

**BY ORDER OF THE
SECRETARY OF THE AIR FORCE**

AIR FORCE INSTRUCTION 65-607

28 AUGUST 2020



Financial Management

**FOREIGN MILITARY SALES
SPECIALIZED/DEDICATED
TRAINING PROGRAM**

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

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RELEASABILITY: There are no releasability restrictions on this publication.

OPR: AFSAT/FM

Certified by: SAF/FMB/D
(Mr. Stephen R. Herrera)

Supersedes: AFI 65-607, 20 November 2015

Pages: 9

This instruction implements Air Force Policy Directive (AFPD) 65-6, *Budget*, by providing general budget policy and procedures on security cooperation activities ensuring regulatory and statutory compliance and standardization throughout the Air Force. The instruction applies to all civilian employees and uniformed members of the Regular Air Force, Air Force Reserve and Air National Guard. It specifically addresses the pricing of the Air Force Specialized/Dedicated Training Programs for the exclusive use of an international student or international program in support of the Arms Export Control Act (AECA) 22 United States Code (USC), and the *Foreign Assistance Act* (FAA) (Public Law 87-195), as amended, codified as 22 USC, § 2151. Ensure all records created as a result of processes prescribed in this publication are maintained in accordance with Air Force Manual (AFMAN) 33-363, *Management of Records*, and disposed of in accordance with the Air Force Records Disposition Schedule located in the Air Force Records Information Management System. Refer recommended changes and questions about this publication to the OPR using the Air Force Form 847, *Recommendation for Change of Publication*; route AF Forms 847 from the field through appropriate functional chain of command. This publication may be supplemented at any level but all supplements must be routed to the Office of Primary Responsibility (OPR) of this publication for coordination prior to certification and approval. The authorities to waive wing/unit level requirements in this publication are identified with a Tier (“T-0, T-1, T-2, T-3”) number following the compliance statement. See Air Force Instruction (AFI) 33-360, *Publications and Forms Management*, for a description of the authorities associated with the Tier numbers. Submit requests for waivers through the chain of command for non-tiered compliance items.

SUMMARY OF CHANGES

This document has been substantially revised and must be completely reviewed. Major changes include removing technical procedures for placement into an Air Force Security Assistance Training (AFSAT) Standard Operating Procedure handbook, updating terminology aligning with regulatory and statutory guidance, and adding tier waiver authorities as directed by AFI 33-360, *Publications and Forms Management*.

Chapter 1

ROLES AND RESPONSIBILITIES

1.1. Overview. A specialized/dedicated training program is a training program developed or provided solely for the training of international students from one or more countries (e.g., an international flying training squadron). Any special training program developed exclusively for an international student or international program is required to be reimbursed by the foreign nation to the Air Force. Airmen, commanders and directors are responsible for pricing the full cost of training to ensure the Air Force uniformly and consistently applies pricing methodologies that recoup current period costs and a reasonable contribution to sunk investment costs. The Air Force may charge the foreign nation less than the actual cost of the training program in accordance with 22 USC § 2761.

1.2. Roles and Responsibilities.

1.2.1. The following roles and responsibilities are established:

1.2.1.1. The Deputy Assistant Secretary, Budget (SAF/FMB), Chief, Policy and Fiscal Control (P&FC):

1.2.1.2. Functions as the lead on Foreign Military Sales (FMS) budget policy.

1.2.1.3. Engages with external agencies (e.g. Office of the Secretary of Defense (Comptroller), Defense Security Cooperation Agency, and Defense Finance Accounting Service) as the Air Force representative on FMS and Specialized/Dedicated Training budget policy.

1.2.1.4. Coordinates changes to the DoD Financial Management Regulations, Defense Security Cooperation Agency Security Assistance Management Manual and other Department of Defense (DoD) policy or guidance with Air Force-wide implications to the financial management community.

1.2.1.5. Conducts final review and approval of AFSAT financial guidance in accordance with this publication.

1.2.1.6. Handles Secretary of the Air Force (SAF) level staffing prior to official implementation.

1.2.2. Air Force Security Assistance Training (AFSAT) Squadron Director of Financial Management serves as OPR for all financial issues and financial policy concerning the Air Force Specialized/Dedicated Training Program and shall:

1.2.2.1. Establish and update FMS policy and procedures for implementation of specialized/dedicated training programs. **(T-1)**

1.2.2.1.1. Ensure consistency and adherence to statutes, regulations, international agreements, objectives, instructions, directives, and other authorities. **(T-1)**

1.2.2.2. Provide guidance and instruction to subordinate organizations for resolving financial issues. **(T-1)**

1.2.2.3. Provide guidance to subordinate organizations on current cost and planning factors in AFI 65-503, *United States Air Force Cost and Planning Factors*. **(T-1)**

1.2.2.4. Review and approve financial documents for evaluating cost allocations and methodology used to price specialized/dedicated training programs for AFSAT implemented cases. **(T-1)**

1.2.2.5. Conduct periodic site visits to subordinate organizations and perform financial management reviews on specialized/dedicated training programs when needed. **(T-1)**

1.2.2.6. Advise, assist, and train MAJCOM/ANG/AFR unit comptroller personnel regarding specialized/dedicated training programs. **(T-1)**

1.2.3. MAJCOM/ANG/AFR Financial Managers shall:

1.2.3.1. Ensure any supplemental policy or procedures to price, budget, and executed specialized/dedicated training program aligns with instructions from higher authority and with the advice of appropriate staff. **(T-2)**

1.2.3.2. Assist subordinate organizations with reporting financial data, developing cost estimates, and other financial management duties needed to support Pre-Letter of Request and case development activities for specialized/dedicated training programs. **(T-2)**

1.2.3.3. Request evaluation and approval from AFSAT, prior to using any unique cost factors, cost estimating relationships, procedures or methods related to the specialized/dedicated training program. **(T-2)**

1.2.3.4. Furnish a copy of command and field financial management guidelines for dedicated training programs to AFSAT for evaluation and approval prior to implementation. **(T-2)**

1.2.3.5. Conduct a review to ensure all subordinate organizations will use actual costs and prepare reimbursement documents within 30 calendar days after the month in which performance occurred. **(T-0)** See DoD 7000.14-R Volume 11A.

Chapter 2

PRICING

2.1. Pricing Principles Guidance for Specialized/Dedicated Training Programs.

2.1.1. Defense Security Cooperation Agency (DSCA) 5105.38-M, *Security Assistance Management Manual*, provides DoD-wide guidance for personnel in the management or implementation of DoD Security Assistance and Security Cooperation programs, over which DSCA has responsibility. This Manual is mandatory for use by all AF organizations.

2.1.2. DoD 7000.14-R, *DoD Financial Management Regulation*, Volume 15, provides guidance on pricing personnel, inflation factors, start-up costs, direct costs, indirect costs and other billable costs for specialized/dedicated training programs. The full cost principles for pricing tuition-based training and associated pricing exemptions are applicable to the specialized/dedicated training programs.

2.1.3. When pricing specialized/dedicated training programs, full cost pricing principles are to be applied in accordance with DoD 7000.14-R, *DoD Financial Management Regulation*. Full costs includes all direct costs and a proportional share of indirect costs to the United States Government. Commanders and directors take into consideration appropriate legislative authority and terms of the formal agreement when pricing specialized/dedicated training programs.

2.1.4. The estimated costs of a Letter of Offer and Acceptance or annual budget for a specialized/dedicated training program is based on historical/projected data or cost factors, whereas, the bill to a FMS purchaser/partner are actual expenses incurred for defense articles, defense services, and training provided.

2.1.5. Full costs are identified and accounted for only once as a direct, indirect, or other billable cost to ensure the FMS purchaser/partner is not charged multiple times for the same defense articles, defense services and training.

2.1.6. When possible, establish a separate cost center to separate specialized/dedicated training program costs from the host base expenses (e.g., squadron's direct operating expenses for ground fuel, parts, supplies, equipment repairs and other services).

2.1.7. The pro rata share of indirect base operating support cost should be provided as a ratio of the total base population to the number of FMS and dedicated personnel. The total base population includes military personnel, appropriated fund civilians (including Reserve technicians), non-appropriated fund civilians, contractors and tenant activities. Do not include geographically separated units (GSUs) or military retirees.

2.2. Additional Guidance on Pricing Specialized/Dedicated Training Programs.

2.2.1. This section provides guidance and clarification on a number of areas that are prone to confusion.

2.2.2. Beddown (Startup costs). The FMS purchaser/partner is responsible for all costs, to include expenses incurred by the United States Air Force activities assisting in their beddown. For purposes of this instruction, beddown is establishing a unit, mission, activity, or personnel on Air Force real property for longer than one year. This applies to activities of

all military branches, other DoD, non-DoD federal, state and local governmental, and/or private agencies requesting the use of Air Force real property. Additional costs charged to the FMS purchaser/partner are below:

2.2.3. Environmental Impact Analysis (EIA), Environmental Assessment (EA) or Environmental Impact Statement (EIS). In accordance with 32 Code of Federal Regulations (CFR) Part 989.7, (c), *Requests from Non-Air Force agencies or entities*, the Air Force may require the requester to prepare, at the requester's expense, an analysis of environmental impacts, or the requester may be required to pay for an EA or EIS to be prepared by a contractor selected and administered by the Air Force.

2.2.4. Site Activation Task Force (SATAF). During the SATAF process, one-time cost areas should be identified, such as communications, to include expansion of communication capacity, computers, network connections, furniture, and additional support equipment.

2.2.5. Personnel Costs. FMS purchaser/partner should be billed for actual services performed by personnel supporting specialized/dedicated training program. The FMS purchaser/partner should not be billed for time spent fulfilling United States Air Force requirements such as professional military education (PME), deployment, contingency taskings, or any other non-unit related duty.

2.2.6. Environmental Clean up/Compliance. The Air Force receives appropriated funding to clean up past violations, pay for annual fees, etc. The FMS purchaser/partner should not be billed for these past clean up efforts. Reference AFI 32-7001, *Environmental Management*. The FMS purchaser/partner is responsible to pay for any environmental support costs or violations incurred by their base as a result of their specialized/dedicated training program.

2.2.7. Simulators. Charges for simulator expenses vary. Reference DoD 7000.14-R, Volume 15, to price simulator costs when the FMS purchaser/partner is using Air Force simulators and personnel support. Some FMS purchaser/partner owned simulators include FMS purchaser/partner contracts that cover operation and maintenance, supplies, and repair of the simulators. FMS purchaser/partner are only billed for the indirect cost or expenses of maintaining the building in which the simulator is kept. Example of indirect costs: utilities, supplies and maintenance (custodial, refuse pickup, etc.).

2.2.8. Housing and Lodging Services. FMS purchaser/partner is responsible for paying all student support costs outside the FMS process while the international students are in training unless DSCA approves a waiver.

2.2.9. Transportation/Temporary Duty (TDY). FMS purchaser/partner is responsible for all costs associated with their activities related to both commercial and government-owned transportation and temporary duty travel costs.

2.2.10. Field Studies Program. This program is optional for the international students and is coordinated between AFSAT/Mission Support Directorate and the base International Military Student Officer (IMSO).

John P. Roth
Assistant Secretary of the Air Force

Attachment 1**GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION*****References***

AFI 32-7001, *Environmental Management*, 23 August 2019

AFI 33-360, *Publications and Forms Management*, 1 December 2015, AFGM 2019-2, 28 June 2019

AFI 65-503, *US Air Force Cost and Planning Factors*, 13 July 2018

AFMAN 33-363, *Management of Records*, 1 March 2008, AFGM 2019-01, 31 May 2019

AFPD 65-6, *Budget*, 27 September 2019

Title 22 USC, § 2778, *Control of Arms Exports and Imports*

Title 22 USC, § 2151, *Congressional Findings and Declaration of Policy*

Title 22 USC § 2761, *Sales from Stocks*

32 CFR, Part 989.7 (c), *Requests from Non-Air Force Agencies or Entities*

DoD 7000.14-R, *Department of Defense Financial Management Regulation*, Volume 11A
November 2014

DoD 7000.14-R, *Department of Defense Financial Management Regulation*, Volume
15 September 2019

DoDD 5132.03, *DoD Policy and Responsibilities Relating to Security Cooperation*, 29
December 2016

DSCA 5105.38-M, *Security Assistance Management Manual*, 6 July 2019

Prescribed Forms

None

Adopted Forms

AF Form 679, *Air Force Publication Compliance Item Waiver Request/Approval*

AF Form 847, *Recommendation for Change of Publication*

Abbreviations and Acronyms

AECA—Arms Escort Control Act

AF—Air Force

AFI—Air Force Instruction

AFMAN—Air Force Manual

AFPD—Air Force Policy Directive

AFR—Air Force Reserve

AFSAT—Air Force Assistance Training
ANG—Air National Guard
CFR—Code of Federal Regulations
DoD—Department of Defense
DSCA—Defense Security Cooperation Agency
EA—Environmental Assessment
EIA—Environmental Impact Analysis
EIS—Environmental Impact Statement
FAA—Foreign Assistance Act
FMS—Foreign Military Sales
IMSO—International Military Student Officer
MAJCOM—Major Command
OPR—Office of Primary Responsibility
PME—Professional Military Education
SAF—Secretary of the Air Force
SATAF—Site Activation Task Force
TDY—Temporary Duty
USC—United States Code

Terms

Beddown—For purposes of this instruction, beddown is establishing a unit, mission, activity, or personnel on Air Force real property for longer than one year.

Field Studies Program—The DoD program that affords an opportunity for the International Military Student (IMS) to become familiar with the United States; its social, cultural, and political institutions; and its people and their ways of life. The program further increases the IMSs' awareness of the U.S. commitment to basic principles of internationally recognized human rights.

Full cost—is a practice where the price of a product is calculated by a firm on the basis of its direct **costs** per unit of output plus a markup to cover overhead **costs** and profits.

Geographically Separated Unit—a base that is physically separate from, yet not autonomous of its "parent" base. GSUs are "owned" by their parent organization and are typically quite small.

Letter of Offer and Acceptance—is an internal government document used between departments for some types of transactions, or an agreement used in government-to-government deals.

Pre-Letter of Request—is an internal government document used between departments for some types of transactions, or an agreement used in government-to-government deals.

Purchaser/Partner—Person or entity that is a recipient of a good or service provided by a seller under a purchase order or contract of sale.

Requestor—formal, almost legalistic, term for someone who asks for something.

Specialized/Dedicated Training Program—The Air Force specialized/dedicated training programs are: Euro-NATO Joint Jet Pilot Training (ENJJPT) Program, Dutch F-16 Training Program, the German Air Force (GAF) Tornado Program, the Republic of Singapore Air Force (RSAF) PEACE CARVIN V (PC V) F-15 Training Program, the RSAF PEACE CARVIN II (PC II) F-16 Training Program, and Taiwan Air Force PEACE FENG HUANG F-16 Training Program. See DoD 7000.14-R, Volume 15, for additional information on these programs.