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Intelligence

**GENERAL DEFENSE INTELLIGENCE
PROGRAM (GDIP) SYSTEMS REQUIREMENTS
DEVELOPMENT PROCESS**

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

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This instruction implements Air Force Policy Directive (AFPD) 14-1, *Intelligence Management*. **This AFI is only applicable to the General Defense Intelligence Program (GDIP), and does not impact any other National Foreign Intelligence Program (NFIP). Consolidated Cryptologic Program (CCP) requirements must follow National Security Agency (NSA) instructions in NSA 5000, *Acquisition Management for ACAT I-III Requirements* and NSA/CSS 10-67, *Acquisition Management of Small Computer Assets for Small Computer Purchases*.** This instruction provides guidance and procedures on how to develop and process a GDIP Requirement Need Statement (GRNS) that may result in appropriation funding. It implements AFI 10-601, *Mission Needs and Operational Requirements*, and AFI 65-601 Volume 1, *Budget Guidance and Procedures*. AFI 65-601, Volume 1 contains rules and procedures for using Air Force appropriated funds and should be used with the other volumes of AFI 65-601. This instruction provides guidance for all personnel who manage, review, or approve, use of GDIP funds appropriated to the Air Force. This instruction does not apply to the Air National Guard, Air Force Reserves, or any other program unless specifically mentioned in this regulation.

HQ USAF/XOI must approve any deviations from or revisions to this instruction. Approval for deviations will be in the form of a command supplement or waiver. You must request a waiver for one-time deviations. Submit command supplements and waiver requests to HQ USAF/XOIIR, 1480 Air Force Pentagon, Washington DC 20330-1480.

Chapter 1

GRNS REQUIREMENTS PROCESS

1.1. Overview. The GDIP requirements process parallels the Air Force procedures for requirements development and approval. This AFI instructs how to develop and process a GDIP Requirements Need Statement (GRNS). It describes how to prepare, validate, and approve an GRNS. The GRNS process begins with the identification of a need for a new or improved capability to perform an assigned mission and documenting it in a GRNS. The total cost of the requirement determines the final approval level. The MAJCOM/FOA is the final approval authority if the requirement costs are \$999 thousand and below. Requirements costing \$1 million and above must be submitted through the MAJCOM/FOA to AF/XOI for approval. Upon approval, the requirement costs must be included in the upcoming MAJCOM or FOA Intelligence Program Objective Memorandum (IPOM) submission to request funding for the new project. The new initiative can be identified as either a funded or unfunded requirement. The MAJCOM/FOA must realign funds from other programs for a funded initiative. An unfunded initiative would be submitted to higher headquarters for funding. New initiatives cannot be executed until funds are programmed in the Future Year Defense Plan (FYDP).

1.2. Purpose of a GRNS. Unified Commands/MAJCOMs/FOA will develop a GRNS (attachment 1) to identify and document a mission deficiency that requires a materiel solution. It must be generic, non-system specific, and no more than five pages. The GRNS submission will include a cover sheet (attachment 2) that provides relevant GRNS control information.

1.3. Preparing a GRNS. Originating commands will use sequential control numbers and title system for a new GRNS.

1.3.1. Numbering of a GRNS. Use the command's abbreviation, a space, followed by a zero and the command's consecutive two-digit number, a dash, the last two digits of the calendar year, a comma, a space, followed by the program title. (Example: AETC 007-99, GDIP Requirement Need Statement for Project: Odyssey).

1.4. Review and Approval. After developing the draft GRNS, the originating organization will submit document to the appropriate level for approval. If the total life cycle cost is below \$1 million the document can be approved by the MAJCOM/FOA HQ. Requirements \$1 million and greater must be submitted to HQ USAF/XOIIR for approval by the Director of Intelligence, Surveillance, and Reconnaissance (AF/XOI) or his designee. If an alternative solution to the deficiency identified in the GRNS could potentially result in an ACAT IA program, HQ USAF/XOIIR will distribute the GRNS to the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence (ASD(C3I)) for staffing. ACAT IA programs are Major Automated Information System (MAIS) Acquisition Programs. A MAIS is estimated by the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence (ASD(C3I)) to require program costs for any single year in excess of \$30 million (FY 1996 constant dollars), total program in excess of \$120 million (FY 1996 constant dollars), or total life-cycle costs in excess of \$360 million (FY 1996 constant dollars), or those designated by the ASD(C3I) to be ACAT IA. The comments obtained during AF/XOI review will be consolidated and forwarded to the originating MAJCOM/FOA, normally within 45 days from receipt of the document. These comments will be qualified as critical, substantive, or administrative. Failure to address critical comments may be cause for non-

concurrence on the final document. Substantive comments should be addressed, but failure to do so will not necessarily result in nonconcurrence on the final document.

1.4.1. After completing the draft "for comment" phase, the originator must update the GRNS, to include relevant inputs, and forward the final document to HQ USAF/XOIIR under the GRNS cover sheet. The GRNS must be accompanied by the disposition of each of the critical and substantive comments made by HQ USAF during the draft "for comment" review. The final document is ready for AF/XOI approval, by obtaining their commander's signature on the cover sheet (**Attachment 2**). MAJCOM/FOA then forward the GRNS to HQ USAF/XOIIR to submit for AF/XOI approval, normally obtained within 15 days from receipt of the validated document.

1.5. GRNS Exclusions. The following types of programs do not require a GRNS:

1.5.1. C4 mission needs with a projected program life cycle cost of \$999 thousand or less will use a C4 systems requirement document as a GRNS according to AFPD 33-1, *Command, Control, Communications, and Computer (C4) Systems*.

Chapter 2

ECONOMIC ANALYSIS (EA)

2.1. Definition. An EA helps us make rational choices among competing alternatives. It does not replace the judgment of the decision maker, but rather aids that judgment. Usually, we have alternate ways of meeting a goal, and each alternative costs something (resources, factors, inputs) and produces some benefits (results, revenues, outputs). A good EA systematically examines and tells us about costs, benefits, and risks of various alternatives. This systematic approach reduces the incidence of serious omissions or the introduction of personal bias.

2.2. Requirements:

2.2.1. An EA is required when:

2.2.1.1. Deciding whether to commit resources to a new project or program with total investment costs over \$1,000,000 or annual recurring costs over \$200,000. These dollar thresholds also apply to a group of projects which are so closely related that they are logically considered a single entity. NOTE: Functional agencies may specify alternate thresholds for some project types. For example, different thresholds apply for military construction (MILCON) and military family housing (MFH) projects (see AFI 65-501, *Economic Analysis*).

2.2.1.2. Proposed changes to an ongoing project will push project investment costs over \$1,000,000 or annual recurring costs over \$200,000 (if no EA was previously performed).

2.2.1.3. Directed by Secretariat or Air Staff, or a commander of field units. Coordinate new, ongoing requirements for EAs with SAF/FMC.

2.2.2. An EA is not required if:

2.2.2.1. The costs of conducting the analysis clearly outweigh the potential informational benefits accruing to the decision maker.

2.2.2.2. The Office of the Secretary of Defense (OSD) or higher authority directs a new or modified program and specifies how to accomplish program goals.

2.2.2.3. Legislation or a prior irrevocable management decision specifically exempted the project from an EA.

2.2.3. When an activity does not conduct an EA for reasons specified in 2.2.2, the sponsoring activity writes a memorandum for record (MFR) explaining the circumstances in detail. The activity must coordinate the MFR with the comptroller office responsible for EAs. The sponsoring activity retains the coordinated MFR on file until the project which is the subject of the MFR has been completed.

2.3. Responsibilities:

2.3.1. MAJCOM/FM. The Comptroller will designate an EA OPR (typically the financial analysis office) responsible for EAs within the command. The OPR:

2.3.1.1. Manages the command's EA program, including monitoring the training of analysts, providing command guidance to installations preparing EAs, and all liaison with SAF/FMC.

2.3.1.2. Reviews and certifies all EAs that MAJCOM functional offices forward to the Secretariat or Air Staff.

2.3.1.3. Provides a representative as a nonvoting member on the MAJCOM Facilities Board. This allows financial analysis offices to be aware of projects as they are developed and proceed through the chain of command from base level to MAJCOM headquarters. It also facilitates the accumulation of costs and preparation for possible future workload.

2.3.1.4. Concur, as appropriate, with requests for a waiver from EA requirements

2.3.1.5. Certifies EAs requiring MAJCOM or HQ USAF automated data processing (ADP) system manager approval.

2.3.2. MAJCOM Functional Offices:

2.3.2.1. Review EAs and coordinate on the Certificate of Satisfactory Economic Analysis.

2.3.2.2. Forward the EA to their counterparts at Secretariat or Air Staff after certification by the MAJCOM financial analysis office (see AFMAN 65-506, *Economic Analysis and Program Evaluation*).

2.3.2.3. Concur, as appropriate, on requests for waivers from EA requirements and forward the request to Secretariat or Air Staff counterparts.

2.3.3. Installation Functional Offices (base or wing level):

2.3.3.1. Determine the need for an EA based on criteria in paragraph 2.2.

2.3.3.2. Notify the financial analysis office in writing when an EA is required.

2.3.3.3. To allow time for accumulation of data, notify as soon as possible after the requirement is determined.

2.3.3.4. Document in the request a definition of the objective of the EA, the scope of the proposed project (quantified to the extent possible), a description of all feasible alternatives to achieve the objective, and a description of any possible sources of costs, including databases, records or manuals. If applicable, the rationale for any alternatives considered infeasible should also be provided.

2.3.3.5. Serve as the office of collateral responsibility (OCR) for preparing the EA.

2.3.3.6. Review EAs and coordinate on the Certificate of Satisfactory Economic Analysis.

2.3.3.7. Provide support to the EA preparation process as determined by the working group.

2.3.3.8. Prepare an MFR if an EA is not required and coordinate with the financial analysis office; retains the memo on file until the related project is completed.

2.3.3.9. Send written requests for waivers from EA requirements to the base level financial analysis office. Waiver requests must adequately explain and document the reason why an EA is not necessary according to paragraph 2.2.1. or 2.2.3. in AFI 65-501 for MILCON, MFH, and Real Property Maintenance Projects.

2.3.3.10. The base functional office forwards the request for a waiver to MAJCOM functional counterparts.

2.4. Waivers/Exemptions. OSD Comptroller has authority to grant waivers from EA requirements.

2.4.1. Request waivers based on the criteria in paragraphs 2.2.1. or 2.2.3. in AFI 65-501 for MILCON, MFH, and Real Property Maintenance Projects.

2.4.2. Use the format in AFMAN 65-506 for waiver requests. The MILCON program has additional requirements for waiver documentation which are the responsibility of engineering offices.

2.4.3. The base financial analysis office, comptroller, and his or her functional counterpart must concur that a waiver is appropriate. MAJCOM functional counterparts equivalent to the MAJCOM director of financial analysis must also concur.

2.5. Certification. Certification by comptroller personnel means that an EA has been prepared according to this instruction. Certification does not mean that the comptroller organization endorses the recommendation contained in the EA. Only responsible functional officials can judge whether the recommendation is appropriate. Certification by comptroller personnel attests to the proper use of economic principles in the analysis and to the adequacy of documentation such that the EA is a stand-alone document. Certification by functional personnel indicates that the assumptions, reasoning and cost-benefit assessments in the EA are consistent with their area of technical expertise. Functional managers and reviewers at each stage of the review process must sign the Certificate of Satisfactory Economic Analysis. EAs forwarded to Air Staff or Secretariat must give evidence of MAJCOM/FOA/Unified Commands certification.

2.5.1. Certifying officials include the Comptroller and the program office equivalent at base level and the financial analysis and program office equivalent at MAJCOM level. Other base level or MAJCOM offices which have provided significant inputs should also coordinate on the Certificate of Satisfactory Economic Analysis.

2.5.2. AFMAN 65-506 contains an EA Certification Checklist.

2.5.3. If an office cannot certify the EA, provide a statement of nonconcurrency to all other OCRs.

2.6. Documentation Requirements. Thoroughly detail your EA so reviewers can replicate it. Reviewers must be able to trace costs to the most basic inputs and units of measure. Cite sources and dates for rates, factors, and estimates, including publications, memos, and letters. For estimates based on expert opinion, include the individual's office symbol and phone number.

2.6.1. If you use innovative methods, include an explanation of the method and the rationale for using it in the EA.

2.6.2. Clearly identify any funding or budget constraints.

2.6.3. Use formats in AFMAN 65-506 for EA documentation, or adapt them to fit the unique aspects of your analysis.

2.6.4. Fully document data to meet close scrutiny of independent authority. To facilitate review, number all pages in an EA, including any attachments.

2.6.5. Significantly Different Alternatives. If the EA compares contractor and government performance, the analysis should, if applicable:

2.6.5.1. Explain why the government's response to a functional specification significantly differs from the contractor's proposed method of construction or operation (for example, using coal instead of nuclear power for an energy plant).

2.6.5.2. Explain any significant differences between the government's and the contractor's costs. Briefly explain in the executive summary and elaborate in the body of the EA.

2.7. Communications-Computer Systems. AFI 33-103, *C4 Systems Requirements Development and Processing*, explains procedures for validating and approving communications-computer system programs. When a project needs an EA based on paragraph 2.2., the EA accompanies a Communications-Computer Systems Requirement Document (CSRSD) or GRNS.

2.8. Life-Cycle Costs. The total cost to the government from beginning through implementation and operation for the entire useful life of an alternative is known as the life-cycle cost of that alternative. All relevant resources required to achieve the stated objective throughout the alternative's useful life are to be shown in the analysis. Costs of each alternative which are required to meet the objective should be exhaustive. Costs should be carefully analyzed to determine whether or not they are included under the scope of the objective. Closely associated costs which do not contribute to an objective may be excluded. For example, an EA on vehicle acquisition and maintenance does not have to include vehicle operations costs since operations do not fall under the scope of acquisition and maintenance. However, in this example, any impact on vehicle operations should be discussed, especially if benefits are affected. Outside of DOD "wash costs" or "common costs" are often excluded from the economic analysis process. The DOD position is that all costs of each alternative should be identified. In practice it has been found that failing to identify all costs can easily lead to decisions being made on what in reality is incomplete and partial information (A-76 commercial activity costing procedures, following AFI 38-203, *Commercial Activities Program*, and AFMAN 38-208V1, *Air Force Management Engineering Program (MEP) - Processes*, use a common cost method as directed by OMB). If particular costs in an economic analysis are judged to be very small and difficult to measure due to lack of data, then a discussion of such costs should be included in narrative format so that decision makers and reviewers will be aware of them. The specific measure of life-cycle cost is the annual cost of the alternative discounted to its present value and summed over the entire economic life of that alternative; or, in other words, the present value of the total cost stream. Life-cycle costing provides logical and comprehensive information on programs and projects; its focus is on the total resource implications of program decisions, implicitly considering the timing of expenditures. NOTE: The categories of cost discussed here are not mutually exclusive. Life-cycle costs, for example, include both non-recurring and recurring costs.

2.8.1. Non-recurring Costs. Nonrecurring costs are one-time costs, unique to a specific phase of a project or mission, which usually take the form of initial capital or other unique expenditures; in general, they can be thought of as outlays designed to bring an activity or product "up to speed" or back to operating condition. Non-recurring costs need not be limited to a single year. Included under this general heading are:

2.8.1.1. Research and development costs. Include all costs necessary to design a project or system and to perform development testing.

2.8.1.2. Investment costs. These are costs associated with the acquisition of equipment, real property, nonrecurring services, nonrecurring operations and maintenance (start-up) costs, and other one-time outlays. Some common types of investment costs are:

2.8.1.2.1. Costs of acquisition, rehabilitation, or modification of land, buildings, machinery, equipment, and one-time computer software costs.

2.8.1.2.2. Costs of acquisition, rehabilitation, or modification of other capital items such as furnishings and fittings required for the project.

2.8.1.2.3. Costs of plant rearrangement and tooling associated with the project.

2.8.1.2.4. Costs of freight and insurance required by the project.

2.8.1.2.5. The value of nonrecurring services received from others, both internal and external to the Air Force.

2.8.1.2.6. The costs of leaseholds required for the project.

2.8.1.2.7. Working capital and current assets on hand or on order, including inventories of consumable items and resources required for the project.

2.8.1.3. The imputed value of existing Air Force assets to be employed on the project. Concerning existing assets, the investment for a given project may consist of assets to be acquired plus existing assets. The value of existing assets should be included only when there is an opportunity cost associated with use of the asset. Opportunity cost is the cost of a resource measured in terms of its value in the best alternate use. Opportunity cost can include, for example, the cost imposed by one activity on another by diverting an existing asset from the latter to the former. If use of an existing asset would result in a cash outlay for some other project or activity, a cost which the government would not have otherwise incurred, that value should be included in the analysis as the cost of using that asset. When included, existing assets are valued at their opportunity cost value (as measured by market price, scrap value, or new cost adjusted for depreciation) and the basis for arriving at the estimate must be documented.

2.8.2. Recurring Costs. The annual or periodic costs required to operate and maintain a program or project. Recurring costs involve the routine operation of the activity and any periodic costs required to maintain the activity in operation, such as the replacement of subsystems associated with a facility. Recurring costs include:

2.8.2.1. Personnel Costs. All direct and indirect costs related to both civilian and military personnel. The cost of civilian personnel services includes gross pay, as well as the government's contribution for retirement and disability, health, and life insurance. If labor costs are determined by direct labor hours, the pay rate should be increased to cover leave and other benefits such as true average cost of sick leave and annual leave, holiday and other paid leave accruals, plus the average government contribution for all benefits. The cost of military personnel services includes annual composite pay and permanent change of station costs. Annualized retirement costs must also be included. Costs for travel, per diem, moving expenses, and training should be included for both civilian and military personnel. Factors for estimating personnel costs are in AFI 65-503, *US Air Force Cost and Planning Factors*.

2.8.2.2. Supplies and Material. Besides material consumed in use, this includes transportation costs directly identified with the costs for handling, storage, and protection of property, and the cost of utility services such as electric power, gas, water, and communications-related costs.

2.8.2.3. Maintenance and Repair Costs. Maintenance and repair of buildings, grounds, and equipment are often recurring costs. Also, the costs of terminating or canceling any existing arrangement required as the result of selecting an alternative should be included. Travel costs and personnel time lost when traveling to diverse locations is often overlooked when finding the cost

of maintaining scattered facilities. Pre existing systems must be documented, life-cycle cost developed and approved at the appropriate level.

2.8.2.4. Miscellaneous Costs. Other categories of cost include sunk costs and depreciation.

2.8.2.4.1. Sunk Costs. Funds already expended at the time of the analysis are known as sunk costs. In the

context of an analysis, these are expenditures which have already occurred, and thus are beyond the reach of the decision maker. Such costs have been irrevocably committed to a program or project and have no bearing on comparative cost studies. They should not be included in a cost comparison, but may be shown separately as supplementary information. For example, if \$1 million has been expended in research and development leading to item A, with acquisition of the new product requiring an additional investment of \$500,000, and item B is proposed as an alternative and will require an investment of \$750,000, the relevant cost comparison is \$500,000 versus \$750,000, not \$1.5 million versus \$750,000. However, the imputed value of existing assets employed to meet an objective, even if such assets have already been purchased, should be included. This is consistent with the concept of opportunity cost--decision makers could employ these assets for an alternate use, and the cost of their use to reach the objective undergoing analysis should be recognized.

2.8.2.4.2. Depreciation Costs. Depreciation accounts for the gradual consumption of capital goods and resources over time. A common use is to allow business to "recover" investment in capital goods through tax benefits. Normally, depreciation will not be included as a cost in an Air Force economic analysis since it would double count expenses (i.e., the acquisition cost of assets are entered when the asset is acquired). However, depreciation procedures can be used to estimate terminal or residual values. Also, it may be a consideration in commercial lease versus buy alternatives if it provides extraordinary tax benefits to the lessor that are a cost to the Treasury (see attachment 11 in AFMAN 65-506).

Chapter 3

FUNDING POLICY

3.1. Criteria for Determining Expense and Investment Costs:

3.1.1. Overview. Appropriation or fund accounts form the structure for the President's budget request and are the basis for congressional action. The appropriations are further organized into budget titles of appropriations with programs, projects or activities of similar purposes. To support management of the Department of Defense's programs, projects or activities, resource requirements should be organized and categorized consistently within the appropriation and budget title structure. The following sections provide guidance for categorizing resource requirements into the various appropriations.

3.1.2. Basic Distinctions Between Expense and Investment Costs. The following guidance is provided to determine whether a cost is either an expense or an investment (All costs are classified as either an expense or an investment):

3.1.2.1. Expenses are the costs incurred to operate and maintain the organization, such as personal services, supplies and utilities.

3.1.2.2. Investments are the costs that result in the acquisition of, or an addition to, end items. These costs benefit future periods and generally are of a long-term character such as real property and personal property.

3.1.2.3. The criteria for cost definitions consider the intrinsic or innate qualities of the item such as durability in the case of an investment cost or consumability in the case of an operating cost and the conditional circumstances under which an item is used or the way it is managed. In all cases where the definitions appear to conflict, the conditional circumstances will prevail.

3.2. Policy for Expense and Investment Costs. DOD policy requires cost definition criteria that can be used in determining the content of the programs and activities that comprise the Defense budget. The primary reasons for these distinctions are to allow for more informed resource allocation decisions and to establish criteria for determining which costs are appropriate to the various defense appropriations.

3.2.1. The cost definition criteria contained in this policy are only applicable to the determination of the appropriation to be used for budgeting and execution. Cost definitions for accounting purposes are contained in Volume I of DOD 7000.14R, *DoD Financial Management Regulation*.

3.2.2. Costs budgeted in the Operation and Maintenance (3400) and Military Personnel (3500) appropriations are considered expenses. Costs budgeted in the Procurement (3010, 3020, 3080) and Military Construction (3300) appropriations are considered investments. Costs budgeted in the Research, Development, Test and Evaluation (3600), Base Realignment and Closure (BRAC), and Family Housing appropriations include both expenses and investments. Definitions for costs within the Defense Business Operations Fund are provided in Chapter 9 and Section 010212 in Volume I of DOD 7000.14R.

3.2.3. Items procured from the Defense Business Operations Fund will be treated as expenses in all cases except when intended for use in weapon system outfitting, government furnished material (GFM) on new procurement contracts, or for installation as part of a weapon system modification, major reactivation or service life extension.

3.3. Procedures for Determining Expenses Versus Investments. The following criteria will be used to distinguish those types of costs to be classified as expenses from those to be classified as investments for budgeting purposes:

3.3.1. Expenses. Expenses are costs of resources consumed in operating and maintaining the Department of Defense. When costs generally considered as expenses are included in the production or construction of an investment item, they shall be classified as investment costs. Military personnel costs are an exception to this rule. The following guidelines shall be used to determine expense costs:

3.3.1.1. Labor of civilian, military, or contractor personnel.

3.3.1.2. Rental charges for equipment and facilities.

3.3.1.3. Food, clothing, and fuel.

3.3.1.4. Supplies and materials designated for supply management of the Defense Business Operations Fund.

3.3.1.5. Maintenance, repair, overhaul, and rework of equipment, with the exception of investment funded parts.

3.3.1.6. Assemblies, spares and repair parts, and other items of equipment that are not designated for centralized item management and asset control and which have a system unit cost less than the currently approved dollar threshold of \$25,000 for FY 1994 (Section 8092 of the FY 1994 DOD Appropriations Act), \$50,000 for FY 1995 (Section 8076 of the FY 1995 DOD Appropriations Act) and \$100,000 for FY 1996 (Section 8065 of the FY 1996 DoD Appropriations Act) for expense and investment determinations. This criterion is applied on the basis of the unit cost of a complete system rather than on individual items of equipment or components that, when aggregated, become a system. The concept of a system must be considered in evaluating the procurement of an individual end item. A system shall be considered to exist if a number of components are part of and function within the context of a whole to satisfy a documented requirement; in this case, system unit cost applies to the aggregate cost of all equipment items being acquired as a new system.

3.3.1.7. Real property maintenance, including facility maintenance and repair and Operation and Maintenance funded minor construction projects.

3.3.2. Investments. Investments are acquisition costs of capital assets of the Department of Defense such as real property and equipment. The following criteria shall be used to determine those costs to be classified as investments:

3.3.2.1. All items of equipment, including assemblies, ammunition and explosives, modification kits, spares and repair parts not managed by the Defense Business Operations Fund, that are subject to centralized item management and asset control to satisfy Servicewide, Defense Agency, Defense Field Activity requirements.

3.3.2.2. All equipment items that are not subject to centralized item management and asset control and that have a system unit cost equal to or greater than the currently approved expense and investment dollar threshold of \$25,000 for FY 1994 (Section 8092 of the FY 1994 DoD Appropriations Act), \$50,000 for FY 1995 (Section 8076 of the FY 1995 DoD Appropriations Act) and \$100,000 for FY 1996 (Section 8065 of the FY 1996 DoD Appropriations Act). The validated

requirement may not be fragmented or acquired in a piecemeal fashion in order to circumvent the expense and investment criterion's policy.

3.3.2.3. Construction, including the cost of land and rights therein (other than leasehold). Construction includes real property equipment installed and made an integral part of such facilities, related site preparation, and other land improvements.

3.3.2.4. The costs of kits, assemblies, equipment, and material for modernization programs, ship conversions, major re-activations, major re-manufacture programs, major service life extension programs, and the labor associated with incorporating these efforts into or as part of the end item is considered investments. All items included in the modification kit are considered investment even though some of the individual items may otherwise be considered as an expense. The cost of labor, incidental material and items required by the installing activity for the installation of modification kits and assemblies is an investment.

3.3.2.5. Supply management items of the Defense Business Operations Fund designated for weapon system outfitting, government-furnished material on new procurement contracts, or for installation as part of a weapon system modification or modernization, major reactivation or service life extension.

3.3.2.6. Also considered as investments are support elements such as data, factory training, support equipment and interim contractor support (ICS), which are required to support the procurement of a new weapon system, modification, overhaul, etc.

3.3.3. Conditional Cases. The following are conditional cases that take precedence over the criteria contained in paragraphs **3.3.1.** and **3.3.2.** above:

3.3.3.1. Initial outfitting of an end item of investment equipment, such as a ship or aircraft, with the furnishings, fixtures, and equipment necessary to make it complete and ready to operate is a part of the initial investment cost. Material procured through the Defense Business Operations Fund for initial outfitting will be financed by procurement appropriations when drawn from the supply system. This concept includes changes to the allowance lists of ships, vehicles, and other equipment. Changes to allowance lists will be budgeted as investment costs.

3.3.3.2. Initial outfitting of a facility construction project financed by a Military Construction appropriation is financed as either expense or investment based on the general criteria. Collateral equipment and furnishings are not considered construction costs since these items are movable and are not installed as an integral part of the facility.

3.3.3.3. When family housing is initially outfitted with kitchen equipment to include refrigerator, shades, carpeting, etc., these items are considered part of the construction costs.

3.3.3.4. Construction program costs, associated with construction management in general, as distinguished from supervision of specific construction projects, are expenses. Costs incident to the acquisition (i.e., design, direct engineering, technical specifications) and construction of a specific project are investments. The cost of administering the real property maintenance program is an expense at all levels.

3.3.3.5. Costs of minor construction projects, not financed by Military Construction appropriations, meeting the current criterion for funding from appropriations available for operation and maintenance are considered expenses. However, this definition does not abrogate the prohibition

against the planned acquisition of, or improvements to, a real property facility through a series of minor construction projects (i.e., incremental construction).

3.3.3.6. The cost of civilian personnel compensation and other direct expenses (i.e., travel, office equipment leasing, maintenance, printing and reproduction) incurred in support of procurement and/or production programs by departmental headquarters staff, contracting offices, contract audit offices, system project offices, and acquisition managers are expenses. Procurement and/or production direct support costs such as production testing, quality assurance, production engineering, and equipment assembly, whether performed under contract or by in-house personnel funded on a reimbursable basis are investments.

3.3.3.7. When investment equipment is to be installed in a real property facility, the costs of both the equipment and its installation are considered investments.

3.4. Special Guidance Concerning General Purpose Communications and ADPE Procurement.

The following is guidance to apply the expense and investment criteria to general purpose communications and automatic data processing equipment procurement.

3.4.1. New Equipment and System Procurement. The aggregate cost of new equipment and systems, including peripherals and system unique software, procured to address a validated requirement as stated in an approved requirement document will be used to determine whether it should be treated as an expense or investment cost. The determination of expense or investment cost will be applied on the basis of each system in the requirements document, if the document includes more than one system.

3.4.2. Additional or Replacement Equipment and System Procurement. When new requirements necessitate adding, replacing or modifying equipment or software that is a component of, or supports the functioning of an existing system, only the additional equipment and software procurement costs will be used to determine whether it should be treated as an expense or investment cost. Upgrades to an existing system involving multiple equipment component and software changes that are combined to address validated system deficiencies or to improve system performance will be treated as new equipment or system procurement in determining the applicability of the expense and investment criteria.

3.4.3. Requirements Determinations. The validated requirement for, or upgrade to, a communications or automatic data processing system may not be fragmented or acquired in a piece-meal fashion in order to circumvent the expense and investment criteria policy.

PATRICK K. GAMBLE, Lt General, USAF
DCS/Air and Space Operations

Attachment 1**GDIP REQUIREMENT NEEDS STATEMENT (GRNS) FOR
TITLE AND NUMBER OF NEED****FORMAT**

1. Defense Planning Guidance Element. Identify the major program planning objective or section of the Defense Planning Guidance to which this need responds. Also reference DoD or military department long range investment plans, if applicable. Identify if this is a top-down directed need and who directed it.

2. Mission and Threat Analyses. Identify and describe the mission need or deficiency. Define the need in terms of mission, objectives, and general capabilities. Do not discuss the need in terms of equipment or system-specific performance characteristics. Discuss the GDIP-validated threat to be countered as well as the projected threat environment and the shortfalls of existing capabilities or system in meeting these threats. Comment on the timing of the need and the general priority of this need relative to others in this mission area.

3. Non-materiel Alternatives. Discuss the results of the mission need considerations. Identify any changes in US or Allied doctrine, operational concepts, tactics, organization, and training that were considered in the context of satisfying the deficiency. Describe why such changes were judged to be inadequate.

4. Potential Materiel Alternatives. Identify known systems or programs that are deployed or are in development or production by any of the Services or Allied nations which address similar needs. Discuss the potential for inter-Service or Allied cooperation. Indicate potential areas of study for concept exploration/definition, including the use of existing US or Allied military or commercial systems or product improvements of existing systems. Do not evaluate these alternatives; however, originators may indicate initial preferences for emphasis. The materiel alternatives discussed here will form the basis of what is directed for concept studies in the Milestone 0 Acquisition Decision Memorandum.

5. Constraints. Describe, as applicable, key boundary conditions related to infrastructure support that may impact on satisfying the need, including mission planning needs; arms control treaties; logistics support; transportation; mapping, charting and geodesy support; manpower, personnel and training constraints; command, control, communications, and intelligence interfaces; security; and standardization or interoperability within NATO or with other allies or DoD components. Address the operational environments (including conventional; initial nuclear weapon effects; nuclear, biological, and chemical contamination; electronic; advanced technology; terrorism; sabotage; and natural weather) in which the mission is expected to be accomplished. Define the level of desired mission capability in these environments. This section should not discuss system-specific requirements.

Attachment 2
COVER SHEET FOR GRNS DOCUMENTS

DATE:

DRAFT

GDIP Requirement Need Statement (GRNS)

(Command number)

(Title of the GRNS)

(Signature)

**UNIFIED COMMAND/MAJCOM/FOA DIRECTOR OF REQUIREMENTS
OR REQUIREMENTS PRINCIPAL**

OPR: (Office Symbol)

Phone: (DSN & Comm)
