

# Army Working Capital Fund (AWCF)



Combining Strengths  Redefining Futures

## *Information for Businesses Interested in Doing Business with Blue Grass Army Depot*

### Army Working Capital Fund

The Army Working Capital Fund (AWCF), also known as the Defense Working Capital Fund, Army (DWCF,A) operates numerous commercial-like and industrial facilities that provide essential services and support for readiness and sustainability of the warfighting forces. The AWCF includes two activity groups: Supply Management and Industrial Operations (previously reported as Depot Maintenance and Ordnance). The AWCF, like all DWCFs, operates under a revolving fund concept—i.e., the AWCF relies on revenue from sales to finance operations rather than submitting a budget proposal for direct appropriations from Congress. The AWCF operates as a business-like enterprise, managing cash in real-time and expenses over time. The AWCF maintains cash on hand to support current operations; and generates adequate revenue to cover the full costs of operations on a break-even basis over time, without making a profit or incurring a loss. Since the AWCF operates without direct appropriations, the fund operates without a fiscal year limitation on obligating money.

### Revenues and Expenses

The AWCF generates revenue from the sale of materiel and services and accumulates expenses for the materiel that it buys and in-house operating costs. The net of revenue minus expenses generated a profit in FYs 2007 and 2008, but a slight loss is projected for FY2009. The AWCF is a big business, with annual revenue averaging about \$15 billion. The bulk of the revenue is from sales to Army customers. The FY2010 revenue equates to 10 percent of the Army base budget, or more than 6 percent of the total budget, suggesting that between 6 and 10 percent of the Army budget is expended on purchases of materiel from the AWCF.

### Customer Rates

The AWCF needs to recover the costs of what it acquires and the costs of operations in order to break even. The customer rates are the result of the analysis of the full costs of operations. The AWCF uses the customer rates to adjust the prices of what it sells to recover the full costs of operations. The customer rates establish the ultimate price that customers pay for materiel. The rates vary by activity group:

- ▼ **Supply Management:** Buys and maintains assigned stocks of materiel for sale to its customers.
- ▼ **Industrial Operations:** Maintains end items and depot-level repairables and manufactures, renovates, stores and demilitarizes munitions for all services within DoD and for foreign military customers.

### Direct Appropriated Funds

The AWCF requests direct appropriated funds from Congress to cover expenses that are not directly related to the cost of doing business. The AWCF may also request direct appropriation for increases in capacity and capability to meet mobilization and wartime surge requirements and thereby ensure stabilized and competitive rates for peacetime customers.

### Capital Investment

The AWCF also requests direct appropriated funds for capital investment. The Supply Management Capital Investment includes replacing outdated automation hardware and software. Industrial Operations Capital Investment includes equipment modernization, automation hardware and software and minor construction.