

Foreign Military Sales Administrative Costs

The Foreign Military Sales (FMS) program is implemented, for the most part, by the same Department of Defense personnel who work in the military departments and defense agency procurement, logistics support and administrative organizations established to carry out DoD's requirements for procurement and support of weapons, equipment, supplies and services needed by our Army, Navy, Air Force and Marines. A small number of fully dedicated security assistance organizations and personnel are also employed by the military departments and defense agencies in accomplishing the FMS mission. This integration of FMS provides organizational efficiencies and procurement cost economies to both the U.S. and the FMS customer countries.

The Arms Export Control Act (AECA) requires that the costs of implementing FMS be paid by FMS customer countries. To satisfy this requirement, an "administrative surcharge" of three point eight percent (3.8%) is applied to FMS cases written on or after August 1, 2006. For cases that were written between June 1, 1999 and July 31, 2006 a two and half percent (2.5%) surcharge was applied. These administrative funds collected from the FMS customer are made available to the military departments and defense agencies to pay for their FMS administrative costs related to such functions as FMS case preparation (including preparation of price and availability estimates/information), sales negotiations, case implementation and execution, procurement, program control, ADP operations, accounting, budgeting and other financial program management. Operating costs of overseas Security Assistance Organizations (SAOs) relating to support of the FMS programs are also financed from FMS administrative funds. DSCA administers an annual budget process to develop estimated funding requirements and establish approved administrative funding levels.

The ceiling included in Foreign Operations, Export Financing and Related Programs Appropriations Act of 2008, was \$435 million, the request for 2009 of \$470 million. Through a Congressional Notification dated 15 December 2008, the ceiling was increased to \$513.8 million. All FMS administrative budget obligations and expenditures are from FMS customers' funds that have been collected into the U.S. Treasury in the Foreign Military Sales Trust Fund account. There is no net outlay impact on the U.S. budget from the operations of the FMS administrative budget.

In FY 2010, \$594 million is required. DoD's FMS workload is significantly increasing as indicated by actual sales between FYs 2001-2005 in the \$10-13 billion range; FY 2006 and 2007 sales were over \$20 billion and sales for FY 2008 are in the \$38 billion range. Projected Sales for FY 2009 are \$42 billion. Additionally, there are major infrastructure investments required, including Information Technology.

The following table shows FMS administrative budget amounts for FYs 2008-2010.

Foreign Military Sales Administrative Costs/Workyears
(\$ in millions)

	FY 2008 Actual		FY 2009 Estimate		FY 2010 Request	
	Workyrs	Dollars	Workyrs	Dollars	Workyrs	Dollars
Military Departments	2,306	288.134	2,970	333.018	3,276	375.750
Other Defense Activities	677	107.791	666	138.896	676	176.846
Overseas (Net)	394	39.075	401	41.886	406	41.400
Total	3,377	435.000	4,037	513.800	4,358	593.996