

US Department of Defense

# Budget Execution: *Processes and Flexibility*

Office of the Under Secretary of Defense  
(Comptroller) / CFO

March 2015



# Budget Process Overview

## Budget Formulation

- Budget Formulation represents activities undertaken to determine priorities for future spending and to develop an itemized forecast of future funding and expenditures during a targeted period of time
- Office of Management and Budget (OMB) officially starts the process by sending planning guidance to Executive Branch agencies in the spring. The President completes this phase by sending the budget to the Congress on the first Monday in February, as specified in law, although occasionally Presidents have sent it later for various reasons

## Congressional Action

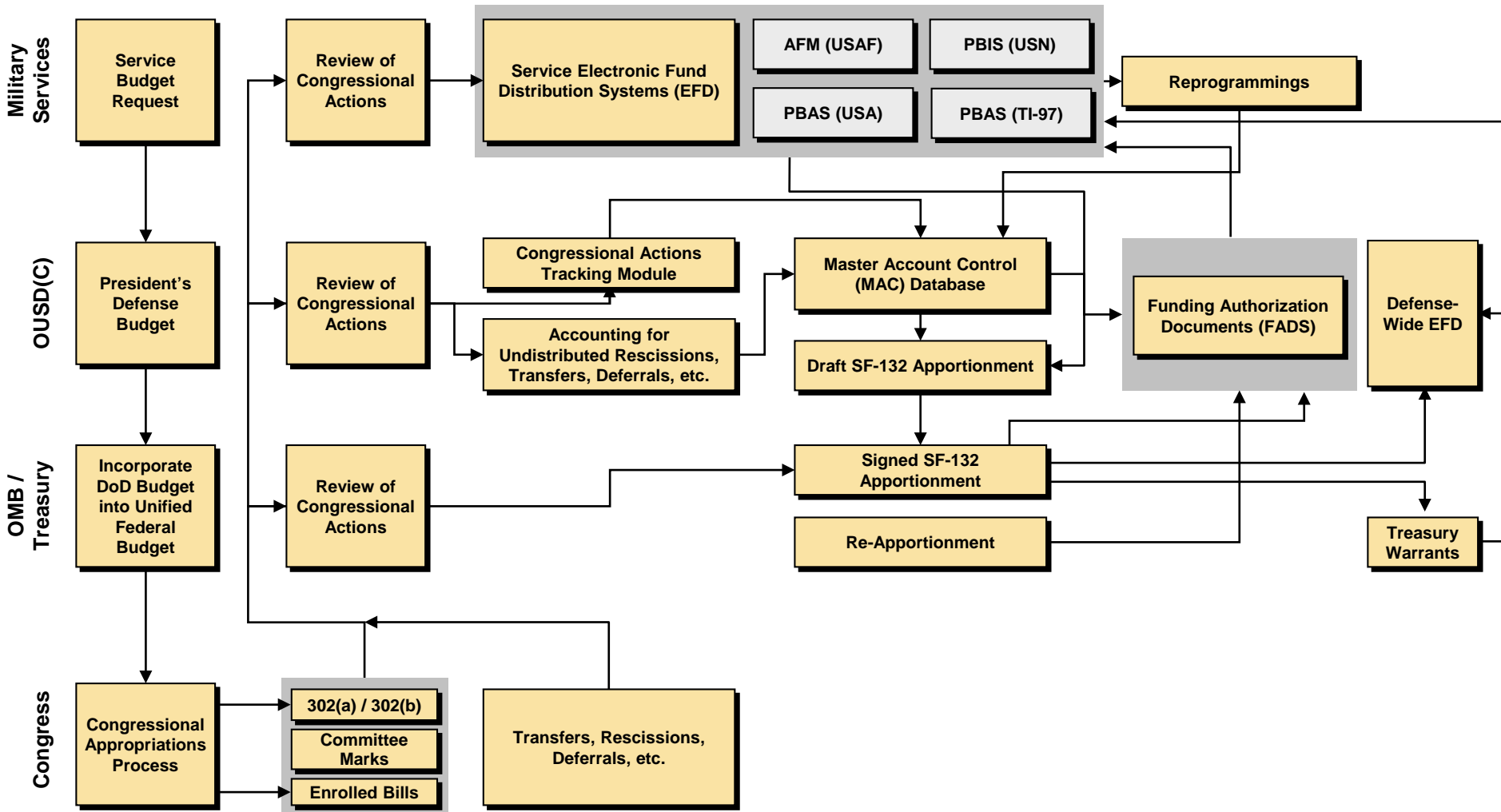
- The phase starts on the first Monday of February, when the Congress receives the President's Budget. The Congress does not vote on the President's Budget itself, and it does not enact a budget of its own, as such. It considers the President's Budget proposals, passes overall revenue and spending plan called a "budget resolution", and enacts the regular appropriations acts and other laws that control spending and receipts

## Budget Execution

- Budget Execution represents activities associated with the legal and managerial uses of budgetary resources to achieve results that comply with the enacted Budget and Administration policy
- This presentation covers process and authorities that define execution practices in the following four areas:
  - Reprogramming and Transfer Actions
  - Emergencies and Extraordinary Expenses, including section 6301 (Feed and Forage) Authority and Unfunded Contract Authority
  - Working Capital Fund Execution Issues
  - Military Construction Execution Issues

# Budget Process Overview:

## Budget Process Overview Map



Reprogramming and Transfers:  
*Changes in the Application of Financial  
Resources*

# Reprogramming Overview

*Reprogramming actions are changes in the application of financial resources and provide for budget execution flexibility*

## Definition

- Use of funds for purposes other than those originally specified by Congress at the time of appropriation or to reclassify funds for proper execution of funds

## Reasons for Reprogramming

- Higher priority task, based on unforeseen military requirements
- Special transfer accounts are intended to be used to allow flexibility in budget execution. These transfer accounts are utilized through reprogramming actions
  - E.g., The Foreign Currency Fluctuations account is used to protect the purchasing power of programs funded in dollars but executed in other foreign countries currencies from fluctuations in the value of the dollar against those foreign currencies
- Funds need to be realigned for proper execution
  - E.g., Funds originally appropriated as RDT&E for acquiring a widget, should instead be acquired through Procurement funds

## Types

- Prior Approval (PA)
- Internal Reprogramming (IR)
- Letter Transfer (LTR): *Used to process directed transfers by Congress in legislation*
- Congressional Notification Letter
- Below Threshold Reprogramming (BTR)

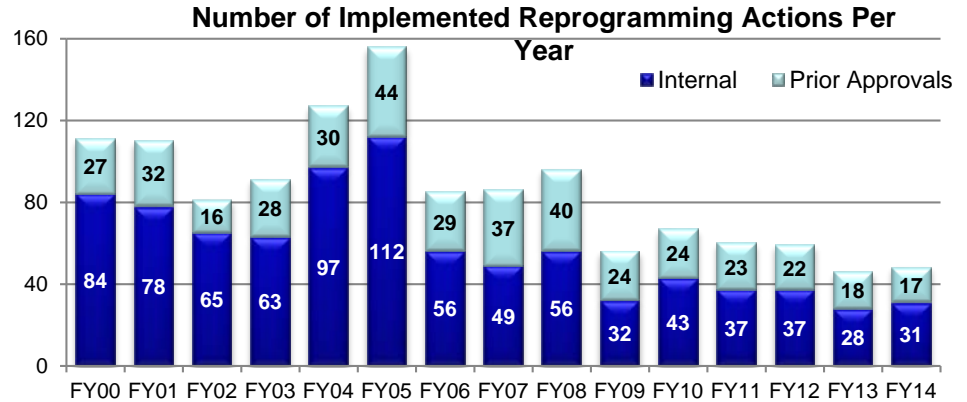
## Legislation / Regulation

- Public Law 113-235: Department of Defense Appropriations Act, 2015, Division C
- Public Law 113-291: National Defense Authorization Act for Fiscal Year (FY) 2015
- DoD Financial Management Regulation Volume 3, Chapter 6: Reprogramming of DoD Appropriated Funds

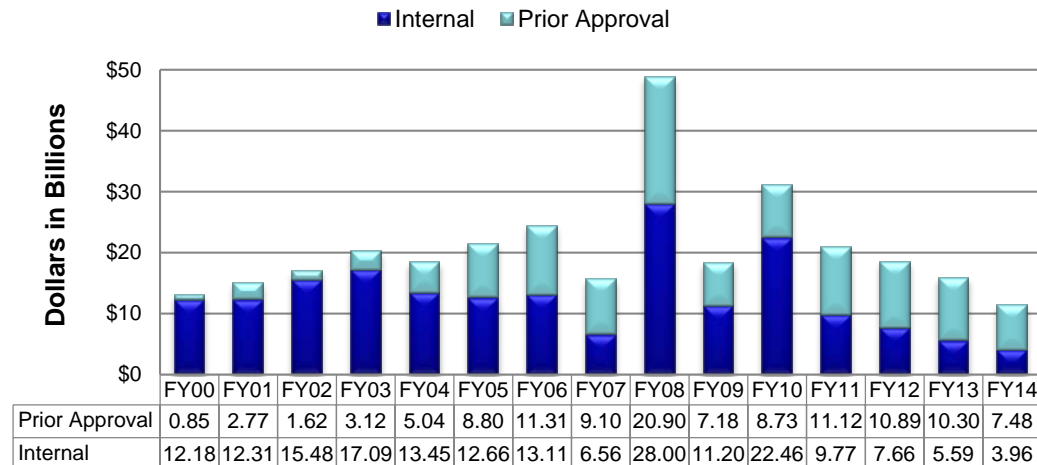
# Reprogramming Overview (Cont.)

- Movement of funds within an account are governed by agreements between DoD and the congressional authorization and appropriations committees.
- Some actions may be approved by the Military Departments and Defense Agencies; others require approval by the Secretary of Defense; still others require prior approval by the congressional oversight committees.
- A recurring general provision in the annual Defense Appropriations Acts states that “no part of the funds in this Act shall be available to prepare or present a request to the Committees on Appropriations for reprogramming of funds, unless for higher priority items, based on unforeseen military requirements, than those for which originally appropriated, and in no case where the item for which reprogramming is requested has been denied by the Congress.”

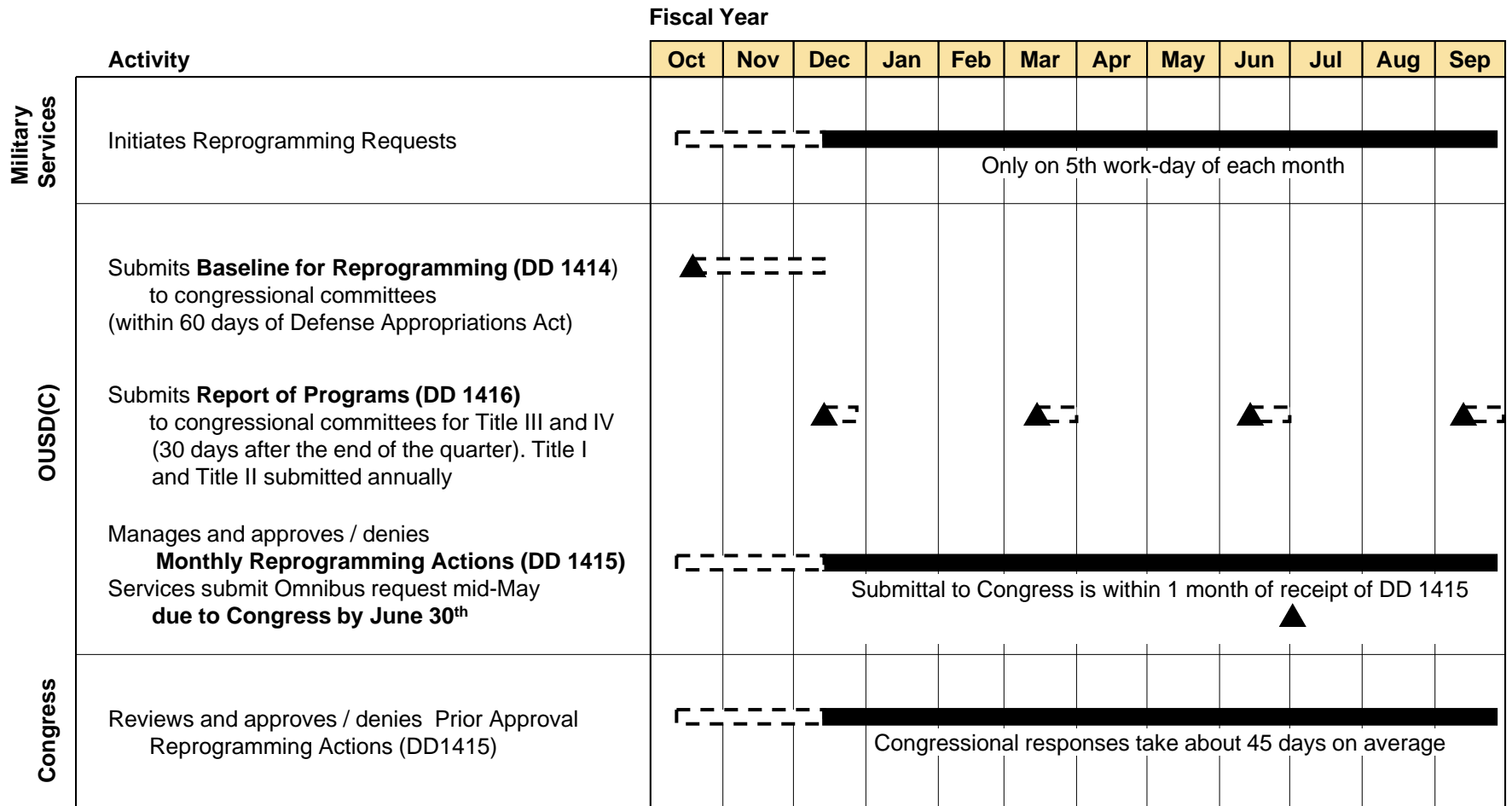
Totals: FY 2000 – FY 2014	
Number of Reprogramming Actions	1,279
Dollar Value of Reprogramming Actions	\$310.7B



**Dollar Value of Implemented Reprogramming Actions Per Year**



# Reprogramming Timeline



# Why Reprogramming is Important to DoD

- DoD finalizes budgets up to 2 years before execution is complete
  - Must make changes to be agile (think cyber; Ebola; or any other large disaster response)
  - Must make changes to make cost-effective use of dollars as requirements change
  - Process especially critical in wartime
- Reprogramming dollars large, but small percent
  - \$11B in policy-driven reprogrammings in FY 2014
  - Less than 3% of budget

**We Depend on Reprogramming Authority to Meet Needs**



# Prior Approval (PA) Reprogramming Action

*These reprogramming actions require prior approval from congressional committees before they may be implemented. In FY 2014, there were 17 PA reprogramming actions*

## Criteria

- Increases the procurement quantity of a major end item (unless specific congressional language allows additional quantities via internal reprogramming action)
- Affects a congressional special interest item and funds will be used for a different purpose
- May use general transfer authority
- Exceeds established thresholds
  - Military Personnel: Increase of \$10 million or more in a budget activity
  - Operation and Maintenance: Increase or decrease of \$15 million or more in a budget activity, certain readiness related sub-activity group, or Defense Agency
  - Procurement: Increase of \$20 million or 20% in a P-1 line item (whichever is less), or a decrease of \$20 million or 20% in a P-1 line item (whichever is less)
  - RDT&E: Increase of \$10 million or 20% in an R-1 line item (whichever is less), or a decrease of \$10 million or 20% in an R-1 line (whichever is less)
- Initiates a new start
  - New procurement program, subprogram or modification estimated to cost \$20 million or more within the first 3 years. Exceptions are safety modifications costing less than \$20 million
  - New RDT&E program, project, subproject estimated to cost \$10 million or more within the first 3 years
  - Section 8077 of Division C of Public Law 113-235, the DoD Appropriations Act, 2015 prohibits the use of funds to create or initiate a new start effort without prior congressional approval
- Terminates a program
  - Eliminates a procurement program, or subprogram of \$20 million or more
  - Eliminates an RDT&E program of \$10 million or more

# Internal Reprogramming (IR) Action

*Internal Reprogramming actions are used to move funds without changing the purpose or congressional intent of those funds. In FY 2014, there were 31 IR reprogramming actions.*

## Criteria

- Do not change the purpose or congressional intent
- May use general transfer authority
- May reprogram funds from Transfer accounts (i.e. Foreign Currency Fluctuations, Environmental Restoration, and Counter-Drug)
- May increase procurement quantities when specific congressional language allows additional quantities within the appropriated funds
- May document transfers identifying specific line items when a letter notification is being used to satisfy congressional or specific transfer notification requirements

## Examples

- Transfers from Counter-Drug account to various appropriations for execution
- Transfers from Environmental Restoration account to various appropriations for execution
- Transfers from Ship Modernization, Operations and Sustainment Fund account to various appropriations for execution

# Congressional Notification Letter

*Advance notification letters are transmitted to congressional defense committees directly by the DoD Components with OUSD(C) coordination to the congressional committees.*

## Criteria

- Below threshold programming for new programs or line items not otherwise requiring prior approval
- A new procurement program including modifications, costing less than \$20 million for the entire effort
- A new RDT&E program costing less than \$10 million for the entire effort
- Safety modifications whose total costs (both procurement and RDT&E) are less than \$20 million for the entire effort; can be initiated immediately following congressional notification
- Terminations falling within the below threshold reprogramming amounts, procurement programs or subprograms costing less than \$20 million or RDT&E program, project or subproject costing less than \$10 million, as long as the procurement line item or RDT&E program element is not eliminated
- Transfers identifying specific line items when a letter notification is being used to satisfy congressional or specific transfer notification requirements

## Examples

- Shipbuilding accounts have a 15 or 30 day waiting period (depending on year of legislation) for this account
- Program terminations are letter notification actions

# Below Threshold Reprogramming (BTR)

*Reprogramming actions which do not require any other type of reprogramming action fall into Below Threshold Reprogramming. The BTRs are reported in DD 1416 in aggregate.*

## Criteria

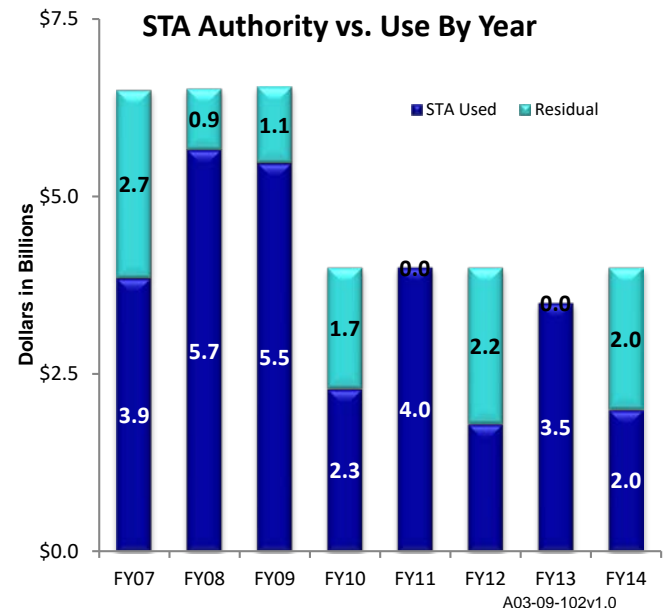
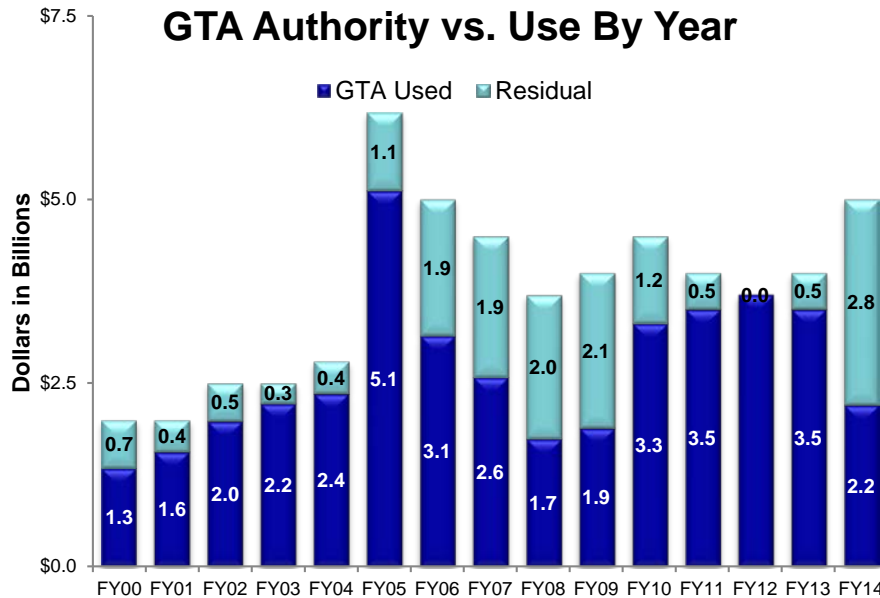
- Do not change the purpose or congressional intent
- Do not use general transfer authority (GTA) or Special Transfer Authority (STA)
- Do not affect a congressional special interest item
- Do not initiate or terminate a procurement or development item
- Do not initiate a new start
- Realign less than \$15 million within the O&M account
- Realign less than \$20 million or 20%, within the Procurement line item
- Realign less than \$10 million or 20%, within the in RDT&E Program Element (PE)

## Examples

- Price growth in program acquisition may be remedied by BTR
  - Be careful not to exceed 20% increases or reductions on funding source
- Additional requirements to the program; however, may not procure additional quantities unless Congress has provided specific language to allow additional quantities

# Transfer Authority

- Some transfers between appropriations and subdivisions are authorized by specific transfer authority conferred by language in a particular appropriation or by language elsewhere in the statute for funds provided for a particular purpose.
- In the absence of a specific transfer authority, dollar limited General Transfer Authority (GTA) is used for transfers in the Base or Special Transfer Authority (STA) with separate dollar limits is used for transfers within OCO.
- When GTA or STA is used, the Secretary of Defense must determine that the action is in the national interest and Office of Management and Budget (OMB) must approve the transfer. (This authority has been delegated to the USD(C)).
- In addition to GTA, the most common types of transfer authority available are:
  - Environmental Restoration, Foreign Currency Fluctuations, Drug Interdiction, Defense Working Capital Funds, and special Title 10 Armed Services or Title 50 War and National Defense authorities. When using these authorities, GTA is not affected.



# Transfer Accounts

*Some reprogramming actions are authorized by specific transfer authority that applies to a particular appropriation.*

## Definition

- Transfer accounts are characterized by centralized budgeting with all funding transferred to other appropriations for execution. This approach gives program managers maximum flexibility and is generally used for specific programs that are subject to significant changes in requirements during execution

## Examples

- Environmental Restoration Funds, \$1.5 billion in FY 2014
- Drug Interdiction and Counter-Drug Activities, \$1.4 billion in FY 2014
- Foreign Currency Fluctuations, \$0.2 billion in FY 2014
- Ship Modernization, Operations and Sustainment Fund, \$0.4 billion in FY 2014
- Overseas Contingency Operations Transfer Fund, \$0.3 billion in FY 2014

# Transfer Account Examples

## Foreign Currency Fluctuations

- The purpose of the Foreign Currency Fluctuations, Defense (FCF,D) appropriation is to eliminate the effects of fluctuations in the value of selected foreign currencies on DoD's operating accounts during year of execution.
- Funds in the FCF,D are available for transfer to the Components' Operation and Maintenance (O&M) and Military Personnel (MILPERS) appropriations to finance an increase in obligations because of a decline in the foreign currency purchasing power of the U.S. dollar. Similarly, foreign currency gains must be transferred from the operating accounts to the FCF,D.
- To assist in maintaining adequate funds in the FCF,D appropriation, the Department has limited authority to transfer excess unexpired and expired O&M and MILPERS unobligated balances into the FCF,D.

## Counter-Drug Programs

- DoD executes counterdrug programs in concert with the overall National Drug Control Strategy as established by the Office of National Drug Control Policy (ONDCP).
- The Drug Interdiction and Counterdrug Activity, Defense appropriation is a centrally managed fund from which resources are transferred to the Components to execute in their various accounts (i.e., O&M, RDT&E, Procurement, and Reserve Personnel appropriations).
- Example of Use:
  - In FY 2014, \$1.4B was transferred from the Drug Interdiction and Counterdrug Activity, Defense, appropriation to various Defense appropriations.

## Environmental Restoration

- The purpose of the 5 environmental restoration appropriations (Army, Navy, Air Force, Defense-wide, and Formerly Used Defense Sites) is to finance the domestic environmental restoration program for which the Department has statutory responsibility.
- These funds finance the identification, investigation, and cleanup of past contamination from hazardous substances and wastes; correction of other environmental damage; detection and clean up of unexploded ordnance; and demolition and removal of unsafe buildings, structures, and debris.
- Example of Use:
  - In FY 2014, \$1.5B was transferred from the 5 Environmental Restoration transfer accounts to various DoD O&M appropriations.

# Emergencies and Extraordinary Expenses



# Emergencies & Extraordinary Expense (EEE) Limitations

- 10 U.S.C. 127 (a) provides to the Secretary of Defense, the Secretaries of the Military Departments, and the Inspector General of the DoD, within the limitation of appropriations made for the purpose, the authority to provide for any emergency or extraordinary expense that cannot be anticipated or identified.
- 10 U.S.C. 127 (c) limits the obligation and expenditure of funds for emergencies and extraordinary expenses to \$500 thousand unless the Secretary of Defense has notified the DoD authorization and appropriations oversight committees of the intent to obligate funds in excess of \$500 thousand.
- Upon congressional notification, the Department is required to wait for a period of 5-days for those obligations greater than \$500 thousand but not in excess of \$1 million, and for 15 days for obligations in excess of \$1 million. The waiting period is waived if the Secretary of Defense determines that the national security objectives of the U.S. will be compromised by the delay in the obligation of funds.
- Within the O&M appropriation for each of the Military Departments, Defense-Wide, and the Office of Inspector General, an amount is specified as a limitation on the emergencies and extraordinary expenses that may be incurred.
- Unless otherwise prohibited by law, these funds can be used for expenses not otherwise authorized to be paid from Defense appropriations. They may be used on the approval of the Secretary of the respective Military Department, the Inspector General for the OIG appropriation, or the Secretary of Defense in the case of the Defense-Wide appropriation.
- 10 U.S.C. 127 requires the Secretary of Defense to submit an annual report of expenditures under the EEE limitations to the congressional defense committees.

# Feed and Forage

- Title 41 U.S.C. 6301, commonly referred to as the Feed and Forage Act, allows the Military Departments to incur obligations in excess of available appropriations for clothing, subsistence, fuel, quarters, transportation, or medical and hospital supplies.
- These authorities require congressional notification and *do not permit actual expenditures* until Congress provides an appropriation of the requested funds.
- These authorities apply to the Military Personnel and Operation and Maintenance appropriations, Revolving and Management Funds, and the Defense Health Program.
- Exemption of appropriations from apportionment and section 6301 deficiency authority are separate and distinct authorizations. Exemption from apportionment does not permit obligation of funds in excess of availability; section 6301 does.
- Section 2201(c) of Title 10 U.S.C. would permit obligations to be incurred for military pay and allowances for the increased number of members of the armed forces on active duty beyond the number for which funds are provided in the appropriation acts.
  - This would apply primarily to stop loss programs and reserve mobilization. However, this provision is of limited value since it provides only for obligations and not for expenditures (payments to members).

## Feed and Forage Authority

### **Section 6301 Authority Permits Obligations for:**

**Fuel** – gasoline, diesel fuel, kerosene, coal, fuel, oil, gas, or other fuels used in vehicles, boats, aircraft, stationary engines, or for production of utilities.

**Medical and Hospital Supplies** – drugs, medicines, medical instruments, protective clothing, linens, medical equipment, hospital beds, and other hospital supplies.

**Transportation** – commercial or government movement of persons and property; maintenance and repair of vehicles, aircraft and boats of all types; operation of ports and terminal facilities.

**Quarters** – maintenance, rehabilitation and operation of barracks and Visitor's Quarters, furniture and equipment for barracks and Visitor's Quarters, and tents.

**Clothing** – organizational clothing and equipment worn by the individual.

**Subsistence** – food, water, food preparation/serving, and contract feeding.

### **Section 6301 Authority Excludes Obligations for:**

#### **Non-emergency expenses in the following categories –**

- Civilian Pay
- Training
- Facilities Sustainment, Restoration, and Modernization
- Recruiting and Advertising
- Base support, non-Medical Supplies, and Depot Maintenance

# Working Capital Fund Execution Issues

# Contract Authority

- Contract authority is used on a recurring basis in certain revolving funds, mainly the Defense Working Capital Funds, to maintain required levels of inventory by executing contracts and purchase orders in such amounts as to accommodate procurement and administrative lead times, rising inflation, other stockage requirements and capital costs to satisfy customer orders in a timely manner.
- The outstanding balance of obligated contract authority at the end of FY 2014 was \$44.995 million.
- Obligated contract authority is liquidated by collections from customer orders or appropriations.
- 10 U.S.C. 2210(b) provides that “obligations may, without regard to fiscal year limitations, be incurred against anticipated reimbursements to stock funds in such amounts and for such period as the Secretary of Defense, with the approval of the President, may determine to be necessary to maintain stock levels consistent with planned operations for the next fiscal year.”
- 10 U.S.C. 2685(c) provides contract authority for construction and improvement of commissary store facilities from amounts collected as commissary surcharges.
- 10 U.S.C. 2208(k) provides that a contract for the procurement of a capital asset financed by a working capital fund may be awarded in advance of the availability of funds in the working capital fund.



A U.S. Navy MH-60S Seahawk assigned to Helicopter Sea Combat Squadron (HSC) 22 transports supplies during an at-sea vertical replenishment between fast combat support ship USNS Supply (T-AOE 6) and USS Theodore Roosevelt (CVN 71) in the Gulf of Oman.

DoD Photo by MCSN Joseph Morgon  
Nov. 6, 2008

# Working Capital Fund Transfer Authority

- The DoD Appropriations Act annually authorizes the transfer of excess cash balances in Working Capital Funds of the Department of Defense between Working Capital Funds and the Foreign Currency Fluctuations, Defense (FCF, D) and the Operation and Maintenance (O&M) appropriation accounts.
- Transfers between Working Capital Funds and FCF,D or O&M accounts require approval by the Secretary of Defense, OMB, and prior approval by Congress.

# Military Construction Execution Issues

# MilCon Reprogramming Action

*DoD Financial Management Regulation 7000.14 Volume 3, Chapter 7 requires prior approval of the Office of the Under Secretary of Defense (Comptroller) for the following actions*

## Criteria

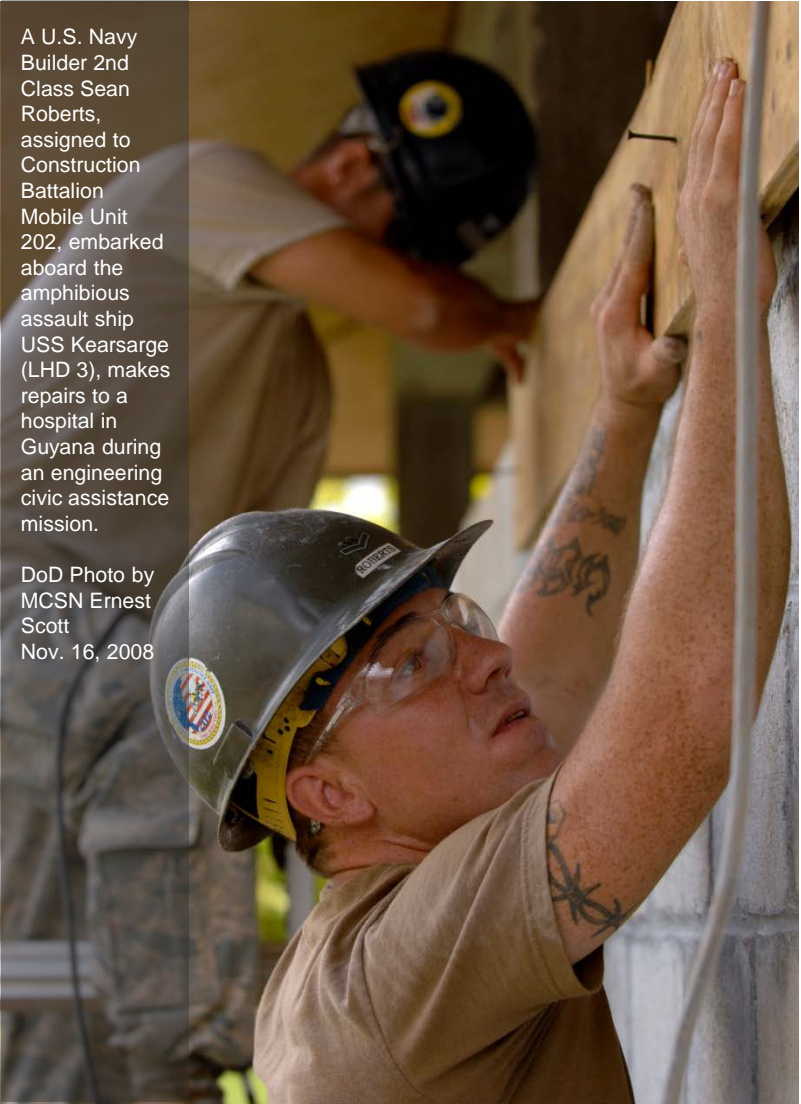
1. For any increase exceeding 25 percent of the reprogramming base or \$2.0 million, whichever is less, to military construction projects, family housing new construction projects, or family housing improvement projects (exceeding \$2.0 million base value). Once approved, the revised baseline becomes the new reprogramming base to measure whether future reprogrammings are considered below or above threshold.
2. For any increase, regardless of percentage or dollar value, to a project or account (including the sub-elements of an account) that has been previously reduced in scope by the Congress in acting on the appropriation request.
3. For any emergency construction project to be performed under 10 U.S.C., Section 2803.
4. For any restoration or replacement of damaged or destroyed facilities to be undertaken with Military Construction funds under 10 U.S.C., Section 2854.
5. For any acquisition of interests in land under 10 U.S.C., Section 2663(d).
6. For any family housing relocation project to be accomplished under 10 U.S.C., Section 2827.
7. For any amount above that which is appropriated for unspecified minor construction up to 125 percent of the amount authorized.
8. For any amount above that which is appropriated for architectural and engineering services and construction design.
9. For reprogramming between or among Family Housing O&M accounts that exceed 10% of the reprogramming base of the increased account - 30-day after committee notification.

## OSD Action

Obtain prior approval of OMB, and House and Senate Committees on Appropriations. Notification is required to the Authorization Committees and is the responsibility of the applicable Component Secretary or the Defense Agency Director.

# Emergency Military Construction

- 10 U.S.C. 2803, provides the Secretary of Defense and each of the Secretaries of the Military Departments with authority of \$50 million annually to carry out military construction projects not otherwise authorized by law if the Secretary concerned determines (1) that the project is vital to national security or to the protection of health, safety or the quality of the environment; and (2) that the requirement is so urgent that deferral of the project for inclusion in the next National Defense (Military Construction) Authorization Act would be inconsistent with national security or to the protection of health, safety or the quality of the environment.
- Each decision to use this authority requires that the Secretary concerned submit a written report to the appropriate committees of Congress including:
  - Justification for the project,
  - Justification for the use of this authority,
  - The estimated cost of the project, and
  - The source of funds to be used to finance the project (i.e., unobligated Milcon balances).
- Projects initiated under this authority may not be carried out until 21 days have elapsed following receipt of notification by the congressional committees, or the end of the 7-day period beginning on the date on which a copy of the electronic version is provided.
- This authority was used in 2012 to construct anti-terrorism/force protection upgrades at Dam Neck, VA. Based on recent world events and classified SOF operations, the project could not wait for the next budget cycle.

A photograph showing a construction worker in a tan uniform and a grey hard hat with a yellow chin strap. He is wearing safety glasses and has a tattoo on his left forearm. He is looking upwards and to the right, with his hands raised as if working on a wooden structure. In the background, another worker in a black hard hat is visible, also working on the structure.

A U.S. Navy Builder 2nd Class Sean Roberts, assigned to Construction Battalion Mobile Unit 202, embarked aboard the amphibious assault ship USS Kearsarge (LHD 3), makes repairs to a hospital in Guyana during an engineering civic assistance mission.

DoD Photo by  
MCSN Ernest  
Scott  
Nov. 16, 2008



# Construction Projects Cost Variations

- 10 U.S.C. 2853 authorizes the Secretary of Defense and the Secretaries of the Military Departments to increase the cost authorized for a construction project above the amount appropriated if the Secretary concerned determines: (a) that such an increase is required for the sole purpose of meeting unusual variations in cost, and (b) that such variations in cost could not have been reasonably anticipated at the time the project was originally approved by Congress. Military construction projects, family housing new construction projects, or family housing improvement projects (exceeding \$2.0 million base value) may be increased up to 25 percent over the amount originally approved, or 200 percent of minor construction (\$6.0 million), whichever is the lesser, at the discretion of the Secretary concerned.
- The Secretary of the Military Department or the Director of the Defense Agency must notify the House and Senate Authorization Committees within 14 days of obligation if the project is decreased by more than 25 percent of the amount approved for the project.
- Increases in excess of the above amounts can be incurred after: approval by the Secretary concerned; notification to the House and Senate Authorization and Appropriations Committees, including the reasons for the cost increase; and, 21 days have elapsed from the date of submission or 14 days if submitted electronically.
- Those exceeding the 25 percent/\$2 million limitations are subject to prior approval reprogramming by the Committees on Appropriations.



*Chief of Naval Operations Adm. Gary Roughead and Commandant of the Marine Corps Gen. James T. Conway answer questions before the House Appropriations Committee on Military Construction.*

*DoD Photo by MC1 Tiffini M. Jones  
March 11, 2008*

# Additional Military Construction Authorities

## Contingency Authorities & Funds

- 10 U.S.C. 2804 and the annual MilCon Appropriations Act contain authority which permits the Secretary of Defense to carry out a military construction project not otherwise authorized by law if the Secretary determines that deferral of the project for inclusion in the next MilCon Authorization Act would be inconsistent with national security or national interest.
- Use of this authority requires approval by the Secretary of Defense and notification of the House and Senate Authorization and Appropriations Committees.
- There is a statutory waiting period of 21- days following congressional notification before funds may be obligated for any project approved under this authority, or the end of the 14-day period beginning on the date on which an electronic version is provided.

## Construction Authority Under National Emergencies Act

- 10 U.S.C. 2808 provides the Secretary of Defense with military construction authority in the event of a declaration of war or declaration by the President of a national emergency requiring use of the armed forces.
- Under this authority, the Secretary of Defense may, without regard to any other provision of law, undertake military construction necessary to support such use within any available unobligated Military Construction funds (including funds available for Family Housing).
- The Secretary of Defense is required by the statute to notify the House and Senate Authorization and Appropriations Committees of any construction undertaken pursuant to this authority.
- Authority terminates at the end of the war or national emergency.

## Restoration & Replacement of Facilities Damaged or Destroyed

- 10 U.S.C. 2854 provides the Secretary of Defense and the Secretaries of the Military Departments with authority to repair, restore or replace facilities that have been damaged or destroyed (normally as a result of a natural disaster).
- Restoration/replacement projects can be undertaken only after the Secretary concerned notifies the House and Senate Authorization and Appropriations Committees of that decision. The notification must include the justification for the project and use of the authority, the estimated cost of the project, and the source of funds for the project.
- The project may then be carried out only after the end of a 21-day waiting period following receipt of notification by the committees or the end of the 7-day period beginning on the date on which a copy of the electronic version is provided.
- Projects carried out under this authority require a congressional prior approval reprogramming action.

# Additional Military Construction Authorities (cont.)

## Minor Construction

- 10 U.S.C. 2805 provides the Secretary of Defense and Secretaries of the Military Departments with authority for unspecified minor construction projects, which are not otherwise authorized by law and that do not exceed \$3.0 million (\$4.0 million in the case of laboratory revitalization projects and projects intended solely to correct life, health, or safety deficiencies).
- Appropriations available for Military Construction may be used for such construction. In addition, funds available from appropriations for Operation and Maintenance (O&M) may be used for any project costing not more than \$1.0 million.
- The legislation requires that projects costing \$1.0 million or more be approved by the Secretary concerned.
- Upon approval, the Secretary concerned must notify the Authorization and Appropriations Committees of the Service Secretary's decision, the justification for the project and the estimated cost of the project.
- The project may then be carried out only after the end of a 21-day waiting period following receipt of the notification by the committees or 14-day period for electronic notification.
- An annual report is required to be submitted to the Authorization and Appropriations Committees of the Senate and House on the use of this authority.

## Foreign Currency Fluctuations, Construction

- Section 121 of the FY 1987 Military Construction Appropriations Act provides that funds in the Foreign Currency Fluctuations Construction, Defense, (FCF,C,D) account are available for transfer to the Military Construction and Family Housing appropriations for Defense activities in foreign countries to finance increased obligations due to downward fluctuations in the value of the U.S. dollar compared to other countries currency exchange rates (from those used in budget preparation).
- The FCF,C,D account is financed by transfers into the account from unobligated balances in expired family housing and military construction accounts and from savings in active accounts.
- Funds must be transferred into this account when upward fluctuations in currency exchange rates result in substantial net gains in these appropriations.
- The intent is both to shield operating programs from significant losses and to recoup significant gains to prevent windfall increases from being used to finance what might be low priority programs, or programs which were not reviewed and approved by the Congress.
- The USD(C) has authority to approve these transfers.
- In FY 2011, Congress required notification within 7 days of transferring any amount in excess of \$10.0 million to or from the Foreign Currency account; in addition, quarterly reports on FCFC,D, which specify the amount transferred to or from the FCF,C,D account during the preceding fiscal quarter are required within 30 days after the close of the quarter.

# Alternative Authority for Acquisition and Improvement of Military Housing

- The FY 1996 National Defense Authorization Act provided the DoD with new authorities designed to attract private sector capital, expertise, and management to speed the revitalization of military housing. These authorities are codified in 10 U.S.C., Chapter 169, Subchapter IV, Alternative Authority for Acquisition and Improvement of Military Housing, and include:
  - direct and guaranteed loans
  - rental income and occupancy guarantees
  - leases (existing or build-to-lease)
  - investments in non-governmental entities (i.e., limited partnerships, stock/bond ownership)
  - differential lease payments
  - conveyance or lease of existing government property & facilities
- Congress also established two new funds to finance projects using these authorities: Family Housing Improvement Fund and the Military Unaccompanied Housing Improvement Fund.
- 10 U.S.C. 2883 and the annual Military Construction, Veterans Affairs, and Related Agencies Appropriation Act contain authorities which permit the transfer of funds from the Military Departments' Family Housing Construction appropriations to the Family Housing Improvement Fund (FHIF). Section 2883 allows the Military Departments to transfer from their Military Construction accounts to the Military Unaccompanied Housing Improvement Fund, amounts appropriated for unaccompanied housing. A transfer may be made only after the end of the 30-day period beginning on the date the Under Secretary of Defense (Comptroller) submits written notice of, and justification for, the transfer to the appropriate committees of Congress, or the end of the 14-day period beginning on the date on which a copy of the electronic version is provided.



*A long shot view of a housing area just outside Dover Air Force Base, Del., June 4, 2008, as seen from atop the 436th Civil Engineering Squadron heat plant building.*

*DoD Photo by Jason Minto  
June 4, 2008*

- Over 205,000 family housing units were privatized by the end of FY 2014 (or 99% of the domestic inventory), with 1% of the domestic inventory to remain government owned.