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PPBE in Comparative Organizations: Case Studies of Selected Non-DoD Federal Agencies

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Naval Postgraduate School's 21st Annual Acquisition Research Symposium

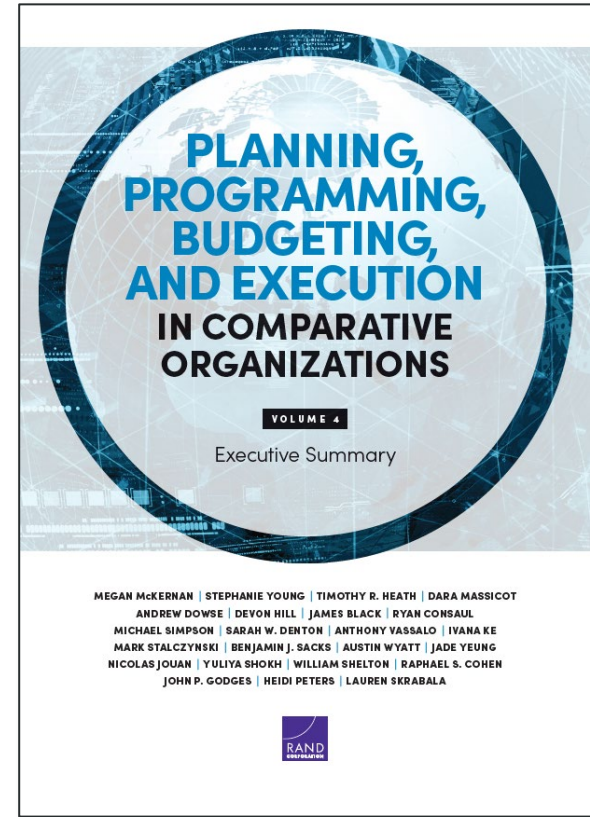
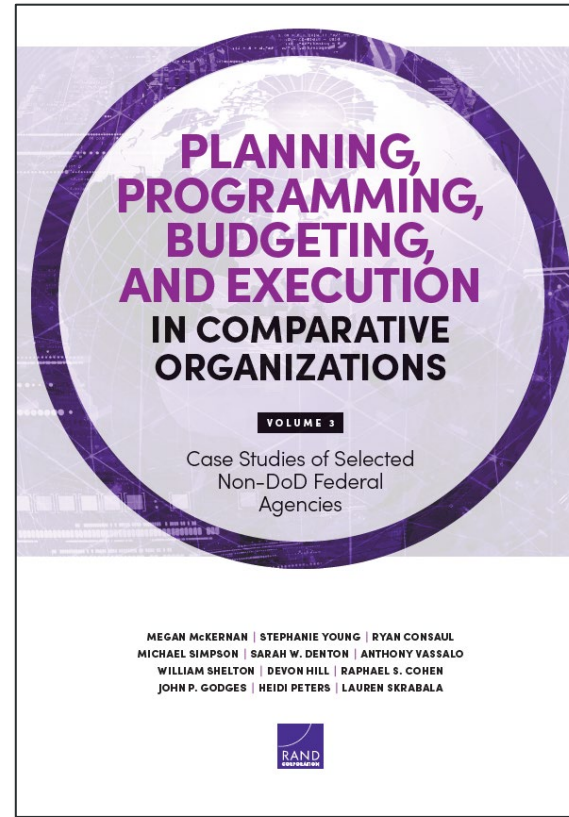
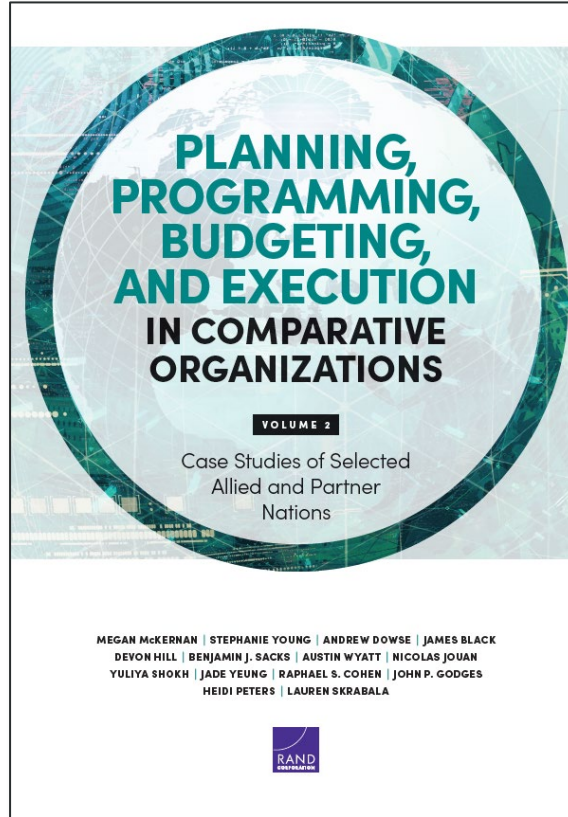
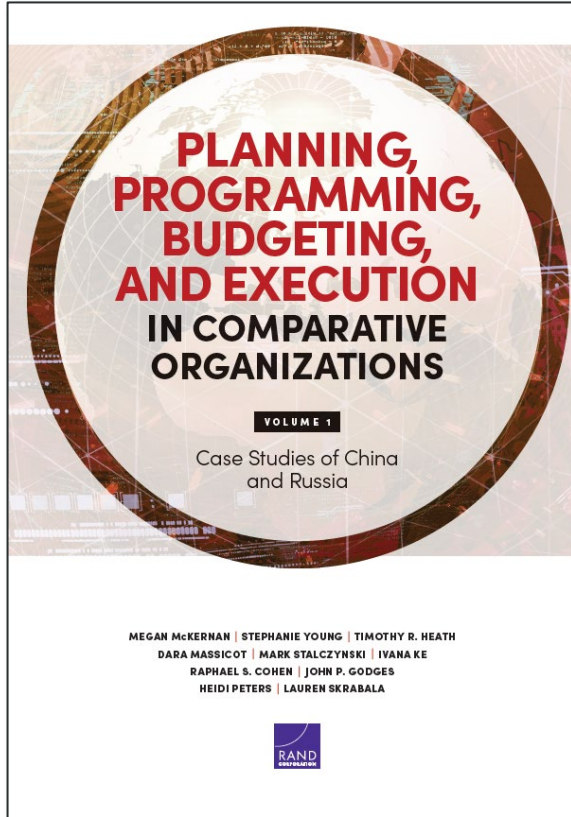
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PPBE in Comparative Organizations: Case Studies

- **Objective:** Conduct case studies of non-DoD U.S. government agencies to support Commission on Planning, Programming, Budgeting, and Execution (PPBE) Reform
- **Sponsor of Research:** Commission on PPBE Reform
- **Background:** Commission was established by the FY 2022 NDAA to
 - examine the effectiveness of the PPBE process and adjacent DoD practices, particularly with respect to facilitating defense modernization;
 - consider potential alternatives to maximize DoD's ability to respond to potential threats; and
 - make legislative and policy recommendations for process improvements with the aim of fielding the operational capabilities necessary to outpace near-peer competitors and supporting an integrated budget that is aligned with strategic defense objectives

RAND's Input to the PPBE Commission



Phase 1 includes 9 case studies of comparative organizations in 4 volumes (published)

Phase 2 includes 7 additional case studies of comparative organizations in 3 additional volumes (published)

PPBE Reform Commission integrated results from these studies into their Interim and Final reports

RAND analysis for the PPBE Commission is located at: <https://www.rand.org/nsrd/projects/PPBE-reform.html>

Overview: Methodology

Used RAND-wide diverse interdisciplinary team, drawing on colleagues from RAND U.S., RAND Europe, and RAND Australia with direct experience in selected case studies

Built and used a case study template and interview protocol based on Commission guidance

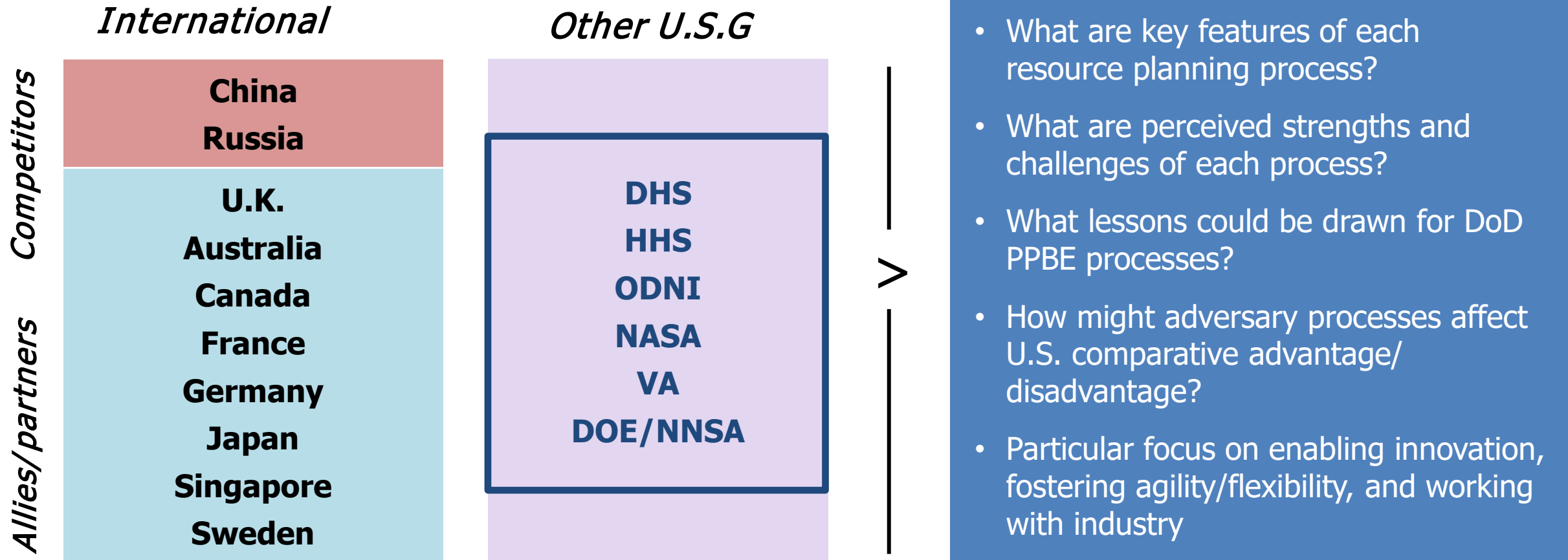
Literature reviews included government documentation outlining processes and policies, planning guidance, budget documentation; published academic and policy research; trade literature; research by international organizations

Foreign language sources used for China, Russia, France, Germany, Japan, and Sweden case studies

Structured discussions with more than 170 subject matter experts and practitioners; including CFO organizations, programmers, budget officials; researchers from academia, FFRDCs, think tanks, and trade literature

Monthly updates and vector checks with the Commission

RAND National Security Research Division Conducted Detailed Case Studies of Select International and Non-DOD USG agencies to Inform Commission's Deliberations

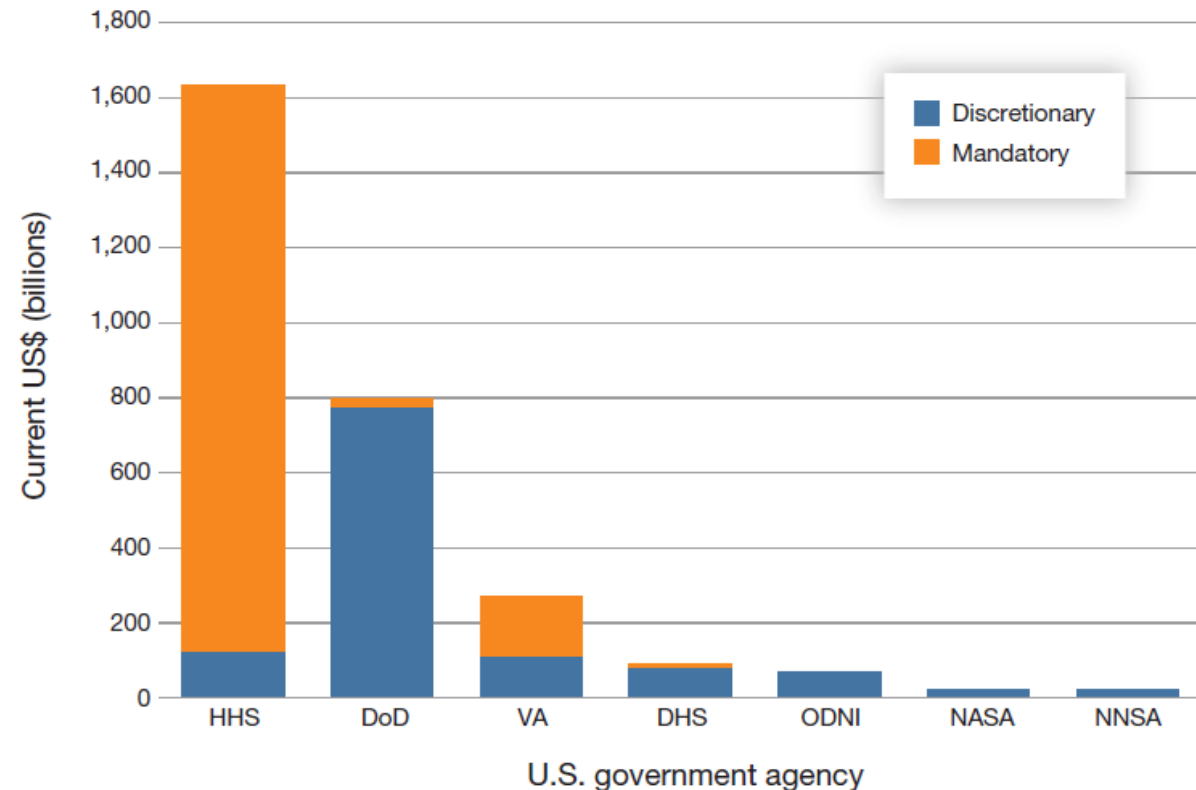


Research effort drew on diverse capabilities across RAND, i.e., regional expertise/foreign language fluency, defense budgeting, requirements, and acquisition processes, industrial base/private sector practices, non-Defense agencies

Insights from Non-DoD Federal Agencies Case Studies: Context

- Dialogue between DoD and non-DoD agencies for lessons in resource planning areas is not new; in 1965, President Johnson decided to introduce the still new DoD PPBS process across the Federal Government including Veterans Administration (precursor to Dept of Veterans Affairs) and Atomic Energy Commission (precursor to NNSA)
- While Johnson's mandate was relatively short-lived, it remains the case that the case studies considered looked to DoD PPBE in the development of their own processes
- Beyond these historical observations, these cases were identified as agencies that, by virtue of their missions, grappled with some similar issues as DoD regarding how to enable innovation/make high-tech investments, how to transition technology, or how to remain flexible in light of dynamic mission needs

Mandatory and Discretionary Budget Authority, by U.S. Government Agency, 2022 (Current US\$ Billions)



SOURCES: Features information from OMB, undated, Table 5.4; ODNI, "U.S. Intelligence Community Budget," webpage, undated. NOTE: For ODNI, we show the total budget appropriation for the National Intelligence Program and not the discretionary budget authority because of a lack of available data for comparison in the OMB tables. As of FY 2017, per the Federation of American Scientists' Intelligence Resource Program, ODNI does not receive mandatory funds (Federation of American Scientists, "National Intelligence Program," Intelligence Resource Program, archived site, undated). We similarly show the total NNSA budget appropriation because of a lack of available data for comparison in the OMB tables. As of FY 2022, NNSA did not receive any mandatory funds.

Non-DoD Federal Agencies Case Studies: Key Insights

- Other U.S. government agencies looked to U.S. DoD's PPBE System as an initial model for their own systems, which subsequently evolved
- There are perceived opportunities to strengthen connection of strategy to budgets
- A range of mechanisms enable budget flexibility and agility and help agencies weather continuing resolutions and other sources of budget turbulence
 - E.g., no-year money, carryover authority, advance appropriations, no colors of money, small number of appropriation accounts
- Emphasis on evaluation, not execution, in some processes could be instructive
- Implementation of PPBE-like processes at the scale of DoD is resource intensive, institutionally challenging, and often infeasible for smaller agencies
- Consolidated resource management information systems could improve visibility across the federated structures of government agencies

Other U.S. Government Agencies Looked to DoD PPBE System as a Model for Their Own Systems, Which Subsequently Evolved

Agency	Planning and Budget System
DOD	Planning, Programming, Budgeting, and Execution (PPBE) System
DHS	Future Years Homeland Security Program (FYHSP)
HHS	No direct analog at departmental level; operating divisions (OPDIVs) have individual approaches to annual budget planning/formulation
NASA	PPBE System
ODNI	Intelligence Planning, Programming, Budgeting, and Evaluation (IPPBE) System
VA	No direct analog at departmental level; ad hoc process relying on governance boards and internal reviews that focuses on budgeting and execution, with strategic planning not well aligned with related processes
NNSA	Planning, Programming, Budgeting, and Evaluation (PPBE) process

Perceived Opportunities to Strengthen Connection of Strategy to Budgets

- Relative focus on long-term planning varied by agency in line with mission, organizational design, analytical capabilities
- Strengthening linkage between priorities and budgetary decisionmaking was a theme across all cases
- DoD has stronger focus on long-term planning processes relative to DHS, HHS, and ODNI
 - DHS/HHS have mission sets that are dynamic and reactive to short-term events
 - DHS/ODNI have (relative to DoD) weaker mechanisms for pursuing future-oriented, cross-component plans
- Like DoD, long-term planning important for agencies (NASA, VA, and NNSA) with missions emphasizing sustained development efforts
 - Variety of long-term planning processes, including NNSA's Future Years Nuclear Security Program
 - NNSA and VA working to strengthen long-term planning, better align plans and programs

A Variety of Mechanisms Enable Budget Flexibility, Help Agencies Weather Budget Turbulence

- Some agencies (such as HHS and NASA) have more discretion relative to DoD to redirect, reprogram, or transfer appropriated funds
 - NASA funding is aligned directly to missions, not to discrete accounts
 - NNSA's budget has no designated colors of money – funds are available until expended
- Some agencies (such as DHS and NNSA) have authority to carry over funding across fiscal years
 - DHS components can carry over up to 50% of prior year balances in 1-year O&S accounts, can expend up to 50% of prior-year lapsed balances
- Some agencies benefit from mechanisms mitigating challenges associated with continuing resolutions, timing of receipt of regular appropriations
 - VA's discretionary operating budget funded through a mix of 1-year, multiyear, and no-year appropriations; veteran's medical care and benefit programs receive advance appropriations
 - NASA receives two-year funding for most operations; 90-95% obligation goal for first year of availability allows forward funding of contracts

Emphasis on *Evaluation*, Not *Execution*, in Some Processes Could be Instructive

- ODNI and NNSA both replace DoD's focus on execution in the PPBE process with an emphasis on *evaluation*
 - For ODNI, IPPBE process for NIP funding features continuous, formal evaluation processes and mechanisms to evaluate the results of prior multiyear decisions or initiatives & implementation of programming guidance from prior resource allocation cycles
 - For NNSA, PPBE process includes an *evaluation-performance* phase during which performance against plans is assessed, reviewed against internal controls, risk analysis, cost performance, and agency priority goals – no formal products produced, but results continuously inform planning, programming, and budgeting phases during next PPBE cycle

Implementation of PPBE-like Processes at the Scale of DoD Is Resource Intensive, Institutionally Challenging

- Constraints of smaller staffs, resources shaped the scale of PPBE-like functions at examined agencies – particularly for CAPE-like functions, which do not exist in comparable size and mission at some agencies examined
- NNSA has invested substantial effort to increase PPBE process rigor, including standing up its Office of Cost Estimating and Program Evaluation, making organizational changes

Consolidated Resource Management Information Systems Could Strengthen Decisionmaking

- Efforts underway in non-DoD agencies examined to strengthen information systems in support of resource decisionmaking
 - DHS consolidating PPBE information systems to support development of 5-year funding plan – capturing performance management data has facilitated automated reporting
 - NNSA has introduced FormEX information management system to provide common budget structure – indented to bolster transparency, information sharing, facilitate insight into plans, gaps, redundancies, potential execution risks

Applicability of Insights to DoD's PPBE System

- Agency budgeting processes modeled on DoD's PPBE system, but have evolved to be reflective of agency missions – no benefit in adopting any one system wholesale
- Value in examining agency flexibility mechanisms to identify opportunities to provide DoD with similar flexibilities
 - Support more innovation
 - Make funding more predictable across fiscal year cycles
 - Offer relief from systemic pain points

RAND Project Team

Project Leaders: Stephanie Young and Megan McKernan



International Case Studies

ADVERSARIES:

- China: Timothy Heath, Ivana Ke
- Russia: Dara Massicot, Mark Stalczynski

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- France: Nicolas Jouan, Clara Le Gargasson, Maxime Sommerfeld Antoniou
- Germany: Theodora Ogden, Linda Slapakova, Turner Ruggi
- Japan: Andrew Dowse, Naoko Aoki, Phoebe Pham
- Singapore: Austin Wyatt, Jade Yeung
- Sweden: Mattias Eken, Charlotte Kleberg, Turner Ruggi, Erik Silfversten



Other U.S. Government Agencies

- Department of Homeland Security: Ryan Consaul, Michael Simpson
- Department of Health and Human Services: Michael Simpson, Devon Hill
- National Aeronautics and Space Administration: Sarah Denton, Bill Shelton
- Office of the Director of National Intelligence: Tony Vassalo, Sarah Denton
- Department of Energy's National Nuclear Security Administration: Lauri Rohn, Frank Klotz, Sarah Denton, Yuliya Shokh
- Department of Veterans Affairs: Ryan Consaul, Michael Simpson, Madison Williams



RAND SMES

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- John Godges, Lauren Skrabala (communications)
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