0	0.0
Equipment Modernization	2.7	4.2	2.4
Processes	0.0	0.0	0.0
Total Operating Funds	2.7	4.2	2.4
Appropriated Funding			
MILCON	89.0	152.0	84.0
Procurement	0.0	0.6	0.0
Operations & Maintenance	10.3	18.0	0.0
Total Appropriated Funding	99.3	170.6	84.0
Facilities Sustainment, Restoration and Modernization	1.0	2.0	2.0
8%- Total Actual/ Budgeted Investment	106.5	190.8	100.9
2%- FSRM Actual/ Budgeted Investment	1.0	2.0	2.0
6% Actual/ Budgeted Investment	105.5	188.8	98.9
8%- Total Required Investment	35.6	33.5	32.1
2%- FSRM Required Investment	8.9	8.4	8.0
6% Required Investment	26.7	25.1	24.1
8%- Total Investment Over/(under) Required Amount	70.9	157.2	68.7
2%- FSRM Investment Over/(under) Required Amount	(7.9)	(6.4)	(6.0)
6%- Investment Over/(under) Required Amount	78.8	163.6	74.8
8%- Total Investment Percentage	23.9%	45.5%	25.1%
2%- FSRM Investment Percentage	0.2%	0.5%	0.5%
6% Investment Percentage	23.7%	45.0%	24.6%

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Minimum Capital Investment Requirement
(\$ Millions)**

	FY 2024	FY 2025	FY 2026
<u>Red River Army Depot</u>			
Average Revenue for Investment	433.9	439.1	644.0
WCF Capital Investment Program			
Facilities/Work Environment	0.0	0.0	0.0
Equipment Modernization	15.1	1.6	26.8
Processes	0.0	1.1	0.9
Capital Investment Program	15.1	2.6	27.7
Operating Funds Investments			
Facilities/Work Environment	0.3	4.1	3.2
Equipment Modernization	6.0	0.0	0.0
Processes	0.0	0.0	0.0
Total Operating Funds	6.3	4.1	3.2
Appropriated Funding			
MILCON	113.0	34.0	0.0
Procurement	0.0	0.0	0.0
Operations & Maintenance	0.0	0.0	0.0
Total Appropriated Funding	113.0	34.0	0.0
Facilities Sustainment, Restoration and Modernization	18.8	14.4	11.0
8%- Total Actual/ Budgeted Investment	153.2	55.1	41.9
2%- FSRM Actual/ Budgeted Investment	18.8	14.4	11.0
6% Actual/ Budgeted Investment	134.4	40.7	30.9
8%- Total Required Investment	34.7	35.1	51.5
2%- FSRM Required Investment	8.7	8.8	12.9
6% Required Investment	26.0	26.3	38.6
8%- Total Investment Over/(under) Required Amount	118.5	19.9	(9.6)
2%- FSRM Investment Over/(under) Required Amount	10.1	5.6	(1.9)
6%- Investment Over/(under) Required Amount	108.4	14.4	(7.7)
8%- Total Investment Percentage	35.3%	12.5%	6.5%
2%- FSRM Investment Percentage	4.3%	3.3%	1.7%
6% Investment Percentage	31.0%	9.3%	4.8%

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Minimum Capital Investment Requirement
(\$ Millions)**

	FY 2024	FY 2025	FY 2026
<u>Tobyhanna Army Depot</u>			
Average Revenue for Investment	557.3	518.6	506.5
WCF Capital Investment Program			
Facilities/Work Environment	0.0	1.3	0.0
Equipment Modernization	3.8	4.9	14.0
Processes	0.0	0.9	0.8
Capital Investment Program	3.8	7.1	14.8
Operating Funds Investments			
Facilities/Work Environment	4.9	5.2	5.2
Equipment Modernization	8.4	5.0	5.0
Processes	1.1	2.1	2.1
Total Operating Funds	14.4	12.3	12.3
Appropriated Funding			
MILCON	0.0	0.0	0.0
Procurement	0.0	0.0	0.0
Operations & Maintenance	33.5	8.0	22.0
Total Appropriated Funding	33.5	8.0	22.0
Facilities Sustainment, Restoration and Modernization	11.8	11.8	8.0
8%- Total Actual/ Budgeted Investment	63.5	39.2	57.1
2%- FSRM Actual/ Budgeted Investment	11.8	11.8	8.0
6% Actual/ Budgeted Investment	51.6	27.4	49.1
8%- Total Required Investment	44.6	41.5	40.5
2%- FSRM Required Investment	11.1	10.4	10.1
6% Required Investment	33.4	31.1	30.4
8%- Total Investment Over/(under) Required Amount	18.9	(2.2)	16.5
2%- FSRM Investment Over/(under) Required Amount	0.7	1.4	(2.1)
6%- Investment Over/(under) Required Amount	18.2	(3.7)	18.7
8%- Total Investment Percentage	11.4%	7.6%	11.3%
2%- FSRM Investment Percentage	2.1%	2.3%	1.6%
6% Investment Percentage	9.3%	5.3%	9.7%

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Minimum Capital Investment Requirement
(\$ Millions)**

	FY 2024	FY 2025	FY 2026
<u>Pine Bluff Arsenal</u>			
Average Revenue for Investment	139.7	130.4	138.3
WCF Capital Investment Program			
Facilities/Work Environment	0.0	0.0	0.0
Equipment Modernization	4.5	0.0	16.1
Processes	0.0	0.3	0.2
Capital Investment Program	4.5	0.3	16.3
Operating Funds Investments			
Facilities/Work Environment	19.2	4.1	9.8
Equipment Modernization	6.2	0.8	0.0
Processes	0.0	0.0	0.0
Total Operating Funds	25.4	4.9	9.8
Appropriated Funding			
MILCON	0.0	0.0	0.0
Procurement	0.0	0.0	0.0
Operations & Maintenance	0.0	0.0	0.0
Total Appropriated Funding	0.0	0.0	0.0
Facilities Sustainment, Restoration and Modernization	11.2	12.9	2.4
8%- Total Actual/ Budgeted Investment	41.1	18.1	28.4
2%- FSRM Actual/ Budgeted Investment	11.2	12.9	2.4
6% Actual/ Budgeted Investment	29.9	5.2	26.1
8%- Total Required Investment	11.2	10.4	11.1
2%- FSRM Required Investment	2.8	2.6	2.8
6% Required Investment	8.4	7.8	8.3
8%- Total Investment Over/(under) Required Amount	29.9	7.7	17.4
2%- FSRM Investment Over/(under) Required Amount	8.4	10.3	(0.4)
6%- Investment Over/(under) Required Amount	21.5	(2.7)	17.8
8%- Total Investment Percentage	29.4%	13.9%	20.6%
2%- FSRM Investment Percentage	8.0%	9.9%	1.7%
6% Investment Percentage	21.4%	4.0%	18.8%

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Minimum Capital Investment Requirement
(\$ Millions)**

	FY 2024	FY 2025	FY 2026
<u>Rock Island Arsenal</u>			
Average Revenue for Investment	143.8	132.8	174.7
WCF Capital Investment Program			
Facilities/Work Environment	0.0	0.0	0.0
Equipment Modernization	0.8	5.9	6.3
Processes	0.0	0.2	0.1
Capital Investment Program	0.8	6.1	6.4
Operating Funds Investments			
Facilities/Work Environment	0.0	7.7	7.9
Equipment Modernization	0.0	0.0	0.0
Processes	0.0	0.0	0.0
Total Operating Funds	0.0	7.7	7.9
Appropriated Funding			
MILCON	0.0	0.0	0.0
Procurement	0.0	13.6	0.0
Operations & Maintenance	0.0	0.0	0.0
Total Appropriated Funding	0.0	13.6	0.0
Facilities Sustainment, Restoration and Modernization	8.5	12.4	3.1
8%- Total Actual/ Budgeted Investment	9.3	39.8	17.4
2%- FSRM Actual/ Budgeted Investment	8.5	12.4	3.1
6% Actual/ Budgeted Investment	0.8	27.4	14.3
8%- Total Required Investment	11.5	10.6	14.0
2%- FSRM Required Investment	2.9	2.7	3.5
6% Required Investment	8.6	8.0	10.5
8%- Total Investment Over/(under) Required Amount	(2.2)	29.2	3.4
2%- FSRM Investment Over/(under) Required Amount	5.6	9.8	(0.4)
6%- Investment Over/(under) Required Amount	(7.8)	19.4	3.8
8%- Total Investment Percentage	6.5%	30.0%	9.9%
2%- FSRM Investment Percentage	5.9%	9.4%	1.7%
6% Investment Percentage	0.6%	20.6%	8.2%

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Minimum Capital Investment Requirement
(\$ Millions)**

	FY 2024	FY 2025	FY 2026
<u>Watervliet Arsenal</u>			
Average Revenue for Investment	167.3	196.0	216.3
WCF Capital Investment Program			
Facilities/Work Environment	0.0	1.0	0.0
Equipment Modernization	0.0	0.0	0.0
Processes	0.0	0.7	0.6
Capital Investment Program	0.0	1.7	0.6
Operating Funds Investments			
Facilities/Work Environment	21.6	0.0	0.0
Equipment Modernization	8.4	16.8	11.8
Processes	0.0	3.0	0.0
Total Operating Funds	30.0	19.8	11.8
Appropriated Funding			
MILCON	0.0	53.0	29.0
Procurement	32.7	4.9	9.0
Operations & Maintenance	15.0	14.0	14.5
Total Appropriated Funding	47.7	71.9	52.5
Facilities Sustainment, Restoration and Modernization	23.8	14.0	3.5
8%- Total Actual/ Budgeted Investment	101.5	107.4	68.4
2%- FSRM Actual/ Budgeted Investment	23.8	14.0	3.5
6% Actual/ Budgeted Investment	77.7	93.4	64.9
8%- Total Required Investment	13.4	15.7	17.3
2%- FSRM Required Investment	3.3	3.9	4.3
6% Required Investment	10.0	11.8	13.0
8%- Total Investment Over/(under) Required Amount	88.1	91.8	51.1
2%- FSRM Investment Over/(under) Required Amount	20.4	10.1	(0.8)
6%- Investment Over/(under) Required Amount	67.7	81.7	51.9
8%- Total Investment Percentage	60.7%	54.8%	31.6%
2%- FSRM Investment Percentage	14.2%	7.1%	1.6%
6% Investment Percentage	46.4%	47.7%	30.0%

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Minimum Capital Investment Requirement
(\$ Millions)**

	FY 2024	FY 2025	FY 2026
<u>Tooele Army Depot</u>			
Average Revenue for Investment	63.5	61.2	75.0
WCF Capital Investment Program			
Facilities/Work Environment	4.0	0.0	0.0
Equipment Modernization	0.7	0.4	0.0
Processes	0.0	0.1	0.1
Capital Investment Program	4.7	0.5	0.1
Operating Funds Investments			
Facilities/Work Environment	0.0	0.0	0.0
Equipment Modernization	0.0	0.0	0.0
Processes	0.0	0.0	0.0
Total Operating Funds	0.0	0.0	0.0
Appropriated Funding			
MILCON	0.0	0.0	0.0
Procurement	0.0	0.0	0.0
Operations & Maintenance	0.0	0.0	0.0
Total Appropriated Funding	0.0	0.0	0.0
Facilities Sustainment, Restoration and Modernization	27.6	8.8	1.2
8%- Total Actual/ Budgeted Investment	32.3	9.3	1.3
2%- FSRM Actual/ Budgeted Investment	27.6	8.8	1.2
6% Actual/ Budgeted Investment	4.7	0.5	0.1
8%- Total Required Investment	5.1	4.9	6.0
2%- FSRM Required Investment	1.3	1.2	1.5
6% Required Investment	3.8	3.7	4.5
8%- Total Investment Over/(under) Required Amount	27.2	4.4	(4.7)
2%- FSRM Investment Over/(under) Required Amount	26.3	7.5	(0.3)
6%- Investment Over/(under) Required Amount	0.9	(3.2)	(4.4)
8%- Total Investment Percentage	50.8%	15.1%	1.7%
2%- FSRM Investment Percentage	43.5%	14.3%	1.6%
6% Investment Percentage	7.4%	0.8%	0.1%

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Minimum Capital Investment Requirement
(\$ Millions)**

	FY 2024	FY 2025	FY 2026
Total Army (\$M)			
Average Revenue for Investment	3,488.4	3,502.0	3,856.7
WCF Capital Investment Program			
Facilities/Work Environment	11.7	4.5	0.8
Equipment Modernization	34.1	54.3	164.5
Processes	0.0	11.3	6.1
Capital Investment Program	45.8	70.1	171.4
Operating Funds Investments			
Facilities/Work Environment	48.8	21.0	26.1
Equipment Modernization	49.5	70.5	50.0
Processes	3.4	7.8	4.9
Total Operating Funds	101.7	99.4	81.0
Appropriated Funding			
MILCON	202.0	239.0	113.0
Procurement	36.2	19.1	9.0
Operations & Maintenance	104.3	71.0	55.6
Total Appropriated Funding	342.5	329.1	177.6
Facilities Sustainment, Restoration and Modernization	131.0	128.6	56.9
8%- Total Actual/ Budgeted Investment	621.0	627.2	486.9
2%- FSRM Actual/ Budgeted Investment	131.0	128.6	56.9
6% Actual/ Budgeted Investment	490.0	498.6	430.0
8%- Total Required Investment	279.1	280.2	308.5
2%- FSRM Required Investment	69.8	70.0	77.1
6% Required Investment	209.3	210.1	231.4
8%- Total Investment Over/(under) Required Amount	341.9	347.1	178.4
%- FSRM Investment Over/(under) Required Amount	61.2	58.5	(20.3)
6%- Investment Over/(under) Required Amount	280.7	288.5	198.6
8%- Total Investment Percentage	17.8%	17.9%	12.6%
2%- FSRM Investment Percentage	3.8%	3.7%	1.5%
6% Investment Percentage	14.0%	14.2%	11.2%
Actual/ Budgeted Investment	621.0	627.2	486.9
Required Investment	279.1	280.2	308.5
Investment Over / (Under) Required Amount	341.9	347.1	178.4
Investment Percentage	17.8%	17.9%	12.6%

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Source of New Orders and Revenue
(\$ in Millions)**

	FY 2024	FY 2025	FY 2026
1. New Orders			
a. Orders from DoD Components:			
Department of Army			
Operations & Maintenance, Army	1,401.4	1,080.8	1,092.3
Operations & Maintenance, ARNG	112.4	144.1	133.8
Operations & Maintenance, AR	35.7	51.4	50.6
Subtotal, O&M:	1,549.5	1,276.3	1,276.7
Aircraft Procurement	44.1	22.9	1.6
Missile Procurement	50.1	30.0	17.1
Weapons & Tracked Combat Vehicles	333.6	311.3	293.2
Procurement of Ammunition	208.8	120.5	133.6
Other Procurement	388.2	386.6	306.2
Subtotal, Procurement:	1,024.7	871.3	751.6
RDTE	56.6	45.8	31.2
BRAC	0.3	0.2	0.2
Family Housing	0.2	0.8	0.8
Military Construction	0.0	0.0	0.0
Chem Agents & Munitions Dest, Army	0.0	0.0	0.0
Other	0.1	0.0	0.0
Subtotal, Other Army:	57.2	46.8	32.2
Subtotal, Department of Army:	2,631.4	2,194.4	2,060.5
Department of Air Force O&M	118.2	114.8	123.7
Department of Air Force Investment	62.9	33.8	44.6
Department of Navy O&M	43.4	50.7	45.8
Department of Navy Investment	20.7	20.4	19.2
US Marines O&M	46.2	40.6	41.2
US Marines Investment	5.6	6.8	9.2
Other Department of Defense	127.4	141.1	88.4
Subtotal, Other DoD Services:	424.5	408.2	372.2
b. DWCF:			
Industrial Operations, Army	31.0	24.6	16.4
Supply Management, Army	1,600.5	1,675.5	975.0
Supply Management, Air Force	48.4	59.6	50.1
Supply Management, Navy	27.2	38.6	40.3
Supply Management, Marine Corps	0.8	0.0	0.0
DECA	0.1	0.1	0.1
DFAS	0.3	0.3	0.3
DISA	1.0	0.0	0.0
DLA	13.9	15.0	15.3
TRANSCOM	0.0	0.0	0.0
Other	0.0	0.0	0.6
Subtotal, DWCF:	1,723.1	1,813.7	1,098.2
c. Total DoD	4,778.9	4,416.3	3,531.0
d. Other Orders:			
Other Federal Agencies	4.0	6.2	4.0
Foreign Military Sales	539.4	534.1	287.4
Nonappropriated	53.6	28.6	30.4
Non-Federal Agencies	192.2	157.4	110.0
Subtotal, Other Orders:	789.2	726.3	431.8
Total New Orders:	5,568.1	5,142.6	3,962.9

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Carryover Calculation Summary
(\$ in Millions)**

A. Carryover Summary	FY 2024	FY 2025	FY 2026
1. Gross Carry-In	4,713.5	5,198.1	5,219.3
Adjustments to Prior Year Orders	(383.9)	(274.4)	(257.1)
Net Carry-In	4,329.6	4,923.7	4,962.2
2. New Orders	5,568.1	5,142.6	3,962.9
3. Total Gross Orders (Lines 1 + 2)	9,897.7	10,066.2	8,925.1
4. Revenue (Gross Sales)	4,699.6	4,846.9	4,395.4
5. Material End of Period Exclusion	2,102.0	2,187.3	1,931.7
6. Adjusted Carryover (Line 3 - Line 4 & 5)	3,096.1	3,032.0	2,598.1
7. Foreign Military Sales (FMS)	276.5	405.3	471.3
8. Total Carryover (Line 6 - Line 7)	2,819.6	2,626.6	2,126.8
Months of Carryover (Line 6 / (Line 4/ 12))	7.2	6.5	5.8

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Carryover Calculation Summary
(\$ in Millions)**

B. Carryover by Installation with Exclusions	FY 2024		FY 2025		FY 2026	
<u>Depots</u>	<u>Months</u>	<u>Value (\$M)</u>	<u>Months</u>	<u>Value (\$M)</u>	<u>Months</u>	<u>Value (\$M)</u>
Anniston Army Depot	2.3	195.8	2.8	210.4	2.0	137.9
Corpus Christi Army Depot	5.8	373.0	5.1	350.3	5.6	352.1
Letterkenny Army Depot	7.4	253.0	6.0	222.6	5.9	177.1
Red River Army Depot	5.8	304.8	4.9	287.1	3.7	182.1
Tobyhanna Army Depot	7.6	316.6	7.9	331.6	6.9	289.4
Total	5.8	1,443.2	5.3	1,401.9	4.8	1,138.5

	FY 2024		FY 2025		FY 2026	
<u>Arsenals</u>	<u>Months</u>	<u>Value (\$M)</u>	<u>Months</u>	<u>Value (\$M)</u>	<u>Months</u>	<u>Value (\$M)</u>
Pine Bluff Arsenal	16.3	172.6	16.1	197.6	11.0	156.5
Rock Island Arsenal	7.4	89.2	5.6	78.4	4.1	55.0
Watervliet Arsenal	32.2	533.3	28.7	505.0	23.7	401.7
Total	18.6	795.1	16.8	781.1	13.0	613.2

	FY 2024		FY 2025		FY 2026	
<u>Ammo Plants</u>	<u>Months</u>	<u>Value (\$M)</u>	<u>Months</u>	<u>Value (\$M)</u>	<u>Months</u>	<u>Value (\$M)</u>
Blue Grass Army Depot	3.7	43.3	2.3	25.6	2.4	22.4
Crane Army Ammunition Activity	9.9	203.7	8.0	171.7	7.0	145.2
McAlester Army Ammunition Plant	13.8	275.3	9.4	206.2	9.6	173.3
Tooele Army Depot	4.2	26.1	3.2	22.0	2.7	17.2
Sierra Army Depot	2.1	32.9	1.1	18.2	1.2	16.8
Total	6.7	581.3	4.8	443.6	4.6	375.0

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Carryover Calculation Summary
(\$ in Millions)**

C. Raw Carryover Dollar Value by Appropriation	FY 2024	FY 2025	FY 2026
<u>Army</u>			
Operation and Maintenance	1,383.6	1,272.2	1,133.0
Procurement	1,116.5	1,114.6	959.0
Other Army (RDT&E, BRAC, Family Housing, MILCON, etc.)	31.7	39.7	34.9
AWCF (Industrial Operations and Supply Management)	1,011.4	1,197.3	1,120.7
<u>Other Service (O&M, Investment, WCF)</u>			
Air Force	521.1	459.8	401.8
Navy	104.6	140.7	144.7
Marine Corps	120.4	92.8	91.0
Other DOD and Federal Agencies	152.4	160.8	105.6
<u>Other DWCF</u>			
DECA/DFAS/DISA/DLA, etc	11.2	12.8	13.3
<u>Non-DOD Agencies</u>			
FMS, Non-FED, etc	745.3	1,003.1	1,057.3
Raw Carryover	5,198.1	5,493.8	5,061.3
Raw Carryover with Adjustments for Prior Year Orders	5,198.1	5,219.3	4,529.7
Adjustments for Prior period and Exclusions			
Prior year Adjustments		(274.4)	(531.5)
Material EOP Exclusion	(2,102.0)	(2,187.3)	(1,931.7)
FMS Exclusion	(276.5)	(405.3)	(471.3)
Total Adjustments	(2,378.5)	(2,867.1)	(2,934.5)
Total Adjusted Carryover	2,819.6	2,626.6	2,126.8

**Army Working Capital Fund
Industrial Operations
Fiscal Year (FY) 2026 Budget Estimates**

(\$ in Millions)
Revenue and Costs

	FY 2024	FY 2025	FY 2026
Revenue			
Gross Sales:	4,699.6	4,846.9	4,395.4
Operations	4,518.4	4,686.8	4,235.1
Depreciation excluding Major Construction	181.2	160.1	160.2
Major Construction Depreciation	0.0	0.0	0.0
Other Income (DWCF Direct Appropriation)	147.6	141.8	20.6
Other Income (Misc Gains/losses)	0.7	0.0	0.0
Other Income (Other)	202.1	3.6	4.6
Total Income:	5,049.9	4,992.3	4,420.5
Costs			
Salaries and Wages:	1,913.4	2,005.8	1,736.3
Military Personnel Compensation & Benefits	3.7	4.8	4.9
Civilian Personnel Compensation & Benefits	1,909.7	2,001.0	1,731.3
Travel & Transportation of Personnel	33.0	32.2	23.2
Materials & Supplies (For Internal Operations)	1,975.4	1,759.2	1,648.7
Equipment	78.0	102.3	79.3
Other Purchases from Revolving Funds	73.3	100.8	95.7
Transportation of Things	9.6	7.1	6.9
Depreciation	181.2	160.1	160.2
Printing and Reproduction	1.6	1.4	1.5
Advisory and Assistance Services	2.6	40.7	36.3
Rent, Communication, Utilities, & Misc. Charges	118.6	118.3	119.7
Other Purchased Services	792.4	761.2	478.0
Total Costs:	5,179.1	5,089.1	4,385.7
Operating Result	(129.1)	(96.8)	34.9
Plus Appropriations Affecting NOR/AOR			
Other Changes Affecting NOR:	72.9	95.3	94.2
Non-Recoverable Expenses (Unfunded Costs)	72.9	95.3	94.2
Recoverable Net Operating Result	(56.3)	(1.5)	129.1
Other Changes Affecting AOR			
a. AOR Beginning of Year (Unadjusted)	(71.6)	(127.5)	(129.1)
b. +/- Prior Year Adjustments	0.0		
c. Equals AOR BOY (Adjusted)	(71.3)	(127.5)	(129.1)
d. +/- Net Operating Result	(56.3)	(1.5)	129.1
e. Deferred AOR			
f. Equals Recoverable AOR EOP	(127.5)	(129.1)	0.0

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

Fuel Data

FY 2024			
	FUEL PROCUREMENT		
PRODUCT	BARRELS (millions)	COST PER BARREL (\$)	EXTENDED PRICE (\$ millions)
AVGAS (CONUS)	0.000	\$168.00	0.000
AVGAS (OCONUS)	0.000	\$660.66	0.000
Diesel Fuel:			
Distillates- F76	0.000	\$148.68	0.000
High Sulfur- DF1	0.000	\$147.84	0.000
Generic (High Sulfur)- DF2	0.004	\$132.30	0.519
Ultra Low Sulfur- DS1	0.007	\$150.78	1.000
Ultra Low Sulfur- DS2	0.014	\$143.22	1.939
Burner Grade- FS1	0.004	\$144.48	0.548
Burner Grade- FS2	0.001	\$127.68	0.139
Biodiesel- BDI	0.004	\$143.22	0.518
Jet Fuel:			
JP8 & JA1	0.000	\$147.84	0.000
JAA	0.006	\$147.00	0.934
JP5	0.000	\$149.10	0.000
JPTS	0.000	\$205.80	0.000
Kerosene- KS1	0.000	\$145.32	0.000
Motor Gasoline:			
Regular, Unleaded- MUR	0.011	\$144.48	1.529
Midgrade, Unleaded- MUM	0.000	\$153.30	0.000
Premium, Unleaded- MUP	0.000	\$170.52	0.000
Gasohol- GUM	0.000	\$153.30	0.001
Ethanol- E85	0.000	\$144.48	0.004
Residual:			
Burner Grade- FS4	0.000	\$94.50	0.030
Residual (Burner Grade)- FS6	0.000	\$74.76	0.000
FOR	0.000	\$40.74	0.000
Bunkers Marine- MGO	0.000	\$152.04	0.000
Bunkers Intermediate Grade- 180, 380	0.000	\$111.72	0.000
Into Plane Jet Fuel- IAI, IAA, IAB, IP8	0.000	\$168.00	0.000
Local Purchase Jet Fuel- NA1, NAA	0.000	\$181.02	0.000
Local Purchase Ground Fuel- NLS, NMU	0.000	\$154.56	0.000
Propane	0.003	\$160.86	0.407
TOTAL	0.052		7.568

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

Fuel Data

FY 2025			
	FUEL PROCUREMENT		
PRODUCT	BARRELS (millions)	COST PER BARREL (\$)	EXTENDED PRICE (\$ millions)
AVGAS (CONUS)	0.000	\$173.46	0.000
AVGAS (OCONUS)	0.000	\$681.24	0.000
Diesel Fuel:			
Distillates- F76	0.000	\$153.30	0.000
High Sulfur- DF1	0.000	\$152.46	0.000
Generic (High Sulfur)- DF2	0.003	\$136.50	0.430
Ultra Low Sulfur- DS1	0.006	\$155.40	0.896
Ultra Low Sulfur- DS2	0.016	\$147.84	2.396
Burner Grade- FS1	0.001	\$149.10	0.126
Burner Grade- FS2	0.001	\$131.88	0.101
Biodiesel- BDI	0.005	\$147.84	0.745
Jet Fuel:			
JP8 & JA1	0.000	\$152.46	0.000
JAA	0.013	\$151.62	1.911
JP5	0.000	\$153.72	0.026
JPTS	0.000	\$212.10	0.000
Kerosene- KS1	0.000	\$149.94	0.000
Motor Gasoline:			
Regular, Unleaded- MUR	0.006	\$149.10	0.831
Midgrade, Unleaded- MUM	0.000	\$157.92	0.000
Premium, Unleaded- MUP	0.000	\$175.98	0.000
Gasohol- GUM	0.000	\$157.92	0.000
Ethanol- E85	0.000	\$149.10	0.004
Residual:			
Burner Grade- FS4	0.000	\$97.44	0.031
Residual (Burner Grade)- FS6	0.000	\$77.28	0.000
FOR	0.000	\$39.90	0.000
Bunkers Marine- MGO	0.000	\$156.66	0.000
Bunkers Intermediate Grade- 180, 380	0.000	\$115.08	0.000
Into Plane Jet Fuel- IAI, IAA, IAB, IP8	0.000	\$173.46	0.000
Local Purchase Jet Fuel- NA1, NAA	0.000	\$186.48	0.000
Local Purchase Ground Fuel- NLS, NMU	0.000	\$159.60	0.000
Propane	0.002	\$160.86	0.271
TOTAL	0.052		7.769

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

Fuel Data

FY 2026			
	FUEL PROCUREMENT		
PRODUCT	BARRELS (millions)	COST PER BARREL (\$)	EXTENDED PRICE (\$ millions)
AVGAS (CONUS)	0.000	\$170.10	0.000
AVGAS (OCONUS)	0.000	\$668.22	0.000
Diesel Fuel:			
Distillates- F76	0.000	\$150.36	0.000
High Sulfur- DF1	0.000	\$149.52	0.000
Generic (High Sulfur)- DF2	0.003	\$133.98	0.431
Ultra Low Sulfur- DS1	0.006	\$152.46	0.913
Ultra Low Sulfur- DS2	0.015	\$144.90	2.176
Burner Grade- FS1	0.001	\$146.16	0.127
Burner Grade- FS2	0.001	\$129.36	0.104
Biodiesel- BDI	0.005	\$144.90	0.747
Jet Fuel:			
JP8 & JA1	0.000	\$149.52	0.000
JAA	0.013	\$148.68	1.890
JP5	0.000	\$150.78	0.026
JPTS	0.000	\$207.90	0.000
Kerosene- KS1	0.000	\$147.00	0.000
Motor Gasoline:			
Regular, Unleaded- MUR	0.007	\$146.16	0.969
Midgrade, Unleaded- MUM	0.000	\$154.98	0.000
Premium, Unleaded- MUP	0.000	\$172.62	0.000
Gasohol- GUM	0.000	\$154.98	0.000
Ethanol- E85	0.000	\$146.16	0.004
Residual:			
Burner Grade- FS4	0.000	\$95.76	0.031
Residual (Burner Grade)- FS6	0.000	\$75.60	0.000
FOR	0.000	\$39.90	0.000
Bunkers Marine- MGO	0.000	\$153.72	0.000
Bunkers Intermediate Grade- 180, 380	0.000	\$112.98	0.000
Into Plane Jet Fuel- IAI, IAA, IAB, IP8	0.000	\$170.10	0.000
Local Purchase Jet Fuel- NA1, NAA	0.000	\$182.70	0.000
Local Purchase Ground Fuel- NLS, NMU	0.000	\$156.66	0.000
Propane	0.002	\$165.90	0.277
TOTAL	0.053		7.697

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Material Inventory Data
(\$ in Millions)**

FY 2024			
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>
Material Inventory BOP	1,025.3		1,025.3
<u>Purchases</u>			
A. Purchases to Support Customer Orders (+)	1,561.3		1,561.3
B. Purchase of long lead items in advance of customer orders (+)	0.0		0.0
C. Other Purchases (list) (+)	0.0		0.0
D. Total Purchases	1,561.3	0.0	1,561.3
<u>Material Inventory Adjustments</u>			
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	1,380.9		1,380.9
B. Disposals, theft, losses due to damages (-)	16.6		16.6
C. Other reductions (list) (-)	141.8		141.8
D. IO to SMA Transfer	0.0		0.0
E. Total inventory adjustments	1,539.3	0.0	1,539.3
Material Inventory EOP	1,047.2	0.0	1,047.2
FY 2025			
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>
Material Inventory BOP	1,047.2	0.0	1,047.2
<u>Purchases</u>			
A. Purchases to Support Customer Orders (+)	1,299.0		1,299.0
B. Purchase of long lead items in advance of customer orders (+)	0.0		0.0
C. Other Purchases (list) (+)	0.0		0.0
D. Total Purchases	1,299.0	0.0	1,299.0
<u>Material Inventory Adjustments</u>			
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	919.4		919.4
B. Disposals, theft, losses due to damages (-)	21.4		21.4
C. Other reductions (list) (-)	368.0		368.0
D. IO to SMA Transfer	0.0		0.0
E. Total inventory adjustments	1,308.8	0.0	1,308.8
Material Inventory EOP	1,037.5	0.0	1,037.5
FY 2026			
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>
Material Inventory BOP	1,037.5	0.0	1,037.5
<u>Purchases</u>			
A. Purchases to Support Customer Orders (+)	1,227.9		1,227.9
B. Purchase of long lead items in advance of customer orders (+)	0.0		0.0
C. Other Purchases (list) (+)	0.0		0.0
D. Total Purchases	1,227.9	0.0	1,227.9
<u>Material Inventory Adjustments</u>			
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	779.0		779.0
B. Disposals, theft, losses due to damages (-)	20.9		20.9
C. Other reductions (list) (-)	373.9		373.9
D. IO to SMA Transfer	0.0		0.0
E. Total inventory adjustments	1,173.8	0.0	1,173.8
Material Inventory EOP	1,091.6	0.0	1,091.6

Capital Budget

Introduction

The primary goal of the Capital Investment Program (CIP) within the AWCF is to establish a capability for reinvestment in the infrastructure of business areas to improve product and service quality and timeliness, reduce costs, and foster state-of-the-art business operations. The CIP provides the framework for planning, coordinating, and controlling AWCF resources and expenditures to obtain capital assets. Included in the capital budget are the following types of assets: automated data processing equipment (ADPE), non-ADPE equipment; automated data processing software, whether developed internally or externally, and minor construction. The capital budget justifies the purchase of assets with a unit cost that is greater than or equal to \$250,000 and have a useful life of two or more years.

Headquarters, Army Materiel Command, conducts a thorough vetting process to ensure capital projects deliver a positive return on investment and comply with strategic plans for each industrial facility. Capital projects within the Industrial Operations enterprise focus primarily on replacing and upgrading equipment. In contract, Supply Management enterprise focuses solely on software development in support of the Logistics Modernization Program.

Capital budget obligation authority is displayed in the following exhibits: Fund 9a, *Capital Investment Summary*; Fund 9b, *Capital Purchase Justification*; and Fund 9c, *Capital Budget Execution*.

The following table shows the Supply Management capital budget and associated cash outlays.

Table CIP 1 - Supply Management Capital Budget

(\$ Millions)	FY 2024	FY 2025	FY 2026
Software	19.7	14.0	15.1
<i>Capital Cash Outlays</i>	<i>20.4</i>	<i>18.8</i>	<i>17.5</i>

The following table shows categories and respective values of the Industrial Operations capital budget and the projected capital cash outlays.

Table CIP 2 - Industrial Operations Capital Budget

(\$ Millions)	FY 2024	FY 2025	FY 2026
<i>Equipment</i>	38.1	74.4	168.9
<i>ADPE & Telecommunications</i>	14.0	2.8	10.8
<i>Software</i>	14.5	8.6	7.2
<i>Minor Construction</i>	8.7	14.5	10.8
Total CIP	75.2	100.3	197.7
<i>Capital Cash Outlays</i>	107.8	131.6	138.7
<i>Note: Numbers may not add due to rounding.</i>			

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Supply Management**

**Capital Investment Summary
(\$ in Millions)**

Line No.	Item Description	FY 2024		FY 2025		FY 2026	
		QTY	Total Cost	QTY	Total Cost	QTY	Total Cost
00-02	Software Development - Externally Developed	1	19.730	1	14.030	1	15.059
	Logistics Modernization Program	1	19.730	1	14.030	1	15.059
	TOTAL OBLIGATIONS		19.730		14.030		15.059
	<i>Total Capital Outlays</i>		20.366		18.819		17.524
	<i>Total Depreciation Expense</i>		20.948		18.348		19.500

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Supply Management**

**Capital Purchase Justification
(\$ in Millions)**

Line No. 00-02 Supply Management		Software Development - Externally Developed Logistics Modernization Program (LMP)		
Item Description		FY 2024	FY 2025	FY 2026
<i>Logistics Modernization Program</i>		19.730	14.030	15.059
	Total	19.730	14.030	15.059

Narrative Justification

As with any system, LMP continues to require enhancements to remain relevant and maintain superior supply chain functionality, supporting National-Level Logistics. LMP Increment 1 was fully fielded in October 2010 and enhanced by LMP Increment 2's full deployment declaration in September 2016. Together, these increments combine the current LMP capability, which approximately 21,000 users currently use at more than 50 Army locations worldwide. LMP is an enabler for the Army to achieve its commitment to having fully auditable AWCF financial statements. The LMP continues to seamlessly enable continuous process improvements to the LMP solution, thereby achieving and meeting compliance requirements and trading partner requirements..

In FY 2025-2026, LMP will continue to design, develop, test, and deploy approved improvements to the existing business processes supported by the Army Working Capital Fund (AWCF). These enhancements are part of the continuous process improvement under capability support based on Army Material Command (AMC) and Army priorities. Work will also address continuing auditability requirements and ensuring compliance from a financial accountability perspective. In addition, LMP will implement changes to the financial data structure as directed by OSD (Comptroller), supporting the ongoing implementation of Army Enterprise Resource Planning (ERPs) common tools. Integration with the Army Contract Writing System (ACWS) will restart in FY24 with completion in FY25. Enhancement to the reporting capability will be done to address technical limitations of current solution and provide improved reporting capabilities to AMC LCMCs. Technical upgrades to the LMP solution for the BTP Integration Suite will be required as SAP discontinues support for current products. The Deputy Secretary of Defense has directed the implementation of Zero Trust, incorporating Identity, Credential, and Access Management (ICAM), to meet audit and Zero Trust objectives. These tasks also include technical upgrades, minor enhancements, compliance, auditability, and providing of data to support Army data analytics. AWCF rules are followed to identify the appropriate color of money for these tasks. A new requirement for G-Invoicing will commence to incorporate new G-Invoicing requirements. This is an OSD and Department of the Army directive.

Auditability requirements will continue to be met, HQ AMC approved changes to the LMP solution will be implemented. Cybersecurity and auditability requirements will continue to be implemented and the interface to Army ACWS will be completed.

Failure to fund LMP would prevent AMC functional requirements from improving operations and put continuing financial compliance at risk. In addition, LMP would not be in compliance with Secretary of Defense directives for Zero Trust putting the solution at risk from a cyber security perspective and would not be able to meet the all Federal, DOD, and Army milestones as developed in the Army Standard Line of Accounting implementation plan for auditability.

In FY 2005, a Business Case Analysis was completed for the LMP and an updated Economic Analysis was completed and validated by the Office of the Deputy Assistant Secretary of the Army-Cost and Economics June 2008. It is available upon request. LMP Increment 2 Economic Analysis is also available upon request.

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Supply Management**

**Capital Budget Execution
(\$ in Millions)**

FY	Major Category	Initial Request	Current Projected Cost	Approved Change	Explanation
2024	Software Development <i>Logistics Modernization Program</i>	22.346	19.730	(2.616)	Identity, Credential, and Access Management (ICAM) requirement has shifted to FY25/FY26.
	Total FY 2024	22.346	19.730	(2.616)	
2025	Software Development <i>Logistics Modernization Program</i>	14.030	14.030	0.000	
	Total FY 2025	14.030	14.030	0.000	
2026	Software Development <i>Logistics Modernization Program</i>	15.059	15.059	0.000	
	Total FY 2026	15.059	15.059	0.000	

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Capital Purchase Summary
(\$ in Millions)**

Line No.	Item Description	FY 2024		FY 2025		FY 2026	
		QTY	Total Cost	QTY	Total Cost	QTY	Total Cost
05-13	NON- ADPE EQUIPMENT CAPABILITIES	25	38.063	25	74.357	32	168.918
	ADPE & Telecommunications Equipment	3	13.963	1	2.791	3	10.793
24-02	- PAVIS Video Infrastructure		3.768		0.000		0.000
25-01	- Industrial Control Network - Phase 1 of 3		0.000		2.791		0.000
26-01	- Industrial Control Network - Phase 2 of 3		0.000		0.000		2.000
26-02	- Distributed Antenna System (DAS) The Distributed Antenna Systems		0.000		0.000		6.793
26-03	- Industrial Control Network - Phase 3 of 3		0.000		0.000		2.000
23-01	- Fiber Installation Cable Network Upgrade - Pine Bluff Arsenal (PBA)		5.045		0.000		0.000
24-01	- ASRS Information Technology		5.150		0.000		0.000
	Software Development - Externally Developed	2	14.496	1	8.581	1	7.200
00-02	- Logistics Modernization Program		9.416		8.581		7.200
24-03	- ASRS Server Room Upgrade		5.080		0.000		0.000
05-26	MINOR CONSTRUCTION CAPABILITIES	7	8.695	3	14.539	1	10.822
	Total Obligations*	37	75.217	30	100.268	37	197.733
	<i>Total Capital Outlays</i>		107.779		131.611		138.717
	<i>Total Depreciation Expense</i>		60.568		64.793		66.011

*Note: FY 2024 total of \$75.217M does not include the following dollar amounts executed against prior year projects: FY 2019 Non-ADP Equip. \$0.009M, FY 2021 ADP Equip. \$0.009M, MC \$0.888M, FY 2022 Non-ADP Equip. \$0.089, and FY 2023 MC \$0.216M, Non-ADP Equip.\$3.002M, ADP \$0.057M. Total all years \$4.271M (\$79.488 Control #).

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Capital Purchase Justification
(\$ in Millions)**

Line No. 05-13		Non - ADPE Equipment Capabilities		
Industrial Operations		Non - ADPE Equipment		
Item Description		FY 2024	FY 2025	FY 2026
<i>Non - ADPE Equipment</i>		38.063	74.357	168.918
	Total	38.063	74.357	168.918

Narrative Justification

This exhibit represents equipment purchases exceeding \$ 250K which will enhance the installations' efficiency and effectiveness through the replacement, modification, and addition of production and maintenance capabilities, as well as compliance with new mission requirements. The Equipment supports organic maintenance, overhaul, rebuild, reclamation, conversion, renovation, modification, and repair programs.

The acquisition of this equipment improves productivity, increases capacity beyond what is currently available, replaces unsafe, inoperable, or unusable assets, and addresses requirements for reducing environmentally hazardous waste or meeting regulatory agency mandates. This investment increases reliability and productivity, thus enabling the installation to be more efficient. In addition, beginning in FY24, equipment projects support the Army Organic Industrial Base Modernization Plan, which is the primary driver of the significant increases in the FY26 request.

If not acquired, mission capability will decrease, resulting in a failure to meet present and future workload requirements, increased man-hour expenditures, an inability to meet production schedules, excessive downtime, increased maintenance costs, and reduced accuracy and dependability.

Economic Analyses have been performed on individual projects when required and are available upon request.

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Capital Purchase Justification
(\$ in Millions)**

Line No. 24-02 Industrial Operations		ADPE & Telecommunication Equipment PAVIS Video Infrastructure Upgrade		
Item Description		FY 2024	FY 2025	FY 2026
PAVIS Video infrastructure Upgrade		3.768	0.000	0.000
	Total	3.768	0.000	0.000

Narrative Justification

Installed in 1998, the Public Address/Visual Information System (PAVIS) at Tobyhanna Army Depot (TYAD) uses headend equipment connected to TV monitors via underground coaxial cables across nearly 50 buildings. PAVIS enables mass communication through video, and provides accessibility for the hearing impaired who may not hear announcements. The PAVIS Video Infrastructure Upgrade project is crucial for TYAD's core operations and readiness, enabling the Depot to share important messages, including those from the Depot Commander, within its Strategic Communications Plan. However, the current system is over 20 years old and increasingly difficult to maintain. It lacks support for high-resolution images, real-time video announcements, live event feeds, and a ticker bar for updates.

Additionally, the existing system does not include modern emergency alert features, such as separate video output zones for notifications. Its online capability is limited to the now-unsupported Internet Explorer browser. The onsite contractor is the only one with expertise in maintaining this aging equipment. It is also not a networked system, which limits broadcast capability and access to the system. A networked system would be much more scalable with the existing computer network infrastructure and would enable Public Affairs personnel to connect video equipment throughout the Depot to broadcast live events, such as Change of Command ceremonies.

The goal is to upgrade TYAD's PAVIS video infrastructure to a modern networked solution. This project will involve purchasing and installing new equipment, including headend equipment, display monitors, HDMI/adaptor cabling, remote controls, software licenses, and other components. The setup will include training TYAD personnel, establishing a plug-and-play baseline, and setting user access security. The scope of work includes removing the old coaxial cables, headend system, and video displays. The upgraded system will support Video on Demand (VoD) and live content broadcasting at the Depot. It will also control digital signage for real-time announcements. Additionally, the system will feature modern visual rendering and a password-protected software solution for creating communications content for the Depot workforce.

Without an upgrade to the PAVIS video infrastructure, the equipment will become increasingly difficult to maintain, and the Depot will lose the capability to communicate with its employees, especially its deaf community. Due to the age of the technology, the Public Affairs team cannot fully leverage modern broadcasting capabilities, such as high-resolution images, real-time video announcements, live event feeds, or a ticker bar at the bottom of the screen, to keep the Depot workforce and visitors better informed. Upgrading the PAVIS video infrastructure will allow TYAD to implement a fully functional video solution with modern features. It is an important part of the Depot Strategic Communications Plan.

Project completion is expected Mar 2026.

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Capital Purchase Justification
(\$ in Millions)**

Line No. 25-01		ADPE & Telecommunication Equipment		
Industrial Operations		Industrial Control Network - Phase 1 of 3		
Item Description		FY 2024	FY 2025	FY 2026
Industrial Control Network (ICN) - Phase 1 of 3		0.000	2.791	0.000
	Total	0.000	2.791	0.000

Narrative Justification

Tobyhanna Army Depot's (TYAD) current network is the Sensitive But Unclassified (SBU) Local Area Network (LAN), which is the Non-classified Internet Protocol (IP) Router Network (NIPRNet). It is an IP network used to exchange unclassified information, including information subject to controls on distribution, among the users of the private network. The NIPRNet also provides its users access to the Internet. Industrial and infrastructure systems share the NIPRNet with all users. This further jeopardizes the integrity of our security efforts, as this can allow the exploitation of vulnerable systems. United States Army Network Enterprise Technology Command (NETCOM) no longer allows anything other than office equipment (such as printers and computers) to reside on the NIPRNet. TYAD must remove all Industrial Control Systems from the NIPRNet. The 7th Signal Command (Theater), in coordination with (ICW) mission partners, executes discovery and convergence operations of Organizational Networks (ORGNETs) within the CONUS Area of Responsibility (AOR) to identify, assess, and plan the transfer of ORGNET's Command and Control (C2), all AITSC/AITP services, and the realignment of appropriate resources no later than 29 September 2025.

During the development of most facility and manufacturing technologies, cybersecurity was far less of an issue, and industrial control systems (ICS) and operational technologies (OT) were less exposed. As infrastructures grow in size and complexity, so do their attack surfaces. Unauthorized access and advanced malware threats are growing in intensity. Maintenance and repairs on Industrial Control Systems (ICS) pose a growing risk and can halt operations while waiting for a vendor or technician to arrive on site. Allowing external repair technicians to connect to systems remotely can speed up the process; however, if they use unsecured remote access tools, the ICS becomes vulnerable to attack. The current vulnerable equipment at TYAD increases cyber threat, hindering efforts to reduce it.

Installing an Industrial Control Network (ICN) will enable TYAD to comply with mandated objectives. Additionally, it will allow the removal of industrial control systems from the NIPRNet, as directed by NETCOM. This supports the Army C5ISR Systems category within the Organic Industrial Base (OIB) Modernization Plan. TYAD will be capable of monitoring the ICN and perform maintenance on the single network. Failure to purchase and install the new ICN would result in the removal of critical industrial control systems from our NIPRNet, as required by NETCOM. The control systems currently reside on many fragmented smaller networks.

Project completion is expected by OCT 2027.

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Capital Purchase Justification
(\$ in Millions)**

Line No. 26-01		ADPE & Telecommunication Equipment		
Industrial Operations		Industrial Control Network - Phase 2 of 3		
Item Description		FY 2024	FY 2025	FY 2026
Industrial Control Network (ICN) - Phase 2 of 3		0.000	0.000	2.000
	Total	0.000	0.000	2.000

Narrative Justification

Tobyhanna Army Depot's (TYAD) current network is the Sensitive But Unclassified (SBU) Local Area Network (LAN), which is the Non-classified Internet Protocol (IP) Router Network (NIPRNet). It is an IP network used to exchange unclassified information, including information subject to controls on distribution, among the users of the private network. The NIPRNet also provides its users access to the Internet. Industrial and infrastructure systems share the NIPRNet with all users. This further jeopardizes the integrity of our security efforts, as this can allow the exploitation of vulnerable systems. United States Army Network Enterprise Technology Command (NETCOM) no longer allows anything other than office equipment (such as printers and computers) to reside on the NIPRNet. TYAD must remove all Industrial Control Systems from the NIPRNet. The 7th Signal Command (Theater), in coordination with (ICW) mission partners, executes discovery and convergence operations of Organizational Networks (ORGNets) within the CONUS Area of Responsibility (AOR) to identify, assess, and plan the transfer of ORGNets' Command and Control (C2), all AITSC/AITP services, and the realignment of appropriate resources no later than 29 September 2025.

During the development of most facility and manufacturing technologies, cybersecurity was far less of an issue, and industrial control systems (ICS) and operational technologies (OT) were less exposed. As infrastructures grow in size and complexity, so do their attack surfaces. Unauthorized access and advanced malware threats are growing in intensity. Maintenance and repairs on Industrial Control Systems (ICS) pose a growing risk and can halt operations while waiting for a vendor or technician to arrive on site. Allowing external repair technicians to connect to systems remotely can speed up the process; however, if they use unsecured remote access tools, the ICS becomes vulnerable to attack. The current vulnerable equipment at TYAD increases cyber threat, hindering efforts to reduce it.

Installing an Industrial Control Network (ICN) will enable TYAD to comply with mandated objectives. Additionally, it will allow the removal of industrial control systems from the NIPRNet, as directed by NETCOM. This supports the Army C5ISR Systems category within the Organic Industrial Base (OIB) Modernization Plan. TYAD will be capable of monitoring the ICN and perform maintenance on the single network. Failure to purchase and install the new ICN would result in the removal of critical industrial control systems from our NIPRNet, as required by NETCOM. The control systems currently reside on many fragmented smaller networks.

Project completion is expected in FY27.

**Army Working Capital Fund
Fiscal Year (FY) 2026 Budget Estimates
Industrial Operations**

**Capital Purchase Justification
(\$ in Millions)**

Line No. 26-02 Industrial Operations		ADPE & Telecommunication Equipment Distributed Antenna System (DAS)		
Item Description		FY 2024	FY 2025	FY 2026
Distributed Antenna System (DAS)		0.000	0.000	6.793
	Total	0.000	0.000	6.793

Narrative Justification

This economic analysis evaluates options for providing wireless infrastructure across Tobyhanna Army Depot (TYAD), including 4G LTE cellular service and non-NIPRNet Wi-Fi. Because NIPRNet requires certified access, a TYAD-controlled non-NIPRNet Wi-Fi network would allow broader access for personnel, visitors, and contractors.

The proposed Distributed Antenna System (DAS) will provide reliable and secure connectivity, supporting daily operations and improving emergency response. Enhanced communication will streamline logistics, maintenance, and coordination, increasing overall efficiency. The chosen platform will be flexible, allowing for future technology upgrades and will also support expanded security and surveillance capabilities.

Improved cellular coverage will make the Mass Notification System (MWNS) more effective, ensuring alerts reach all personnel with clear instructions, regardless of location. Workers will have immediate access to warnings via their personal phones, increasing both safety and responsiveness. The DAS will also improve morale by enabling artisans to stay in contact with their families during emergencies.

With reliable Wi-Fi and cellular access throughout most of the depot, artisans and guests can retrieve information directly from their phones, without logging into fixed terminals—especially helpful when working on large systems. Communication between teammates and management will be easier, strengthening workplace connectivity and productivity.

Without the DAS, TYAD risks ongoing communication gaps and missed opportunities to improve morale and operational effectiveness. The infrastructure will also benefit vendors and contractors by providing easier access to communication tools and improving service delivery.

Project completion is expected by MAR 2028.

**Army Working Capital Fund
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Industrial Operations**

**Capital Purchase Justification
(\$ in Millions)**

Line No. 26-03		ADPE & Telecommunication Equipment		
Industrial Operations		Industrial Control Network - Phase 3 of 3		
Item Description		FY 2024	FY 2025	FY 2026
Industrial Control Network (ICN) - Phase 3 of 3		0.000	0.000	2.000
	Total	0.000	0.000	2.000

Narrative Justification

Tobyhanna Army Depot's (TYAD) current network is the Sensitive But Unclassified (SBU) Local Area Network (LAN), which is the Non-classified Internet Protocol (IP) Router Network (NIPRNet). It is an IP network used to exchange unclassified information, including information subject to controls on distribution, among the users of the private network. The NIPRNet also provides its users access to the Internet. Industrial and infrastructure systems share the NIPRNet with all users. This further jeopardizes the integrity of our security efforts, as this can allow the exploitation of vulnerable systems. United States Army Network Enterprise Technology Command (NETCOM) no longer allows anything other than office equipment (such as printers and computers) to reside on the NIPRNet. TYAD must remove all Industrial Control Systems from the NIPRNet. The 7th Signal Command (Theater), in coordination with (ICW) mission partners, executes discovery and convergence operations of Organizational Networks (ORGNETs) within the CONUS Area of Responsibility (AOR) to identify, assess, and plan the transfer of ORGNET's Command and Control (C2), all AITSC/AITP services, and the realignment of appropriate resources no later than 29 September 2025.

During the development of most facility and manufacturing technologies, cybersecurity was far less of an issue, and industrial control systems (ICS) and operational technologies (OT) were less exposed. As infrastructures grow in size and complexity, so do their attack surfaces. Unauthorized access and advanced malware threats are growing in intensity. Maintenance and repairs on Industrial Control Systems (ICS) pose a growing risk and can halt operations while waiting for a vendor or technician to arrive on site. Allowing external repair technicians to connect to systems remotely can speed up the process; however, if they use unsecured remote access tools, the ICS becomes vulnerable to attack. The current vulnerable equipment at TYAD increases cyber threat, hindering efforts to reduce it.

Installing an Industrial Control Network (ICN) will enable TYAD to comply with mandated objectives. Additionally, it will allow the removal of industrial control systems from the NIPRNet, as directed by NETCOM. This supports the Army C5ISR Systems category within the Organic Industrial Base (OIB) Modernization Plan. TYAD will be capable of monitoring the ICN and perform maintenance on the single network. Failure to purchase and install the new ICN would result in the removal of critical industrial control systems from our NIPRNet, as required by NETCOM. The control systems currently reside on many fragmented smaller networks.

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**Capital Purchase Justification
(\$ in Millions)**

Line No. 23-01		ADPE & Telecommunication Equipment		
Industrial Operations		Fiber Installation Cable Network Upgrade		
Item Description		FY 2024	FY 2025	FY 2026
<i>Fiber Installation Cable Network Upgrade</i>		5.045	0.000	0.000
	Total	5.045	0.000	0.000

Narrative Justification

Pine Bluff Arsenal (PBA) is undergoing a critical infrastructure modernization project to replace its outdated 25-30 year old fiber optic network. The current network suffers from limited bandwidth (1 Gigabyte) and security vulnerabilities due to its age and lack of vendor support. This upgrade involves installing 34.5 miles of new fiber optic cable and 75 network cabinets across the installation. The new network will dramatically improve data security, streamline operations, and enable the integration of advanced technologies with increased bandwidth and reliability. Ultimately, this investment is essential to maintain PBA's mission capabilities and protect sensitive data for national defense.

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**Capital Purchase Justification
(\$ in Millions)**

Line No. 24-01		ADPE & Telecommunication Equipment		
Industrial Operations		ASRS Information Technology Lifecycle Repl		
Item Description		FY 2024	FY 2025	FY 2026
ASRS Information Technology Lifecycle Replacement		5.150	0.000	0.000
Total		5.150	0.000	0.000

Narrative Justification

The current Automated and Storage Retrieval System (ASRS) devices were purchased in 2010. The operation system (OS) is predicted to end of life in December 2025 which will lead to a Cyber Security Technical Implementation Guidelines (STIG) Category (CAT) 1 finding. There is a high probability that the existing hardware will not support the replacement OS due to the age of the servers. The status quo is not sustainable. All of the equipment is past End of Life (EOL) and is maintained under a "best effort" support contract. Current ASRS does not meet current Cyber Security requirements and will be shut down if a Category (CAT) 1 violation is found due to evolving cyber risks. The current in-use system is a single point of failure.

Completion of Anniston Army Depot's (ANAD) workload in a timely manner requires the services of an automated warehouse to store new and reconditioned repair parts until they are required in the production shops. This project will restore ASRS to a supportable, cyber complaint state and remediate the risk of work stoppage that would be caused by the current ASRS failing or being quarantined.

The current devices were purchased in 2010. The operation system (OS) is predicted to end of life in December 2025 which will lead to a Cyber Security Technical Implementation Guidelines (STIG) Category (CAT) 1 finding. There is a high probability that the existing hardware will not support the replacement OS due to the age of the servers. The status quo is not sustainable. All of the equipment is past End of Life (EOL) and is maintained under a "best effort" support contract which is expiring.

The production baseline is targeted for installation completion FY25.

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**Capital Purchase Justification
(\$ in Millions)**

Line No. 00-02		Software Development - Externally Developed		
Industrial Operations		Logistics Modernization Program (LMP)		
Item Description		FY 2024	FY 2025	FY 2026
Logistics Modernization Program (LMP)		9.416	8.581	7.200
Total		9.416	8.581	7.200

Narrative Justification

LMP continues to require enhancements to stay relevant and maintain superior supply chain functionality, supporting National-Level Logistics. LMP Increment 1 was fully fielded in October 2010 and further enhanced by the full deployment declaration of LMP Increment 2 in September 2016. Together, these upgrades form the current LMP capability, which approximately 21,000 users use across more than 50 Army locations worldwide.

LMP helps the Army achieve its commitment to having fully auditable AWCF financial statements. The LMP continues to seamlessly enable continuous process improvements within the LMP solution, allowing it to meet and comply with the requirements of both its own and its trading partners' standards.

In FY 2025-2026, LMP will continue to design, develop, test, and deploy improvements to existing business processes enabled by LMP in support of the Army industrial base. The upgrades are part of continuous process improvement under capability support. These improvements will address changes needed within the Army industrial base to enable Army priorities. Planned enhancements to shop floor operations include updates to to Shop Floor UI/UX, which will improve usability and modernize industrial base operations.

LMP will also address ongoing auditability requirements to ensure continued financial compliance from a financial accountability perspective. Improvements to Organic Industrial Base reporting capabilities will address the technical limitations in the current solution and provide improved reporting capabilities for Army industrial site users.

Implementation of Army Enterprise Resource Planning (ERP) tools will continue in support of LMP operational standardization and operational support. LMP will support the Deputy Secretary of Defense directed the implementation of Zero Trust through tasks such as Identity, Credential, and Access Management (ICAM), in order to meet the audit and Zero Trust objectives. These tasks also include technical upgrades, minor enhancements, compliance, auditability, providing data in support of Army data analytics, and cyber security requirements.

A new requirement for G-Invoicing will be incorporated to support OSD and Army directives. Technical upgrades to the LMP solution for BTP Integration Suite will be required as SAP drops support to current products.

In FY 2005, a Business Case Analysis was completed for the LMP and an updated Economic Analysis was completed and validated by the Office of the Deputy Assistant Secretary of the Army-Cost and Economics June 2008. It is available upon request. LMP Increment 2 Economic Analysis is also available upon request.

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**Capital Purchase Justification
(\$ in Millions)**

Line No. 24-03		ADPE & Telecommunications Equipment		
Industrial Operations		Upgrade of Server Room Control System		
Item description		FY 2024	FY 2025	FY 2026
ASR Upgrade of server Room Control System		5.080	0.000	0.000
Total		5.080	0.000	0.000

Narrative Justification

Corpus Christi Army Depot's (CCAD) automated Warehouse Management System uses the Automated Storage and Retrieval System (ASRS) designed and installed by Original Equipment Manufacturer (OEM) Dematic. The ASRS manages two HK4000 Unit Load Storage Retrieval Machines (SRMs), three HK750 Mini Load (SRMs), twenty-four Automated Ground Vehicles (AGVs), and a conveyor system. It is integrated with the Army's customized Enterprise Resource Planning Logistic Modernization Program (LMP). The ASRS also utilizes two software programs, 5120 SRM and 4906 AGV control software, to integrate and manage ASRS inventory and supply logistics.

However, CCAD's current ASRS software, controls, network, and telecommunications infrastructure are considered obsolete. Specifically, the 5120 SRM and 4906 AGV control software, are no longer supportable by the Original Equipment Manufacturer (OEM). Due to its age (software was developed in the 1990s), the systems reliability and maintainability have declined.

The goal of updating the server room software is to maintain an efficient and safe centralized storage location for all incoming and outgoing materials, maximizing capacity. An upgrade to a modern software solution will increase kitting capabilities and reduce Turnaround Time (TAT) while increasing throughput capabilities. In addition, Increased ergonomics will be achieved by allowing the ASRS to manage and deliver materials to the operators at a convenient height, eliminating time lost to walking, searching, lifting, bending and twisting activities.

Without funding, CCAD would be forced to rely on a legacy ASRS capability without support from the OEM, resulting in increased risk of system failure, potential security breaches, and reduced operational efficiency. Dematic has informed CCAD that it can no longer support the current ASRS software because it is considered obsolete, and a new software system is required. CCAD will not have the support necessary to restore ASRS back functionality if it fails. The ASRS is critical to the mission and success of CCAD's daily supply chain operations. Without it, CCAD will have to resort to manual inventory management and supply which would hamper production and warehouse management capabilities.

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**Capital Purchase Justification
(\$ in Millions)**

Line No. 05-26 Industrial Operations		Minor Construction Capabilities Various Minor Construction <\$4 Million		
Item Description		FY 2024	FY 2025	FY 2026
Various Minor Construction Capabilities		8.695	14.539	10.822
	Total	8.695	14.539	10.822

Narrative Justification

Various minor construction projects, costing less than \$4.0 million, will improve the efficiency of the Industrial Operations by adding modernized facilities and renovating existing ones. These projects include additions and modifications to meet mission needs and address quality of life concerns, such as safety and environmental concerns.

The projects will increase productivity and allow for quality of life improvements. Specifically, the efficiency of the mission work will improve with better plant layout, better electrical distribution, and improved lighting, heating, ventilation and air conditioning. Quality of life improvements will improve worker morale and eliminate potential health and safety concerns. Beginning in FY24, all minor construction projects will support the Army Organic Industrial Base Modernization Plan.

If not approved, facility conditions will continue to deteriorate, worker morale will decline, the work environment will worsen, and worker safety and health will continue to be a major concern.

Economic Analyses have been performed on individual projects when required and are available upon request.

**Army Working Capital Fund
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**Capital Budget Execution
(\$ in Millions)**

FY	Major Category	Initial Request	Current Projected Cost	Approved Change	Explanation
2024	Non-ADPE	76.538	38.063	(38.475)	Contract delays led to projects carrying into FY25
	ADPE and Telcom	13.963	13.963	0.000	
	Software	14.496	14.496	0.000	
	Minor Construction	15.687	8.695	(6.992)	Contract delays led to projects carrying into FY25
	Total FY 2024	120.684	75.217	(45.467)	
2025	Non-ADPE	66.333	74.357	8.024	Additional projects added and cost growth.
	ADPE and Telcom	0.000	2.791	2.791	Industrial Control Network Phase 1. Command priority moved forward from FY24 to FY25.
	Software Development	6.044	8.581	2.537	Updated LMP costs, additional G-invoicing requirement.
	Minor Construction	14.148	14.539	0.391	Costs for building upgrades planned in FY27, moved to FY25.
	Total FY 2025	86.525	100.268	13.743	
2026	Non-ADPE	168.918	168.918	0.000	
	ADPE and Telcom	10.793	10.793	0.000	
	Software Development	7.200	7.200	0.000	
	Minor Construction	10.822	10.822	0.000	
	Total FY 2026	197.733	197.733	0.000	