Appropriations, Congress & Budget Execution

“Color of Money 101”

29 August 2011
**Appropriations, Congress & Budget Execution 'Color of Money 101'**

**Defense Acquisition University, South Region Campus, Huntsville, AL, 35805**

Approved for public release; distribution unlimited

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http://www.dau.mil
Course Topics

- Life Cycle Cost
- Funding Policies
- Planning, Programming, Budgeting & Execution
- Congressional Enactment
- Day to Day Budget Activities
- Other “Colors of Money”
DoD Supplemental Appropriations

Dollars in billions

- Supplemental bills
- Bridge funding
- DoD budget (includes nuclear-weapons funds)

<table>
<thead>
<tr>
<th>Year</th>
<th>Supplemental</th>
<th>Bridge</th>
<th>DoD Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>$273.2</td>
<td>$19.1</td>
<td>$292.3</td>
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<tr>
<td>2000</td>
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<td>$304.1</td>
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<tr>
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<td>$382.7</td>
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<td>$465.8</td>
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<tr>
<td>2011</td>
<td>$548.9</td>
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<td>$708.2</td>
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</table>
## Military Force Structure

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>Today</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army Brigades</td>
<td>76</td>
<td>45</td>
</tr>
<tr>
<td>Navy Ships</td>
<td>546</td>
<td>288</td>
</tr>
<tr>
<td>USAF Fighting Squadrons</td>
<td>82</td>
<td>39</td>
</tr>
<tr>
<td>Strategic Bombers</td>
<td>360</td>
<td>154</td>
</tr>
</tbody>
</table>

Current Plan Represents 0% Real Growth in Out-Years!
Former SECDEF Gates Warned of “Dire Consequences of Less Than 2-3% Real Growth in Force Structure and Modernization Accounts Given the Threat Environment We Face”
FY 2012 Budget

• “Total defense spending is declining as we complete the combat mission in Iraq.” The FY 2012 DoD budget requests a total of $670.9B:
  • $553.1B for the DoD base budget, which excludes funding directly related to overseas contingency operations (OCO)
  • $117.8B for OCO requirements, which is $41.5B lower than the FY 2011 request
• Per Former SECDEF Gates’ Efficiency Initiatives, DoD continues Top Line reductions into FY 12-16 with $78B in savings and changes for FY 2012 – FY 2016:
  • Efficiencies in how DoD is staffed, organized, and operated ($54B)
  • Restructuring and repricing the Joint Strike Fighter program ($4B)
  • Adjustments to economic assumptions and many other adjustments ($14B)
  • Reducing the size of our ground forces in FY 2015 – FY 2016 ($6B)

For more information, visit the website for the Office of the Under Secretary of Defense (Comptroller) at www.budget.mil.
Balancing the Pillars of Defense

- Force Readiness
- Sustainability
- Force Structure
- Modernization & Investment
- Infrastructure & Overhead

Resources & Constraints

Current Readiness and Operating Needs

Future Readiness and Investment Needs
From Requirement to Capability

Cost Analysis
- Life Cycle Cost
- ICE
- Fiscal Environment
- POE
- AoA

Planning, Programming, Budgeting & Execution
- Annual Funding
- Incremental Funding (Exceptions)

Budget Policies

Congressional Enactment
- President’s Budget
- HAC
- HASC
- HBC
- SAC
- SASC
- SBC
- MFP
- FYDP
- DPPG
- POM
- BES
- RMD
- FEAs
- MBIs

Operational Concept
- Functional Area Analysis
- Capability Docs

Budget Execution
- Feedback
- Budget Authority
- Reprogramming
- Commitment
- Obligation
- Outlay

Force Structure
- Modernization
- Operational
- Capability
- Readiness
- Sustainability
Life Cycle Cost

- Life Cycle Cost is the **Total cost** to the Government for a system over its ** Entire life**.

- Three ways to look at Life Cycle Cost:
  - **Work Breakdown Structure**
  - **Appropriations**
  - **Cost Categories**
    - Research & Development
    - Investment
    - Operations & Support
    - Disposal
Life Cycle Cost Categories

Program Cost %

Notional % of LCC

Space system

Surface vehicle

Ship

R&D Cost

Investment Cost

Operating & Support Cost

Disposal Cost

Production, Fielding / Deployment & Operational Support

MSA  TD  EMD

~18%

~9%

~1%

~66%

~37%

~31%

~16%

~53 - 54%

~66 - 68%

~0%

~0 - 1%

~0 - 2%

Surface vehicle ~1%

Space system ~31%

Ship ~0 - 2%

~18%

~66%
# Major Appropriation Categories

<table>
<thead>
<tr>
<th>APPN CAT</th>
<th>SCOPE OF WORK EFFORT</th>
<th>FUNDING POLICY</th>
<th>OBLIGATION PERIOD</th>
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</thead>
<tbody>
<tr>
<td>RDT &amp; E</td>
<td>RDT&amp;E Activities &amp; Exp, AIS E/SW @ R&amp;D Facilities</td>
<td>Incremental</td>
<td>2 Years</td>
</tr>
<tr>
<td>PROC (SCN)</td>
<td>Production Labor/HW, Initial Spares, AIS E/SW&gt;=$250K</td>
<td>Full</td>
<td>3 Years 5 Years - SCN</td>
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<tr>
<td>O&amp;M</td>
<td>Replenishment Spares, Civilian Salaries, Travel, Fuel, Supplies, Minor Const&lt;$750K, AIS E/SW &lt;$250K</td>
<td>Annual</td>
<td>1 Year</td>
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<tr>
<td>MILPERS</td>
<td>Military Pay &amp; Allowances, PCS Moves, Retired Pay Accrual</td>
<td>Annual</td>
<td>1 Year</td>
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<tr>
<td>MILCON</td>
<td>Major Construction Projects &gt;$750K</td>
<td>Full</td>
<td>5 Years</td>
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</table>
Annual Funding Policy

Applicable Appropriations:
   Operations & Maintenance
   Military Personnel

Basic Budgeting Policy:
   Annual budget request will be limited to obligation authority necessary to cover all expenses during the 12 month budget period (fiscal year).

Additional Guidance (Exception): Statutory provision (PL 105-85, Sec. 801 & Title 10, U.S.Code 2410a) allows funding a severable service contract/task beginning in one FY and ending in the next FY, all in the first year, if the contract period does not exceed 12 months.
Incremental Funding Policy

Applicable Appropriation:

**Research, Development, Test & Evaluation**

Basic Budgeting Policy:

Annual budget request will be limited to budget authority necessary to cover all costs *expected to be incurred* during that fiscal year.

Incremental Funding Policy

Provides flexibility to the government in the uncertain environment of RDT&E

• *Exception*: Contracted efforts > 12 months but < 18 months: Service or Agency comptroller may approve request for funding in single FY if one of following is true:
  
  1) Effort not logically *divisible*
  2) Infeasible to *shorten* contract length
  3) Expect no *bids* if not “fully” funded
Applicable Appropriations:

Procurement and Military Construction

Basic Budgeting Policy:

Annual budget request must cover the total cost to deliver a given quantity of complete, militarily usable end items in a 12 month funded delivery period.

Governing Concepts:

- **Usable End Items** - No piecemeal procurement of systems is permitted.
- **Funded Delivery Period** - 12 month period starting with delivery of first item.
Funding Product Improvements

IF . . .

Modification Increases Performance?

YES

NO

DT or Independent OT&E Required?

YES

NO

System in Production?

YES

NO

FUND Development & Test with . . .

FUND Fabrication with . . .

FUND Installation with . . .
Building the Program Budget

What Do We Need?

- **Program Direction**
  A statement of what the program manager is expected to do

- **Program Work Breakdown Structure**
  A translation of the program direction into a statement of the tasks required to achieve the program objectives

- **Cost Estimate**

- **Master Schedule**
  The sequence of tasks in the work breakdown structure.
  - Showing when each task begins and ends
  - How the tasks are related to another
  - How workload for each task is distributed within the time period

- **Development**
- **Investment**
- **O & S**
- **Disposal**

So…… to **build our program budget** we would take our **Cost Estimate** (in constant dollars) and phase over time using:

- **Master Schedule**

- **Appropriate funding policies by appropriation account**

*Then we would ESCALATE our estimate into THEN-YEAR Dollars to submit as a Budget Request*
Escalation

• **Constant / Base Year Dollars**
  - Tied to Specific year, No Inflation
  - Used for Cost Estimates
  - Allows comparison of program costs between years

• **Current / Then Year Dollars**
  - Includes Inflation and Outlay Rates
    - **Inflation** - general price level increases over time
    - **Outlay rates** - not all dollars are expended in year obtained
  - Used for Budget Estimates (POM/BES, PB → FYDP)
From Requirement to Capability

Life Cycle Cost
ICE
Fiscal Environment
Cost Analysis
POE CCE
AoA
CCE

Cost
Analysis

Planning, Programming, Budgeting & Execution

Annual Funding
Incremental Funding (Exceptions)

Congressional Enactment

Budget Resolution
Authorization & Appropriation Laws

Commitment
Reprogramming
Budget Authority
Obligation
Outlay

Budget Execution

POE
CCA

APB

Operational Concept
Functional Area Analysis
Capability Docs

Operational Concept

Full Funding (Exceptions)

MBIs
MFP
FYDP
DPPG
POM
BES
RMD
FEAs

Defense Acquisition University

Force Structure
Modernization
Operational Capability
Readiness
Sustainability

22
PPBE is DoD’s primary resource allocation system. The objective of PPBE is to provide Warfighters with the best mix of equipment, personnel, and support attainable within established fiscal constraints. The end result of the PPBE process is the DoD portion of the President’s Budget.
**PPBE Phases**

- **Planning**
  - Review Threat / Assess Capabilities
  - Develop Guidance

- **Programming**
  - Turn Guidance into Achievable and Affordable Packages / Programs
  - 5-Year Defense Program (Future Years Defense Program)

- **Budgeting**
  - Scrub Budget year
  - Prepare Executable & Defensible Budget
  - First Year of FYDP

- **Execution**
  - Measure Performance Against Plan
  - Assess Effectiveness of Resource Allocations
PPBE Planning Phase

• Lead: Undersecretary of Defense for Policy (USD(P))
• Strategic Level Documentation
• Focus
  – Review Threat / Assess Capabilities
  – Update Strategy
  – Develop Guidance for Programming & Budgeting
• Unconstrained by Resource Realities
• Output: “Defense Planning & Programming Guidance” (DPPG)

How Much Defense is Enough?
PPBE Programming Phase

- Lead: Director, CAPE (Cost Assessment & Program Evaluation) (OSD)
- Focus: Compliance with DPPG
- Turns DPPG Into Achievable / Affordable Programs / Packages
- Constrained by Resource / Fiscal Realities
  - Want to Get Most “Bang for the Buck” for DoD as a Whole
  - Programs Can Be “Killed” / “Zeroed Out”
- Covers the 5-Year Future Years Defense Program (FYDP)
- Begins Program Office’s Involvement
- R&P Forms Begin to be Developed
- Output: “Resource Management Decisions” (RMDs)

How Much Defense Can We Afford?
PPBE Budgeting Phase

• Lead: USD (Comptroller)
• Focus: Prepare Executable & Defensible Budget
  • Pricing
  • Funding Policies
  • Phasing
  • Funding Profile
  • Budget Execution
  • Scrub P-Forms / R-Forms
• Scrub Budget Year — First Year of FYDP
• Desired “Success” for Program Management Office
  • No Funding Changes!
• Output: “Resource Management Decisions” (RMDs)

Is the Budget Executable & Efficient and Can It Be Effectively Defended to Congress?
PPBE Execution Review

• Lead: USD (Comptroller)
• Focus: Assess Effectiveness of Resource Allocations
  • Develop Performance Metrics
  • Measure Performance Against Plan
  • Assess Actual Output Against Planned Performance
  • Adjust Resources to Achieve Desired Performance Goals
• Done Concurrently in Budgeting Phase

How Well Are We Executing Current Funding?
PPBE — Planning Phase

~FEB/MAR

President
National Security Council
CIA / DIA / JCS / OSD

Planning Phase Focus:
• Threat vs. Capabilities
• Update Strategy
• Guidance for Programming & Budgeting

Every 4 Years

NSS

OSD
Level

NDS

QDR

DPPG

APR/SEP

CIA – Central Intelligence Agency
COCOM – Combatant Commander
CPR – Chairman’s Program Recommendation
D, CAPE – Director, Cost Assessment & Program Eval
DIA – Defense Intelligence Agency
DPPG – Defense Planning & Programming Guidance
FEAs – Front End Assessments
JCS – Joint Chiefs of Staff
NDS – National Defense Strategy
NMS – National Military Strategy
NSS – National Security Strategy
ODS – Office of the Secretary of Defense
QDR – Quadrennial Defense Review
USD(P) – Undersecretary of Defense (Policy)
VCJCS – Vice Chairman, Joint Chiefs of Staff

To DoD “Large Group” / Integrated Program / Budget Submission & Review

FEAs
D, CAPE / VCJCS / USD(P)

Note: PPBE and Resource Allocation Process Overlap charts based on DepSecDef 9 Apr 2010 Memo: “Procedures and Schedule for Fiscal Year (FY) 2012-2016 Integrated Program/Budget Review.” Further process revisions are anticipated during the FY12-16 POM / BES summer / fall reviews.
PPBE — Integrated Program / Budget Review

**Program Review focus:**
- Compliance with DPPG

**Budget Review focus:**
- Pricing
- Phasing
- Funding Policies
- Budget Execution

**Components/Defense Agencies**
- BES — Budget Estimate Submission
- CAPE — Cost Assessment & Prgm Evaluation
- COCOM — Combatant Commander
- CPA — Chairman’s Program Assessment
- CPM — Capability Portfolio Manager
- DAWG — Deputy’s Advisory Working Group
- FYDP — Future Years Defense Program
- MBI — Major Budget Issues
- OMB — Office of Management and Budget
- PB — President’s Budget
- POM — Program Objectives Memorandum
- RMD — Resource Management Decision
- SLRG — Senior Leader Review Group

**Issue Resolution**
- SECDEF/DEPSECDEF
- SLRG* & DAWG*

**Services / PEO / PM Answer / Reclama**
- FYDP Update
- * TBD

**Adv Questions / OSD/OMB Budget Hearings**
- FYDP Update

**JUL**
- DoD “Large Group”

**OCT**
- FEAs
- OSD / CAPE

**NOV**
- POM
- CPA
- CPMs

**DEC**
- BES
- USD(C) / OMB

**JAN / FEB**
- PB

* TBD
# Resource Allocation Process Overlap

<table>
<thead>
<tr>
<th>CY10</th>
<th>CY11</th>
<th>CY12</th>
</tr>
</thead>
</table>

**FY10**
- Execution
- 2nd Yr
- 3rd Yr
- FY 10 and prior

**FY11**
- Enactment
- Execution
- 2nd Yr
- 3rd Yr
- FY 11 and prior

**FY12**
- Planning
- Program/Budgeting
- Enactment
- Execution
- 2nd
- FY 12 and prior

- FY 12-16 DPPG
- FY 12-16 POM
- PB FY 12
- PB FY 13
- FY 13 and prior

**FY13**
- Planning
- Program/Budgeting
- Enactment
- Exec

- FY 13-17 DPPG
- FY 13-17 POM
- PB FY 13
- FY 13 & prior

**FY14**
- Planning
- Program/Budgeting

- FY 14-18 DPPG
- FY 14-18 POM
- FY 14 BES

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DPPG – Defense Planning & Programming Guidance

PB – President’s Budget

POM – Program Objectives Memorandum

BES – Budget Estimate Submission
# Future Years Defense Program (FYDP)

The diagram illustrates the breakdown of DOD appropriations for various major force programs and components. The table below details the appropriations for each program:

<table>
<thead>
<tr>
<th>Major Force Programs</th>
<th>Appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Forces</td>
<td>(1)</td>
</tr>
<tr>
<td>General Purpose Forces</td>
<td>(2)</td>
</tr>
<tr>
<td>Command, Control, Communications, Intell &amp; Space</td>
<td>(3)</td>
</tr>
<tr>
<td>Mobility Forces</td>
<td>(4)</td>
</tr>
<tr>
<td>Guard &amp; Reserve Forces</td>
<td>(5)</td>
</tr>
<tr>
<td>Research and Development</td>
<td>(6)</td>
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<tr>
<td>Central Supply &amp; Maintenance</td>
<td>(7)</td>
</tr>
<tr>
<td>Training, Medical, and Other Personnel Activities</td>
<td>(8)</td>
</tr>
<tr>
<td>Administration and Associated Activities</td>
<td>(9)</td>
</tr>
<tr>
<td>Support of Other Nations</td>
<td>(10)</td>
</tr>
<tr>
<td>Special Operations Forces</td>
<td>(11)</td>
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</tbody>
</table>

The diagram shows how these appropriations are allocated across different components such as Army, Navy, and other defense agencies.
Why Do We Care About Congress?

Article I, Sections 8 & 9

- No money shall be drawn from the Treasury, but in consequence of Appropriations made by Law
- Congress shall have power to
  - Provide for the common defense of the United States
  - Declare war
  - Raise and support Armies
  - Provide and maintain a Navy
  - Make rules for the government and regulation of the land and naval forces
  - Lay and collect taxes
  - Pay the debts

Article II, Section 2

- The President shall nominate, and by and with the Advice and Consent of the Senate, shall appoint Officers of the United States

Congress Holds “The Power of the Purse”
112th Congress, 1st Session  

House – 435 members
• 193 Democrats
• 242 Republicans
• 6 Nonvoting delegates

Senate – 100 Members
• 51 Democrats
• 47 Republicans
• 2 Independents

Few with military experience
92 (21%) 26 (26%)
Congressional Enactment Process

Three-Step Process:

1. Budget Resolution
2. Authorization Act
3. Appropriations Act
House & Senate Budget Committees

- Established by Budget and Impoundment Control Act of 1974
- Work With
  - Congressional Budget Office
    - Issues on Projected Spending / Revenue Levels
  - Revenue and Appropriations Committees
- Draft Concurrent Budget Resolution (CBR):
  - Overall Budget Plan
  - Spending Ceilings for Each Major Government Function (e.g. National Defense)
  - Resolution is Not Law
  - Congress Usually Follows the Guidelines
    - 60% Majority Vote Needed to Override
National Defense Authorization Act

- Authorization Committees
  - House Armed Services Committee (HASC)
  - Senate Armed Services Committee (SASC)
- Sets Policy
- Provides Authorization for Each DoD Appropriation Account
- Annual Authorization Law Provides:
  - Program Approval
  - Procurement Quantities
  - Personnel End Strength
  - Funding Ceilings for Programs
  - Policy
House Armed Services Subcommittees

- Tactical Air & Land Forces
- Military Personnel
- Oversight and Investigations
- Readiness
- Seapower and Projection Forces
- Strategic Forces
- Emerging Threats and Capabilities
- Defense Acquisition Reform Panel

Senate Armed Services Subcommittees

- Air & Land Forces
- Emerging Threats & Capabilities
- Military Personnel
- Readiness & Management Support
- Seapower
- Strategic Forces

Chairman Buck McKeon R-CA
Ranking Member Adam Smith D-WA

Chairman Carl Levin D-MI
Ranking Member John McCain R-AZ
Appropriations Act

• Appropriations Committees
  • House Appropriations Committee (HAC)
  • Senate Appropriations Committee (SAC)

• Provides Budget Authority
  • Permission to Obligate
  • Does Not Provide Dollars Per Se

• 12 Annual Appropriations Bills
  • Defense
  • Military Construction
  • Energy and Water Development
  • 9 others

• Normally Follows Lead of Authorizing Committees
<table>
<thead>
<tr>
<th>HAC Subcommittees</th>
<th>SAC Subcommittees</th>
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</thead>
<tbody>
<tr>
<td>• Agriculture, Rural Development, FDA and Related Agencies</td>
<td>• Agriculture, Rural Development, FDA, and Related Agencies</td>
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<tr>
<td>• Commerce, Justice and Science and Related Agencies</td>
<td>• Commerce, Justice, Science and Related Agencies</td>
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<tr>
<td>• Defense (HAC-D)</td>
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<tr>
<td>• Energy and Water Development</td>
<td>• Homeland Security</td>
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<tr>
<td>• Financial Services and General Government</td>
<td>• Interior, Environment, and Related Agencies</td>
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<tr>
<td>• Homeland Security</td>
<td>• Labor, Health and Human Services, and Education, and Related Agencies</td>
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<td>• Interior, Environment, and Related Agencies</td>
<td>• Energy and Water Development</td>
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<td>• Labor, Health and Human Services, Education and Related Agencies</td>
<td>• Financial Services and General Government</td>
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<tr>
<td>• Legislative Branch</td>
<td>• Legislative Branch</td>
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<td>• Military Construction, Veteran’s Affairs and Related Agencies</td>
<td>• Military Construction, Veterans Affairs, and Related Agencies</td>
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<td>• State, Foreign Operations and Related Programs</td>
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<tr>
<td>• Transportation, Housing and Urban Development and Related Agencies</td>
<td>• Transportation, Housing and Urban Development, and Related Agencies</td>
</tr>
</tbody>
</table>
Authorization vs. Appropriation

**Authorization Bill**
- Authorizes a Program
- Specifies Its General Aim & Conduct
- Usually Puts a Ceiling on Monies that Can Be Used to Finance It

**Appropriation Bill**
- Grants the Budget Authority for the Program
- Budget Authority May Be Above or Below What was Authorized

Mother, may I ..... PERMISSION

Dad, can I have some dough to ..... FUNDING
Congressional Enactment Timetable

<table>
<thead>
<tr>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
<th>MAY</th>
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“TARGET” FISCAL YEAR

43
DoD Involvement in Congressional Enactment


Appropriations Process → Appropriation Conference

President’s Budget

Congress

DoD Budget

President (OMB)

Department of Defense

Services POM / BES

Military Departments

Staffer Days, Testimony, & Appeals

FEB MAR APR MAY JUN JUL AUG SEPT OCT

Apportionment → Allocation → Sub-Allocation → Allotment → Budget Execution

Based on RMDs
• There are Two **Independent** Phases Subject to Appeals
  • Authorization
  • Appropriation
• Keep Actions Pertaining to the Two Phases Separate
• Appeal to Next Committee of **That** Phase to Consider the Budget Request
  • Authorization: HASC ➔ SASC ➔ Conference Committee
  • Appropriation: HAC ➔ SAC ➔ Conference Committee
• Appeal for Amount In - or Closest To - President’s Budget (of the Prior Two Marks)
• Acceptable to Appeal
  • Dollars
  • Production Quantities
  • End Strength (Manpower)
  • Language
Continuing Resolution (CR) Authority

- Occurs When Congress Fails to Pass Appropriations Act Prior to Start of Fiscal Year (01 October)
- Joint CR Authority (Passed by Both Chambers) Must be Signed by the President
- Is Stop-Gap Spending Authority Allowing Federal Government to Continue Operating
- Allows Obligation of Funds at the Lesser of:
  - Normal Rate Based on Last Year’s Appropriation
  - Normal Rate Based on Lowest Congressional Mark
- New Start Programs NOT PERMITTED
- Congressional Special Interest Programs may have Specific Direction
- Operates Until Annual Appropriations Request Becomes Law
- Covers Limited Time Period

Nine (9) Continuing Resolutions through 8 April 2011

Funded most agencies at FY 2010 levels; No New Starts
FROM REQUIREMENT TO CAPABILITY

**Cost Estimating**
- Life Cycle Cost
- ICE
- Fiscal Environment
- CAIV
- POE
- AoA
- CCA
- CCE

**Funding Policies**
- Annual Funding
- Incremental Funding
- Full Funding (Exceptions)

**Congressional Enactment**
- Authorization & Appropriation Laws

**Budget Resolution**
- Budget Authority
- Reprogramming
- Feedback
- Commitment
- Obligation
- Expenditure
- Outlay

**Operational Concept**
- Capabilities-Based Analysis

**Planning, Programming, Budgeting, and Execution Process**
- President’s Budget

**Military Budget Items (MBIs)**
- MFP
- FYDP
- GDF
- JPG
- POM

**Authorization & Enactment**
- HAC
- HASC
- HBC

**SAC**
- SASC
- SBC

**Operational Concept to Capability**
- From Requirement to Capability
Apportionment Process

Budget & Accounting Act of 1921

Congress

- Appropriation

OMB

- Apportionment

OSD Comptroller

- Allocation

Service Comptroller

- Sub-Allocation

MACOM/PEO Comptroller

- Allotment

PMO

- PMO can actually use the BA

Provides Budget Authority

- Investment-full amount
- Expense-quarterly
- Impoundment-Defer/Rescind

Withhold
- Admin
- Taxes

Withhold
- Admin
- Taxes

- Taxes
Monetary Concepts

Budget Authority
Credit Card Spending Limit

Administrative Reservation of Funds
Commitment
Verification of Available Funds

Legal Reservation of Funds
Obligation
Sign Receipt for Purchase

Expenditure
Write Check to Credit Card Company

Outlay
Check clears your account

- Purpose
- Time
- Amount
Examples of Appropriation Structure

- **RDT&E**
  - Appropriation: 3600F (RDT&E, Air Force)
  - Budget Activity: 03 - Advanced Technology Development
  - Program Element: 0603205F- Flight Vehicle Technology Integration

- **Procurement**
  - Appropriation: 2032A (Missile Procurement, Army)
  - Budget Activity: 02 - Other Missiles
  - Line Item: 003 - Hellfire System

- **O&M**
  - Appropriation: 1804N (Operations & Maintenance, Navy)
  - Budget Activity: 01 - Operating Forces
  - Activity Group/Sub Activity Group: Air Operations / Base Support
Below Threshold Reprogramming
Amounts are Cumulative Over Entire Period of Obligation Availability

<table>
<thead>
<tr>
<th>APRRN</th>
<th>MAX INTO</th>
<th>MAX OUT</th>
<th>LEVEL OF CONTROL</th>
<th>OBL AVAIL</th>
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<tbody>
<tr>
<td>RDT &amp; E</td>
<td>Lesser of + $10 M or + 20%**</td>
<td>Lesser of - $10 M or - 20%</td>
<td>Program Element</td>
<td>2 Years</td>
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<tr>
<td>PROCUREMENT</td>
<td>Lesser of + $20 M or + 20%**</td>
<td>Lesser of - $20 M or - 20%</td>
<td>Line Item</td>
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<tr>
<td>O &amp; M</td>
<td>+ $15 M</td>
<td>None, unless otherwise specified</td>
<td>Budget Activity (or Defense Agency)</td>
<td>1 Year</td>
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<td>Some BA 1 Sub-Activity Limitations on Decreases (Operating Forces)</td>
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<tr>
<td>MILPERS</td>
<td>+ $10 M</td>
<td>No Specific Congressional Restriction</td>
<td>Budget Activity</td>
<td>1 Year</td>
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<tr>
<td>MILCON</td>
<td>Lesser of + $2 M + 25%</td>
<td>No Specific Congressional Restriction</td>
<td>Project</td>
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### Appropriation Life

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**Current Period**: Available for new obligations, obligation adjustments, expenditures, and outlays

**Expired Period**: Available for obligation adjustments, expenditures, and outlays

**Cancelled**: Unavailable for obligations, obligation adjustments, expenditures, and outlays
Obligation Plan

**What**
- Spending Plan
- Monthly Prediction
- All Available Years
- Required for Each Program Element / Line Item

**Who**
- Prepared by PMO
- Coordinated with PCO
- Reviewed by Comptroller
  Each Budget Update

**Why**
- Supports Budget Enactment
- Analyze for Budget Execution
- If Not On Plan... (Maybe Not A Firm Requirement)
- Best Prediction for Future Performance

**How**
- Anticipated Obligation Rate
- Don’t Show Preponderance of:
  - 1st Quarter Awards
  - 4th Quarter Awards

**Deviation Report**
- Variances: Planned vs Actual
- PMO Written Explanation
- Each Month More Vulnerable:
  - Potential Billpayer
  - Report Card/Predict Trends

**Decisions**
- Basis for BES & Pres Budget
- Basis for Appropriation
- Impacts on Program Reviews
- Impacts on Billpayer Exercises
### Obligation & Expenditure Execution Benchmarks

#### RDT&E

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<td>Obligations</td>
<td>80%</td>
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<td>Expenditures</td>
<td>55%</td>
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**Focus:** Expenditures

#### Procurement

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<td>100%</td>
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<tr>
<td>Expenditures</td>
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**Focus:** Obligations

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*No Specific Benchmark*
Fiscal Laws

• **Misappropriation Act** [Title 31, U.S. Code, Sec 1301]
  - Requires funds to be used only for the purposes and programs for which the appropriation was made

• **Bona Fide Need Rule** [Title 31, U.S. Code, Sec 1502]
  - Requires funds to be used only for needs or services in the year(s) of the appropriation’s obligation period

• **Anti-deficiency Act** [Title 31, U.S. Code, Sec 1341 & 1517]
  - Prohibits making or authorizing an obligation in excess of the amount available
  - Forbids obligation to pay money from the US Treasury in advance of an appropriation
  - Requires agency to fix responsibility for violations of the Act
Other “Colors of Money”

• Organizations can submit candidates for other sources of funding
  – Not Appropriated directly to them
  – May use existing funds to reimburse Working Capital Funds
  – Tap Industry to fund upfront on redesign
  – Receive Congressional Plus-Ups for special interest items
Examples of Other Fund Sources

- Operating and Support Cost Reduction (OSCR)
- Working Capital Fund (WCF) Logistical Operations (LOGOPS) Projects
- Continuous Technology Refreshment (CTR)
- Reliability Improvement Process (RIP)
- National Center for Defense Manufacturing & Machining (NCDMM)
- Process Technologies for Replacement Parts Production (PTRPP)
- Manufacturing Technology (ManTech)
Summary

- Understanding the Defense Acquisition Process Gives You an Edge In Acquiring Funds For Your Programs
- Work with Your Business Financial Managers to Get All the $$$s You Need to Make Your Program a Success!

Acquisition Community Connection (ACC) Website: https://acc.dau.mil
DoD Comptroller Website: http://comptroller.defense.gov
Back Up Slides
Supply Management Operating and Support Cost Reduction (SM-OSCR)

Objective:
Save the field money by...
- Reducing secondary item acquisition costs and/or
- Extending the life of the Item
- Reducing number of events (removals/repairs) and/or cost per event

Purpose:
The OSCR Program uses WCF funds to facilitate life cycle cost savings/avoidance in the field by re-designing, prototyping, and/or testing spare parts for presently fielded systems.

Program Criteria:
- Program will fund secondary item redesign/reengineering that involves:
  - Individual item or an assembly of items
  - Prototype
  - Test
- Will not fund production or implementation of kits
- Will not fund studies
- Requires validated economic analysis

Utilizes WCF $s to Reduce Cost in the Field
Objective:
- Mitigate obsolescence
- Improve reliability, maintainability, and supportability and/or
- Reduce life cycle cost of secondary items

Purpose:
Use of a percentage of WCF to fund secondary item efforts.

Program Criteria:
- Program will fund secondary item redesign/reengineering that involves:
  - Individual item or an assembly of items
  - Prototype
  - Test
- Will not fund production or implementation of kits
- Will not fund studies
- Requires Return On Investment (ROI)

Uses WCF $ to Mitigate Obsolescence, Reduce Cost and/or Improve Reliability
Continuous Technology Refreshment (CTR): Contractor Submits When Project Ready

Objective:
Updates Spare Parts technology
- Reduces secondary item acquisition costs and/or extend the life of the item / resolves obsolescence
- Improves reliability and reduces logistics footprint

Purpose:
- Industry funded, thus does not require any Service funding for the development of a replacement solution
- Industry partner MOA to develop a solution which will replace an older part
- CTR replacement part approved through Business Case Analysis (BCA) Process and then purchased instead of the older part.
  - BCA shows the 10 year Life Cycle Savings of the initiative with supporting technical documentation.

Program Criteria:
- Industry is provided candidate parts along with technical data for evaluation into the program
  - Industry performs a BCA for government concurrence – if accepted
  - Government continues with replenishment supply procurement with the new CTR part instead of the old
- New part is procurement funded – based on budgeted supply of the original item
  - Part is first qualified
  - Number of parts required for supply replenishment are procured

Leverages Industry $s to Save on Cost of Spares
Reliability Improvement Process (RIP)

Objective:

- Improve reliability, quality and logistics
- Reduce field maintenance actions
- Enhance supply to the Service by transitioning the new/improved part into the supply chain

Purpose:

The Defense Logistics Agency (DLA) program uses Defense Working Capital Funds (DWCF) to facilitate the new or improved DLA-managed components, assemblies, or modules for presently fielded systems that enhance reliability, maintainability, quality and/or safety.

Program Criteria:

- PMO endorsement
- Program will fund new/improved DLA-managed items
- Will not fund production
- Will fund feasibility studies
- Requires ROI (minimum 10:1)
- DLA will remain as supplier of the new/improved part

Utilizes DWCF $s to Reduce Total Cost and Improve DLA Items
National Center for Defense Manufacturing and Machining

Purpose:
Support and enhance the manufacturing and machining capabilities of the DoD and its Industrial Base

Products:
Manufacturing and Machining Center open to Army, Navy, Marines and Air Force

Congressional Plus Up That Addresses Machining, Cutting, Drilling and Grinding Issues within the Industrial Base
Process Technologies for Replacement Parts Production

Objective

• Develop a “stationary” mobile parts hospital-like capability to support continental United States (CONUS) operations, by utilizing rapid processing technologies requiring quick turnaround
• Develop a Center of Excellence helps identify new sources for older parts
• Use reverse engineering to build small number of parts to initiate remanufacturing

Products:

• Rapid manufacturing process technology development
• Rapid processing methodology development
• Manufacturing process analysis and development
• Test assets

Warfighter Payoff:

• Increased response time to Warfighter’s needs
• Improved system readiness and availability
• Reduced component cost
• Reduced logistic footprint
Manufacturing Technology (ManTech)

Objective:
Transition technology from S&T to production.

Purpose:
Develop the manufacturing processes necessary to implement a technology. Focus is on improved performance and decreased cost.

Program Criteria:
- Requires PMO commitment to implement
- Sometimes requires PMO financial contribution
- Funding limit based on each individual project
- Requires economic analysis
- Will not fund qualification

Obtain more information at www.dodmantech.com