



# Department of Defense INSTRUCTION

**NUMBER 1015.15**

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**Incorporating Administrative Change 1, March 20, 2008**

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USD(P&R)

**SUBJECT:** Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources

- References:**
- (a) DoD Directive 5124.02, "Under Secretary of Defense for Personnel and Readiness (USD(P&R))," October 17, 2006
  - (b) Acting Deputy Secretary of Defense Memorandum, "DoD Directives Review – Phase II," July 13, 2005
  - (c) DoD Instruction 1015.15, "Procedures for Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources," May 25, 2005 (hereby canceled)
  - (d) DoD Instruction 1015.14, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources," November 22, 2005 (hereby canceled)
  - (e) through (bn), see Enclosure 1

## 1. REISSUANCE AND PURPOSE

Consistent with the authority provided in References (a) and (b), this Instruction reissues Reference (c) and incorporates and cancels the following to prescribe policy, assign responsibilities, and set procedures for establishment, management, and control of Nonappropriated Fund Instrumentalities (NAFIs), nonappropriated funds (NAFs), and financial management of resources supporting NAFIs.

1.1. Reference (d).

1.2. Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD(C/CFO)) and Under Secretary of Defense (Personnel and Readiness) (USD(P&R)) Memorandum (Reference (e)).

1.3. Principal Deputy Under Secretary of Defense (Personnel and Readiness) (PDUSD(P&R)) Memorandum (Reference (f)).

1.4. Enclosure 6 of DoD Instruction 1015.10 (Reference (g)).

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6.1.3. Disestablishment. A NAFI shall be disestablished when the purpose no longer exists, when consolidated with another NAFI, or when it is not a viable fiscal entity and cannot maintain self-sufficiency. Upon disestablishment, excess NAFI assets or residual NAFI liabilities may be redistributed to other NAFIs within the Program Group, or otherwise disposed of by the successor NAFI, in accordance with the policies and procedures established by the Head of the DoD Component concerned and DoD 4165.66-M (Reference (ah)). A terminal audit shall be performed.

6.1.4. Transfer. When control of an installation or organization is transferred from one DoD Component to another or to another U.S. Government department or agency, the disposition of NAF assets or liabilities shall be determined through negotiation. These negotiations shall ensure a fair and equitable distribution of assets in consideration of current and foreseeable requirements of the affected installations or organizations.

6.2. Use of Resources. NAFI resources shall be administered in an economical, efficient, and business-like manner.

6.2.1. Funding Categories. Within each Program Group, activities are further classified into one of three funding categories. The funding categories are the basis of the APF and NAF authorizations identified in Enclosures 4 and 5.

6.2.1.1. Category A – Mission Sustaining Activities. Category A activities have virtually no capacity for generating NAF revenues and are supported almost entirely with APFs. The use of NAFs is limited to specific instances where APF support is prohibited by law or when NAF support is essential for the operation.

6.2.1.2. Category B – Basic Community Support Activities. Category B activities are financed with a combination of NAF and APF resources. Because their NAF revenue-generating capability is limited, these activities shall be substantially supported with APFs.

6.2.1.3. Category C – Revenue-Generating Activities. Category C activities have the highest capability to generate NAF revenues and generally receive only indirect APF support, except as authorized by law. Overseas activities are authorized limited direct APF support. Military MWR and Armed Service Exchange Category C activities at designated remote and isolated locations are authorized funding under Category B rules in accordance with Enclosure 4.

6.2.2. NAFI Facilities Funding. Enclosure 5 prescribes a single source of funding for minor and major construction and modernization of community facilities for programs and activities of NAFIs. Distinction is made for construction of facilities at new installations or where expansion is required because of a mission change or influx of new units or systems. Distinction is also made in certain instances for support of U.S. Forces deployed in foreign areas, where DoD personnel do not have ready access to civilian community or commercial alternatives normally available in the United States. Paragraphs 6.2.2.1. through 6.2.2.3. and the footnotes to Tables E4.T.1. and E5.T.1. (Enclosures 4 and 5) reflect these distinctions.

6.2.2.1. The Secretary of the Military Department concerned may approve the use of NAF funding outside the continental United States (OCONUS) for youth centers, youth courts, and youth playing fields when APFs are certified as unavailable.

6.2.2.2. The Secretary of the Military Department or the Military Service headquarters designee may approve the use of NAF funding for a temporary lodging facility in support of TDY travel when APFs are certified as unavailable recognizing that the waiver of the fund source will create higher NAF expenses and possibly higher lodging service charges.

6.2.2.3. APFs may be used in lieu of NAFs for:

6.2.2.3.1. Facility construction related to the establishment, activation, or expansion of a military installation or relocation of facilities for the convenience of the Government. In the case of installation expansion, a major increase in authorized and assigned personnel strength over a short period of time is necessary before APF construction can be programmed. Such expansion must be the result of a mission change or influx of new units or systems. For example, a 25-percent increase in a 2-year time span satisfies these criteria. In contrast, personnel increases resulting from an evolutionary expansion occurring over several years do not satisfy these criteria.

6.2.2.3.2. Replacement of facilities denied by country-to-country agreements.

6.2.2.3.3. Restoration of facilities and improvements destroyed by acts of God, fire, or terrorism.

6.2.2.3.4. Antiterrorism and force protection measures required by DoD Instruction 2000.16 (Reference (ai)).

6.2.2.3.5. Correction of deficiencies in life safety, force protection, and compliance with the Americans with Disabilities Act (section 12142 of title 42, U.S.C. (Reference (aj))).

6.2.3. Private Resources. Private resources in support of NAFI programs shall be administered in accordance with DoD Instruction 1015.13 (Reference (ak)). Donations shall be administered in accordance with Volume 12 of Reference (k). According to section 2601 of Reference (t), the Secretaries of the Military Departments may accept, hold, administer, and spend any gifts, and may devise or bequeath real property, personal property, or money to be used for real property, conditional upon notification to Congress in accordance with Reference (k) and provided that title to the real property improvement is turned over to the Military Department upon completion.

6.2.4. Restrictions on the Use of NAFs. NAFs are to be used only for the general welfare of the military community. Individuals, units, organizations, or installations shall have no proprietary interest in NAFI funds or other NAFI assets. NAFI funds or assets may not be transferred to private organizations as dividends or other distributions.

Element of Resource	APF			NAF
	Category A	Category B	Category C <sup>1,2,3</sup>	
E4.T1.4.3.2. NAF personnel.	Authorized for APF-authorized NAF positions. Initial APF funding is permitted for other NAF positions only when NAFs shall reimburse APFs (except at BRAC locations that are authorized APFs)	Authorized for APF-authorized NAF positions. Initial APF funding is permitted for other NAF positions only when NAFs shall reimburse APFs (except at BRAC locations that are authorized APFs)	Authorized for APF-authorized NAF positions. Initial APF funding is permitted for other NAF positions only when NAFs shall reimburse APFs (except at BRAC locations that are authorized APFs)	Authorized
<b>E4.T1.5. UTILITIES AND RENTS</b>				
E4.T1.5.1. <u>Utilities</u> . Applies to heat, steam, water, gas, electricity, air conditioning, and other utility services for buildings on military installations authorized to be used for MWR and NAFI purposes, and other MWR activities for members of the Armed Forces in accordance with section 2492 of Reference (t).	Authorized	Authorized	Authorized except for golf courses and golf course structures per footnote 8	Authorized for Category C costs in CONUS when APFs are not available, and when not precluded by footnote 9
E4.T1.5.2. <u>Rents</u> . Applies to the use and possession of non-DoD lands, buildings, and other improvements and installed equipment for a specified period through contract; lease agreement; or other legal instrument when authority is granted through appropriate channels.	Not authorized except upon specific approval by the Head of the DoD Component concerned and in accordance with DoD Instruction 4165.71 (Reference (bg))	Not authorized except upon specific approval by the Head of the DoD Component concerned and in accordance with Reference (bg)	Not authorized except upon specific approval by the Head of the DoD Component concerned and in accordance with Reference (bg)	NAF leases authorized in accordance with Reference (bc) and Reference (bg)
<b>E4.T1.6. COMMUNICATIONS</b>				
E4.T1.6.1. <u>Electronic Communications</u> . Applies to electronic communications (telephone, Internet, television, defense switched network (DSN), fax, public address systems, and other electronic media) provided to NAFIs.	Authorized in support of command management functions, statistical data gathering, communications with other DoD and Government agencies, and OCONUS. Authorized for Internet Cafes in deployed areas	Authorized in support of command management functions, statistical data gathering, communications with other DoD and Government agencies, and OCONUS	Authorized in support of command management functions, statistical data gathering, communications with other DoD and Government agencies, and OCONUS	Authorized in support of the operational function of the activity, e.g., procurement of items for resale and collection of income for merchandise or services sold in CONUS

Table E4.T1. General Funding Authorizations for NAFI Activities, continued

Element of Resource	APF			NAF
	Category A	Category B	Category C1, 2,3	
E4.T1.15. NON-OPERATING EXPENSES. Relates to the following categories of services or expenses provided to a NAFI.  E4.T1.15.1. Architectural and Engineering Services. Applies to professional services that include the necessary consultations, preparation of preliminary studies, analyses, cost estimates, working drawings, specifications, and interior design and decoration, and to the inspection and supervision services required for the construction, alteration, or restoration of real property facilities.	Authorized for APF construction and for NAF construction, when no additional manpower authorizations are required	Authorized for APF construction and for NAF construction, when no additional manpower authorizations are required	Authorized for APF construction and for NAF construction, when no additional manpower authorizations are required	Authorized for NAF construction except for inspection and supervision services required for government acceptance of the facility
E4.T1.15.2. Major Construction and Modernization. As defined in E2. (See Enclosure 5 for facilities listing.)	Authorized, except PCS lodging. PCS lodging authorized under footnotes 12 and 13.	Authorized for Child Development Centers and youth activities OCONUS. Other facilities authorized per footnotes 12 and 13.	Not authorized unless permitted by footnotes 12 and 13 or Enclosure 5	Authorized for PCS lodging, Category B facilities (except Child Development Centers, and OCONUS youth activities) and Category C facilities. Not authorized per footnotes 12 and 13 and Enclosure 5.
E4.T1.15.3. Purchase of Real Property. Relates to the acquisition cost of land, buildings, and other fixed improvements.	Purchase of real property authorized only to the extent approved by the Congress	Purchase of real property authorized only to the extent approved by the Congress	Purchase of real property authorized only to the extent approved by the Congress	Not authorized except for the purchase of commercially owned buildings located on government property
E4.T1.15.4. Investment Equipment. Relates to the acquisition and use of equipment that meets the criteria of investment items as defined in Volume 2A of Reference (k).	Authorized except for equipment related to sale of merchandise or services unless permitted by footnote 14	Authorized except for equipment related to sale of merchandise or services unless permitted by footnote 14	Not authorized except for use of surplus/excess government equipment unless permitted by footnote 14	Authorized
E4.T1.16. MERCHANDISE, SERVICE, AND EQUIPMENT FOR RESALE OR RENT. Pertains to merchandise, services, and equipment procured by a NAFI for resale or rent to authorized persons, or related to the sale of merchandise or services.	Not authorized unless permitted by footnote 14	Not authorized unless permitted by footnote 14	Not authorized unless permitted by footnote 14 or footnote 15	Authorized

Table E4.T1. General Funding Authorizations for NAFI Activities, continued

<b>Footnotes:</b>
<sup>1</sup> Military MWR and Armed Services Exchange Category C activities at designated remote and isolated locations are authorized funding under Category B rules according to References (g) and (l), except for golf course grounds maintenance.
<sup>2</sup> On an installation designated under force protection condition Charlie or Delta by the Combatant Commander, Military Service Chief, or equivalent DoD civilian, Military MWR Category C activities, excluding golf courses, golf course structures, cart storage buildings, maintenance sheds, and pro shops, are authorized APF support for civilian personnel with installation management and supervisory functions (excluding personnel directly and primarily involved in resale), utilities and rents, and custodial and janitorial services. Prior to implementation, each Military Service shall ensure accounting mechanisms are in place to account for and report the support, by element of expense as APF support to the MWR program. The APF authority is discontinued at the end of the same FY quarter during which the designated force protection condition is disestablished or downgraded. APF support to Category A and B activities shall not be diverted for this purpose.
<sup>3</sup> Armed Forces Recreation Center, Europe, is only authorized utilities, sustainment, restoration, and modernization of real property, and transportation of products made in the United States in accordance with section 2491b of Reference (t).
<sup>4</sup> Active duty military personnel performing ECECS are authorized in sufficient numbers for Armed Services Exchange programs to provide a trained cadre to meet wartime and deployment requirements and to perform managerial functions.
<sup>5</sup> Enlisted personnel may be employed during non-duty hours by NAFIs as part-time NAF-paid employees.
<sup>6</sup> Authorized for Armed Services Exchange programs for funding of civilian personnel in sufficient numbers to provide a trained cadre to perform ECECS and managerial functions to meet exchange wartime deployment requirements in support of contingency, humanitarian, and peacekeeping operations. Permanent assignment utilization and the assignment of additional or collateral duties in lieu of military positions are authorized by paragraph E4.T1.1. and note 4 to this table. Where NAF civilian positions are utilized, APF support is authorized for NAF expenditures incurred for compensation and benefits, travel of personnel, transportation of household goods, and education and training.
<sup>7</sup> APFs shall be used to cover the expenses of transporting Armed Services Exchange supplies and products to destinations outside CONUS in accordance with section 2643 of Reference (t) and DoD Directive 4500.9E (Reference (bi))
<sup>8</sup> Not authorized for golf courses or golf course structures other than golf club houses inside the United States except those designated by the Secretary of Defense as a remote and isolated location in accordance with section 2491a of Reference (t). Not authorized for cart storage buildings, maintenance sheds, and pro shops inside the United States even if part of golf club house.
<sup>9</sup> Rates charged shall not include incremental or prorated shares of overhead, maintenance, and repair to utility systems or capital investments in the installation's utility infrastructure systems unless otherwise specified by an MOA or Inter-Service Support Agreement (ISSA).
<sup>10</sup> Authorized for Armed Services Exchanges when existing APF contracts may be used to purchase the item or services.
<sup>11</sup> Trash and garbage removal services are not authorized for Armed Services Exchange activities in CONUS.
<sup>12</sup> APFs may be used for all community facility construction related to the establishment, activation, or expansion of a military installation or relocation of facilities for the convenience of the Government; replacement of facilities denied by country-to-country agreements; restoration of facilities and improvements destroyed by acts of God, fire, or terrorism; antiterrorism/force protection measures required under Reference (ai); and to correct life safety and Americans with Disabilities Act (Reference (aj)) and force protection deficiencies. In the case of installation expansion, a major increase in authorized and assigned personnel strength over a short period of time is necessary before APF construction can be programmed. Such expansion must be the result of a mission change or influx of new units or systems. For example, a 25 percent increase in a 2-year time span satisfies these criteria. In contrast, personnel increases resulting from an evolutionary expansion occurring over several years do not satisfy these criteria.
<sup>13</sup> APFs shall be used for site development costs, archeological and ammunition clearances, environmental assessment and remediation, water purification, demolition, excessive utility connections, and road services.