

**ASMC PDI  
Workshop 43**

**Budget  
Execution 101**

**Bill Fast, CDFM-A  
Defense Acquisition University  
Capital and Northeast Region  
Fort Belvoir, VA**



**3 June 2010, 1530-1645**

# Objectives

- Explain process used in apportioning budget authority
- Identify sequence of fiscal events -- from commitment to outlay – in budget execution process
- Identify federal laws pertaining to use of appropriated funds
- Explain rules governing use of expired and canceled budget authority
- Define purpose of obligation and expenditure plans
- Identify parts of a reclama to a proposed budget reduction
- Explain rules governing reprogramming of funds

# Overview

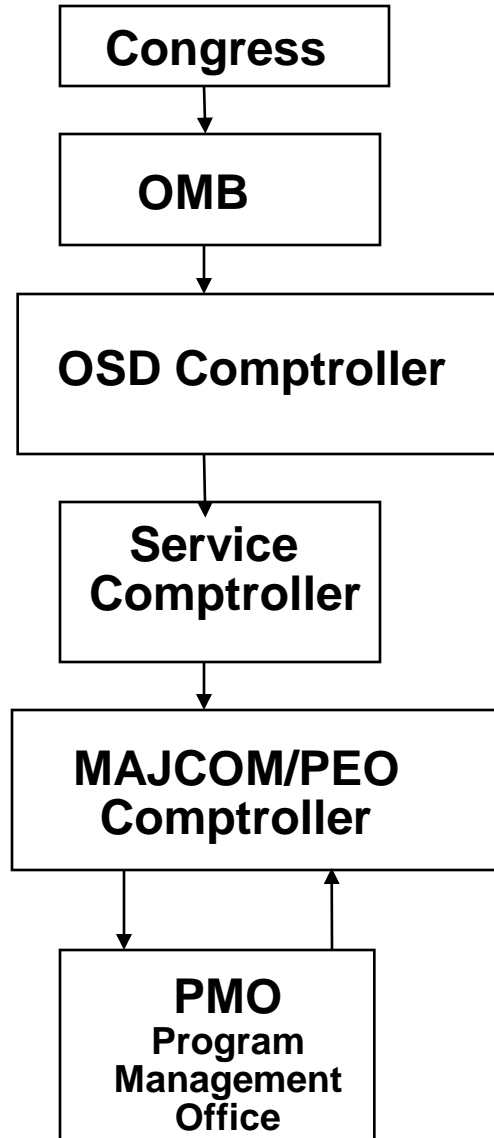
- Apportionment Process
- Monetary Concepts
- Fiscal Laws
- Spending Plans
- Reprogramming

A silhouette of a person wearing a hard hat and operating a surveying instrument (likely a theodolite or level) mounted on a tripod. The person is positioned on the right side of the frame, looking towards the left. The background is a light, textured surface.

**Obligational  
Accounting**

# Apportionment Process

## Appropriation Apportionment



- Provides Budget Authority
- Investment – Annual
- Expense – Quarterly
- Defer/ Rescind

# Budget and Impoundment Control Act of 1974

## DEFERRAL

- Temporary impoundment due to technical problems/schedule slip
- President notifies Congress of his intent to defer<sup>1,2</sup>
- If either House or Senate pass resolution disapproving, funds must be released
- If Congress does nothing<sup>3</sup> deferral stands and funds need not be released (until end of FY)

## RESCISSION

- Permanent impoundment due to program cancellation
- President requests Congressional action to rescind
- If both House and Senate pass rescission act or joint resolution, funds are rescinded
- If Congress does nothing<sup>3</sup> President must release funds and execute program

Notes: 1. Purpose, amount, and time. 2. Not to exceed end of FY; funds cannot be allowed to expire. 3. Within 45 days of continuous session of Congress.

# Example of Rescissions

Contained in Defense Appropriations Act for FY 2007

## (RESCISSIONS)

***SEC. 8040. "Of the funds provided in Department of Defense Appropriations Acts, the following funds are hereby rescinded from the following accounts and programs in the specified amounts:"***

<u>Appropriation</u>	<u>Fiscal Years</u>	<u>Amount</u>
Shipbuilding & Conversion, Navy	2005/2009	\$ 11,245,000
Aircraft Procurement, Air force	2005/2007	\$108,000,000
Other Procurement, Army	2006/2008	\$120,200,000
Aircraft Procurement, Navy	2006/2008	\$ 79,700,000
Aircraft Procurement, Air Force	2006/2008	\$141,100,000
Missile Procurement, Air Force	2006/2008	\$142,000,000
RDT&E, Army	2006/2007	\$ 21,600,000
RDT&E, Navy	2006/2007	\$ 35,798,000
RDT&E, Air Force	2006/2007	\$ 92,800,000
RDT&E, Defense-Wide	2006/2007	\$120,700,000



# Apportionment Process

**Appropriation**

**Apportionment**

**Allocation**

**Sub-Allocation**

**Allotment**



**Congress**

**OMB**

**OSD Comptroller**

**Service  
Comptroller**

**MAJCOM/PEO  
Comptroller**

**PMO  
Program  
Management  
Office**

- Provides Budget Authority
- Investment – Annual
- Expense – Quarterly
- Defer/ Rescind
- Technical Withholds
- Administrative Withholds
- General Reductions
- Withholds
- General Reductions
- Withholds
- General Reductions

# Explanation of Some Typical “General Reductions”

**FFRDCs:** Congress has directed DoD to cut funds from programs getting assistance from Federally Funded Research and Development Centers (FFRDCs)

**Consultants:** Congress has directed DoD to take a specific percentage of O&M, RDT&E and Procurement accounts from programs that use consultants

**Budget Cap:** To meet defense budget cap, Congress has directed DoD to reduce all RDT&E and Procurement funds in programs by a specific percentage

**National Missile Defense (NMD):** Congress has directed DoD cut most research funding by a specific percentage to fund an equal increase in NMD funding

**Small Business Innovation Research (SBIR):** Annually, Congress directs a specific amount of funding for SBIR but does not appropriate those funds; OSD is required to reduce most research accounts to fund the SBIR program

**Inflation:** When “actual” inflation is lower than predicted during budget preparation, “savings” are often pulled from programs and used as a source for reprogramming actions



# Impact of Taxes on An Acquisition Program

## Joint Direct Attack Munition (JDAM) Program

**FY 98 Appropriation (RDT&E)**

**\$24.70 M**

**FFRDC Tax** **\$ 0.00 M**

**Consultant Tax** **0.37 M**

**Budget Cap Tax** **0.14 M**

**National Missile Defense Tax** **0.31 M**

**Small Business Innovative Research** **2.03 M**

**Inflation Reduction** **0.13 M**



**Total Reduction for Taxes**

**\$ 2.98 M**

**Remainder**

**\$21.72 M**

**Taxes Reduction = 12.1 % of Amount Appropriated**

# Overview

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# Monetary Concepts

## Budget Authority

Credit Card Spending Limit



## Administrative Reservation of Funds

### Commitment

Verification of Available Funds



P - Purpose  
T - Time  
A - Amount

## Legal Reservation of Funds

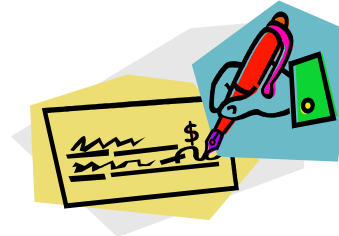
### Obligation

Sign Receipt for Purchase



### Expenditure

Write Check to Credit Card Company

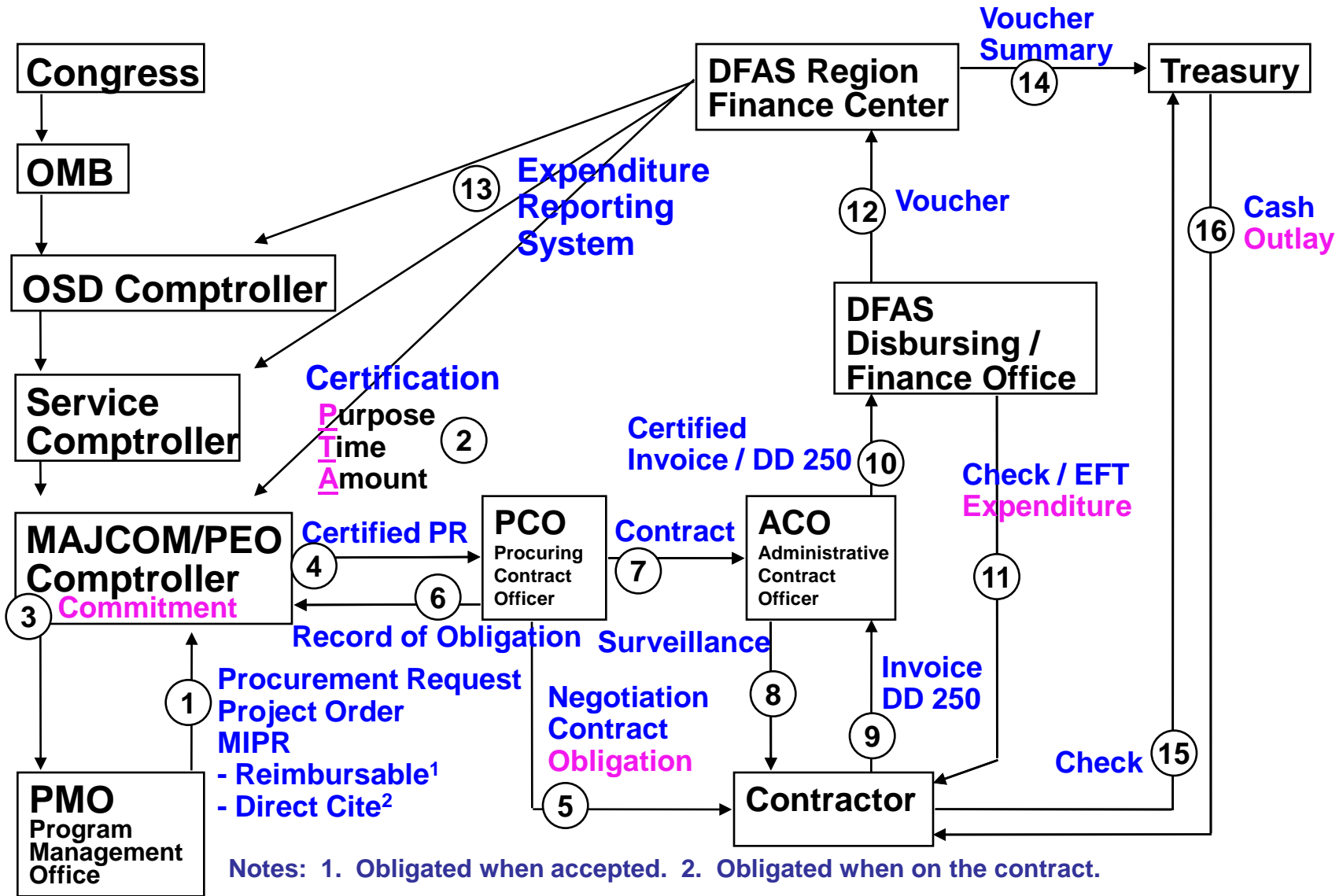


### Outlay

Check clears your account



# From Commitment to Outlay



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# Fiscal Laws

## Misappropriation Act [Title 31, US Code, Sec 1301]

- Requires that appropriated funds be used **only for the purposes and programs** for which appropriation was made

## Bona Fide Need Rule [Title 31, US Code, Sec 1502 ]

- Requires that appropriated funds be used only for **needs or services** that arise **in the year(s)** of the appropriation's obligation availability period

## Anti-deficiency Act [Title 31, US Code, S 1341,1517 ]

- Prohibits making or authorizing an obligation **in excess** of the amount available in the appropriation
- Forbids obligating funds **in advance** of appropriation
- Requires regulations to ensure obligations are kept within appropriated or sub-divided amounts and to **fix responsibility** for violations of the Act

Purpose  
or  
Color

Time  
or  
Year

Amount

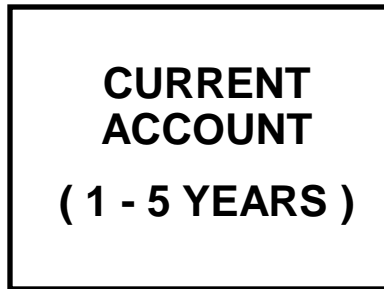




# Appropriation Life Cycle

Phasing Enacted in Public Law 101-510 (5 Nov 1990)

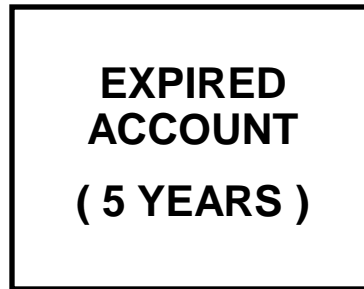
## PHASE 1



UNOBLIGATED  
BALANCES &  
UNLIQUIDATED  
OLIGATIONS



## PHASE 2



UNOBLIGATED  
BALANCES &  
UNLIQUIDATED  
OLIGATIONS



## PHASE 3



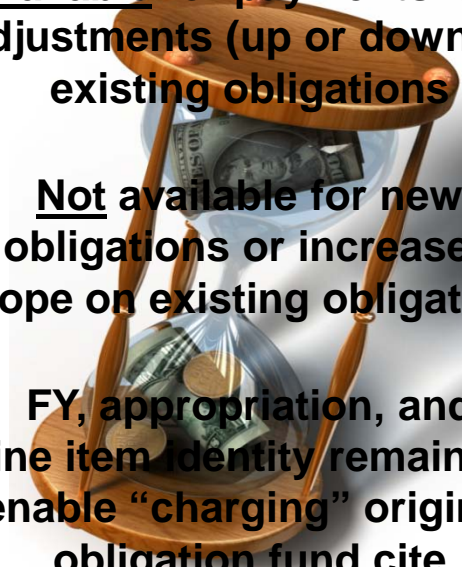
Available for new obligations, increased scope on existing obligations, payments and adjustments



Available for payments and adjustments (up or down) to existing obligations

Not available for new obligations or increased scope on existing obligations

FY, appropriation, and line item identity remain to enable “charging” original obligation fund cite



No longer available for payments or obligation adjustments

Adjustments and payments are charged to currently available appropriation of same type, up to lesser of 1% of currently available appropriation or unexpended balance of closed appropriation



# Appropriation Life Cycle

## Example #1 of a Procurement Appropriation

Assumptions:(1) Time now: Oct 1, 2005 → FY 06

(2) FY 98 \$ Cited in Invoice

FY 05

FY 04

FY 98

FY 99

FY 00

FY 01

FY 02

FY 03

FY 04

FY 05

Current Account

Expired Account

Closed Account

FY 1

FY 2

FY 3

FY 4

FY 5

FY 6

FY 7

FY 8

FY 9 +

New Obligations

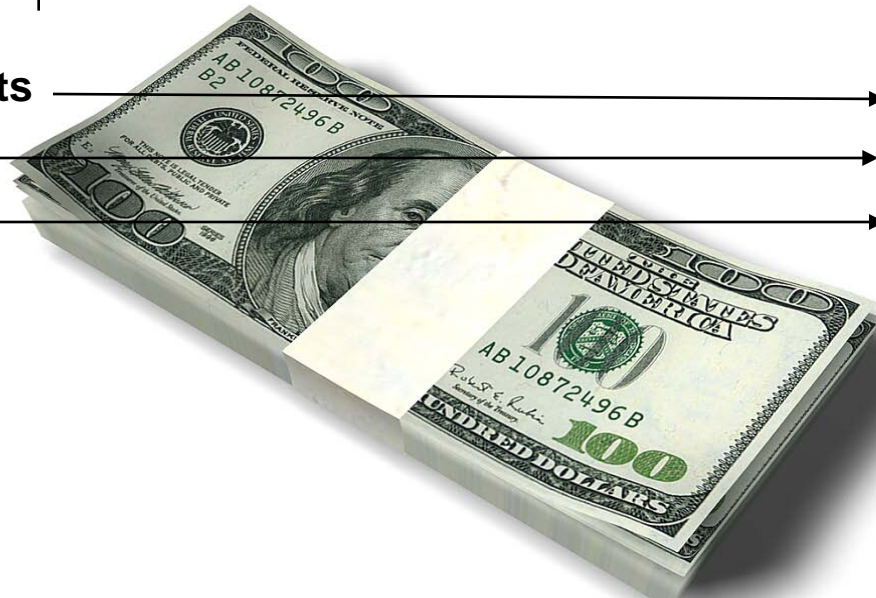
No New Obligations

Use Currently Available Appropriation

Obligation Adjustments

Expenditures

Accounting Identity



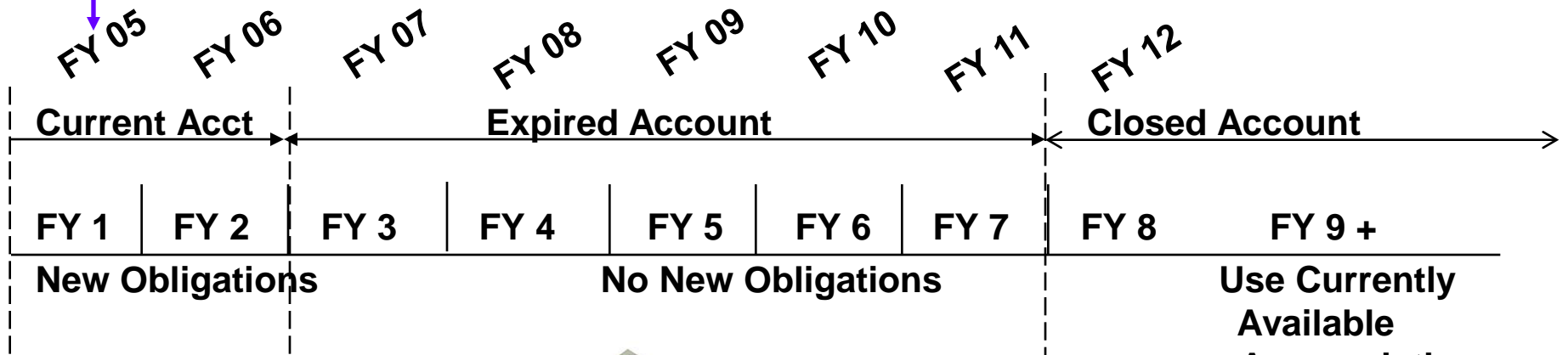
Adjustments and payments charged to currently available appropriation of same type, up to lesser of 1% of currently available appropriation or unexpended balance of closed appropriation

# Appropriation Life Cycle

## Example #2 of a RDT&E Appropriation

Assumptions:(1) Time now: Oct 1, 2007 → FY 08

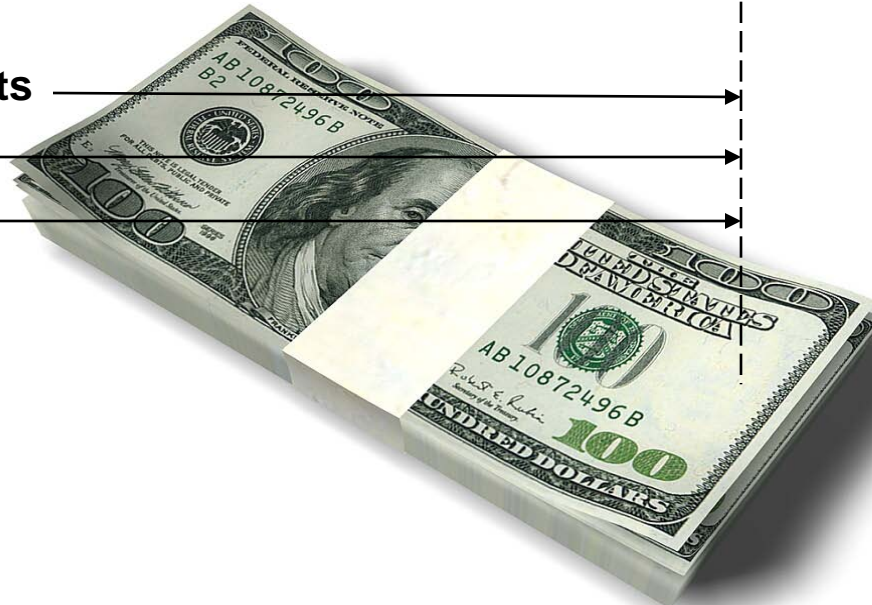
(2) FY 05 \$ Cited in Invoice



Obligation Adjustments

Expenditures

Accounting Identity

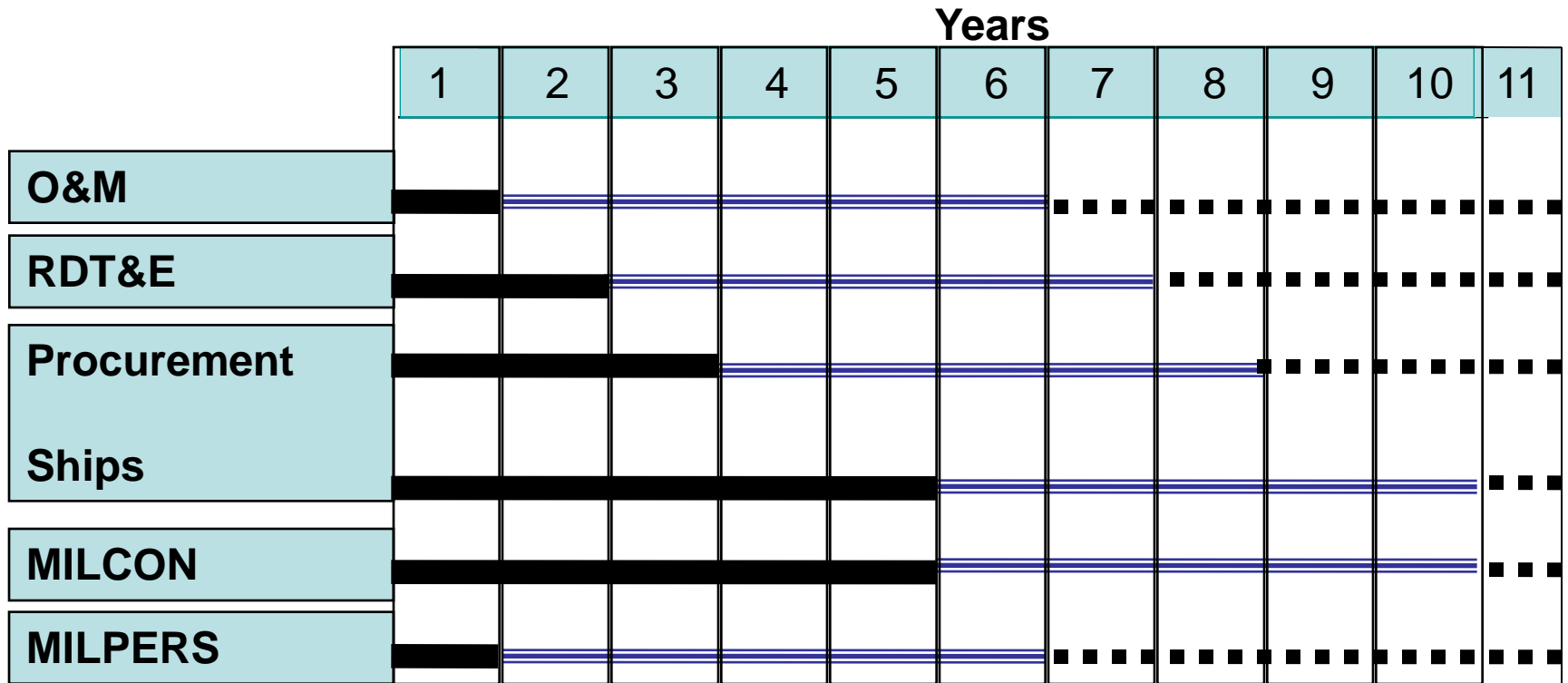


Use Currently Available Appropriation

Adjustments and payments charged to currently available appropriation of same type, up to lesser of 1% of currently available appropriation or unexpended balance of closed appropriation

# Appropriation Life Cycle

## Appropriation Life by Category



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



**Expired Period:** Available for obligation adjustments, expenditures, and outlays, but no new obligations



**Canceled:** Unavailable for obligations, obligation adjustments, expenditures, and outlays

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# Obligation and Expenditure Plans





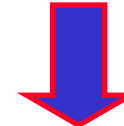
# Obligation and Expenditure Plans

## An Example

### FY 08 RDT&E Obligation/Expenditure

Report Cutoff Date  
30 June 2008

\$ in Millions



Obligations	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Plan Month	5	5	5	25	2	2	16	15	10	5	5	5
Plan Cum	5	10	15	40	42	44	60	75	85	90	95	100
Actual Cum	3	4	5	6	8	12	32	34	35			
Variance Cum\$	-2	-6	-10	-34	-34	-32	-28	-41	-50			
Var Cum %	-40%	-60%	-67%	-85%	-81%	-73%	-47%	-55%	-59%			

### Expenditures

Plan Month	1	1	3	5	5	5	5	5	5	5	10	5
Plan Cum	1	2	5	10	15	20	25	30	35	40	50	55
Actual Cum	1	1	1	3	3	3	4	25	25			
Variance Cum\$	0	-1	-4	-7	-12	-17	-21	-5	-10			
Var Cum %	0%	-50%	-80%	-70%	-80%	-85%	-84%	-17%	-29%			

How well is this Program Office executing its budget?

# Execution - OSD Goals

By End of First Year of Funds Availability

## RDT&E

Obligations 80% (or more)

Expenditures 55% (or more)

Focus: Expenditures



## Procurement

Obligations 80% (or more)

Focus: Obligations

# Reclamas

- **When to reclama:** to respond to a proposed program decrement or plus-up
- **Who prepares:**
  - PMO, submitting through PEM, RO, or DASC
  - PEM, RO, or DASC in coordination with PMO
  - Ensure coordination with user / warfighter
- **Content: (four parts)**
  - (1) Variance Explanation.** Why are we varying from the plan / goals and how / when will get back on track?
  - (2) Issue.** What is the “real” issue / problem? – define it.
  - (3) Impact of Potential Cut.** What are the potential impacts to both the operational user / warfighter and acquisition / business efforts?
  - (4) PMO Recommendation.** What should higher HQs do in short / long term?

# Part 1: Variance Explanation

- **Is higher headquarters data correct and up-to-date ?**
- **What has occurred that higher headquarters might not know about – specifics ?**

**Can we document these actions / events?**

- **Why are we varying from our spending plan (obligation and / or expenditure plans) ?**
- **Why have we not achieved program, Service, and/or OSD goals ?**
- **How have we traditionally executed?**
- **What is our “get well” plan to get back on track ?**

# Part 3: Impact of Potential Cut (Operational)

- **Talk with warfighter / user and address operational impacts:**
  - What scope will not be done if funds are taken?
  - What capability will not be provided and what is the impact?
  - Will the effectiveness, survivability, and /or safety of the warfighter / user be jeopardized by this cut?
  - Will the cut cause operational readiness to suffer?
  - Will logistical supportability / maintenance issues develop?
  - Will the cut affect manning and training for the system?
- **Identify only impacts that the program will implement if the decrement is sustained.**

# Part 3: Impact of Potential Cut (Business)

- **After reviewing the acquisition and contracting strategies and overall schedule, address programmatic / business impacts:**
  - Current contract; production rates / breaks; next contract award
  - Schedule slips; delayed tests / milestones / phases / LRIP / IOC
  - Reportable breaches (Acqn Program Baseline; Nunn-McCurdy)
  - Additional out-year costs; R&D / Investment / O&S cost growth
  - Violates direction from Senior DoD Leadership or Congress?
  - Inspector General / Government Accountability Office interest
  - Interdependence with other programs / Services / countries
  - Increases program risk; termination?; government liability / costs
- **Be specific! Use actual data, when possible: CPR, CFSR, etc.**



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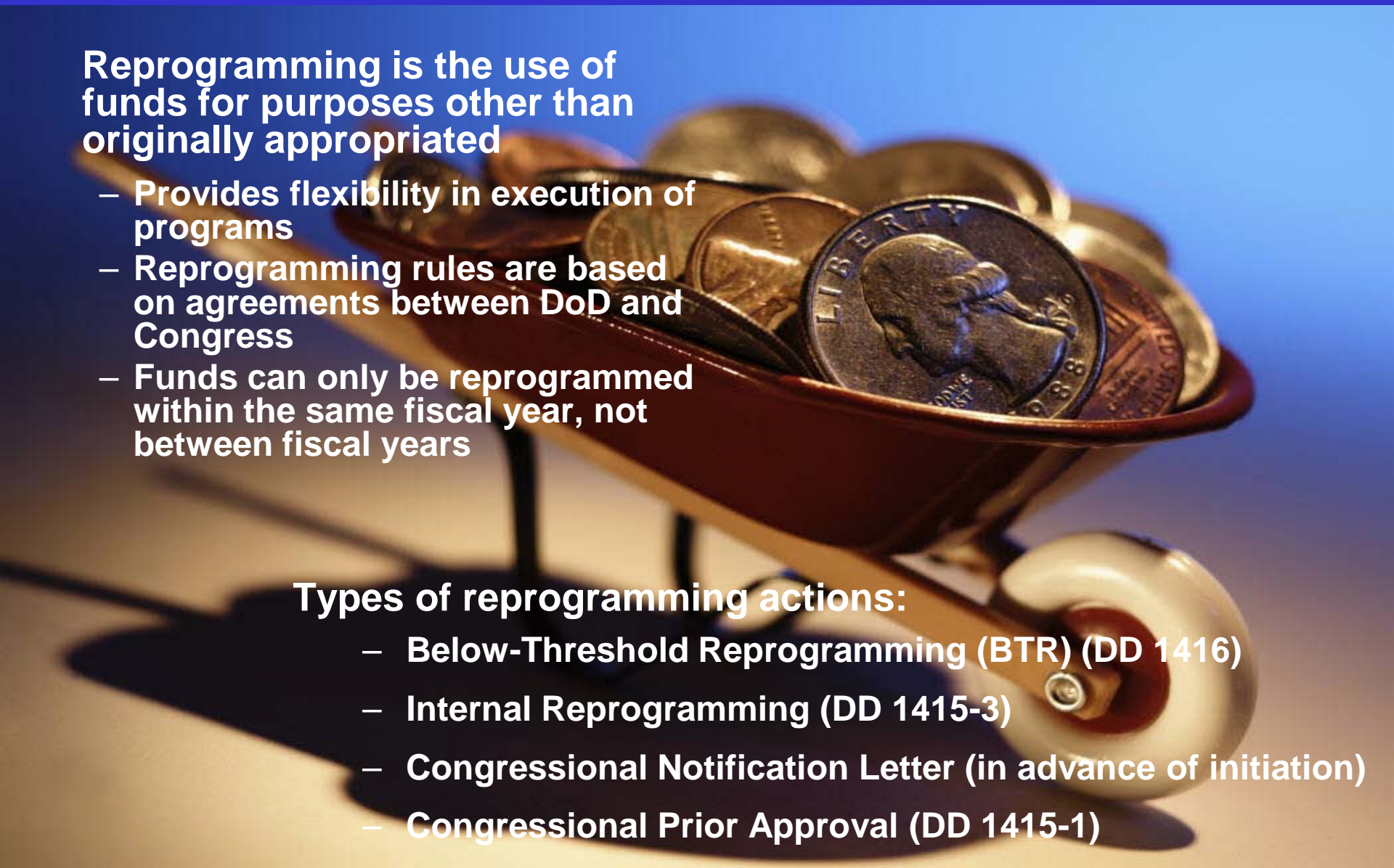
# Reprogramming

Reprogramming is the use of funds for purposes other than originally appropriated

- Provides flexibility in execution of programs
- Reprogramming rules are based on agreements between DoD and Congress
- Funds can only be reprogrammed within the same fiscal year, not between fiscal years

**Types of reprogramming actions:**

- Below-Threshold Reprogramming (BTR) (DD 1416)
- Internal Reprogramming (DD 1415-3)
- Congressional Notification Letter (in advance of initiation)
- Congressional Prior Approval (DD 1415-1)



# Levels of Control for Below Threshold Reprogramming



**Appropriation Category**

**RDT&E**

**Procurement**

**O&M**

**MILPERS**

**MILCON**

**Level of Control**

**Budget Activity**

**Budget Activity**

**Budget Activity**

**Budget Activity**

**Budget Activity**

**Program Element**

**Line Item**

**Activity Group**

**Activity Group**

**Activity Group**

**Project**

**Sub Activity**

**Sub Activity**

**Project**

# Below-Threshold Reprogramming (BTR) “Rules”



- Applies only to movement of funds within an appropriation between elements at the appropriation’s level of control
- Limitations on BTR into or out of a level of control are based on a combination of set dollar limits and a percentage of the amount appropriated by Congress (baseline amount)
- Reprogramming that would cause these limits to be exceeded must be submitted for prior Congressional approval
- Does not apply to Congressional special interest items. Also, lines specifically reduced / denied by Congress can’t be increased / reinstated
- New starts cannot be initiated with BTR



# Below Threshold Reprogrammings (BTRs)

(Amounts are Cumulative Over Entire Period of Obligation Authority)

APPRN CAT.	MAX INTO	MAX OUT	LEVEL OF CONTROL	NEW OBL AVAIL
RDT & E	Lesser of + \$10 M or +20%	Lesser of: - \$10 M or - 20 %	<b>PROGRAM ELEMENT</b>	2 YEARS
PROC	Lesser of + \$20 M or +20%	Lesser of: - \$20 M or - 20 %	<b>LINE ITEM</b>	3 YEARS (SCN: 5 YEARS)
O & M	+ \$15 M	None, unless otherwise specified	<b>BUDGET ACTIVITY</b>  SOME BA 1 SUB-ACTIVITY LIMITATIONS ON DECREASES (OPERATING FORCES)	1 YEAR
MILPERS	+ \$10 M	No specific Congressional restriction	<b>BUDGET ACTIVITY</b>	1 YEAR
MILCON	Lesser of + \$2 M or + 25 %	No specific Congressional restriction	<b>PROJECT</b>	5 YEARS

Source: (1) USD(C) Memo, SUBJ: FY 2006 Below Threshold Reprogramming (BTR) Authority Policy, 10 Feb 2006  
 (2) USD(C) Memo, SUBJ: DD 1415, Base for Reprogramming Actions, 5 Jan 2010

# Internal Reprogramming

Realigns funds to a different line item or appropriation for proper execution of the same requirement with no change in purpose

May involve General Transfer Authority (GTA) and may involve Congressional Special Interest items

Transfers funds from the transfer accounts (Environmental Restoration; Foreign Currency Fluctuation; Drug Interdiction, etc.)

Approved by USD  
(Comptroller)  
DD Form 1415-3



# Congressional Notification Letter

## Applies to Actions Involving:

- New programs or line items
- New procurement programs, including mods, <\$20M
- New RDT&E programs <\$10M for entire effort
- Program terminations <\$10M RDT&E and <\$20M procurement
- Safety mods <\$20M entire effort can be initiated prior to advance notification

## Requires:

- Notification letter coordinated with USD (Comptroller)
  - Component may initiate action 30 days after notification if HASC, SASC, HAC, SAC do not object





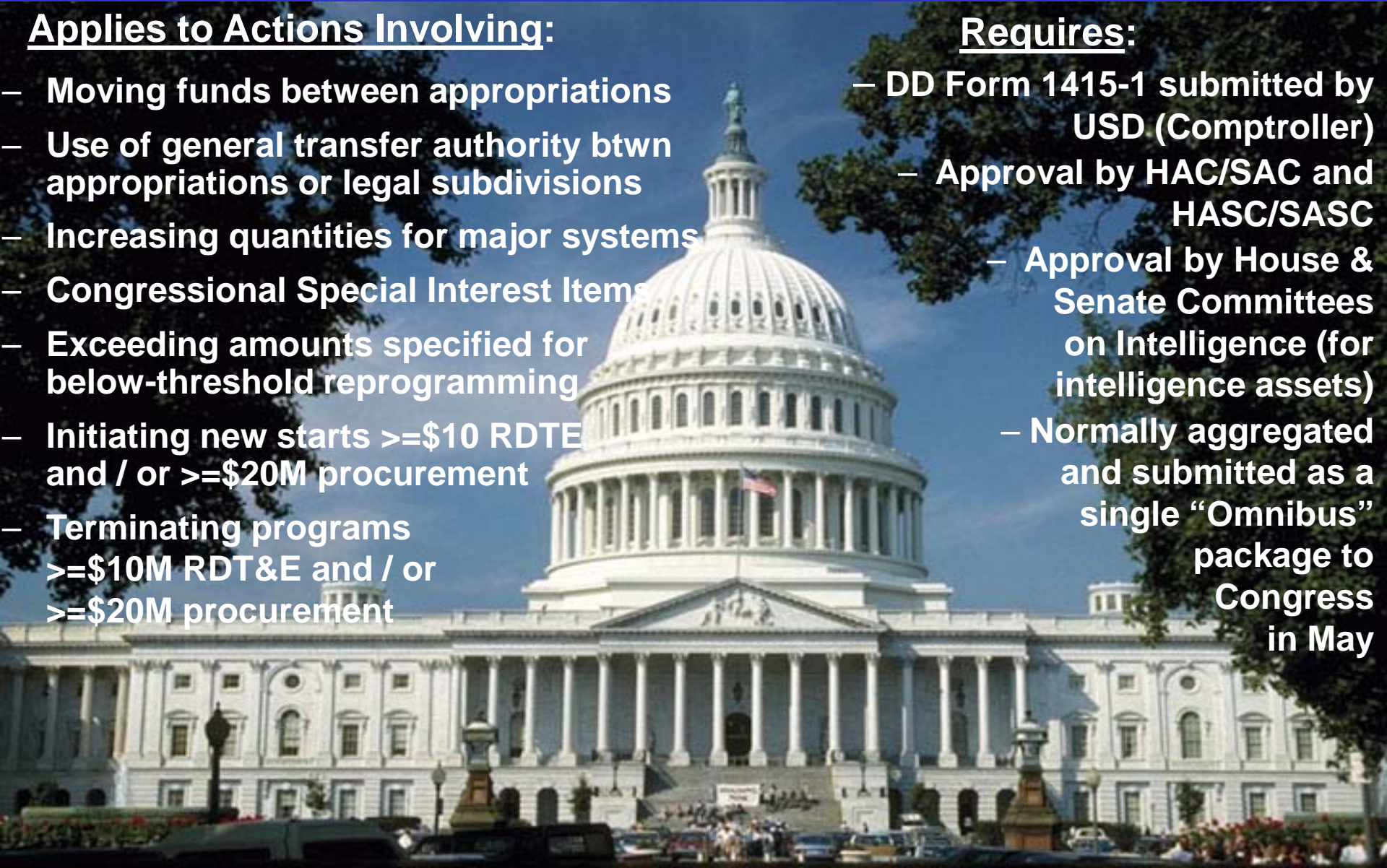
# Congressional Prior Approval

## Applies to Actions Involving:

- Moving funds between appropriations
- Use of general transfer authority btwn appropriations or legal subdivisions
- Increasing quantities for major systems
- Congressional Special Interest Items
- Exceeding amounts specified for below-threshold reprogramming
- Initiating new starts  $\geq$ \$10 RDTE and / or  $\geq$ \$20M procurement
- Terminating programs  $\geq$ \$10M RDT&E and / or  $\geq$ \$20M procurement

## Requires:

- DD Form 1415-1 submitted by USD (Comptroller)
- Approval by HAC/SAC and HASC/SASC
- Approval by House & Senate Committees on Intelligence (for intelligence assets)
- Normally aggregated and submitted as a single “Omnibus” package to Congress in May



# Questions or Comments???

## Review



# Defense Acquisition University (DAU) Resources

- **Financial Mgmt Community:** <https://acc.dau.mil/fm>  
*Policy & Guidance, Research Library, Tools, Training Center*
- **Continuous Learning Module:** <http://clc.dau.mil>  
*CLB 008 Program Execution (approximately 3 hours)*
- **Distance Learning Course:** <http://www.dau.mil/>  
*BCF 103 Fundamentals of Business Financial Management  
(self-paced, approximately 26 hours)*
- **Classroom Course:** <http://www.dau.mil/>  
*BCF 211 Acquisition Business Management (5 days)*
- **Targeted Training:** [http://icatalog.dau.mil/onlinecatalog/  
targeted\\_training.aspx](http://icatalog.dau.mil/onlinecatalog/targeted_training.aspx) *Budget Execution (tailored to customer)*

# Knowledge Check

1. The agency responsible for apportionment is:
  - a. Congressional Budget Office (CBO)
  - b. Under Secretary of Defense (Comptroller)
  - c. Department of the Treasury
  - d. Office of Management and Budget (OMB)
  
2. Fiscal events follow this sequence:
  - a. obligation, commitment, outlay, expenditure
  - b. commitment, obligation, outlay, expenditure
  - c. commitment, expenditure, obligation, outlay
  - d. commitment, obligation, expenditure, outlay
  
3. True or False? Small Business Innovation Research is funded by “general reductions” to most research accounts.
  - a. True
  - b. False



# Knowledge Check

4. An invoice citing canceled funds must be paid from:
- a. Expired funds of same FY and Program Element cited
  - b. Canceled funds of same FY and Program Element cited
  - c. Currently available appropriation of the same type
  - d. Any of the above
5. All of the following characterize spending plans EXCEPT:
- a. Prepared for all available years
  - b. Prepared by the Comptroller
  - c. Prepared for each Program Element / Line Item
  - d. Predictions on a month to month basis
6. True or False? Variance reports are prepared only when faced with a budget cut.
- a. True
  - b. False

# Knowledge Check

7. This type of reprogramming is used to transfer funds between appropriations:

- a. Below-Threshold Reprogramming (BTR)
- b. Internal Reprogramming
- c. Congressional Notification Letter
- d. Congressional Prior Approval

8. Below-Threshold Reprogramming is done within the :

- a. same Appropriation Account (e.g. RDT&E AF or O&M Navy)
- b. same Appropriation Category (e.g. RDT&E or procurement)
- c. same program element, line item, budget activity, or project
- d. All of the above

9. True or False? New starts can be initiated with a Below-Threshold Reprogramming (BTR).

- a. True
- b. False