

ARMY WORKING CAPITAL FUND
FISCAL YEAR 2027
BUDGET ESTIMATES



SUBMITTED TO CONGRESS APRIL 2026

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Defense Logistics Agency receives property turn in from Chinook (DOW photo by Dorie Heyer)

The estimated cost of this report for the Department of War (DOW) is approximately \$75,724 for Fiscal Year (FY) 2026. This includes \$2,580 in expenses and \$73,144 in DOW

All photographs in this document were obtained from official United States DOW web sites

Includes FY 2026 Consolidated Appropriations Act, 2026 (Public Law 119-75)

ARMY WORKING CAPITAL FUND
Fiscal Year (FY) 2027 Budget Estimates

Summary of Budget Activity (\$ in Thousands)			
Army Working Capital Fund	FY 2025	FY 2026	FY 2027
Total Contract Authority (Includes CIP)	8,519,503	7,348,245	7,528,842
Operating Contract Authority	8,408,188	7,193,751	7,420,942
Supply Management	8,408,188	7,193,751	7,420,942
Industrial Operations	0	0	0
Capital Investment Program (CIP)	111,315	154,494	107,900
Supply Management	10,660	15,466	23,593
Industrial Operations	100,655	139,028	84,307
Total Spending Authority from Offsetting Collections	4,827,078	4,560,715	4,296,035
Supply Management	0	0	0
Industrial Operations	4,827,078	4,560,715	4,296,035
Direct Appropriations, Total	145,411	125,589	20,563
Supply Management	3,635	0	0
Industrial Operations*	141,776	125,589	20,563
Total Budget Authority	13,491,992	12,034,549	11,845,440
Supply Management	8,422,483	7,209,217	7,444,535
Industrial Operations	5,069,509	4,825,332	4,400,905

*FY 2025 Industrial Operations Direct Appropriation amount does not include \$913K of direct authority received from the sales of scrap materials

**ARMY WORKING CAPITAL FUND
Fiscal Year (FY) 2027 Budget Estimates**

President's Budget FY 2027 Summary (\$ in Thousands)			
Army Working Capital Fund	FY 2025	FY 2026	FY 2027
Total Revenue	12,229,627	12,207,298	11,804,655
Supply Management*	7,201,868	7,500,010	7,523,123
Industrial Operations	5,027,759	4,707,288	4,281,532
Total Expenses	12,020,095	11,960,534	11,616,308
Supply Management	6,983,962	7,240,214	7,172,338
Industrial Operations	5,036,133	4,720,320	4,443,970
Total Recoverable NOR	-26,222	340,416	277,850
Supply Management	-150,061	259,796	350,785
Industrial Operations	123,839	80,620	-72,935
Total Net Operating Result Adjustments	-77,751	-109,960	-146,393
Supply Management	-209,964	-203,611	-235,897
Industrial Operations	132,213	93,651	89,504
Total Accumulated Operating Result (AOR)	-178,757	-41,953	0
Supply Management	-171,072	-114,888	0
Industrial Operations	-7,685	72,935	0
Total Capital Investment Projects	111,315	154,494	107,900
Supply Management	10,660	15,466	23,593
Industrial Operations	100,655	139,028	84,307
Total Direct Appropriations	145,411	125,589	20,563
Supply Management	3,635	0	0
Industrial Operations	141,776	125,589	20,563
Total Collections	11,911,502	12,078,730	11,779,592
Supply Management	7,259,379	7,500,633	7,523,123
Industrial Operations	4,651,951	4,578,096	4,256,469
Undistributed	172	0	0
Total Disbursements	12,705,327	12,380,873	11,696,876
Supply Management	7,947,473	7,739,618	7,359,984
Industrial Operations	4,758,349	4,640,668	4,336,892
Undistributed	-495	587	0
Total End of Period Cash Balance	2,010,086	1,733,531	1,836,810
Supply Management	1,108,015	1,019,030	1,182,169
Industrial Operations	901,484	714,501	654,641
Undistributed	587	0	0
Total Cash Lower Operating Limit	1,573,289	1,580,684	1,452,167
Supply Management	1,180,765	1,189,393	1,048,246
Industrial Operations	392,524	391,290	403,921
Total Cash Upper Operating Limit	3,861,784	3,869,179	3,382,705
Supply Management	2,943,115	2,951,744	2,496,150
Industrial Operations	918,669	917,435	886,555

Personnel Data			
Army Working Capital Fund	FY 2025	FY 2026	FY 2027
Civilian Full Time Equivalents	18,505	17,377	16,326
Supply Management	1,935	1,746	1,746
Industrial Operations	16,570	15,631	14,580
Months of Carryover			
Army Working Capital Fund	FY 2025	FY 2026	FY 2027
Depot Months of Carryover	6.2	5.8	5.6
Industrial Operations	6.2	5.8	5.6

*Supply Management Total Revenue represents Net Sales

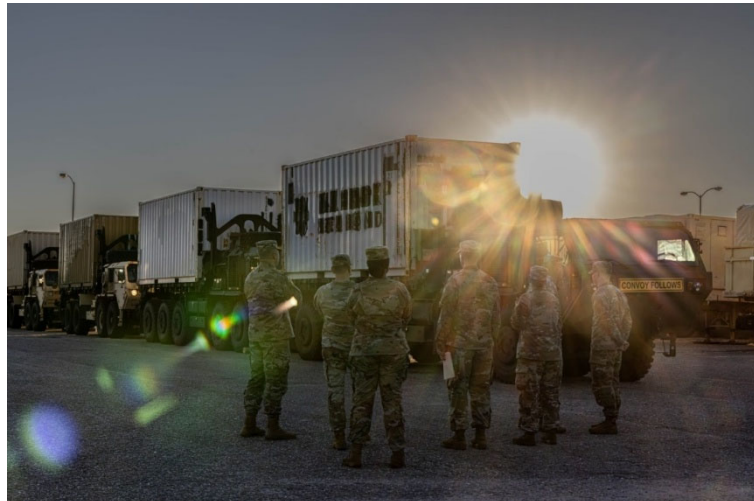
Army Overview

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 War (DOW). Under the provisions of Title 10, United States Code (USC), § 2208, the Secretary of War 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.

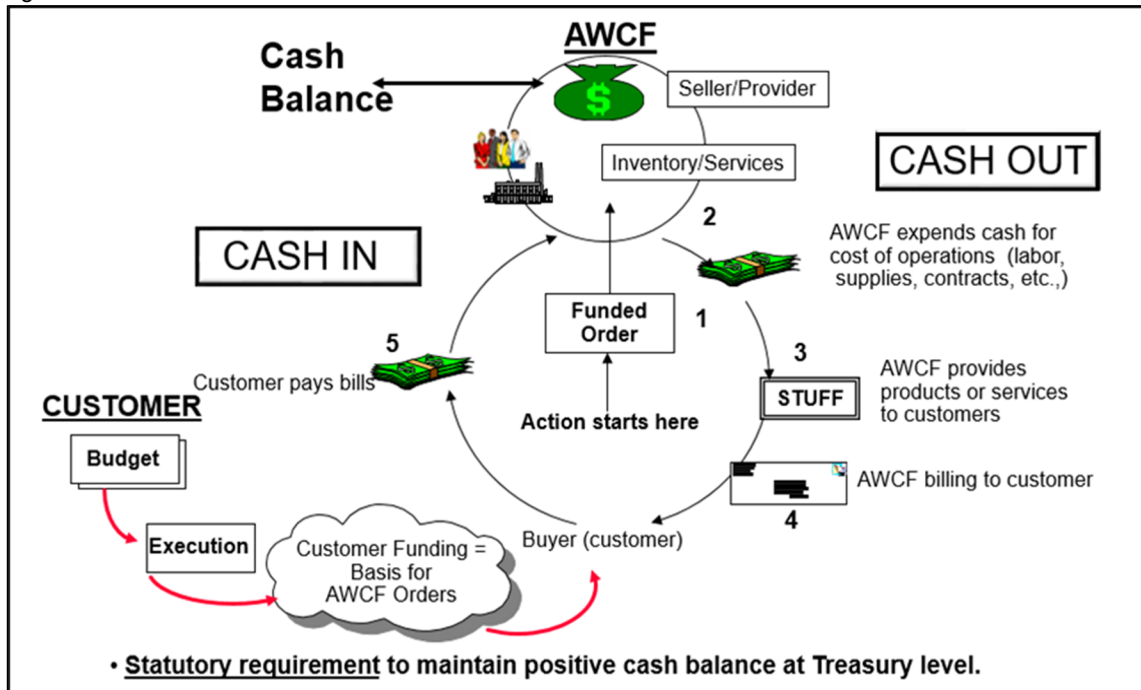


Command leads equipment divestiture (U.S. Army photo by Sgt. P.S. Bailey Whilden)

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. The fund's business activities are currently known as Supply Management and Industrial Operations.

Figure 1 illustrates the financial cycle of the AWCF. The process is a continuous loop involving the AWCF and its customer: 1) a customer, using their own internal budget, sends an order through the AWCF, which results in an obligation for the customer; 2) upon receiving the order, the AWCF spends cash to pay for the inventory, services, labor, and supplies to complete the customer order; 3) the AWCF then provides the procured products or services to the customer; 4) following the delivery, the AWCF bills the customer for the goods or services provided; and 5) the customer pays the bill, which generates cash for the AWCF, replenishing its cash balance.

Figure 1 - AWCF Cash Process



Introduction

The Fiscal Year (FY) 2027 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 Army's Continuous Transformation efforts, the AWCF is striving to optimize sustainment, divest legacy equipment, and modernize Industrial Operations. The Army's efforts are prioritizing agile, data-driven logistics and targeted investments that improve efficiency and responsiveness, while addressing future operational demands.



U.S. Army Tank-Automotive Command personnel performs vehicle maintenance at Anniston Army Depot (U.S. Army photo by Ann Zaniewski)

The AWCF's revolving fund structure reinforces these priorities by providing full cost visibility, budget flexibility, and price stability for supported customers. The 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 \$12.7 billion and collected \$11.9 billion in FY 2025 to maintain the readiness and sustainability of military equipment.

Performance Measures

Key financial measures are Net Operating Result (NOR), Accumulated Operating Result (AOR), and unit cost. The NOR represents the difference between revenue and expenses within a fiscal year. The 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 sales activity.

In addition to the 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)

The 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. The LMP delivers a fully integrated suite of software and business processes, providing streamlined data for 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.

The LMP manages approximately 11.2 million transactions daily and is integrated with more than 55 DOW systems and 260 interfaces, including with Army's other major enterprise resource planning systems, including the Army Enterprise Systems Integration Program, the Global Combat Support System-Army, and the General Fund Enterprise Business Systems. The LMP is currently used by more than 19,000 users at more than 50 Army and DOW locations worldwide.

Enhancements and system changes continue to be applied to LMP to ensure compliance with statutory and regulatory requirements.



Refurbished ordnance awaiting distribution at Blue Grass Army Depot (U.S. Army photo by Dori Whipple)

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 FY 2027. 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. The Supply Management activity group administers spare parts inventory for Army Managed Items and Non-Army Managed Items (NAMI). The Life Cycle Management Commands assigned to the AMC, manage the Supply Management activity, which consists of four major commodity groups: aviation and missile; communications-electronics; tank-automotive and armament; and NAMI. The continuous modernization of Army formations will drive targeted additions to the supply inventory. With the Army focused on continuous transformation, 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 (OIB) capability, supporting depot-level maintenance, repair, recapitalization, and upgrade efforts. In FY 2027, the focus remains on executing the Army's 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 sites, including five hard-iron maintenance depots, three arsenals, two munitions production plants, and three key storage and distribution sites. These installations support other DOW services and all Army Commands 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 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. The Industrial Operations budget accounts for workload associated with high-demand operating environments, elevated usage rates, and emerging threat response.

Budget Highlights

Overview

The FY 2027 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 DOW and Army guidance to drive materiel transformation, enable continuous readiness, and ensure fiscal and industrial agility.

The predictability of resources is critical for accurately forecasting and executing workload. Operational tempo 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 2027, a unit cost ratio set to 0.99 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 FY 2027, there will be a reduction in civilian end-strength and full-time equivalents. Changes to personnel levels are discussed within the narrative of each activity group. The reductions 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 below in Table 1.

Table 1 – Personnel

	FY 2025	FY 2026	FY 2027
Supply Management			
Civilian End Strength	1,941	1,746	1,746
Full Time Equivalents	1,935	1,746	1,746
Military End Strength	2	2	2
Industrial Operations			
Civilian End Strength	16,101	15,631	14,670
Full Time Equivalents	16,570	15,631	14,580
Military End Strength	22	22	21
Total			
Civilian End Strength	18,042	17,377	16,416
Full Time Equivalents	18,505	17,377	16,326
Military End Strength	24	24	23

Revenue and Expenses

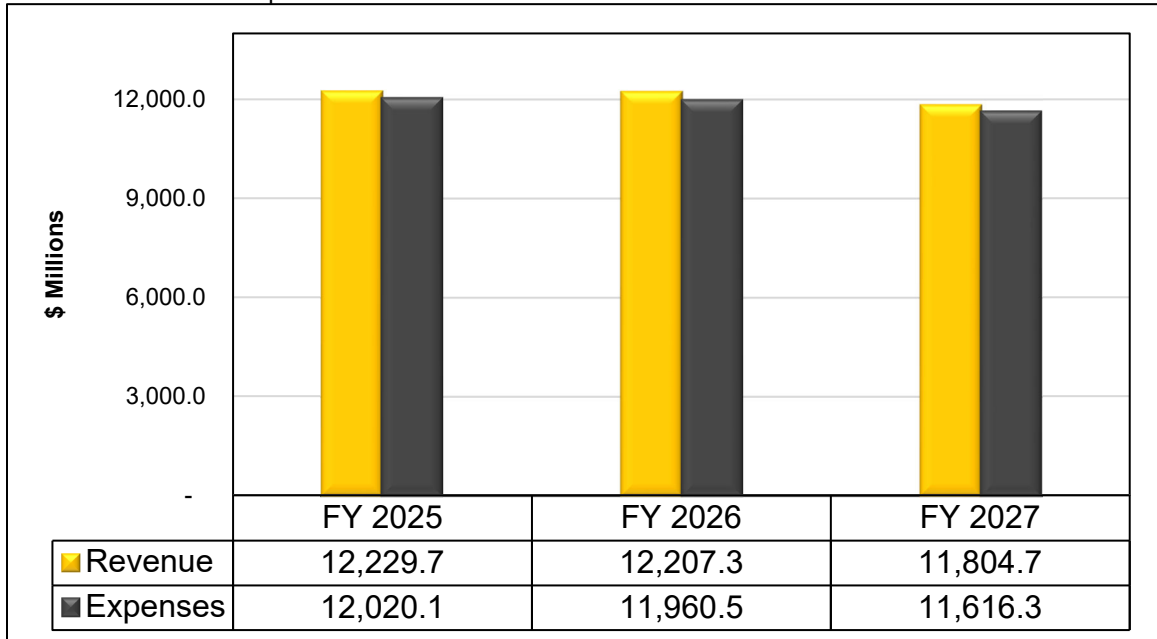
Revenue reflects the volume of work executed by the AWCF activity groups, while expenses capture the cost of goods and services produced or sold. In FY 2027, both revenue and expenses are projected to decline compared to prior years. The reduction in expenses is largely due to lower labor and material costs in Industrial Operations and lower 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 2025	FY 2026	FY 2027
Supply Management			
Gross Sales	8,842.6	9,088.8	9,040.9
Less Credit	1,640.7	1,588.8	1,517.7
Supply Management Net Sales	7,201.9	7,500.0	7,523.1
Industrial Operations	5,027.8	4,707.3	4,281.5
Total Revenue	12,229.7	12,207.3	11,804.7
Supply Management	6,984.0	7,240.2	7,172.3
Industrial Operations	5,036.1	4,720.3	4,444.0
Total Expenses	12,020.1	11,960.5	11,616.3

Note: Total revenue above does not include Supply Management appropriated funds as shown on the Supply Management Exhibit Fund 14, Revenue and Costs. 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. The 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 2027. Table 3 shows the net and accumulated operating results for both Supply Management and Industrial Operations. Details can be found under the NOR and AOR section for each business area.

Table 3 - Operating Results

(\$ Millions)	FY 2025	FY 2026	FY 2027
Supply Management			
NOR	(150.1)	259.8	350.8
Prior Year AOR	189.0	(171.1)	(114.9)
Non-Recoverable AOR	(210.0)	(203.6)	(235.9)
AOR	(171.1)	(114.9)	0.0
Industrial Operations			
Recoverable NOR	123.8	80.6	(72.9)
AOR	(7.7)	72.9	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 increase in FY 2027. The Industrial Operations rate decreases in FY 2027 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 2025	FY 2026	FY 2027
Supply Management	17.7%	19.5%	22.2%
Industrial Operations	\$238.30	\$227.15	\$226.29

Customer Rate Change

The revised Supply Management price change to customers is the change of the estimated standard price of an item from the previous year to the budget year, incorporating both overhead cost adjustments and projected material inflation that will raise the price of an item. 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 2025	FY 2026	FY 2027
Supply Management	1.9%	6.1%	6.7%
Industrial Operations	2.0%	(4.7%)	(0.4%)

Fund Balance with Treasury

The Defense Working Capital Fund Fund Balance with Treasury, account symbol 97X4930, is subdivided at 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, USC, § 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.

The operational requirement may include any positive Accumulated Operating Results 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 2027 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 2027 as sales and revenue are projected to decrease. Disbursements are projected to decrease due to lower contract authority requirements in FY 2026 and FY 2027.

Chart 2 - Cash from Operations

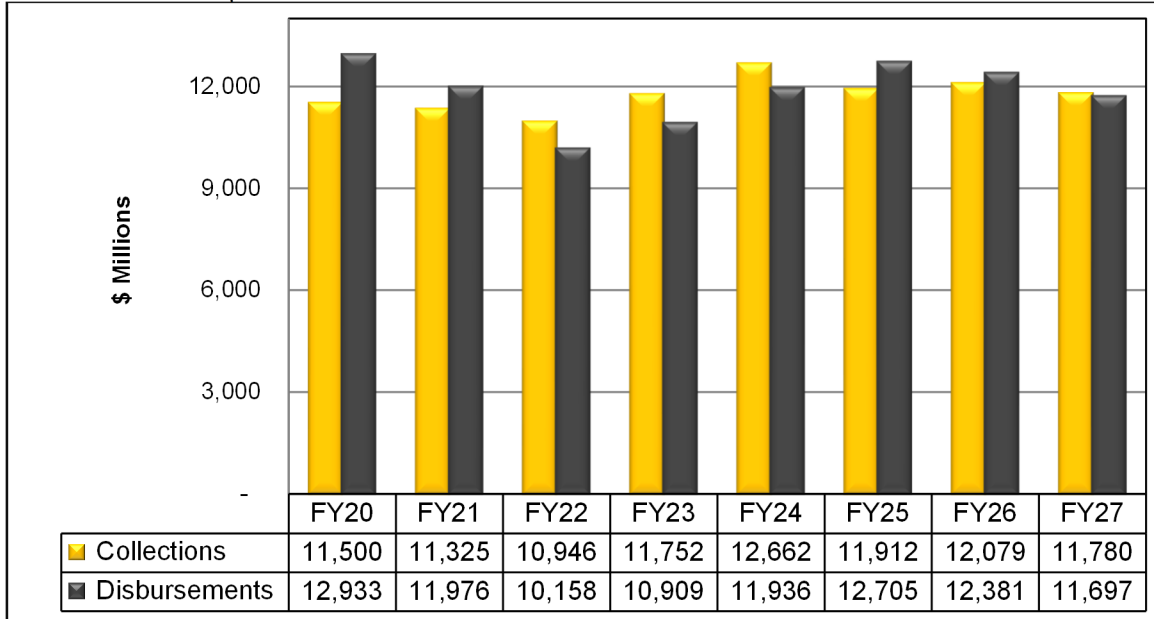
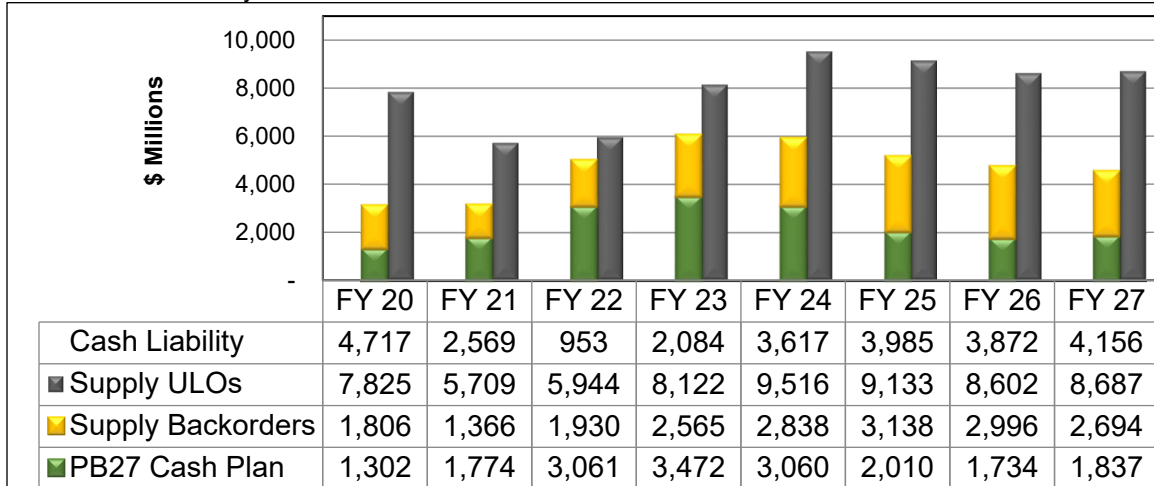


Chart 3 displays the potential risk to the AWCF cash balance through FY 2027 due to unliquidated obligations (ULOs). The ULOs represent the dollar value of material and services ordered but not yet received by the AWCF. The ULOs will result in future disbursements, reducing cash. There is increased risk 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 Supply Management activity group projects an increase in overall cash liability due to an increase in ULOs and a reduction in backorders, even though cash is projected to increase.

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 2027 for Industrial Mobilization Capacity (IMC) requirements. This appropriation request sustains 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 2025	FY 2026	FY 2027
War Reserve Secondary Items	3.6	0.0	0.0
Industrial Mobilization Capacity	21.8	20.6	20.6
Arsenal Sustainment Initiative	120.0	100.0	0.0
Industrial-focused Charrettes	0.0	5.0	0.0
Total Appropriated Funds	145.4	125.6	20.6

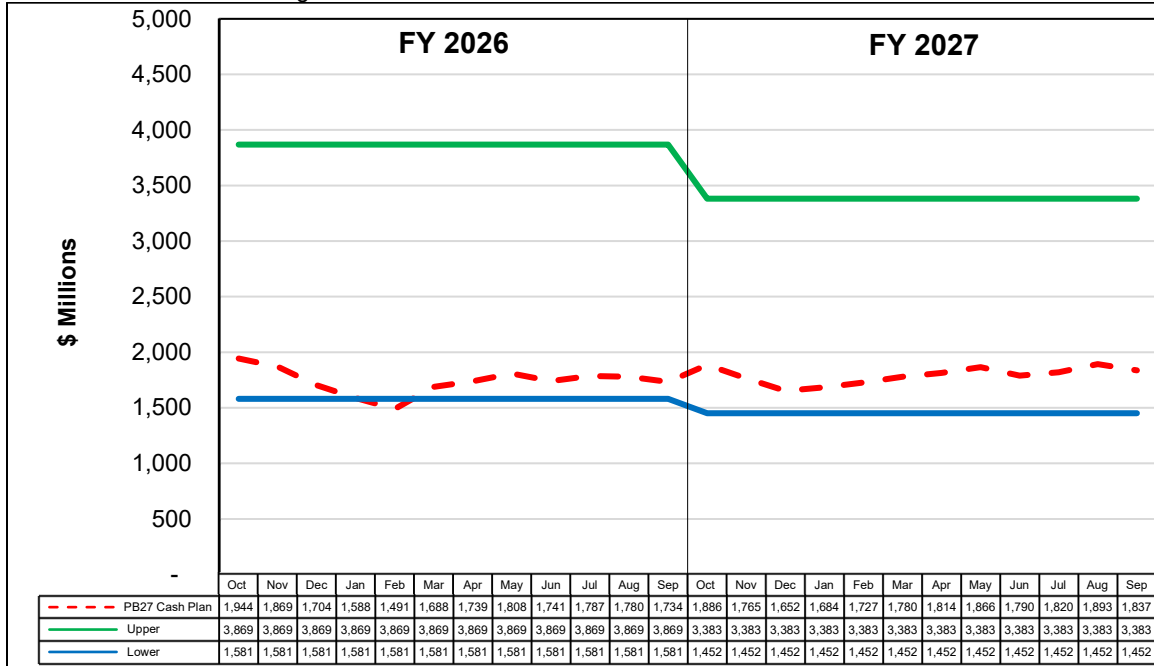
Cash Management Plan

The Army Working Capital Fund (AWCF) cash balances reflected in this plan are based on the combined operations of its two activity groups, Supply Management and Industrial Operations, and are managed on the principle of full cost recovery. For the Supply Management activity group, the price charged to customers includes both an amount to replace the item sold and a cost recovery rate for operational expenses. While funds collected for overhead are disbursed consistently during the year of execution, the portion for inventory replenishment can take 24 months or longer to disburse due to vendor lead times and delivery schedules. To manage these dynamics, the FY 2027 budget includes a cash plan based on projected operational and capital disbursements, collections, direct appropriations, and transfers.

In accordance with updated budget guidance, the AWCF cash requirement is developed using historical data and refined statistical methodologies. This approach establishes upper and lower operational requirements to guide management decisions. The upper operational requirement is a threshold to identify when actions are necessary to reduce the cash balance, mitigating the risk of excess cash, while the lower operational requirement is a benchmark for increasing cash levels to prevent future insolvency. These operating ranges are derived from historical annual net outlays and project a future range with an 80 percent confidence level that the fund will remain within these limits, assuming the fiscal year begins at the range's midpoint. The lower cash requirement also incorporates a risk mitigation component for monthly operational volatility and a cash reserve for customer returns, unliquidated obligations, and Accounts Payable balances. Together, these elements provide sufficient lead time for proactive measures if cash levels approach the lower limit.

The Army's projected ending cash balances are \$1,733.5 million in FY 2026 and \$1,836.8 million in FY 2027. Although Industrial Operations balances are expected to stay within operating ranges, Supply Management cash is projected to be below the lower limit in FY 2026 before recovering in FY 2027. Chart 4 shows the projected monthly cash balances for both fiscal years, illustrating how operations and appropriations affect the balance relative to the upper and lower limits. The lower operational cash requirement is calculated by adding risk mitigation and reserves, and the upper requirement is found by adding the operational range to that lower limit. Ultimately, the chart analysis indicates that the AWCF cash balance is expected to end FY 2027 within the operational limits, driven primarily by a combination of sustained collections and a stabilization of disbursements.

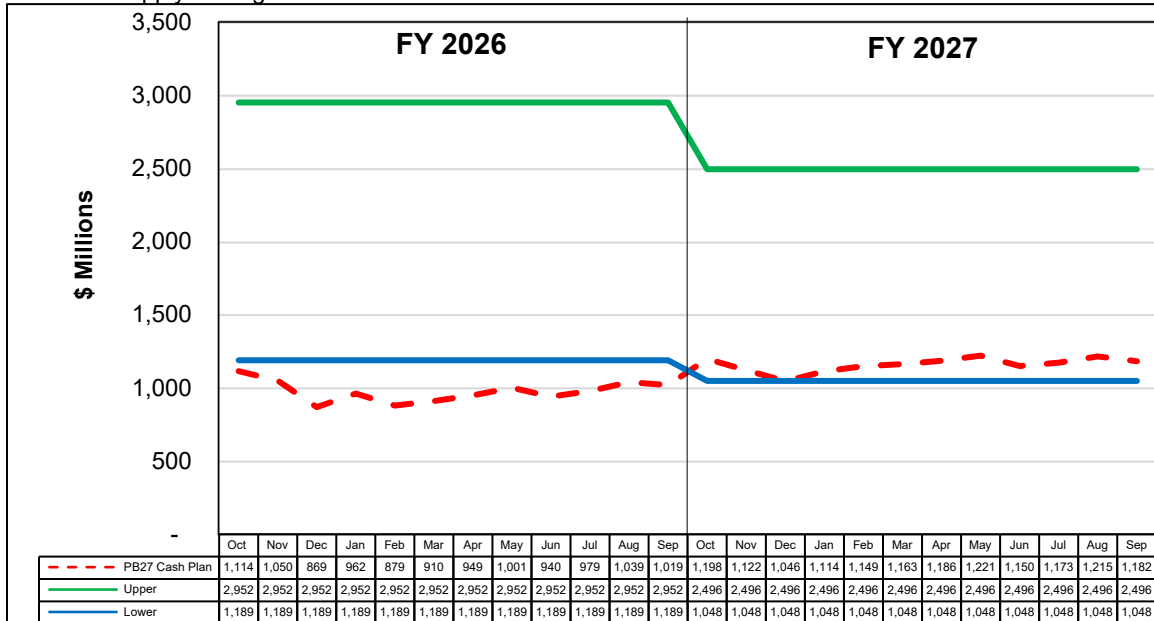
Chart 4 – AWCF Cash Management Plan



Supply Management Cash Plan

Chart 5 displays the Supply Management cash plan for FY 2026 and FY 2027. 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 2027 between the upper and lower operational limits.

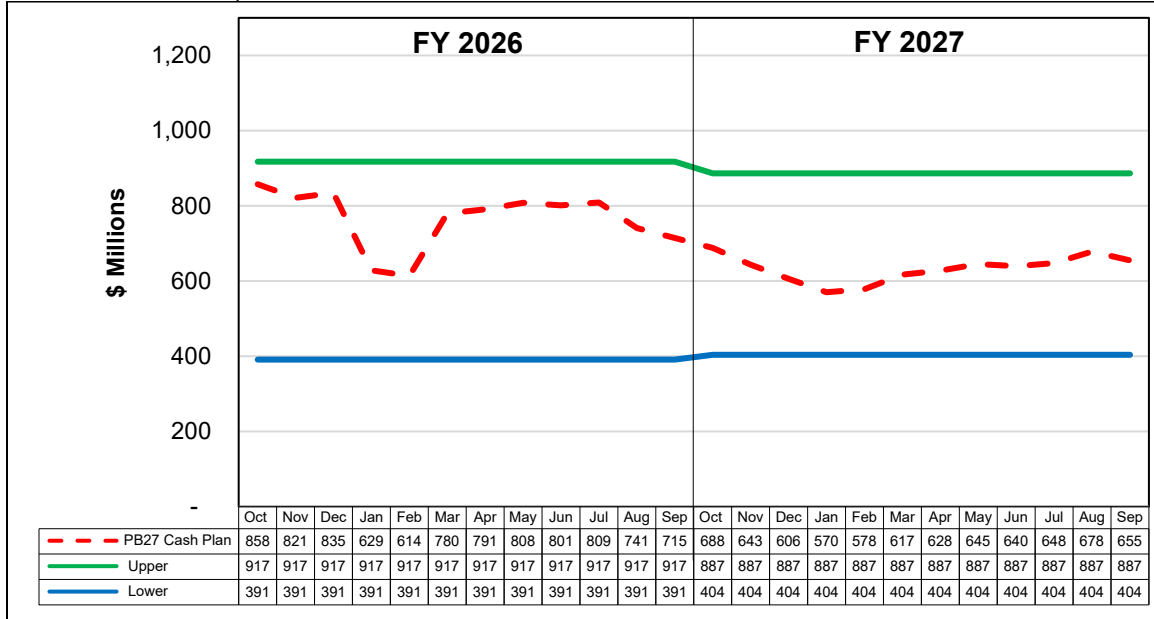
Chart 5 – Supply Management Cash Plan



Industrial Operations Cash Plan

Chart 6 displays the Industrial Operations activity group cash plan for FY 2026 and FY 2027. 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 2027 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 2027 cash balance is projected to be within the upper and lower operational requirements.

Table 7 - Cash Balance

(\$ Millions)	FY 2025	FY 2026	FY 2027
Disbursements	12,705.3	12,380.9	11,696.9
Collections	11,911.5	12,078.7	11,779.6
Net Outlays from Operations	793.8	302.1	(82.7)
Direct Appropriations	143.6	125.6	20.6
Transfers In (+)	0.0	0.0	0.0
Transfers Out (-)	400.0	100.0	0.0
Total Net Outlays	1,050.2	276.6	(103.3)
Ending Cash Balance	2,010.1	1,733.5	1,836.8
Upper Operating Range	3,861.8	3,869.2	3,382.7
Lower Operating Range	1,573.3	1,580.7	1,452.2

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 8 - Capital Budget

(\$ Millions)	FY 2025	FY 2026	FY 2027
Supply Management	10.7	15.5	23.6
Industrial Operations	59.7	139.0	84.3
<i>Total Capital Budget</i>	70.3	154.5	107.9
<i>Total Capital Cash Outlays</i>	88.6	110.3	123.7

Note: Numbers may not add due to rounding.

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 has also adopted two 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, expedited reviews, and shifted 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

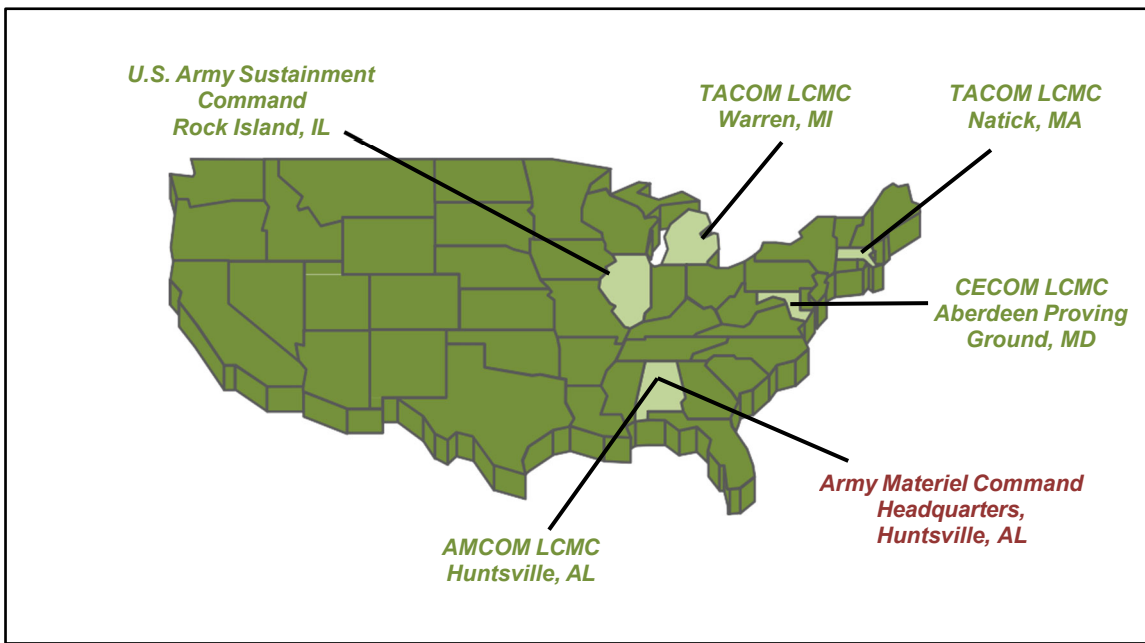
The Supply Management activity group buys and manages an operating inventory of Army-managed and non-Army managed spare and repair parts for sale to its customers, primarily Army operating units. The AWCF operating inventory is stored and maintained primarily at more than 200 supply support activities (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 War 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. 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, 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.



M1A3 Abrams fires its main gun during a multinational joint training live fire exercise (U.S. Army photo by Sgt. Terron Williams)

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.



Soldiers sit atop an observation point during training (U.S. Army photo by Pfc. Jose Nunez)



Two Chinook Helicopters sling load M119 Howitzers during an air assault operation (U.S. Army photo by Sgt. Olivia Cowart)

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

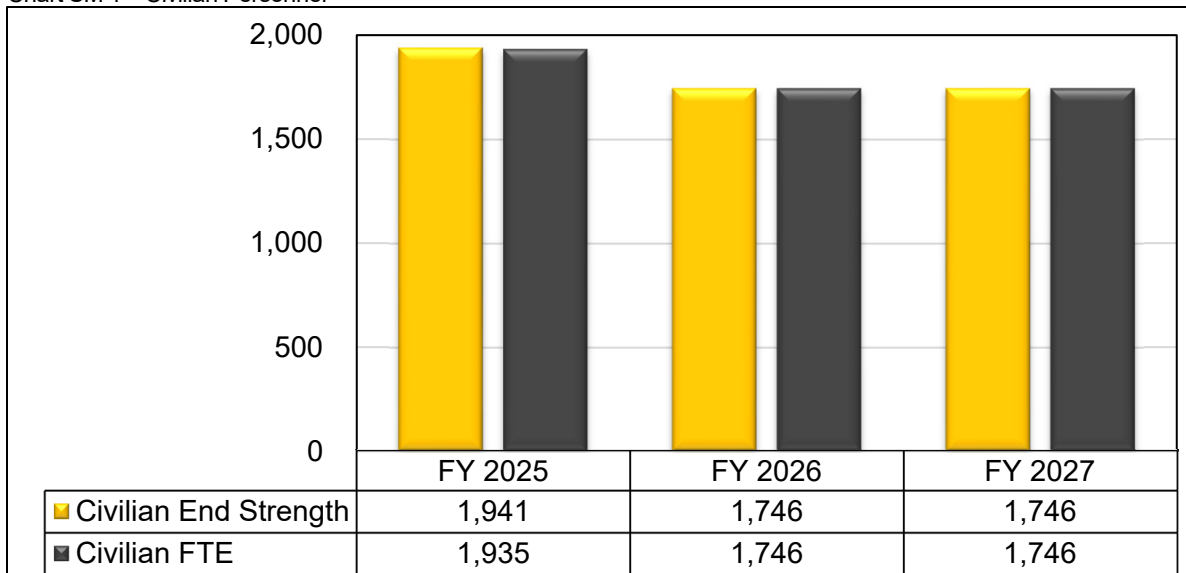
The FY 2027 budget represents a business plan that supports Soldier and weapon systems readiness for both peacetime training and overseas operating requirements. The AWCF provides materiel readiness to operating units in support of the Army’s training strategy to build and sustain critical warfighting 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 2025 and authorized levels in FY 2026 and FY 2027. The reduction to 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 2027 is two.

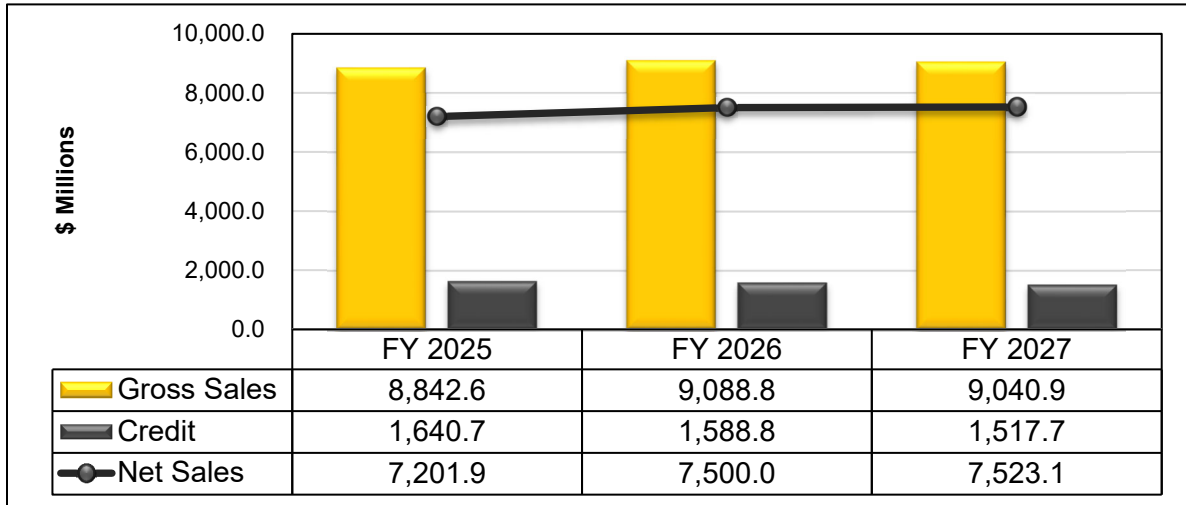
Chart SM 1 – Civilian Personnel



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 2025 and projected levels in FY 2026 and FY 2027. FY 2027 sales total includes an \$80 million surcharge to support cash levels. 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).

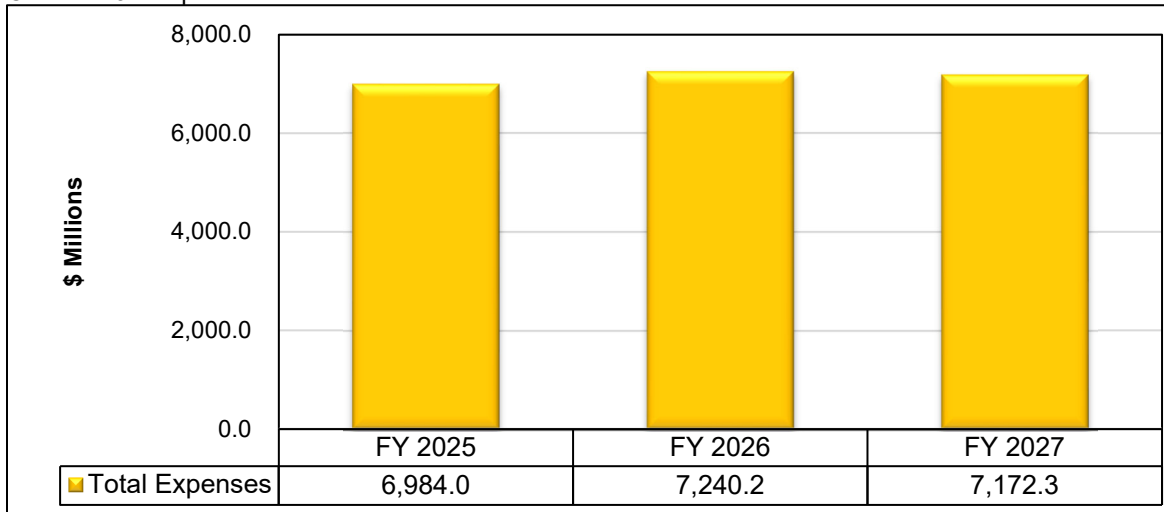
Chart SM 2 – Sales



Expenses

Expenses consist of materiel and operational costs. The decrease in projected FY 2027 expenses is attributed to lower sales volume. Expenses are displayed on exhibit Fund 14, *Revenue and Costs*.

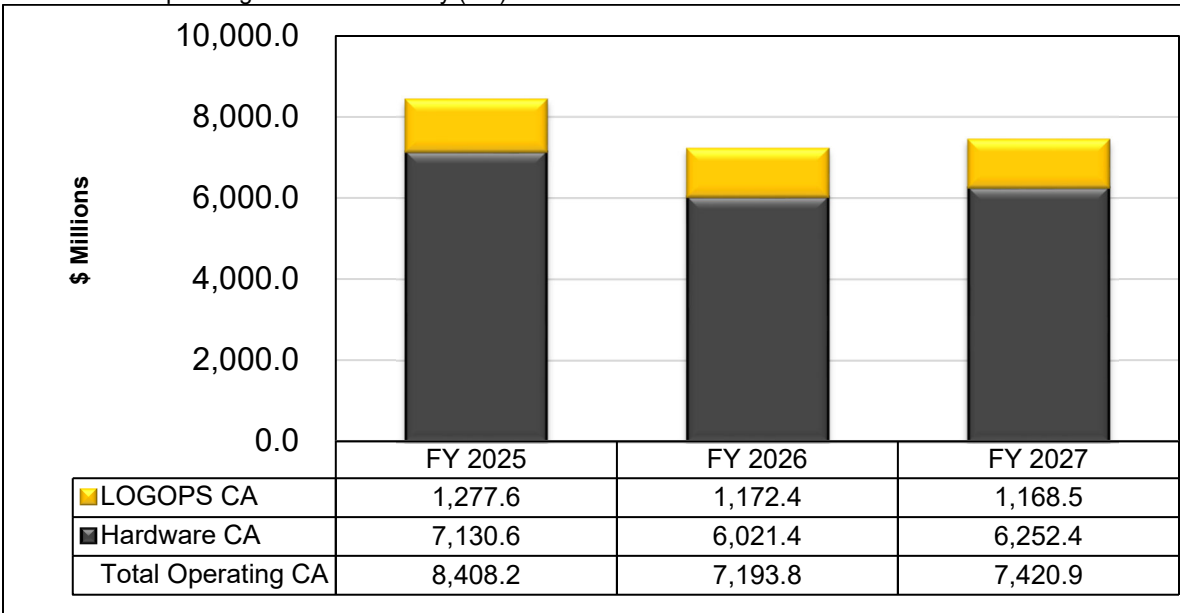
Chart SM 3 – Expenses



Operating Contract Authority

The budget requests operating contract authority (CA) for the acquisition, repair, and replenishment of spare parts. The FY 2027 CA request is consistent with projected sales to replenish inventory sold in FY 2027, to balance future readiness with cash affordability. Army’s FY 2027 hardware CA request is structured to replenish materiel sold in FY 2027, after the FY 2026 CA request was reduced to address the FY 2025 sales variance. The budget includes \$2 billion in variability target to ensure CA is available to respond rapidly to unexpected surges in customer demands during the year of execution. Operating CA is displayed on exhibit SM 1, *Supply Management Summary* and SM 3b, *Operating Requirements by Weapon System*.

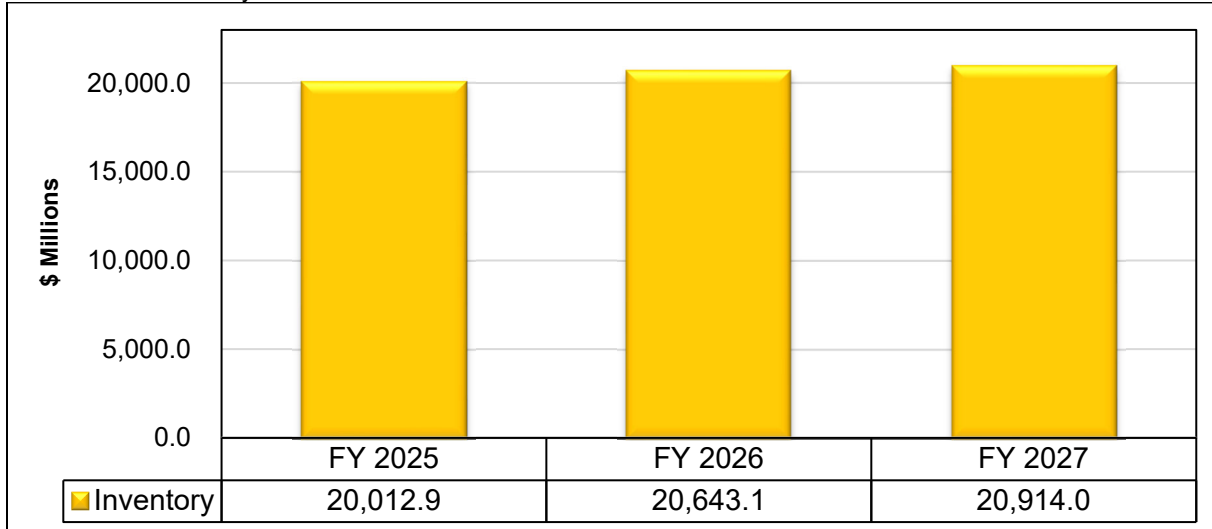
Chart SM 4 –Operating Contract Authority (CA)



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 higher inventory receipts than materiel 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 FY 2027. 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 2025	FY 2026	FY 2027
Net Operating Result	(150.1)	259.8	350.8
Prior Year AOR	189.0	(171.1)	(114.9)
Non-Recoverable AOR	(210.0)	(203.6)	(235.9)
Accumulated Operating Result	(171.1)	(114.9)	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 bills associated with supply operations, and costs of replacing inventory washouts. The FY 2027 CRR increases with the inclusion of an \$80 million cash surcharge to support the Army's cash balance. The revised price change to customers is the change of the estimated standard price of an item in the budget year from the standard price of an item in the previous year, to include the change in overhead costs as well as the projected materiel inflation that will raise the price of an item.

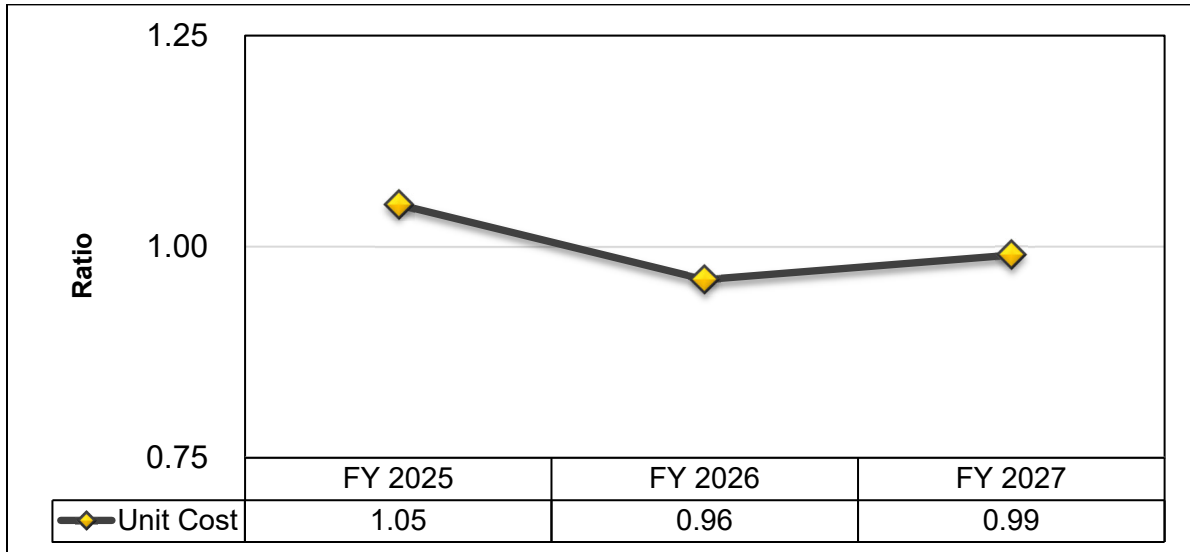
Table SM 2 – Cost Recovery Rate (CRR) and Price Change

	FY 2025	FY 2026	FY 2027
CRR	17.7%	19.5%	22.2%
Revised Price Change to Customer	1.9%	6.1%	6.7%

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 CA executed below the sales amount. 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 below 1.0 to sell off inventory that was not sold in FY 2025. FY 2027 unit cost is set to 0.99 to fully replenish FY 2027 projected materiel sold but not make purchases against the \$80 million surcharge included in sales. Potential readiness impacts are 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 2025 through FY 2027.

Chart SM 6 - Unit Cost

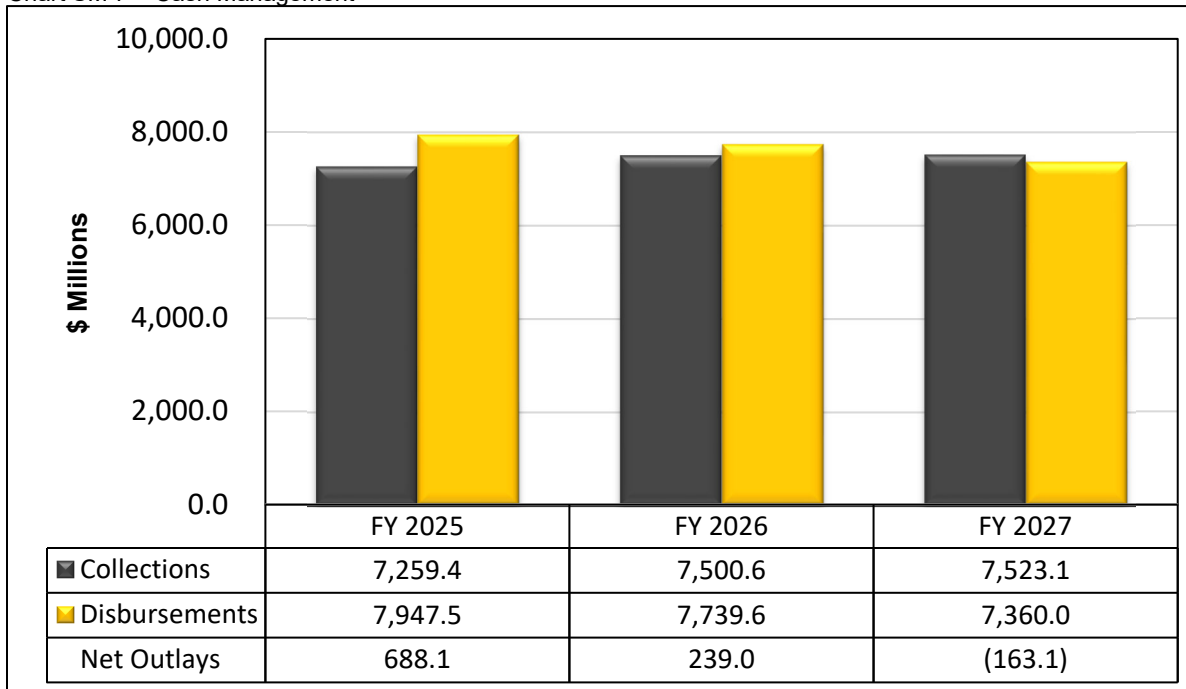


$$\text{Unit Cost} = \frac{\text{Net Obligations}}{\text{Net Sales}}$$

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 2027 sales and collections are forecasted to decrease as the Army projects less flying hours. Disbursements are projected to decrease due 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

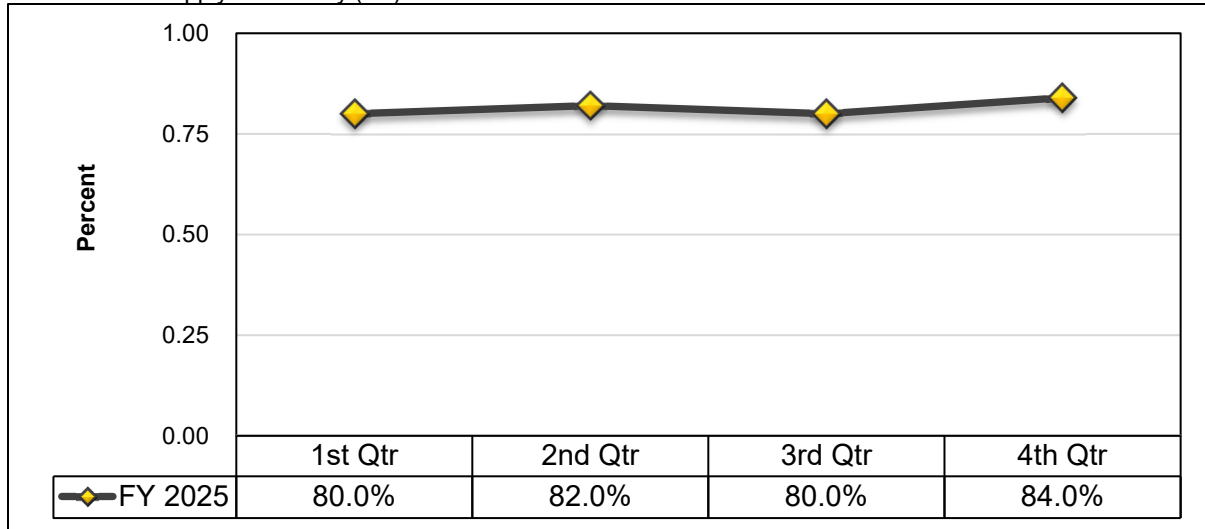


Performance Measurement

Supply Availability

Supplying and maintaining Army's equipment remain key components of readiness. The supply availability (SA) goal is a key 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 2025 below the 85 percent goal and ending the fourth quarter at 84 percent. The Army's contract authority requirement supports the 85% SA goal in FY 2027.

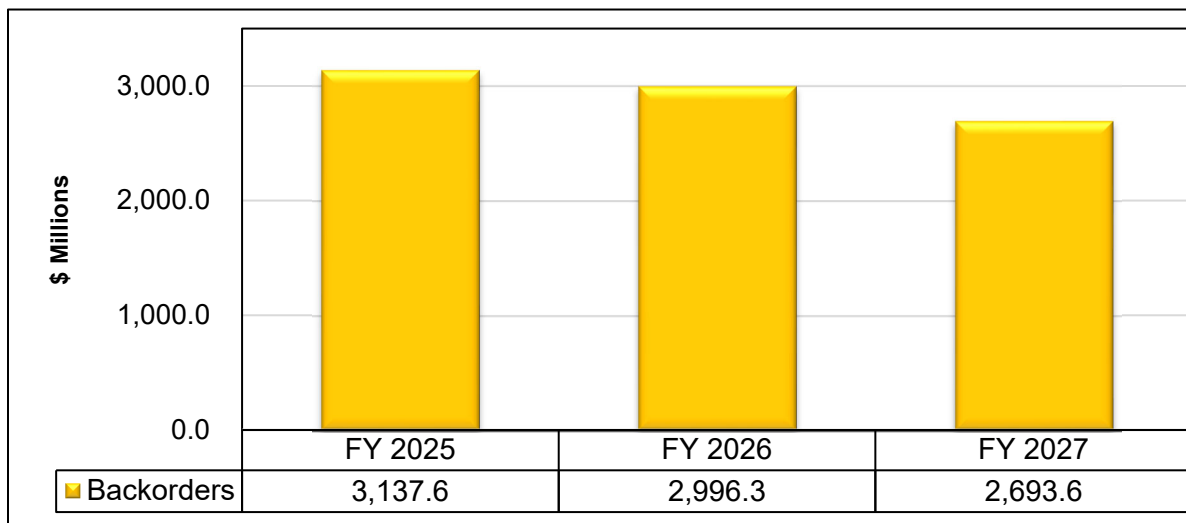
Chart SM 8 – Supply Availability (SA)



Backorders

Backorders are expected to decrease in FY 2027 as a result of lower new order receipts. 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 (End of Period)



Supply Management Workload

Table SM 3 below displays Supply Management workload drivers. The decreases in requisitions received are consistent with new order receipts.

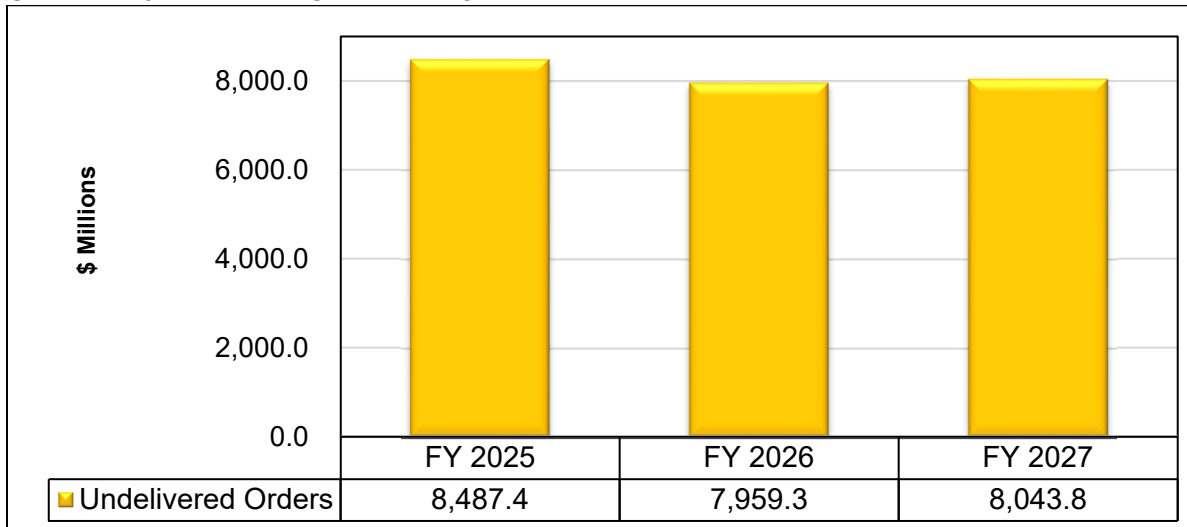
Table SM 3 - Supply Management Workload

Supply Management Workload	FY 2025	FY 2026	FY 2027
Items Managed	118,628	116,109	113,392
Requisitions Received	561,542	549,616	536,755
Issues Completed	322,015	335,346	336,379
Procurement Receipts	71,590	69,847	65,777
Contracts Awarded	14,763	12,466	12,945

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 increase as more material is ordered in FY 2027.

Chart SM 10 – Hardware Undelivered Orders



Appropriations

In FY 2025, the Army Working Capital Fund (AWCF) 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 2027. 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 2025	FY 2026	FY 2027
War Reserve Secondary Items	3.6	0.0	0.0

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Supply Management**

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

	FY 2025	FY 2026	FY 2027
1. New Orders			
a. Orders from DOW Components:			
Department of Army			
Operation & Maintenance, Army	6,039.4	6,178.8	6,102.2
Operation & Maintenance, ARNG	739.1	591.2	593.4
Operation & Maintenance, AR	142.3	98.4	97.7
Subtotal, O&M Army	6,920.8	6,868.4	6,793.3
Aircraft Procurement	41.2	56.8	56.5
Missile Procurement	1.5	4.8	4.8
Weapons & Tracked Combat Vehicles	85.0	38.4	38.2
Procurement of Ammunition	7.2	1.8	1.8
Other Procurement	32.8	33.4	29.2
Subtotal Procurement	167.7	135.2	130.5
RDT&E	37.8	49.3	49.0
BRAC	0.0	0.0	0.0
Family Housing	3.5	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	2.0	2.0	1.9
Subtotal All Other Army	43.4	51.2	50.8
 Subtotal, Department of the Army	 7,131.9	 7,054.9	 6,974.7
Department of Air Force O&M	0.0	34.3	34.4
Department of Air Force Investment	0.0	0.0	0.0
Department of Navy O&M	22.4	87.3	88.1
Department of Navy Investment	0.0	0.0	0.0
US Marines O&M	46.8	49.5	47.9
US Marines Investment	0.0	0.1	0.1
Other Department of War	179.6	225.6	209.0
Subtotal Other DOW Services	248.9	396.9	379.6

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Supply Management**

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

	FY 2025	FY 2026	FY 2027
b. Defense Working Capital Fund (DWCF)			
Industrial Operations, Army	645.8	572.9	464.8
Supply Management, Army	0.0	2.0	2.2
Supply Management, Air Force	53.5	5.2	5.5
Supply Management, Navy	91.9	16.2	17.2
Supply Management, Marine Corps	4.7	3.8	4.0
DECA	0.0	0.0	0.0
DFAS	0.0	0.0	0.0
DISA	0.0	0.0	0.0
DLA	9.7	0.0	0.0
TRANSCOM	0.0	0.0	0.0
Other	56.8	0.0	0.0
Subtotal DWCF	862.3	600.1	493.7
c. Total DOW	8,243.1	8,051.9	7,848.0
d. Other Orders:			
Other Federal Agencies	13.0	19.5	19.9
Trust Fund	0.0	0.0	0.0
Non Federal Agencies	0.6	0.6	0.6
Foreign Military Sales	884.9	875.5	869.7
Nonappropriated	0.0	0.0	0.0
Subtotal, Other Orders	898.5	895.6	890.2
1. Total New Orders	9,141.7	8,947.5	8,738.2
2. Carry-In Orders (Back Orders From Prior Years)	2,838.5	3,137.6	2,996.3
3. Total Gross Orders	11,980.1	12,085.1	11,734.4
4. Carry-Out Orders (-)	3,137.6	2,996.3	2,693.6
5. Gross Sales	8,842.6	9,088.8	9,040.9
6. Credit and Allowances (-)	1,640.7	1,588.8	1,517.7
7. Net Sales	7,201.9	7,500.0	7,523.1

**EXHIBIT FUND-11
SOURCE OF NEW ORDERS AND REVENUE**

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Supply Management**

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

	FY 2025	FY 2026	FY 2027
Revenue			
AMI Sales	6,895.4	7,185.4	6,936.6
NAMM Sales	1,947.2	1,903.4	2,104.3
Total Gross Sales	8,842.6	9,088.8	9,040.9
Credit and Allowances	1,640.7	1,588.8	1,517.7
Net Sales	7,201.9	7,500.0	7,523.1
Other Income	35.7	0.0	0.0
War Reserve-Secondary Items	3.6	0.0	0.0
Imputed Financing Sources	32.0	0.0	0.0
Total Income:	7,237.5	7,500.0	7,523.1
Costs			
Cost of Materiel Sold from Inventory			
AMI	3,860.1	4,074.0	3,832.4
NAMM	1,848.9	1,845.4	2,064.6
Total Cost of Materiel Sold from Inventory	5,709.0	5,919.3	5,897.0
Inventory Losses/Obsolescence	25.2	132.7	90.9
Salaries and Wages Total	322.2	300.5	298.3
Military Personnel Compensation & Benefits	0.2	0.2	0.2
Civilian Personnel Compensation & Benefits	322.0	300.3	298.2
Travel & Transportation of Personnel	0.9	2.3	2.5
Materiel & Supplies (For Internal Operations)	0.5	0.5	0.5
Equipment	3.8	5.7	5.7
Other Purchases from Revolving Funds	381.3	371.6	370.1
Transportation of Things	87.4	99.0	101.7
Capital Investment Recovery (CIR) - Capital	17.2	15.8	15.9
Printing and Reproduction	0.0	0.0	0.0
Advisory and Assistance Services	80.4	54.5	55.0
Audit Readiness (memo entry)	13.0	9.5	9.5
Financial Statement Audit (memo entry)	19.1	14.7	14.9
Rent, Communication, Utilities & Misc. Charges	0.0	0.0	0.0
Other Purchased Services	356.2	338.3	334.7
Total Operating Expenses	1,249.8	1,188.2	1,184.4
Total Expenses	6,984.0	7,240.2	7,172.3
Operating Result	253.6	259.8	350.8
Less Recovery of Prior Year Pricing Discrepancies	0.0	0.0	0.0
Other Changes Affecting NOR:			
Less Direct Funding	(3.6)	0.0	0.0
Adjustment for Cash Transfer	(400.0)	0.0	0.0
Net Operating Result	(150.1)	259.8	350.8
Prior Year AOR	189.0	(171.1)	(114.9)
Non-Recoverable AOR for Budget Purposes	(210.0)	(203.6)	(235.9)
Accumulated Operating Result	(171.1)	(114.9)	0.0

**EXHIBIT FUND-14
REVENUE AND COSTS**

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Supply Management**

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

	Net Customer Orders	Net Sales	Operating (Contract Authority)	Obligation Targets Direct Appropriation - Mobilization	Direct Appropriation - Other	Total
Non-Army Managed Items (NAMI)						
<i>FY 2025</i>	1,946.5	1,946.3	1,989.9	0.0	0.0	1,989.9
<i>FY 2026</i>	1,902.5	1,902.4	1,902.4	0.0	0.0	1,902.4
<i>FY 2027</i>	2,033.5	2,103.3	2,102.4	0.0	0.0	2,102.4
Army Managed Items (AMI)						
<i>FY 2025</i>	5,554.5	5,255.6	5,140.8	0.2	0.0	5,141.0
<i>FY 2026</i>	5,456.2	5,597.6	4,119.0	0.0	0.0	4,119.0
<i>FY 2027</i>	5,186.9	5,419.8	4,150.0	0.0	0.0	4,150.0
AMC Mobilization						
<i>FY 2025</i>	0.0	0.0	0.0	1.6	0.0	1.6
<i>FY 2026</i>	0.0	0.0	0.0	0.0	0.0	0.0
<i>FY 2027</i>	0.0	0.0	0.0	0.0	0.0	0.0
Total Hardware						
<i>FY 2025</i>	7,501.0	7,201.9	7,130.6	1.8	0.0	7,132.5
<i>FY 2026</i>	7,358.7	7,500.0	6,021.4	0.0	0.0	6,021.4
<i>FY 2027</i>	7,220.4	7,523.1	6,252.4	0.0	0.0	6,252.4
Cost of Operations (LOGOPS)						
<i>FY 2025</i>			1,277.6			1,277.6
<i>FY 2026</i>			1,172.4			1,172.4
<i>FY 2027</i>			1,168.5			1,168.5
Total Operating Authority						
<i>FY 2025</i>	7,501.0	7,201.9	8,408.2	1.8	0.0	8,410.0
<i>FY 2026</i>	7,358.7	7,500.0	7,193.8	0.0	0.0	7,193.8
<i>FY 2027</i>	7,220.4	7,523.1	7,420.9	0.0	0.0	7,420.9

**EXHIBIT SM-1
SUPPLY MANAGEMENT SUMMARY**

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Supply Management**

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

	Net Customer Orders	Net Sales	Operating (Contract Authority)	Obligation Targets Direct Appropriation - Mobilization	Direct Appropriation - Other	Total
<i>Total Capital Obligations (CIP)</i>						
FY 2025			10.7			10.7
FY 2026			15.5			15.5
FY 2027			23.6			23.6
<i>Variability Target</i>						
FY 2025			0.0			0.0
FY 2026			2,000.0			2,000.0
FY 2027			2,000.0			2,000.0
Target Total						
FY 2025	7,501.0	7,201.9	8,418.8	1.8	0.0	8,420.7
FY 2026	7,358.7	7,500.0	9,209.2	0.0	0.0	9,209.2
FY 2027	7,220.4	7,523.1	9,444.5	0.0	0.0	9,444.5
Direct Appropriations						
<i>Mobilization - War Reserve Materiel</i>						
FY 2025				3.6		3.6
FY 2026				0.0		0.0
FY 2027				0.0		0.0
TOTAL DIRECT APPROPRIATIONS						
FY 2025				3.6	0.0	3.6
FY 2026				0.0	0.0	0.0
FY 2027				0.0	0.0	0.0

**EXHIBIT SM-1
SUPPLY MANAGEMENT SUMMARY**

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Supply Management**

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

Weapon System	FY 2025		FY 2026		FY 2027	
	Obligations	NMCRS ¹	Obligations	NMCRS ¹	Obligations	NMCRS ¹
AH-64, Apache	196.1	9.8%	526.0	10.0%	565.3	10.0%
CH-47, Chinook	396.4	7.5%	304.5	10.0%	357.2	10.0%
UH-60, Blackhawk	193.5	9.6%	237.4	10.0%	324.8	10.0%
Other Aviation	509.5	N/A	8.0	N/A	12.2	N/A
MLRS	59.1	8.0%	11.1	<10.0%	14.4	<10.0%
Patriot	125.6	17.0%	155.7	<10.0%	149.0	<10.0%
Vehicle Mounted Stinger Avenger	188.1	15.8%	0.4	<10.0%	0.0	<10.0%
Other Missile	0.0	N/A	85.2	N/A	87.0	N/A
AN/TPQ-36 (Firefinder Radar)	0.0	0.0%	0.0	<10.0%	0.0	<10.0%
AN/TPQ-50 (Lightweight Counter Mortar Radar)	3.5	5.1%	2.9	<10.0%	6.1	<10.0%
AN/TPQ-53 (Counterfire Target Acquisition Radar)	29.5	20.2%	25.4	<10.0%	11.9	<10.0%
CSS VSAT (AN-TSC-1893A)	10.4	5.2%	12.3	N/A	7.5	N/A
Joint Network Node (JNN)	0.2	9.1%	0.8	<10.0%	0.8	<10.0%
PHOENIX AN/TSC-156	0.0	10.1%	1.2	<10.0%	0.4	<10.0%
Satellite Transportable Terminal (STT)	0.0	3.2%	3.5	<10.0%	1.7	<10.0%
SMART-T AN/TSC-154/A EHF/AEHF	9.5	7.1%	0.1	<10.0%	0.0	<10.0%
Other Communications Electronics	476.9	N/A	461.7	N/A	417.9	N/A
FMTV	78.2	14.6%	83.3	<10.0%	96.4	<10.0%
HEMTT	85.0	15.4%	60.1	<10.0%	49.2	<10.0%
HMMWV	140.1	11.5%	144.4	<10.0%	153.0	<10.0%
JLTV	28.5	13.3%	24.3	<10.0%	5.3	<10.0%
M109, Paladin	18.2	18.4%	92.1	<10.0%	13.9	<10.0%
M777, Towed Howitzer	140.1	21.4%	95.8	<10.0%	227.2	<10.0%
M1A1, Abrams Tank	351.2	0.0%	839.9	<10.0%	644.8	<10.0%
M1A2, Abrams Tank (SEP)	61.9	20.1%	122.8	<10.0%	100.7	<10.0%
M2/M3, Bradley Fighting Vehicle	307.1	25.6%	335.5	<10.0%	153.9	<10.0%
Stryker	5.7	17.9%	235.0	<10.0%	242.9	<10.0%
Other Tank - Automotive & Armament	1,726.4	N/A	249.6	N/A	506.3	N/A
Subtotal:	5,140.8		4,119.0		4,150.0	
NAMM Hardware Contract Authority	1,989.9		1,902.4		2,102.4	
AMC-MOB Hardware Contract Authority	0.0		0.0		0.0	
Total:	7,130.6		6,021.4		6,252.4	

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 AWCFF goals for NMCRS are: at or below 10% for ground and at or below 25% for aircraft. FY 2025 is actual data. FY 2026 and FY 2027 are the Army's goal for total weapon system readiness.

**EXHIBIT SM-3b
OPERATING REQUIREMENTS BY WEAPON SYSTEMS**

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Supply Management**

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

FY 2025	TOTAL	Demand Based	Mobilization	Non-Demand Based
1. Inventory BOP	19,141.7	13,015.1	1,030.4	5,096.2
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	19,141.7	13,015.1	1,030.4	5,096.2
3. Receipts at Cost	6,712.9	6,705.1	7.9	0.0
4. Sales at Cost	7,349.7	7,349.7	0.0	0.0
5. Inventory Adjustments				
A. Capitalization (+ or -)	(3.5)	3.1	0.0	(6.6)
B. Returns from Customers for Credit	1,640.7	1,640.7	0.0	0.0
C. Returns from Customers Without Credit	179.5	100.0	0.0	79.5
D. Returns to Suppliers (-)	(27.5)	(27.5)	0.0	0.0
E. Transfers to Property Disposal (-)	(163.8)	(157.8)	0.0	(6.1)
F. Issues/Receipts wo Reimbursements (+ or -)	(117.4)	(100.5)	0.0	(16.8)
G. Other	0.0	0.0	0.0	0.0
H. Total Adjustments	1,508.0	1,457.9	0.0	50.1
6. Inventory EOP	20,012.9	13,828.4	1,038.3	5,146.2
7. Inventory EOP (MAC)	20,012.9	13,828.4	1,038.3	5,146.2
A. Economic Retention (Memo)				0.0
B. Contingency Retention (Memo)				0.0
C. Potential DOW Reutilization (Memo)				5,146.2
8. Inventory on Order EOP (Memo)	8,487.4	8,469.0	18.4	0.0

**EXHIBIT SM-4
INVENTORY STATUS**

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Supply Management**

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

FY 2026	TOTAL	Demand Based	Mobilization	Non-Demand Based
1. Inventory BOP	20,012.9	13,828.4	1,038.3	5,146.2
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	20,012.9	13,828.4	1,038.3	5,146.2
3. Receipts at Cost	6,549.5	6,545.2	4.3	0.0
4. Sales at Cost	7,508.1	7,508.1	0.0	0.0
5. Inventory Adjustments				
A. Capitalization (+ or -)	0.0	0.0	0.0	0.0
B. Returns from Customers for Credit	1,588.8	1,588.8	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	1,588.8	1,588.8	0.0	0.0
6. Inventory EOP	20,643.1	14,454.2	1,042.6	5,146.2
7. Inventory EOP (MAC)	20,643.1	14,454.2	1,042.6	5,146.2
A. Economic Retention (Memo)				0.0
B. Contingency Retention (Memo)				0.0
C. Potential DOW Reutilization (Memo)				5,146.2
8. Inventory on Order EOP (Memo)	7,959.3	7,943.5	15.8	0.0

**EXHIBIT SM-4
INVENTORY STATUS**

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Supply Management**

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

FY 2027	TOTAL	Demand Based	Mobilization	Non-Demand Based
1. Inventory BOP	20,643.1	14,454.2	1,042.6	5,146.2
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	20,643.1	14,454.2	1,042.6	5,146.2
3. Receipts at Cost	6,167.9	6,163.6	4.3	0.0
4. Sales at Cost	7,414.7	7,414.7	0.0	0.0
5. Inventory Adjustments				
A. Capitalization (+ or -)	0.0	0.0	0.0	0.0
B. Returns from Customers for Credit	1,517.7	1,517.7	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	1,517.7	1,517.7	0.0	0.0
6. Inventory EOP	20,914.0	14,720.8	1,046.9	5,146.2
7. Inventory EOP (MAC)	20,914.0	14,720.8	1,046.9	5,146.2
A. Economic Retention (Memo)				0.0
B. Contingency Retention (Memo)				0.0
C. Potential DOW Reutilization (Memo)				5,146.2
8. Inventory on Order EOP (Memo)	8,043.8	8,029.5	14.3	0.0

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Supply Management**

**War Reserve Materiel (WRM)
Stockpile (\$ in Millions)**

FY 2025	Total	WRM Protected	WRM Other
1. Inventory BOP	1,030.4	1,030.4	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	7.9	7.9	0.0
(1) Purchases	7.9	7.9	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	1,038.3	1,038.3	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	3.6		
2. Replenishment WRM	0.0		
3. Repair WRM	0.0		
4. Assemble/Disassemble	0.0		
5. Other	0.0		
Total Request	3.6		

**EXHIBIT SM-6
WAR RESERVE MATERIEL**

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Supply Management**

**War Reserve Materiel (WRM)
Stockpile (\$ in Millions)**

FY 2026	Total	WRM Protected	WRM Other
1. Inventory BOP	1,038.3	1,038.3	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	4.3	4.3	0.0
(1) Purchases	4.3	4.3	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	1,042.6	1,042.6	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		

**EXHIBIT SM-6
WAR RESERVE MATERIEL**

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Supply Management**

**War Reserve Materiel (WRM)
Stockpile (\$ in Millions)**

FY 2027	Total	WRM Protected	WRM Other
1. Inventory BOP	1,042.6	1,042.6	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	4.3	4.3	0.0
(1) Purchases	4.3	4.3	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	1,046.9	1,046.9	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		

**EXHIBIT SM-6
WAR RESERVE MATERIEL**

Industrial Operations

Introduction

The Industrial Operations (IO) activity group is comprised of 13 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 War***

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:



Initiative at Letterkenny Army Depot to consolidate various air missile defense programs into one primary production facility (U.S. Army photo by Pam Goodhart)

- **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 and Operations Planning (S&OP) processes.
- **Shingo Award**: The Shingo Prize 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 31 Shingo Prizes for various programs at its depots and arsenals, including eight at Red River Army Depot (RRAD), seven at Tobyhanna Army Depot (TYAD), ten at Letterkenny Army Depot (LEAD), three at the Rock Island Arsenal-Joint Manufacturing and Technology Center (RIA-JMTC), two at Anniston Army Depot (ANAD) and one at Corpus Christi Army Depot (CCAD).
- **International Organization for Standardization (ISO)**: 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), Tooele Army Depot (TEAD), and Watervliet Arsenal (WVA) are ISO 45001 certified.

- **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 logistics management capabilities 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 2027 President's Budget continues critical investments in the Army Organic Industrial Base (OIB) as outlined in the Secretary of the Army's approved fifteen-year OIB Modernization Implementation Plan (OIB-MIP). This plan, spanning FY 2024 through FY 2038, aims to modernize the Army's 23 manufacturing sites, including depots, arsenals, and ammunition facilities, to ensure readiness for future conflicts. The OIB-MIP

focuses on transforming the OIB into a resilient, data-driven enterprise by adopting advanced technologies such as Digital Engineering (DE), Artificial Intelligence (AI), and Digital Twins. These innovations optimize operations, enhance efficiency, and ensure accountability. The Vulcan platform, a real-time decision-making tool, tracks modernization efforts across all sites, aligning resources with strategic objectives.

- **Advanced Analytics:** The Army is implementing advanced data analytics to manage industrial and supply activities within the AWCF, leveraging the Army's Vantage platform to transform oversight and control costs. A key innovation is the Weapons System 360 (WS360) Supply Chain Risk Management Control Tower, which delivers decision-ready intelligence for critical weapons systems. For financial management, AMC is automating AWCF monthly reports using the Logistics Modernization Program (LMP) and embedded generative AI tools. This automation streamlines workload, allowing analysts to better focus on improving financial processes, data accuracy, and audit readiness, ultimately standardizing business operations across the enterprise.

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 DOW and U.S. allies
- Performs ammunition receipt, storage, and issue functions

In addition to the mission functions, 10 of the 13 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.



Tobyhanna Army Depot engineer adjusts a small unmanned aircraft system (sUAS) (U.S. Army photo by Tobyhanna Army Depot)

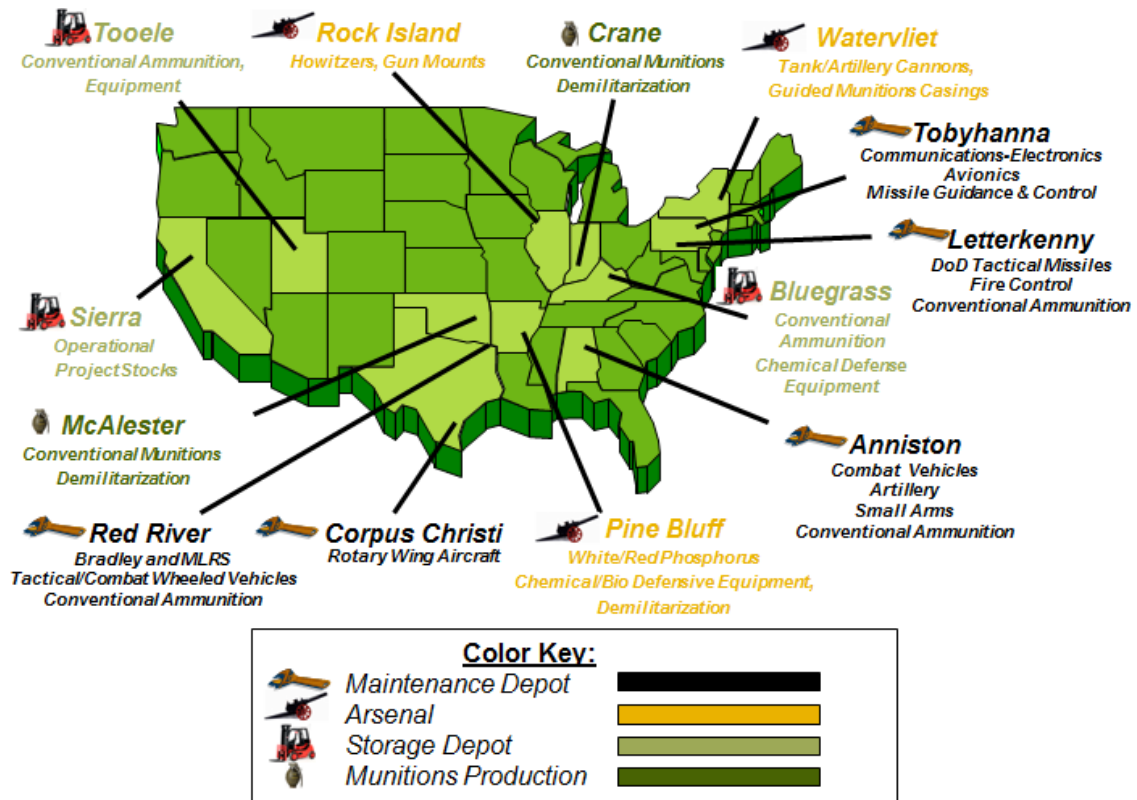
The benefits to private industry include access to specialized facilities, equipment, and processes, and stimulating local economies. Current public-private partnership agreements are held with Boeing, General Dynamics Land Systems, Sikorsky Aircraft Corporation, and Honeywell International.

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 DOW 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 core¹ maintenance and technical expertise.

¹ 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.

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.

Anniston Army Depot (ANAD)

Location: Anniston, Alabama

2025 Workforce: 2,253



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

2025 Workforce: 736



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 DOW'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

2025 Workforce: 2,430



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, Department of Homeland Security (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 unmanned aircraft system platforms.

Crane Army Ammunition Activity (CAAA)

Location: Crane, Indiana

2025 Workforce: 987



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

2025 Workforce: 1,114



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 DOW'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

2025 Workforce: 1,422



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

2025 Workforce: 571



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

2025 Workforce: 1,418



Description: RRAD provides global sustainment support for ground combat and tactical systems as the CITE for the Bradley Fighting Vehicle, Multiple Launch Rocket System (MLRS), tactical wheeled vehicles, and rubber products. RRAD also supports boats, cranes, engines and transmissions. 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

2025 Workforce: 703



Description: RIA – JMTC is the DOW'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's efforts in additive manufacturing, prototyping, and sustainable legacy system modernization.

Sierra Army Depot (SIAD)

Location: Herlong, California

2025 Workforce: 990



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

2025 Workforce: 2,236



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

2025 Workforce: 456



Description: TEAD is DOW's Western Region Conventional Ammunition Hub and Ammunition Peculiar Equipment Center. TEAD provides Warfighter readiness through superior Ammunition Logistics and Ammunition Peculiar Equipment production/maintenance. The depot receives, stores, issues, renovates, modifies, maintains, and destroys conventional and loitering munitions for all of DOW. TEAD is designated as the Center of Industrial and Technical Excellence and the National Inventory Control Point for APE. TEAD is the life cycle engineering depot for design, development, manufacturing and fielding of munitions systems and APE throughout the world.

Watervliet Arsenal (WVA)

Location: Watervliet, New York

2025 Workforce: 785



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

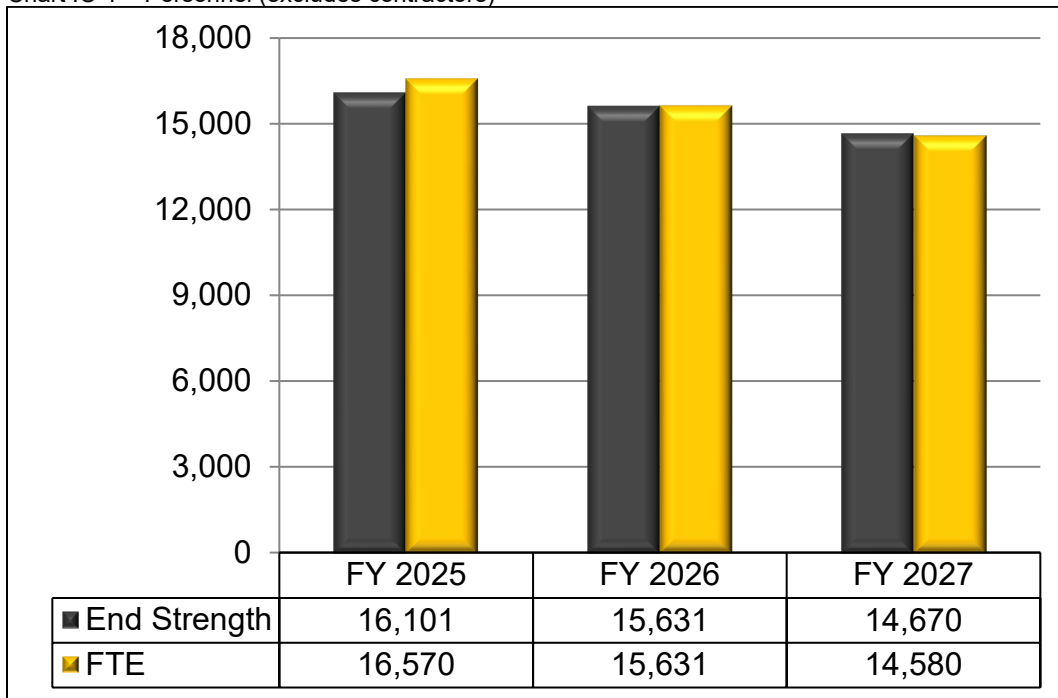
Assumptions

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,

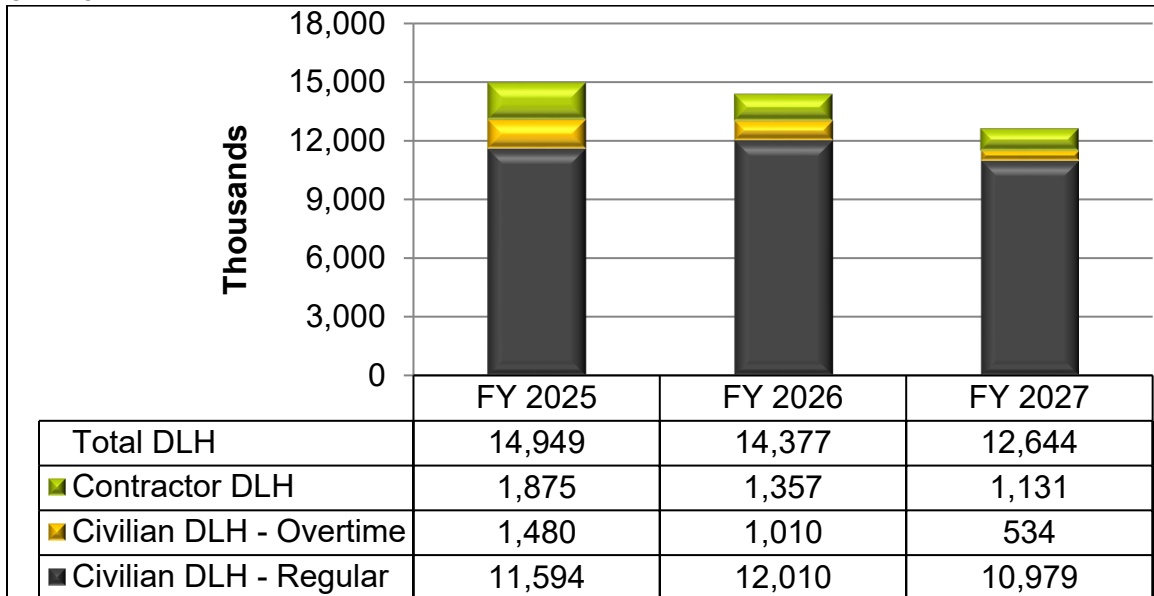
apprenticeship programs and a Pathways program which offers clear paths to Federal internships for students from high school through post-graduate school and to careers for recent graduates. Due to the specialized nature of the work and skill level requirements, training may require two to three years before an employee is able to perform specific tasks without supervision.

The Army is focused on optimizing processes across the industrial base. Guided by its Continuous Transformation strategy and the Organic Industrial Base Modernization Implementation Plan (OIB-MIP), the U.S. Army is executing a comprehensive modernization of its industrial base to meet future threats. These initiatives prioritize the strategic alignment of resources and increased efficiency to develop and field next-generation capabilities while adapting formations, training, and warfighting concepts to the character of modern conflict. In addition to civilian personnel, 21 military personnel are assigned to IO activities in FY 2027.

Direct Labor Hours (DLH)

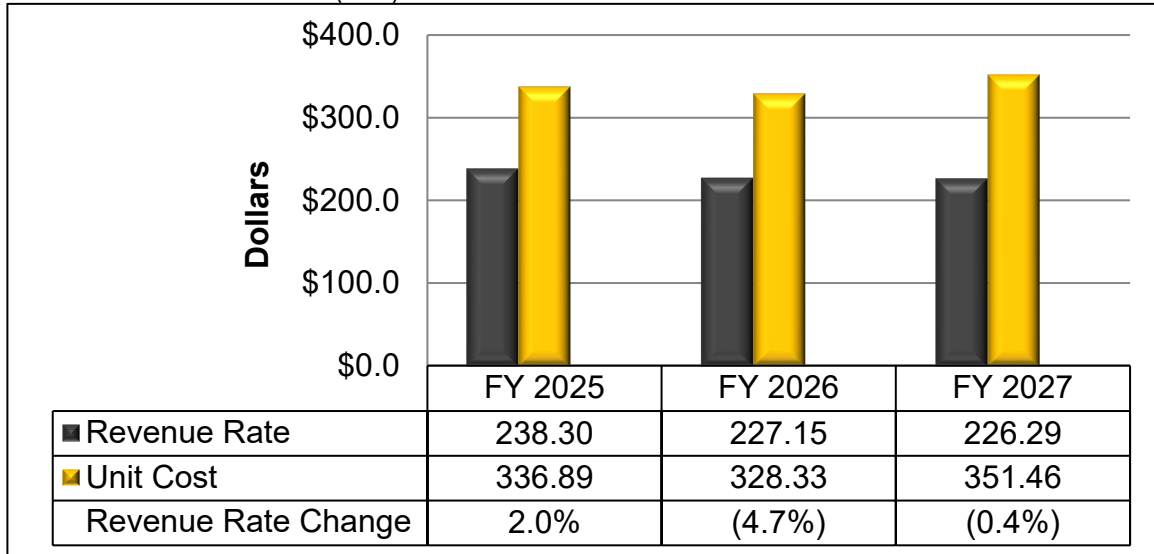
Total DLHs represent the number of hours required to complete the IO direct mission workload. DLHs decrease proportionately with the expected decline in workload. IO activities remain prepared to increase overtime and contractor DLHs in the event workload estimates increase.

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.

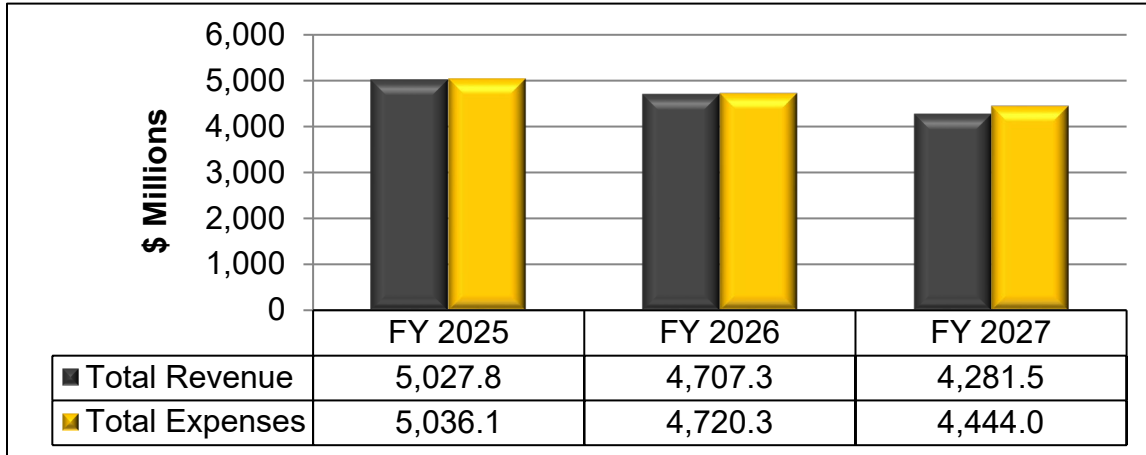
The composite revenue rate calculation is influenced by several factors: (1) the commodity mix of workload planned (labor and material intensive or both), (2) planned gain/loss recovery across the budget cycle, (3) the volume of stabilized DLHs available to distribute overhead, and (4) the total number 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 2027 composite rate decreases to \$226.29 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.

Revenue and Expenses

Chart IO 4 - Revenue and Costs



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*.

Operating Result

The Net Operating Result (NOR) represents the difference between revenue and expenses within a fiscal year. The recoverable Net Operating Result (NOR) includes direct appropriations in Table IO 3 - Appropriations. 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*.

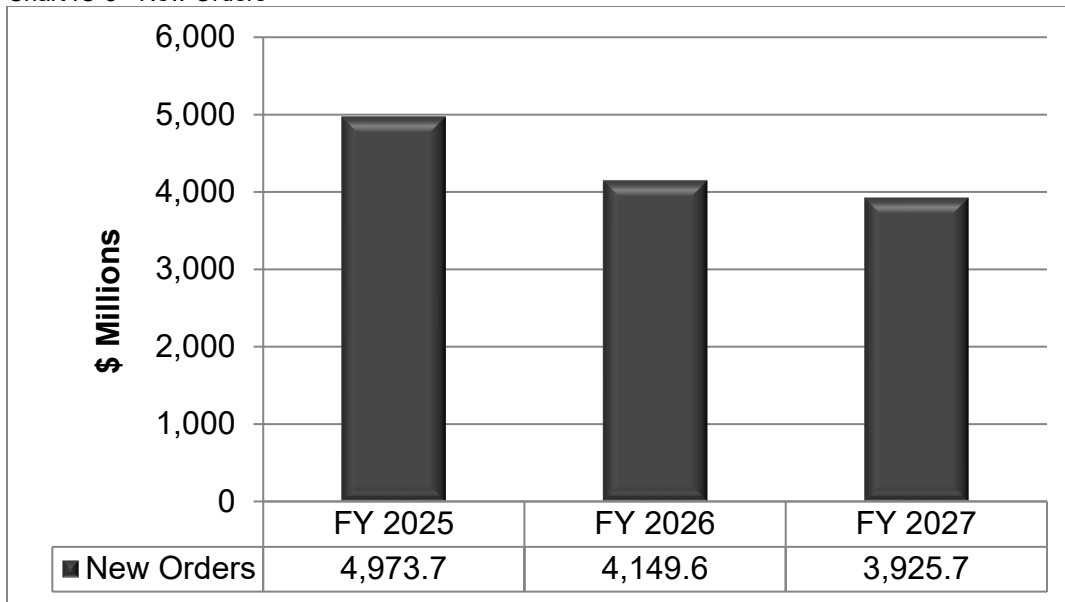
Table IO 1 - Operating Results

(\$ Millions)	FY 2025	FY 2026	FY 2027
Recoverable NOR	123.8	80.6	(72.9)
Accumulated Operating Result	(7.7)	72.9	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. The budget includes workload assumptions that support the base program, contingency operations, and Foreign Military Sales (FMS). The projected workload in FY 2027 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) allows 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. For FY 2027, the Army projects an end-of-year carryover of less than six months, 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 \$238 million by the end of FY 2027. 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 2025	FY 2026	FY 2027
1. Total New Orders	4,973.7	4,149.6	3,925.7
2. Net Carry-in Orders	4,607.5	4,783.1	4,172.9
3. Total Gross Orders (Lines 1 + 2)	9,581.2	8,932.7	8,098.6
4. Revenue	4,616.0	4,578.1	4,256.5
5. Material End of Period Exclusion	2,244.4	1,950.5	1,725.7
6. Adjusted Carryover (Line 3-Line 4 & 5)	2,720.9	2,404.2	2,116.5
7. Foreign Military Sales Exclusion	317.2	184.5	135.1
8. Total Carryover (Line 6 - Line 8)	2,403.7	2,219.6	1,981.4
9. Total Months of Carryover	6.2	5.8	5.6

< 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 2025 actual results and projections for FY 2026 and FY 2027 are shown in the following table.

In FY 2027, the beginning AOR is projected to be positive, and the composite rate has been reduced by consuming some of the projected AOR, resulting in a NOR loss of \$72.9 million.

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 productive yield projections for FY 2026 and FY 2027 are above the expected parameters as workforce is sized to workload in FY 2026 and FY 2027.

Table IO 2 - Performance Measurements

Measurement/Goals	FY 2025	FY 2026	FY 2027
Recoverable NOR	123.8	80.6	(72.9)
Productive Yield	1,473	1,557	1,562

Appropriations

Direct appropriations for IO activities are displayed in Table IO 3 - Appropriations. The Arsenal Sustainment Initiative supports competitive rates at the Army's arsenals. Industrial Mobilization Capacity (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. The Army received \$5 million in FY 2026 for Industrial Charrettes, which support planning for the development of capital investments.

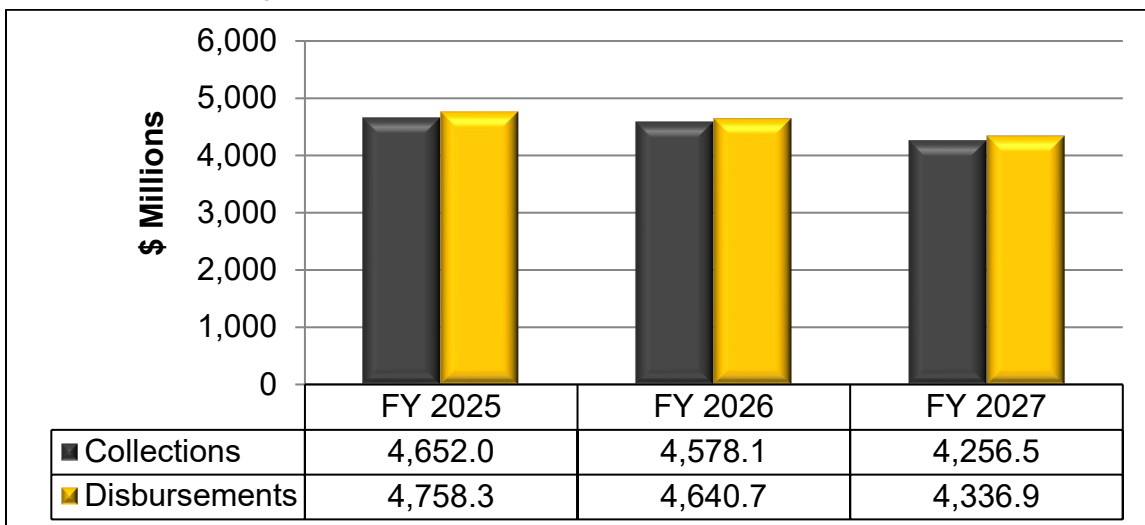
Table IO 3 – Appropriations

(\$ Millions)	FY 2025	FY 2026	FY 2027
Arsenal Sustainment Initiative	120.0	100.0	0.0
Industrial Mobilization Capacity	21.8	20.6	20.6
Industrial-Focused Charrettes	0.0	5.0	0.0
Total Appropriated Funds	141.8	125.6	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.

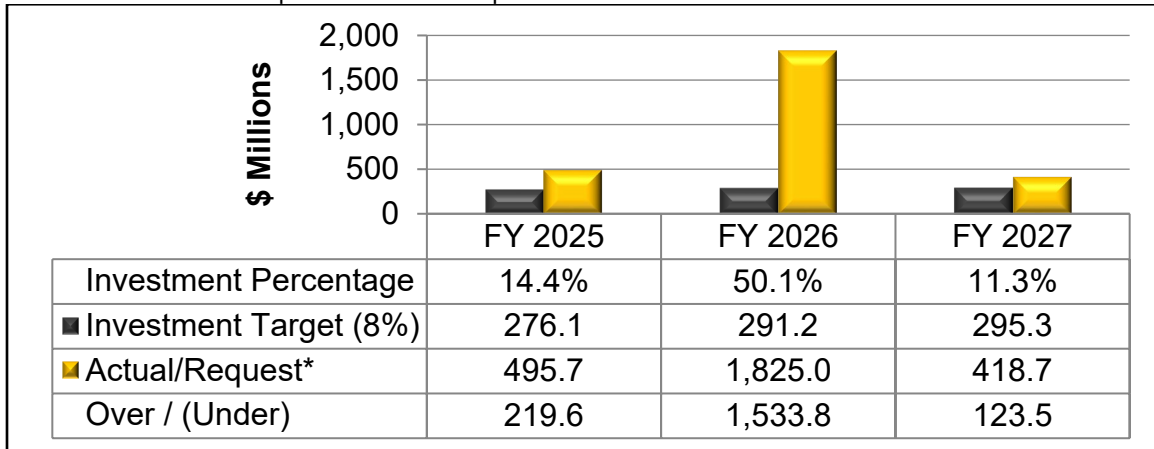
Chart IO 7 - Cash Management



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 8 – Minimum Capital Investment Requirement



* FY26 includes \$960.5M in reconciliation funding

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) 2027 Budget Estimates
Industrial Operations**

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

		Costs
FY 2025 Actual		5,036.1
FY 2026 Estimate in President's Budget		4,874.7
Pricing Adjustments		33.0
FY 2025 Pay Raise	20.8	
-Civilian Personnel	20.6	
-Military Personnel	0.2	
Materials and Supplies	0.3	
Other	11.9	
Program Changes		(187.3)
Labor	(127.4)	
Travel	(7.8)	
Material	(58.8)	
Equipment	(22.4)	
Transportation	5.1	
Depreciation	(0.6)	
Advisory and Assistance Services	(2.6)	
Other Purchased Services	4.9	
Other	22.3	
FY 2026 Current Estimate		4,720.3
Pricing Adjustments		112.1
FY 2026 Pay Raise	5.1	
-Civilian Personnel	4.9	
-Military Personnel	0.2	
Materials and Supplies	82.3	
Other	24.7	
Program Changes		(388.4)
Labor	(127.0)	
Travel	(0.8)	
Material	(164.7)	
Equipment	(6.8)	
Transportation	(0.1)	
Depreciation	(11.7)	
Advisory and Assistance Services	(5.4)	
Other Purchased Services	(36.3)	
Other	(35.8)	
FY 2027 Budget Estimate		4,444.0

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

	FY 2025	FY 2026	FY 2027
<u>Anniston Army Depot</u>			
Average Revenue for Investment	828.0	863.5	831.0
WCF Capital Investment Program			
Facilities/Work Environment	0.0	3.7	0.0
Equipment Modernization	4.1	42.9	7.3
Processes	0.0	0.0	0.0
Capital Investment Program	4.1	46.7	7.3
Operating Funds Investments			
Facilities/Work Environment	0.0	0.0	0.0
Equipment Modernization	6.7	8.1	4.1
Processes	2.6	2.5	2.2
Total Operating Funds	9.2	10.6	6.3
Appropriated Funding			
MILCON	0.0	718.5	0.0
Procurement	0.0	0.0	0.0
Operations & Maintenance	0.0	0.0	0.0
Total Appropriated Funding	0.0	718.5	0.0
Facilities Sustainment, Restoration and Modernization	23.0	24.1	21.9
8%- Total Actual/ Budgeted Investment	36.3	799.8	35.6
2%- FSRM Actual/ Budgeted Investment	23.0	24.1	21.9
6% Actual/ Budgeted Investment	13.3	775.7	13.7
8%- Total Required Investment	66.2	69.1	66.5
2%- FSRM Required Investment	16.6	17.3	16.6
6% Required Investment	49.7	51.8	49.9
8%- Total Investment Over/(under) Required Amount	-29.9	730.7	-30.9
2%- FSRM Investment Over/(under) Required Amount	6.4	6.8	5.3
6%- Investment Over/(under) Required Amount	-36.3	723.9	-36.2
8%- Total Investment Percentage	4.4%	92.6%	4.3%
2%- FSRM Investment Percentage	2.8%	2.8%	2.6%
6% Investment Percentage	1.6%	89.8%	1.6%

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

	FY 2025	FY 2026	FY 2027
<u>Corpus Christi Army Depot</u>			
Average Revenue for Investment	716.4	752.4	767.1
WCF Capital Investment Program			
Facilities/Work Environment	0.0	0.0	0.0
Equipment Modernization	10.0	39.4	37.2
Processes	12.4	0.0	0.0
Capital Investment Program	22.4	39.4	37.2
Operating Funds Investments			
Facilities/Work Environment	0.0	0.0	0.0
Equipment Modernization	28.7	10.6	7.1
Processes	0.0	0.0	0.0
Total Operating Funds	28.7	10.6	7.1
Appropriated Funding			
MILCON	0.0	60.0	0.0
Procurement	0.0	79.0	0.0
Operations & Maintenance	7.6	113.5	55.4
Total Appropriated Funding	7.6	252.5	55.4
Facilities Sustainment, Restoration and Modernization	13.0	12.4	8.4
8%- Total Actual/ Budgeted Investment	71.6	314.9	108.0
2%- FSRM Actual/ Budgeted Investment	13.0	12.4	8.4
6% Actual/ Budgeted Investment	58.6	302.5	99.7
8%- Total Required Investment	57.3	60.2	61.4
2%- FSRM Required Investment	14.3	15.0	15.3
6% Required Investment	43.0	45.1	46.0
8%- Total Investment Over/(under) Required Amount	14.3	254.7	46.7
2%- FSRM Investment Over/(under) Required Amount	-1.3	-2.6	-7.0
6%- Investment Over/(under) Required Amount	15.6	257.3	53.6
8%- Total Investment Percentage	10.0%	41.8%	14.1%
2%- FSRM Investment Percentage	1.8%	1.7%	1.1%
6% Investment Percentage	8.2%	40.2%	13.0%

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

	FY 2025	FY 2026	FY 2027
<u>Letterkenny Army Depot</u>			
Average Revenue for Investment	386.4	393.4	422.6
WCF Capital Investment Program			
Facilities/Work Environment	2.2	0.0	0.0
Equipment Modernization	23.1	11.0	6.8
Processes	0.0	0.0	0.0
Capital Investment Program	25.3	11.0	6.8
Operating Funds Investments			
Facilities/Work Environment	0.0	0.0	0.0
Equipment Modernization	2.3	0.0	1.9
Processes	0.0	0.0	0.0
Total Operating Funds	2.3	0.0	1.9
Appropriated Funding			
MILCON	152.0	91.5	0.0
Procurement	0.0	0.0	0.0
Operations & Maintenance	14.1	12.0	0.0
Total Appropriated Funding	166.1	103.5	0.0
Facilities Sustainment, Restoration and Modernization	5.0	6.8	6.9
8%- Total Actual/ Budgeted Investment	198.7	121.3	15.6
2%- FSRM Actual/ Budgeted Investment	5.0	6.8	6.9
6% Actual/ Budgeted Investment	193.7	114.5	8.7
8%- Total Required Investment	30.9	31.5	33.8
2%- FSRM Required Investment	7.7	7.9	8.5
6% Required Investment	23.2	23.6	25.4
8%- Total Investment Over/(under) Required Amount	167.7	89.9	-18.2
2%- FSRM Investment Over/(under) Required Amount	-2.8	-1.0	-1.5
6%- Investment Over/(under) Required Amount	170.5	90.9	-16.7
8%- Total Investment Percentage	51.4%	30.8%	3.7%
2%- FSRM Investment Percentage	1.3%	1.7%	1.6%
6% Investment Percentage	50.1%	29.1%	2.0%

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

	FY 2025	FY 2026	FY 2027
<u>Red River Army Depot</u>			
Average Revenue for Investment	465.1	541.7	584.7
WCF Capital Investment Program			
Facilities/Work Environment	0.0	0.0	0.0
Equipment Modernization	1.1	0.0	1.3
Processes	0.0	0.0	0.0
Capital Investment Program	1.1	0.0	1.3
Operating Funds Investments			
Facilities/Work Environment	0.1	0.0	0.0
Equipment Modernization	4.6	8.2	8.6
Processes	0.0	0.0	0.0
Total Operating Funds	4.7	8.2	8.6
Appropriated Funding			
MILCON	34.0	93.0	0.0
Procurement	0.0	0.0	0.0
Operations & Maintenance	0.0	0.0	0.0
Total Appropriated Funding	34.0	93.0	0.0
Facilities Sustainment, Restoration and Modernization	12.3	19.7	19.5
8%- Total Actual/ Budgeted Investment	52.1	120.9	29.3
2%- FSRM Actual/ Budgeted Investment	12.3	19.7	19.5
6% Actual/ Budgeted Investment	39.7	101.2	9.8
8%- Total Required Investment	37.2	43.3	46.8
2%- FSRM Required Investment	9.3	10.8	11.7
6% Required Investment	27.9	32.5	35.1
8%- Total Investment Over/(under) Required Amount	14.9	77.5	-17.4
2%- FSRM Investment Over/(under) Required Amount	3.0	8.8	7.8
6%- Investment Over/(under) Required Amount	11.8	68.7	-25.3
8%- Total Investment Percentage	11.2%	22.3%	5.0%
2%- FSRM Investment Percentage	2.7%	3.6%	3.3%
6% Investment Percentage	8.5%	18.7%	1.7%

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

	FY 2025	FY 2026	FY 2027
<u>Tobyhanna Army Depot</u>			
Average Revenue for Investment	510.5	515.4	523.8
WCF Capital Investment Program			
Facilities/Work Environment	0.0	0.0	0.0
Equipment Modernization	2.7	7.0	0.3
Processes	2.8	0.0	0.0
Capital Investment Program	5.5	7.0	0.3
Operating Funds Investments			
Facilities/Work Environment	2.5	5.3	5.3
Equipment Modernization	6.2	5.1	5.1
Processes	1.2	2.1	2.1
Total Operating Funds	9.9	12.6	12.6
Appropriated Funding			
MILCON	0.0	68.0	0.0
Procurement	0.0	0.0	0.0
Operations & Maintenance	3.0	68.0	35.0
Total Appropriated Funding	3.0	136.0	35.0
Facilities Sustainment, Restoration and Modernization	10.6	11.3	11.5
8%- Total Actual/ Budgeted Investment	29.0	166.9	59.4
2%- FSRM Actual/ Budgeted Investment	10.6	11.3	11.5
6% Actual/ Budgeted Investment	18.3	155.6	47.9
8%- Total Required Investment	40.8	41.2	41.9
2%- FSRM Required Investment	10.2	10.3	10.5
6% Required Investment	30.6	30.9	31.4
8%- Total Investment Over/(under) Required Amount	-11.9	125.7	17.5
2%- FSRM Investment Over/(under) Required Amount	0.4	1.0	1.0
6%- Investment Over/(under) Required Amount	-12.3	124.7	16.4
8%- Total Investment Percentage	5.7%	32.4%	11.3%
2%- FSRM Investment Percentage	2.1%	2.2%	2.2%
6% Investment Percentage	3.6%	30.2%	9.1%

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

	FY 2025	FY 2026	FY 2027
<u>Pine Bluff Arsenal</u>			
Average Revenue for Investment	115.6	125.8	128.1
WCF Capital Investment Program			
Facilities/Work Environment	0.0	0.0	0.0
Equipment Modernization	2.3	16.1	0.0
Processes	0.0	0.0	0.0
Capital Investment Program	2.3	16.1	0.0
Operating Funds Investments			
Facilities/Work Environment	0.7	2.3	2.9
Equipment Modernization	0.0	0.0	0.0
Processes	0.0	0.0	0.0
Total Operating Funds	0.7	2.3	2.9
Appropriated Funding			
MILCON	0.0	118.0	0.0
Procurement	0.0	0.0	0.0
Operations & Maintenance	0.0	0.0	0.0
Total Appropriated Funding	0.0	118.0	0.0
Facilities Sustainment, Restoration and Modernization	9.3	14.1	14.3
8%- Total Actual/ Budgeted Investment	12.3	150.5	17.1
2%- FSRM Actual/ Budgeted Investment	9.3	14.1	14.3
6% Actual/ Budgeted Investment	3.0	136.3	2.9
8%- Total Required Investment	9.2	10.1	10.3
2%- FSRM Required Investment	2.3	2.5	2.6
6% Required Investment	6.9	7.5	7.7
8%- Total Investment Over/(under) Required Amount	3.1	140.4	6.9
2%- FSRM Investment Over/(under) Required Amount	7.0	11.6	11.7
6%- Investment Over/(under) Required Amount	-3.9	128.8	-4.8
8%- Total Investment Percentage	10.7%	119.6%	13.4%
2%- FSRM Investment Percentage	8.1%	11.2%	11.1%
6% Investment Percentage	2.6%	108.4%	2.2%

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

	FY 2025	FY 2026	FY 2027
<u>Rock Island Arsenal</u>			
Average Revenue for Investment	151.4	158.3	143.6
WCF Capital Investment Program			
Facilities/Work Environment	0.0	0.0	0.0
Equipment Modernization	6.3	6.3	10.1
Processes	0.0	0.0	0.0
Capital Investment Program	6.3	6.3	10.1
Operating Funds Investments			
Facilities/Work Environment	10.9	8.1	7.8
Equipment Modernization	2.9	2.4	2.3
Processes	0.0	0.0	0.0
Total Operating Funds	13.9	10.5	10.1
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	0.0	0.0	0.0
8%- Total Actual/ Budgeted Investment	20.2	16.8	20.2
2%- FSRM Actual/ Budgeted Investment	0.0	0.0	0.0
6% Actual/ Budgeted Investment	20.2	16.8	20.2
8%- Total Required Investment	12.1	12.7	11.5
2%- FSRM Required Investment	3.0	3.2	2.9
6% Required Investment	9.1	9.5	8.6
8%- Total Investment Over/(under) Required Amount	8.1	4.1	8.7
2%- FSRM Investment Over/(under) Required Amount	-3.0	-3.2	-2.9
6%- Investment Over/(under) Required Amount	11.1	7.3	11.6
8%- Total Investment Percentage	13.3%	10.6%	14.1%
2%- FSRM Investment Percentage	0.0%	0.0%	0.0%
6% Investment Percentage	13.3%	10.6%	14.1%

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

	FY 2025	FY 2026	FY 2027
<u>Watervliet Arsenal</u>			
Average Revenue for Investment	211.2	217.9	213.7
WCF Capital Investment Program			
Facilities/Work Environment	1.3	0.0	0.0
Equipment Modernization	0.0	0.0	0.0
Processes	0.0	0.0	0.0
Capital Investment Program	1.3	0.0	0.0
Operating Funds Investments			
Facilities/Work Environment	0.0	5.5	5.0
Equipment Modernization	0.0	0.0	0.5
Processes	0.0	0.0	0.0
Total Operating Funds	0.0	5.5	5.5
Appropriated Funding			
MILCON	53.0	29.0	0.0
Procurement	0.0	62.6	49.7
Operations & Maintenance	1.6	23.6	62.0
Total Appropriated Funding	54.6	115.2	111.7
Facilities Sustainment, Restoration and Modernization	14.5	5.5	5.0
8%- Total Actual/ Budgeted Investment	70.4	126.2	122.2
2%- FSRM Actual/ Budgeted Investment	14.5	5.5	5.0
6% Actual/ Budgeted Investment	55.8	120.7	117.2
8%- Total Required Investment	16.9	17.4	17.1
2%- FSRM Required Investment	4.2	4.4	4.3
6% Required Investment	12.7	13.1	12.8
8%- Total Investment Over/(under) Required Amount	53.5	108.8	105.1
2%- FSRM Investment Over/(under) Required Amount	10.3	1.1	0.7
6%- Investment Over/(under) Required Amount	43.2	107.6	104.4
8%- Total Investment Percentage	33.3%	57.9%	57.2%
2%- FSRM Investment Percentage	6.9%	2.5%	2.3%
6% Investment Percentage	26.4%	55.4%	54.9%

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

	FY 2025	FY 2026	FY 2027
<u>Tooele Army Depot</u>			
Average Revenue for Investment	66.2	71.5	76.3
WCF Capital Investment Program			
Facilities/Work Environment	0.0	0.0	4.0
Equipment Modernization	0.4	0.0	1.0
Processes	0.0	0.0	0.0
Capital Investment Program	0.4	0.0	5.0
Operating Funds Investments			
Facilities/Work Environment	0.0	0.2	0.0
Equipment Modernization	0.0	0.0	0.0
Processes	0.0	0.0	0.0
Total Operating Funds	0.0	0.2	0.0
Appropriated Funding			
MILCON	0.0	0.0	0.0
Procurement	0.0	0.0	0.0
Operations & Maintenance	0.0	1.2	0.0
Total Appropriated Funding	0.0	1.2	0.0
Facilities Sustainment, Restoration and Modernization	4.8	6.3	6.3
8%- Total Actual/ Budgeted Investment	5.2	7.7	11.3
2%- FSRM Actual/ Budgeted Investment	4.8	6.3	6.3
6% Actual/ Budgeted Investment	0.4	1.4	5.0
8%- Total Required Investment	5.3	5.7	6.1
2%- FSRM Required Investment	1.3	1.4	1.5
6% Required Investment	4.0	4.3	4.6
8%- Total Investment Over/(under) Required Amount	-0.1	2.0	5.2
2%- FSRM Investment Over/(under) Required Amount	3.4	4.9	4.8
6%- Investment Over/(under) Required Amount	-3.6	-2.9	0.4
8%- Total Investment Percentage	7.8%	10.8%	14.8%
2%- FSRM Investment Percentage	7.2%	8.8%	8.2%
6% Investment Percentage	0.6%	2.0%	6.6%

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

	FY 2025	FY 2026	FY 2027
<u>Total Army (\$M)</u>			
Average Revenue for Investment	3,450.9	3,640.0	3,690.9
WCF Capital Investment Program			
Facilities/Work Environment	3.4	3.7	4.0
Equipment Modernization	49.9	122.7	63.9
Processes	15.2	0.0	0.0
Capital Investment Program	68.5	126.4	67.9
Operating Funds Investments			
Facilities/Work Environment	14.3	21.4	21.0
Equipment Modernization	51.4	34.4	29.6
Processes	3.8	4.6	4.3
Total Operating Funds	69.4	60.4	54.9
Appropriated Funding*			
MILCON	239.0	1,178.0	0.0
Procurement	0.0	141.6	49.7
Operations & Maintenance	26.2	218.3	152.4
Total Appropriated Funding	265.2	1,537.9	202.1
Facilities Sustainment, Restoration and Modernization	<u>92.5</u>	<u>100.2</u>	<u>93.8</u>
8%- Total Actual/ Budgeted Investment	495.7	1,825.0	418.7
2%- FSRM Actual/ Budgeted Investment	92.5	100.2	93.8
6% Actual/ Budgeted Investment	403.2	1,724.7	325.0
8%- Total Required Investment	276.1	291.2	295.3
2%- FSRM Required Investment	69.0	72.8	73.8
6% Required Investment	207.1	218.4	221.5
8%- Total Investment Over/(under) Required Amount	219.6	1,533.8	123.5
2%- FSRM Investment Over/(under) Required Amount	23.5	27.4	19.9
6%- Investment Over/(under) Required Amount	196.1	1,506.3	103.5
8%- Total Investment Percentage	14.4%	50.1%	11.3%
2%- FSRM Investment Percentage	2.7%	2.8%	2.5%
6% Investment Percentage	11.7%	47.4%	8.8%
Actual/ Budgeted Investment	495.7	1,825.0	418.7
Required Investment	276.1	291.2	295.3
Investment Over / (Under) Required Amount	219.6	1,533.8	123.5
Investment Percentage	14.4%	50.1%	11.3%

* Includes FY26 Reconciliation funding

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

	FY 2025	FY 2026	FY 2027	
1. New Orders				
a.	Orders from DoW Components:			
	Department of Army			
	Operations & Maintenance, Army	1,042.1	1,064.7	1,026.3
	Operations & Maintenance, ARNG	114.2	120.8	127.1
	Operations & Maintenance, AR	44.7	30.8	30.2
	Subtotal, O&M:	1,201.0	1,216.3	1,183.6
	Aircraft Procurement			
		18.0	2.1	0.4
	Missile Procurement			
		45.5	19.3	17.8
	Weapons & Tracked Combat Vehicles			
		259.0	270.8	231.8
	Procurement of Ammunition			
		177.6	204.0	141.8
	Other Procurement			
		283.4	296.3	275.1
	Subtotal, Procurement:	783.4	792.5	666.9
	RDTE			
		59.6	23.5	10.6
	BRAC			
		0.2	0.1	0.1
	Family Housing			
		0.2	0.7	0.8
	Military Construction			
		0.0	0.0	0.0
	Chem Agents & Munitions Dest, Army			
		0.0	0.0	0.0
	Other			
		0.3	0.1	0.1
	Subtotal, Other Army:	60.3	24.5	11.5
	Subtotal, Department of Army:	2,044.7	2,033.2	1,862.0
	Department of Air Force O&M			
		149.8	119.2	124.7
	Department of Air Force Investment			
		45.4	73.9	42.3
	Department of Navy O&M			
		64.8	59.9	58.0
	Department of Navy Investment			
		5.0	23.7	19.3
	US Marines O&M			
		48.2	33.1	31.1
	US Marines Investment			
		5.0	8.9	6.7
	Other Department of War			
		139.4	113.1	99.1
	Subtotal, Other DoW Services:	457.7	431.8	381.3
b.	DWCF:			
	Industrial Operations, Army			
		60.0	17.8	16.6
	Supply Management, Army			
		1,495.8	1,400.9	1,428.8
	Supply Management, Air Force			
		66.8	48.2	47.9
	Supply Management, Navy			
		24.2	35.6	33.5
	Supply Management, Marine Corps			
		2.9	0.0	0.0
	DECA			
		0.1	0.1	0.1
	DFAS			
		0.4	0.3	0.3
	DISA			
		1.0	0.1	0.1
	DLA			
		23.0	14.4	16.0
	TRANSCOM			
		0.0	0.0	0.1
	Other			
		0.9	0.0	0.0
	Subtotal, DWCF:	1,675.0	1,517.3	1,543.3
c.	Total DoW	4,177.3	3,982.4	3,786.6
d.	Other Orders:			
	Other Federal Agencies			
		2.8	2.0	2.6
	Foreign Military Sales			
		621.7	50.0	62.0
	Trust Fund			
		0.0	0.0	0.0
	Nonappropriated			
		0.3	0.1	0.7
	Non-Federal Agencies			
		171.6	115.1	73.9
	Subtotal, Other Orders:	796.4	167.3	139.1
	Total New Orders:	4,973.7	4,149.6	3,925.7

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

A. Carryover Summary	FY 2025	FY 2026	FY 2027
1. Gross Carry-In	5,193.3	4,965.2	4,354.6
Adjustments to Prior Year Orders	(585.8)	(182.2)	(181.7)
Net Carry-In	4,607.5	4,783.1	4,172.9
2. New Orders	4,973.7	4,149.6	3,925.7
3. Total Gross Orders (Lines 1 + 2)	9,581.2	8,932.7	8,098.6
4. Revenue (Gross Sales)	4,616.0	4,578.1	4,256.5
	4,965.2	4,354.6	3,842.2
5. Material End of Period Exclusion	2,244.4	1,950.5	1,725.7
6. Adjusted Carryover (Line 3 - Line 4 & 5)	2,720.9	2,404.2	2,116.5
7. Foreign Military Sales (FMS)	317.2	184.5	135.1
8. Total Carryover (Line 6 - Line 7)	2,403.7	2,219.6	1,981.4
Months of Carryover (Line 6 / (Line 4/ 12))	6.2	5.8	5.6

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

B. Carryover by Installation with Exclusions	FY 2025		FY 2026		FY 2027	
Depots	<u>Months</u>	<u>Value (\$M)</u>	<u>Months</u>	<u>Value (\$M)</u>	<u>Months</u>	<u>Value (\$M)</u>
Anniston Army Depot	2.9	205.3	3.2	217.6	4.4	216.4
Corpus Christi Army Depot	4.1	281.3	3.7	205.9	2.6	132.0
Letterkenny Army Depot	6.0	213.6	5.3	188.8	5.2	182.1
Red River Army Depot	5.3	278.6	5.7	325.0	4.9	243.0
Tobyhanna Army Depot	<u>7.1</u>	<u>312.3</u>	<u>7.0</u>	<u>314.7</u>	<u>6.2</u>	<u>293.5</u>
Total	5.1	1,291.1	5.0	1,251.9	4.7	1,067.0

	FY 2025		FY 2026		FY 2027	
Arsenals	<u>Months</u>	<u>Value (\$M)</u>	<u>Months</u>	<u>Value (\$M)</u>	<u>Months</u>	<u>Value (\$M)</u>
Pine Bluff Arsenal	19.5	192.1	17.3	201.2	16.9	192.4
Rock Island Arsenal	6.6	74.7	4.9	61.0	3.9	51.3
Watervliet Arsenal	<u>16.0</u>	<u>284.3</u>	<u>9.6</u>	<u>183.0</u>	<u>12.3</u>	<u>239.2</u>
Total	14.0	551.1	10.6	445.2	11.0	482.9

	FY 2025		FY 2026		FY 2027	
Ammo Plants	<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	3.8	43.1	3.7	38.6	4.4	36.4
Crane Army Ammunition Activity	9.9	208.3	8.7	197.2	7.5	164.7
McAlester Army Ammunition Plant	11.2	247.2	10.2	212.0	7.2	154.8
Tooele Army Depot	4.9	30.3	4.4	29.5	4.6	29.5
Sierra Army Depot	<u>2.1</u>	<u>32.5</u>	<u>2.7</u>	<u>45.2</u>	<u>2.7</u>	<u>46.2</u>
Total	6.4	561.4	6.0	522.4	5.3	431.6

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

C. Raw Carryover Dollar Value by Appropriation	FY 2025	FY 2026	FY 2027
<u>Army</u>			
Operation and Maintenance	1,180.2	1,103.9	1,046.2
Procurement	1,082.7	1,054.4	1,026.9
Other Army (RDT&E, BRAC, Family Housing, MILCON, etc.)	35.8	27.8	28.5
AWCF (Industrial Operations and Supply Management)	884.4	865.9	657.4
<u>Other Service (O&M, Investment, WCF)</u>			
Air Force	501.6	433.1	366.4
Navy	108.1	127.1	123.1
Marine Corps	118.5	85.0	69.8
Other DOW and Federal Agencies	161.7	139.4	128.8
<u>Other DWCF</u>			
DECA/DFAS/DISA/DLA, etc	14.7	10.1	11.3
<u>Non-DOW Agencies</u>			
FMS, Non-FED, etc	877.5	507.9	383.8
Raw Carryover	4,965.2	4,354.6	3,842.2
Raw Carryover with Adjustments for Prior Year Orders (Part A #1)	4,965.2	4,172.4	3,478.3
Adjustments for Prior period and Exclusions (Reductions to Part C)			
Prior year Adjustments	(585.8)	(182.2)	(363.9)
Material EOP Exclusion	(2,244.4)	(1,950.5)	(1,725.7)
FMS Exclusion	(317.2)	(184.5)	(135.1)
Total Adjustments	(2,561.6)	(2,135.0)	(1,860.8)
<u>Total Adjusted Carryover (reconciles with #8 Part A).</u>	2,403.7	2,219.6	1,981.4

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

	FY 2025	FY 2026	FY 2027
Revenue			
Gross Sales:	4,616.0	4,578.1	4,256.5
Operations	4,455.4	4,418.5	4,108.5
Surcharges	0.0	0.0	0.0
Depreciation excluding Major Construction	160.6	159.6	147.9
Major Construction Depreciation	0.0	0.0	0.0
Other Income (DWCF Direct Appropriation)	141.8	125.6	20.6
Other Income (Misc Gains/losses)	28.4	0.0	0.0
Other Income (Other)	241.6	3.6	4.5
Total Income:	5,027.8	4,707.3	4,281.5
Costs			
Salaries and Wages:	2,073.2	1,962.7	1,840.8
Military Personnel Compensation & Benefits	3.7	4.8	4.6
Civilian Personnel Compensation & Benefits	2,069.5	1,957.8	1,836.1
Travel & Transportation of Personnel	28.9	25.0	24.7
Materials & Supplies (For Internal Operations)	1,690.7	1,590.2	1,507.8
Equipment	63.3	58.2	52.6
Other Purchases from Revolving Funds	59.3	87.0	88.7
Transportation of Things	9.4	12.1	12.3
Depreciation	160.6	159.6	147.9
Printing and Reproduction	1.1	1.2	1.2
Advisory and Assistance Services	14.6	34.5	29.8
Rent, Communication, Utilities, & Misc. Charges	105.0	146.8	117.9
Other Purchased Services	829.8	643.0	620.2
Total Costs:	5,036.1	4,720.3	4,444.0
Operating Result	(8.4)	(13.0)	(162.4)
Plus Appropriations Affecting NOR/AOR			
Other Changes Affecting NOR:	132.2	93.7	89.5
Non-Recoverable Expenses (Unfunded Costs)	107.9	93.7	89.5
Non-Recoverable Expenses (Inventory Losses)	(4.5)	0.0	0.0
Non-Recoverable Expenses (FRM)	28.8	0.0	0.0
Recoverable Net Operating Result	123.8	80.6	(72.9)
Other Changes Affecting AOR			
a. AOR Beginning of Year (Unadjusted)	(131.5)	(7.7)	72.9
b. +/- Prior Year Adjustments	0.0		
c. Equals AOR BOY (Adjusted)	(131.5)	(7.7)	72.9
d. +/- Net Operating Result	123.8	80.6	(72.9)
e. Deferred AOR			
f. Equals Recoverable AOR EOP	(7.7)	72.9	0.0

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

Fuel Data

FY 2025			
FUEL PROCUREMENT			
PRODUCT	BARRELS (millions)	COST PER BARREL (\$)	EXTENDED PRICE (\$ millions)
AVGAS (CONUS)	0.000	\$165.48	0.000
AVGAS (OCONUS)	0.000	\$651.42	0.000
Diesel Fuel:			
Distillates- F76	0.000	\$146.58	0.000
High Sulfur- DF1	0.000	\$145.74	0.000
Generic (High Sulfur)- DF2	0.000	\$130.62	0.000
Ultra Low Sulfur- DS1	0.006	\$148.68	0.837
Ultra Low Sulfur- DS2	0.021	\$141.12	3.022
Burner Grade- FS1	0.004	\$142.38	0.501
Burner Grade- FS2	0.001	\$126.00	0.097
Biodiesel- BDI	0.004	\$141.12	0.227
Jet Fuel:			
JP8 & JA1	0.000	\$145.74	0.000
JAA	0.010	\$144.90	1.485
JP5	0.000	\$147.00	0.004
JPTS	0.000	\$202.86	0.000
Kerosene- KS1	0.000	\$143.22	0.000
Motor Gasoline:			
Regular, Unleaded- MUR	0.007	\$142.38	0.983
Midgrade, Unleaded- MUM	0.000	\$151.20	0.000
Premium, Unleaded- MUP	0.000	\$168.00	0.000
Gasohol- GUM	0.000	\$151.20	0.000
Ethanol- E85	0.000	\$142.38	0.008
Residual:			
Burner Grade- FS4	0.000	\$93.24	0.000
Residual (Burner Grade)- FS6	0.000	\$73.50	0.000
FOR	0.000	\$39.90	0.000
Bunkers Marine- MGO	0.000	\$149.94	0.000
Bunkers Intermediate Grade- 180, 380	0.000	\$110.04	0.000
Into Plane Jet Fuel- IAI, IAA, IAB, IP8	0.000	\$165.48	0.000
Local Purchase Jet Fuel- NA1, NAA	0.000	\$178.50	0.000
Local Purchase Ground Fuel- NLS, NMU	0.000	\$152.46	0.027
Propane	0.005	\$160.86	0.059
TOTAL	0.057		7.251

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

Fuel Data

FY 2026			
FUEL PROCUREMENT			
PRODUCT	BARRELS (millions)	COST PER BARREL (\$)	EXTENDED PRICE (\$ millions)
AVGAS (CONUS)	0.000	\$175.56	0.000
AVGAS (OCONUS)	0.000	\$688.80	0.000
Diesel Fuel:			
Distillates- F76	0.000	\$154.98	0.000
High Sulfur- DF1	0.000	\$154.14	0.000
Generic (High Sulfur)- DF2	0.000	\$138.18	0.000
Ultra Low Sulfur- DS1	0.000	\$157.08	0.000
Ultra Low Sulfur- DS2	0.000	\$149.52	0.004
Burner Grade- FS1	0.005	\$150.78	0.796
Burner Grade- FS2	0.028	\$133.14	3.710
Biodiesel- BDI	0.001	\$149.52	0.213
Jet Fuel:			
JP8 & JA1	0.001	\$154.14	0.230
JAA	0.000	\$153.30	0.055
JP5	0.000	\$155.40	0.005
JPTS	0.006	\$214.62	1.280
Kerosene- KS1	0.000	\$151.62	0.010
Motor Gasoline:			
Regular, Unleaded- MUR	0.000	\$150.78	0.002
Midgrade, Unleaded- MUM	0.000	\$159.60	0.000
Premium, Unleaded- MUP	0.006	\$178.08	1.040
Ethanol- E85	0.000	\$150.78	0.008
Residual:			
Burner Grade- FS4	0.000	\$98.70	0.010
Residual (Burner Grade)- FS6	0.000	\$78.12	0.000
FOR	0.000	\$39.90	0.000
Bunkers Marine- MGO	0.000	\$158.34	0.000
Bunkers Intermediate Grade- 180, 380	0.000	\$116.34	0.000
Into Plane Jet Fuel- IAI, IAA, IAB, IP8	0.000	\$175.56	0.000
Local Purchase Jet Fuel- NA1, NAA	0.000	\$188.58	0.000
Local Purchase Ground Fuel- NLS, NMU	0.000	\$161.28	0.030
TOTAL	0.049		7.392

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

Fuel Data

FY 2027			
FUEL PROCUREMENT			
PRODUCT	BARRELS (millions)	COST PER BARREL (\$)	EXTENDED PRICE (\$ millions)
AVGAS (CONUS)	0.000	\$171.78	0.000
AVGAS (OCONUS)	0.000	\$675.78	0.000
Diesel Fuel:			
Distillates- F76	0.000	\$152.04	0.000
High Sulfur- DF1	0.000	\$151.20	0.000
Generic (High Sulfur)- DF2	0.000	\$135.66	0.000
Ultra Low Sulfur- DS1	0.005	\$154.14	0.819
Ultra Low Sulfur- DS2	0.021	\$146.58	3.115
Burner Grade- FS1	0.001	\$147.84	0.216
Burner Grade- FS2	0.001	\$130.62	0.101
Biodiesel- BDI	0.004	\$146.58	0.513
Jet Fuel:			
JP8 & JA1	0.000	\$151.20	0.000
JAA	0.008	\$150.36	1.199
JP5	0.000	\$152.46	0.005
JPTS	0.000	\$210.42	0.000
Kerosene- KS1	0.000	\$148.26	0.000
Motor Gasoline:			
Regular, Unleaded- MUR	0.004	\$147.84	0.661
Midgrade, Unleaded- MUM	0.000	\$156.66	0.000
Premium, Unleaded- MUP	0.000	\$174.72	0.000
Ethanol- E85	0.000	\$147.84	0.008
Residual:			
Burner Grade- FS4	0.000	\$96.60	0.030
Residual (Burner Grade)- FS6	0.000	\$76.02	0.000
FOR	0.000	\$39.90	0.000
Bunkers Marine- MGO	0.000	\$155.40	0.000
Bunkers Intermediate Grade- 180, 380	0.000	\$114.66	0.000
Into Plane Jet Fuel- IAI, IAA, IAB, IP8	0.000	\$171.78	0.000
Local Purchase Jet Fuel- NA1, NAA	0.000	\$185.22	0.000
Local Purchase Ground Fuel- NLS, NMU	0.001	\$158.34	0.169
TOTAL	0.046		6.837

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

FY 2025			
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>
Material Inventory BOP	1,047.2		1,047.2
<u>Purchases</u>			
A. Purchases to Support Customer Orders (+)	1,262.3		1,262.3
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	1,262.3	0.0	1,262.3
<u>Material Inventory Adjustments</u>			
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	1,202.5		1,202.5
B. Disposals, theft, losses due to damages (-)	0.5		0.5
C. Other reductions (list) (-)	0.0		0.0
D. IO to SMA Transfer	0.0		0.0
E. Total inventory adjustments	1,203.1	0.0	1,203.1
Material Inventory EOP	1,106.5	0.0	1,106.5
FY 2026			
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>
Material Inventory BOP	1,106.5	0.0	1,106.5
<u>Purchases</u>			
A. Purchases to Support Customer Orders (+)	983.8		983.8
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	983.8	0.0	983.8
<u>Material Inventory Adjustments</u>			
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	1,017.3		1,017.3
B. Disposals, theft, losses due to damages (-)	(23.5)		(23.5)
C. Other reductions (list) (-)	5.0		5.0
D. IO to SMA Transfer	0.0		0.0
E. Total inventory adjustments	998.8	0.0	998.8
Material Inventory EOP	1,091.5	0.0	1,091.5
FY 2027			
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>
Material Inventory BOP	1,091.5	0.0	1,091.5
<u>Purchases</u>			
A. Purchases to Support Customer Orders (+)	960.1		960.1
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	960.1	0.0	960.1
<u>Material Inventory Adjustments</u>			
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	1,043.0		1,043.0
B. Disposals, theft, losses due to damages (-)	(24.6)		(24.6)
C. Other reductions (list) (-)	5.2		5.2
D. IO to SMA Transfer	0.0		0.0
E. Total inventory adjustments	1,023.5	0.0	1,023.5
Material Inventory EOP	1,028.0	0.0	1,028.0

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 2025	FY 2026	FY 2027
Software	10.7	15.5	23.6
<i>Capital Cash Outlays</i>	<i>13.3</i>	<i>15.3</i>	<i>19.4</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 2025	FY 2026	FY 2027
<i>Equipment</i>	51.6	108.5	70.2
<i>ADPE & Telecommunications</i>	2.8	20.1	0.0
<i>Software</i>	4.0	6.8	10.1
<i>Minor Construction</i>	1.3	3.7	4.0
Total CIP	59.7	139.0	84.3
<i>Capital Cash Outlays</i>	75.4	95.0	104.3

Note: Numbers may not add due to rounding.

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Supply Management**

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

Line No.	Item Description	FY 2025	FY 2026	FY 2027
		Total Cost	Total Cost	Total Cost
	Software Development - Externally Developed	10.660	15.466	23.593
00-02	Logistics Modernization Program	10.660	15.466	23.593
	TOTAL OBLIGATIONS	10.660	15.466	23.593
	<i>Total Capital Outlays</i>	13.262	15.341	19.386
	<i>Total Depreciation Expense</i>	17.155	15.823	15.920

**Army Working Capital Fund
Fiscal Year (FY) 2027 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 2025	FY 2026	FY 2027
<i>Logistics Modernization Program</i>	10.660	15.466	23.593
Total	10.660	15.466	23.593

Narrative Justification

LMP requires adjustments 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 in September 2016. These increments combine to comprise the current LMP capability which is currently used by approximately 19,000 users at more than 50 Army locations worldwide. LMP is a key enabler for the Army to achieve its commitment to having fully auditable AWCF financial statements. LMP continues to seamlessly enable continuous process improvements to the LMP solution to achieve and meet compliance requirements and trading partner requirements.

In FY 2026-2027, 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 efforts include addressing continuing auditability requirements and ensuring financial accountability, implementing changes to financial data structures, and integrating common tools from Army Enterprise Resource Planning (ERPs). LMP will also focus on integrating the Army Contract Writing Systems (ACWS) by deploying funding interfaces with General Fund Enterprise Business Systems (GFEBS) and migrating contracts from the Procurement Desktop Defense System (PADDS) to ACWS, with corresponding Purchase Order conversations within LMP.

Enhancements to the reporting functionality will address current technical limitations and provide improved data to AMC Life Cycle Management Commands (LCMC's), alongside technical upgrades to the Business Technology Platform (BTP) Integration Suite as SAP ends support for current products. LMP will implement Identity, Credential and Access Management (ICAM) to meet the audit and cybersecurity objectives through Zero Trust implementation. These tasks also include technical upgrades, minor enhancements, compliance, auditability, and providing of data to support Army data analytics.

LMP will analyze and test G-Invoicing 2.0 Release 2, collaborate with stakeholders to improve Order Modifications and G-Invoicing interfund transaction capabilities, as directed by the Department of the Army. Addressing AMC Manufacturing and Remanufacturing requirements and migrating from Computerized Assisted Maintenance Systems (CAMS). CAMC reached the end of mainstream support in December 2024, is currently in extended maintenance and will be end-of-life in December 2028. SAP Production Engineering and Operations (PEO) is the successor product to CAMS. LMP will perform a technical upgrade from CAMS to PEO to ensure continued support for AMC's Organic Industrial Base operations.

All tasks will adhere to AWCF rules to ensure appropriate use of funds, with cybersecurity and auditability remaining paramount, and continued interface development with Army ACWS. Failure to fund LMP would prohibit AMC functional requirements from improving operations and put continuing financial compliance and cyber security at risk. In addition, LMP would not be in compliance with directives for Zero Trust putting the solution at risk from a cyber security perspective. It also would not be able to meet all Federal and Army milestones as developed in the Army Standard Line of Accounting implementation plan for auditability.

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Supply Management**

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

FY	Major Category	Initial Request	Current Projected Cost	Approved Change	Explanation
2025	Software Development				
	<i>Logistics Modernization Program</i>	14.030	10.660	(3.370)	Reduction to FY25 LMP Requirement
	Total FY 2025	14.030	10.660	(3.370)	
2026	Software Development				
	<i>Logistics Modernization Program</i>	15.059	15.466	0.407	LMP cost increase
	Total FY 2026	15.059	15.466	0.407	
2027	Software Development				
	<i>Logistics Modernization Program</i>	23.593	23.593	0.000	
	Total FY 2027	23.593	23.593	0.000	

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

Line No.	Item Description	FY 2025	FY2026	FY 2027
		Total Cost	Total Cost	Total Cost
05-13	NON- ADPE EQUIPMENT CAPABILITIES	51.606	108.450	70.196
	ADPE & Telecommunications Equipment	2.781	20.056	0.000
04-26	<i>Industrial Control Network - Phase 1 of 3</i>	2.781	0.000	0.000
04-26	<i>Industrial Control Network - Phase 2 of 3</i>	0.000	2.214	0.000
04-26	<i>Industrial Control Network - Phase 3 of 3</i>	0.000	2.192	0.000
04-26	<i>ASRS Information Technology (IT) Lifecycle Replacement</i>	0.000	15.650	0.000
	Software Development - Externally Developed	4.001	6.792	10.111
00-02	<i>- Logistics Modernization Program</i>	4.001	6.792	10.111
05-26	MINOR CONSTRUCTION CAPABILITIES	1.262	3.730	4.000
	Total Obligations*	59.650	139.028	84.307
	<i>Total Capital Outlays</i>	75.361	94.953	104.307
	<i>Total Depreciation Expense</i>	59.736	65.954	58.431

*Note: FY 2025 total of \$59.650M does not include the following dollar amounts executed against prior year projects: FY 2022 Non-ADP Equip. \$0.105M, FY 2023 Non-ADP Equip. \$0.113, FY24 Non-ADP Equip \$29.548M, FY 2024 ADPE \$2.256M, FY 2024 MC \$4.901M, FY24 Software \$4.082M, Total all years \$41.006M.

**Army Working Capital Fund
Fiscal Year (FY) 2027 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 2025	FY 2026	FY 2027
<i>Non - ADPE Equipment</i>	51.606	108.450	70.196
Total	51.606	108.450	70.196

Narrative Justification

This exhibit represents equipment purchases costing more than \$250K, which will improve the installations' efficiency or effectiveness through replacement, modification or addition of production and maintenance capability and compliance with new mission requirements. Equipment supports organic maintenance, overhaul, rebuild, reclamation, conversion, renovation, modification and repair programs.

Acquisition of this equipment improves productivity; increases capacity that cannot be met with current equipment; replaces unsafe, inoperable or unusable assets; and includes requirements for environmentally hazardous waste reduction or regulatory agency mandated requirements. This new equipment increases reliability and productivity, thus enabling the installation to be more efficient.

If not acquired, the impact would be reduced mission capability, cause failure to meet present and future workload requirements, increase man-hour expenditures, cause inability to meet production schedules, lead to excessive downtime, increase maintenance costs, and decrease accuracy and dependability.

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

Line No. 04-26 Industrial Operations	ADPE & Telecommunication Equipment PAVIS Video Infrastructure Upgrade - Phase 1 of 3		
Item Description	FY 2025	FY 2026	FY 2027
<i>Industrial Control Network - Phase 1 of 3</i>	2.781	0.000	0.000
Total	2.781	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, including for the hearing impaired who may not hear audio announcements. The PAVIS Video Infrastructure Upgrade project is crucial for TYAD's core operations and readiness, allowing the Depot to share important messages, including those from the Depot Commander, as part of 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 capability to communicate with its employees, especially its deaf community. Due to the age of the technology, the Public Affairs team cannot take full advantage of 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.

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

Line No. 04-26 Industrial Operations	ADPE & Telecommunication Equipment Industrial Control Network - Phase 2 of 3		
Item Description	FY 2025	FY 2026	FY 2027
<i>Industrial Control Network - Phase 2 of 3</i>	0.000	2.214	0.000
Total	0.000	2.214	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.

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

Line No. 04-26 Industrial Operations	ADPE & Telecommunication Equipment Industrial Control Network - Phase 3 of 3		
Item Description	FY 2025	FY 2026	FY 2027
<i>Industrial Control Network - Phase 3 of 3</i>	0.000	2.192	0.000
Total	0.000	2.192	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.

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

Line No. 02-46 Industrial Operations	ADPE & Telecommunication Equipment Distributed Antenna System (DAS)		
Item Description	FY 2025	FY 2026	FY 2027
<i>ASRS Information Technology (IT) Lifecycle Replacement</i>	0.000	15.650	0.000
Total	0.000	15.650	0.000

Narrative Justification

The current Anniston Army Depot (ANAD) ASRS devices were purchased in 2010 and are 11 years old. 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 CAT 1 violation is found due to evolving cyber risks. The current in-use system is a single point of failure.

Completion of ANAD's 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 and are 11 years old. The OS is predicted to end of life in December 2025 which will lead to a Cyber STIG 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 the equipment is past EOL and is maintained under a "best effort" support contract which is expiring.

**Army Working Capital Fund
Fiscal Year (FY) 2027 Budget Estimates
Industrial Operations**

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

Line No. 00-02 Industrial Operations	Software Development - Externally Developed Logistics Modernization Program (LMP)		
Item Description	FY 2025	FY 2026	FY 2027
<i>Logistics Modernization Program (LMP)</i>	4.001	6.792	10.111
Total	4.001	6.792	10.111

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 19,000 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 2026-2027, LMP will continue to design, develop, test, and deploy improvements to existing business processes enabled by LMP in support of the Organic Industrial Base (OIB). The upgrades are part of continuous process improvement under capability support. These improvements will address changes needed within the OIB to enable Army priorities. Planned enhancements to shop floor operations include updates 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 the OIB reporting capabilities will address the technical limitations of 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. 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 Department of Army directives. Technical upgrades to the LMP solution for BTP Integration Suite will be required as SAP drops support to current products.

**Army Working Capital Fund
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Industrial Operations**

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

Line No. 05-26	Minor Construction Capabilities		
Industrial Operations	Various Minor Construction <\$4 Million		
Item Description	FY 2025	FY 2026	FY 2027
<i>Various Minor Construction Capabilities</i>	1.262	3.730	4.000
Total	1.262	3.730	4.000

Narrative Justification

Various minor construction projects costing less than \$4M, will improve the efficiency of the Industrial Operations through new, modernized additions to renovate existing facilities. The construction projects are additions or modifications to meet mission needs and improve the quality of life (safety/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. The projects specific to quality of life improvements will improve worker morale and eliminate potential health and safety concerns.

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

**Army Working Capital Fund
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Industrial Operations**

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

FY	Major Category	Initial Request	Current Projected Cost	Approved Change	Explanation
2025	Non-ADPE	74.357	51.606	(22.751)	Projects canceled or moved to another fiscal year
	ADPE and Telcom	2.791	2.781	(0.010)	
	Software	8.581	4.001	(4.580)	Updated LMP costs
	Minor Construction	14.539	1.262	(13.277)	Projects cancelled or moved to another fiscal year
	Total FY 2025	100.268	59.650	(40.618)	
2026	Non-ADPE	168.918	108.450	(60.468)	Projects canceled or moved to another fiscal year
	ADPE and Telcom	10.793	20.056	9.263	Cost growth and priority moved from FY24 to FY26
	Software Development	7.200	6.792	(0.408)	Updated LMP costs
	Minor Construction	10.822	3.730	(7.092)	Updated Minor Construction projects
	Total FY 2026	197.733	139.028	(58.705)	
2027	Non-ADPE	70.196	70.196	0.000	
	ADPE and Telcom	0.000	0.000	0.000	
	Software Development	10.111	10.111	0.000	
	Minor Construction	4.000	4.000	0.000	
	Total FY 2027	84.307	84.307	0.000	