

**UNITED STATES
AIR FORCE
WORKING CAPITAL FUND
(Appropriation: 4930)**



U.S. AIR FORCE

*Fiscal Year (FY) 2025
Budget Estimates
January 2024*

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**AIR FORCE WORKING CAPITAL FUND
FISCAL YEAR (FY) 2025
BUDGET ESTIMATES
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AIR FORCE WORKING CAPITAL FUND



U.S. AIR FORCE

SUMMARY

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**Air Force Working Capital Fund
Budget Overview
Fiscal Year (FY) 2025 President's Budget (PB)**

Increasing lethality and improving readiness to prepare for the high-end fight is a primary objective of the Air Force's FY 2025 President's Budget (PB). The Air Force Working Capital Fund (AFWCF) contributes to Air Force readiness through the depots' skills to sustain the AF's organically maintained weapon systems and logically manage the supply chain's critical assets. As a world-class organization, the AFWCF responds rapidly to customer needs on par with private sector defense firms with tremendous flexibility to meet surge requirements.

AFWCF Blue is the portion of the working capital fund the AF manages (see below in Activity Group Overview for additional details), therefore does not include Transportation Working Capital Fund (TWCF). AFWCF Blue Cash ended FY 2023 at \$1,088.6 million and FY 2024 and FY 2025 are expected to build cash and remain within the upper and lower cash limits, ending FY 2025 with \$1,730.8 million.

Activity Group Overview

The AFWCF Blue conducts business in two primary areas: the Consolidated Sustainment Activity Group and the Supply Management Activity Group-Retail. The Transportation Working Capital Fund (TWCF), for which the Air Force assumed responsibility for cash oversight in FY 1998, is part of this submission. However, United States Transportation Command (USTRANSCOM), rather than the Air Force, has management responsibility for TWCF's day-to-day operations.

Air Force Core Strategic Capabilities

In support of Air Force core functions, the AFWCF activities provide maintenance services, weapon system parts, base and medical supplies, and transportation services. The working capital funds are integral to the readiness and sustainability of our air, space, and cyber assets and our ability to deploy forces worldwide and across any theater to support overseas operations and National Defense Strategy interests. Maintenance depots provide equipment, skills, and repair services that keep forces operating worldwide. Supply Management activities procure and manage inventories of consumable and repairable spare parts that support all the force structure mission-ready. USTRANSCOM is the single DoD manager for the Defense Transportation System (DTS) in peace and war. Working capital fund activities, directly and indirectly, provide warfighters the critical services needed to meet global mission capability requirements.

Consolidated Sustainment Activity Group

The Consolidated Sustainment Activity Group (CSAG) mission is supply management of repairable and consumable items and maintenance services. CSAG is managed under a Chief Executive Officer structure. The Air Force Material Command (AFMC) Commander (AFMC/CC) is the Chief Executive Officer (CEO). The AFMC Director of Logistics (HQ AFMC/A4) serves as the Chief Operating Officer (COO), and the AFMC Director of Financial Management (HQ AFMC/FM) is the Chief Financial Officer (CFO). The Air Force Sustainment Center (AFSC), one of the six centers within AFMC, directs both CSAG divisions' day-to-day operations. The activity operates with two divisions: Maintenance and Supply.

Maintenance Division

The CSAG-M repairs weapon systems and spare parts to ensure readiness in peacetime and to provide sustainment for overseas operations. The division enhances readiness by efficiently and economically repairing, overhauling, and modifying aircraft, engines, missiles, components and software to meet customer demands. The CSAG-M depots have unique skills and equipment required to support and overhaul both new, complex components and aging weapon systems. During contingencies, the depots can surge repair operations and realign capacity to support the war fighter's immediate needs.

CSAG-M remains a fundamental element of both readiness and sustainability by providing a cost-effective, rapid repair capability. CSAG-M repair and overhaul capabilities are accomplished by one of the six centers within the Air Force Materiel Command (AFMC), the Air Force Sustainment Center (AFSC) and its Air Logistics Complex (ALC) depots. The division operates on funds received from its customers through sales of its services.

Supply Division

The CSAG Supply Division is responsible primarily for Air Force-managed, depot-level repairable spares and consumable spares unique to the Air Force. Repairable supply items are economically maintained through overhaul or repair. Consumable supply items are consumed in use or discarded when worn out or broken because they cannot be repaired economically. In addition to management of these inventories, the CSAG Supply Division provides a wide range of logistics support services including requirements forecasting, item introduction, cataloging, provisioning, procurement, repair, technical support, data management, item disposal, distribution management, and transportation.

The CSAG Supply Division works to reduce the impact of Diminishing Manufacturing Sources and Material Shortages (DMSMS) and other obsolescence issues associated with aging aircraft fleets. Due to fleet age and utilized antiquated technology, the number of parts without qualified manufacturing or repair source is expected to continue to be a problem. To address these DMSMS and other obsolescence issues, the CSAG Supply Division re-engineers parts which can no longer be produced or repaired. The CSAG Supply Division also proactively identifies parts for which availability is at risk due to DMSMS issues, taking appropriate action to minimize adverse impact to weapon system readiness.

Supply Management Activity Group–Retail

The Supply Management Activity Group-Retail (SMAG-R) manages approximately 2.0 million inventory items, including weapon system spare parts, medical-dental supplies and equipment, and other supply items used in non-weapon system applications. The Air Force SMAG-R is a critical component in combat readiness by procuring materiel and makes spares available to authorized retail customers. The activity operates with three divisions: General Support, Medical Dental, and the Air Force Academy. The Medical Dental Division inventory includes a War Reserve Materiel (WRM) Stockpile. WRM provides initial warfighting capability until re-supply lines sustain wartime demands for medical and dental supplies and equipment.

The SMAG-R provides a wide range of logistics support services, including requirements forecasting, item introduction, cataloging, provisioning, procurement, repair, technical support, data management, item disposal, distribution management, and transportation. Inventories are an integral part of SMAG-R and are maintained by each of the divisions supporting customer requirements. The SMAG-R objective is to replenish stocks and provide supplies to customers on time within customer funding constraints while maintaining fund solvency.

Transportation Working Capital Funds

USTRANSCOM's mission includes providing air, land, and sea transportation for the DoD with a primary focus on wartime readiness. USTRANSCOM's \$9.6 billion budget provides synchronized transportation and sustainment, making it possible to project and maintain national power where needed, with the greatest speed and agility, the highest efficiency, and the most reliable level of trust and accuracy. The assigned Unified Command Plan tasks are executed through three component commands (U.S. Army's Military Surface Deployment and Distribution Command (SDDC), U.S. Navy's Military Sealift Command (MSC), and U.S. Air Force's Air Mobility Command (AMC)) and one major subordinate command (Joint Enabling Capabilities Command (JECC)). This joint team of transportation components provides mobility forces and assets for a seamless transition from peace to war. USTRANSCOM is always ready to meet the strategic mobility needs of the nation. A brief description of the role of each Transportation Component Command follows:

AMC is the single manager for air mobility by providing airlift, air refueling, special air mission, and aeromedical evacuation for U.S. forces. AMC also supplies forces to theater commands to support wartime tasking.

MSC supports the nation by providing marine transportation to satisfy DoD sealift requirements, which includes delivering supplies and conducting specialized missions across the world's oceans.

SDDC provides global surface deployment and distribution services to meet the nation's objectives.

USTRANSCOM's Component Commands provide the critical link to the Services' core competencies in organizing, training, and equipping forces. They provide lines of communication to the Services, ensuring assets are available when needed for the transition from peace to war. The surge from peacetime sustainment to a massive deployment of people and material in support of Overseas Operations is an example of USTRANSCOM's ability to execute the mission. USTRANSCOM's successes result from the synergy of military and commercial lift (air, land, and sea), air refueling, port operations, and afloat prepositioning - all requiring the team efforts of the Commander's Staff and the components. Together with its components and national partners, USTRANSCOM is building a truly seamless, end-to-end defense transportation enterprise.

Air Force Initiatives

AFSC continues to evaluate supply chain and maintenance processes to improve weapon system and equipment availability and to deliver customer support with increased velocity. Sustained emphasis is on cost control in order to provide the best value to the customer.

AFSC is pursuing alternative manufacturing technologies, additive manufacturing, establishing a reverse engineering and manufacturing framework to rapidly solve availability issues derived from DMSMS, supply chain risk, and obsolescence challenges. They are modernizing spares requirements planning to optimize inventory, and a multitude of other initiatives aimed at streamlining the supply chain process.

AFSC's Maintenance efforts are contributing to Air Force readiness and sustainability by providing a cost-effective, rapid repair capability. CSAG-M seeks to provide continuous core Air Force depot capability to retain in-house sources of technical competence; to continue to refine methods which enable the more efficient use of resources such as partnering with private industry, employing government owned/contractor operated facilities and augmenting in-house operations; and to find innovative ways to decrease flow days for systems and components, increase parts availability to the repair line, and control material costs through process reviews and adoption of commercial practices and engineering standards.

Direct Appropriations

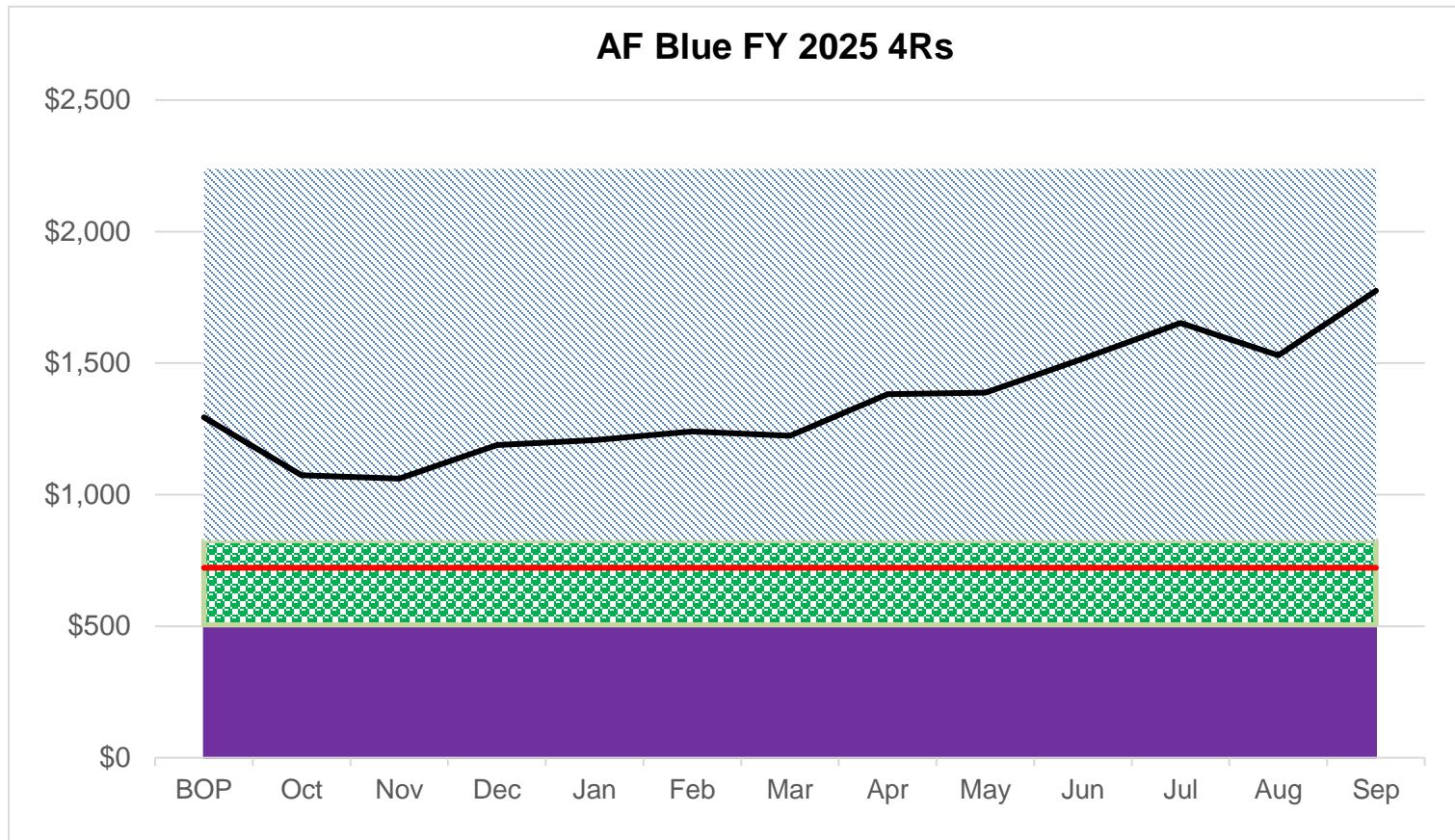
In FY 2023, AFWCF received \$80.4 million in direct appropriation for Medical Dental WRM requirements. In FY 2024 Air Force requested \$83.6 million and in FY 2025 Air Force requests a total of \$86.9 million in direct appropriations supporting Medical Dental WRM requirements.

AFWCF Financial Summary

(Dollars in Millions)	FY 2023	FY 2024	FY 2025
Total Revenue	28,239.2	29,176.6	30,704.1
Cost of Goods Sold	27,950.4	29,494.7	30,083.2
Net Operating Result Adjustments	5.0	(46.6)	2.0
Net Operating Result (NOR)	293.8	(364.7)	622.9
Accumulated Operating Result (AOR)	546.0	73.1	547.8
Civilian End Strength	33,848	34,735	35,110
Military End Strength	12,472	12,705	12,846
Civilian Workyears	32,839	32,973	33,579
Military Workyears	12,388	12,885	13,037
Capital Budget	281.2	312.6	359.5
Direct Appropriation ¹	80.4	80.4	86.9

¹ A full-year FY 2024 appropriation for this account was not enacted at the time the budget was prepared, therefore, the budget assumes the account is operating under the Further Continuing Appropriations and Other Extensions, 2024 (Public Law 118-22). The amounts included for FY 2024 reflect the annualized level provided by the continuing resolution.

Cash Management



The 4Rs

The methodology for calculating cash requirements consists of four elements: rate, range of operations, risk mitigation, and reserves (all of which are colloquially known the 4Rs in the AFWCF).

4Rs Graph Key	
FY 2025 PB Plan	
Rate (Avg Disbursements)	
Range of Operations	
Risk Mitigation	
Reserves	

The **Rate of Disbursements** for the AFWCF Blue FY 2025 PB was determined by dividing the total disbursements by the number of expected collection cycles for each division. The AF Blue collection cycles is a weighted average of all divisions rounded to nearest whole number. The weighting is based on the total disbursements.

The **Range of Operations** is the difference between the lowest and highest planned monthly cash estimate plus one-half of the rate of disbursement at the sub-activity group level. The AF Blue range is the sum of the sub-activity groups range. In FY 2025, the projected rate of disbursement is \$733.2 million, and the lower range is \$825.1 million. The upper range is \$2,239.3 million. The difference between the two ranges results in \$1,414.2 million as the basic operating range.

AFWCF Blue **Risk** mitigation addresses cash variability associated with unknown external variables and both day-to-day and seasonal volatility inherent to AFWCF operations. Historically customer demand is depressed during the first five months of the Fiscal Year, negatively impacting cash balances. This demand is further exacerbated by external stressors such as continuing resolution authority. This cyclical phenomenon occurs annually during the beginning of the fiscal year and poses risk of insolvency if limits are set too conservatively. During the last four to five months of the fiscal year customer demand and revenues typically increase to their highest levels. Risk mitigation is critical to AFWCF operations because it buffers low cash during the first five months of the next fiscal year. To mitigate seasonal volatility, we calculated the standard deviation from the mean for four years of historical disbursements data (FY 2020 – FY 2023). One standard deviation for this data is \$106.6 million. In a normal distribution 68 percent of all data values lie within one deviation. The standard deviation value used for FY 2025 is based on three standard deviations and encompasses 99 percent of all data values minimizing the execution year risk. The reason three standard deviations were used for FY2025 is to ensure the cash lower limit is sufficient to pay average amount disbursed per collection cycle. This will result in a corresponding decrease in cash. Therefore, three standard deviations or \$319.8 million is factored in for operational volatility to mitigate risk of insolvency to the fund.

Cash **Reserves** are held for cash balances that will be paid out in future cycles and late in the current cycle. The first category is Accumulated Operating Results (AOR) returned/recovered to or from customers through annual rates. The second reserve supports unliquidated obligations of the MDD's direct appropriation for WRM. No AOR return is held. The AOR retention for FY 2025 is \$454.1 million, and is comprised primarily of GSD, CSAG-S and CSAG-M. The unliquidated appropriation amount for MDD WRM program is \$51.1 million.

AFWCF Blue Cash Plan

(\$ Millions)	FY 2023	FY 2024	FY 2025
BOP Cash Balance	\$1,332.1	\$1,088.6	\$1,249.7
Disbursements ¹	\$18,750.9	\$20,283.7	\$20,529.7
Collections ¹	\$18,427.1	\$20,361.2	\$20,923.9
Transfers In/Out	\$0.0	\$0.0	\$0.0
WRM	\$80.4	\$83.6	\$86.9
EOP Cash Balance	\$1,088.6	\$1,249.7	\$1,730.8
Lower Limit Cash Goal	\$997.5	\$825.8	\$825.1
Upper Limit Cash Goal	\$2,614.2	\$1,720.0	\$2,239.3

¹ Includes WRM, does not include Transfers In/Out

FY 2023, AFWCF Blue cash ends the year with \$243.5 million less than the BOP but falls within limits for this period and will support the Treasury Department's daily cash reporting initiative and division level analysis. CSAG-M reduced cash during the year, partially offset by SMAG-R increases in cash.

FY 2024, AFWCF Blue cash plan increases by \$161.1 million by EOP and will be within the operating limits throughout the fiscal year and will support the Treasury Department's daily cash reporting initiative and division level analysis. CSAG-M has a planned increase to cash during the year, partially offset by CSAG-S and SMAG-R reduction in cash as rates return funds to customers.

FY 2025, AFWCF Blue cash plan increases by \$481.1 million during the year and will be within the operating limits throughout the year and will support the Treasury Department's daily cash reporting initiative and division level analysis. SMAG-R continue to return profits, countered by CSAG-M's plan to increase cash. Limits support the wide range of divisional level programs.

TWCF Cash Plan

(\$ Millions)	FY 2023	FY 2024	FY 2025
BOP Cash Balance	\$346.0	\$692.0	\$197.0
Disbursements	\$9,637.0	\$9,037.0	\$9,521.0
Collections	\$9,982.0	\$8,543.0	\$9,534.0
Net Outlays	(\$346.0)	\$494.0	(\$13.0)
EOP Cash Balance	\$692.0	\$197.0	\$210.0
Lower Limit Cash Goal	\$1,046.0	\$1,041.0	\$1,074.0
Upper Limit Cash Goal	\$1,786.0	\$1,736.0	\$1,806.0

FY 2023 USTRANSCOM CASH: FY 2023 cash increased from \$346.0 million to \$692.0 million due to increased collection rate. The cash position includes collection of FY23 ARA \$1,449 million requirement. Ending cash balance is below the lower boundaries by \$354.0 million.

FY 2024 USTRANSCOM CASH: The FY 2024 cash is projected to decrease from \$692.0 million to \$197.0 million. USTRANSCOM cash balance is \$844.0 million below the cash lower boundary. USTRANSCOM continues to work with OSD(C) to solidify long term TWCF solvency and stabilize rates to mitigate impacts on Services.

FY 2025 USTRANSCOM CASH: The FY 2025 cash is projected to increase from \$197.0 million to \$210.0 million. USTRANSCOM cash balance is \$864.0 million below the cash lower boundary. USTRANSCOM continues to work with OSD(C) to solidify long term TWCF solvency and stabilize rates to mitigate impacts on Services.

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