COMMISSION ON PLANNING, PROGRAMMING, BUDGETING, AND EXECUTION REFORM

DEFENSE RESOURCING FOR THE FUTURE

LARA SAYER, EXECUTIVE DIRECTOR
MARCH 2024

CHARTER

Section 1004 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2022 created an independent "Commission on Planning, Programming, Budgeting, and Execution (PPBE) Reform" within the Legislative Branch and **directed the Commission to conduct a comprehensive assessment of all four phases of the PPBE process** that governs how the DoD creates its resourcing strategy for the following five years and provides the framework and input for the President's Budget request. The law directs a specific focus on budgetary processes that affect **defense modernization**.

THE MANDATE FOR CHANGE

"The security environment is rapidly evolving, and the current PPBE process is not capable of responding as quickly and effectively as needed to support today's warfighter. The Department of Defense (DoD) needs a new process, one that enables strategy to drive resource allocation in a more rigorous, joint, and analytically informed way. The new process should also embrace changes that enable the DoD to respond effectively to emerging threats while leveraging technological advances."

THE NEED FOR RESOURCING REFORM
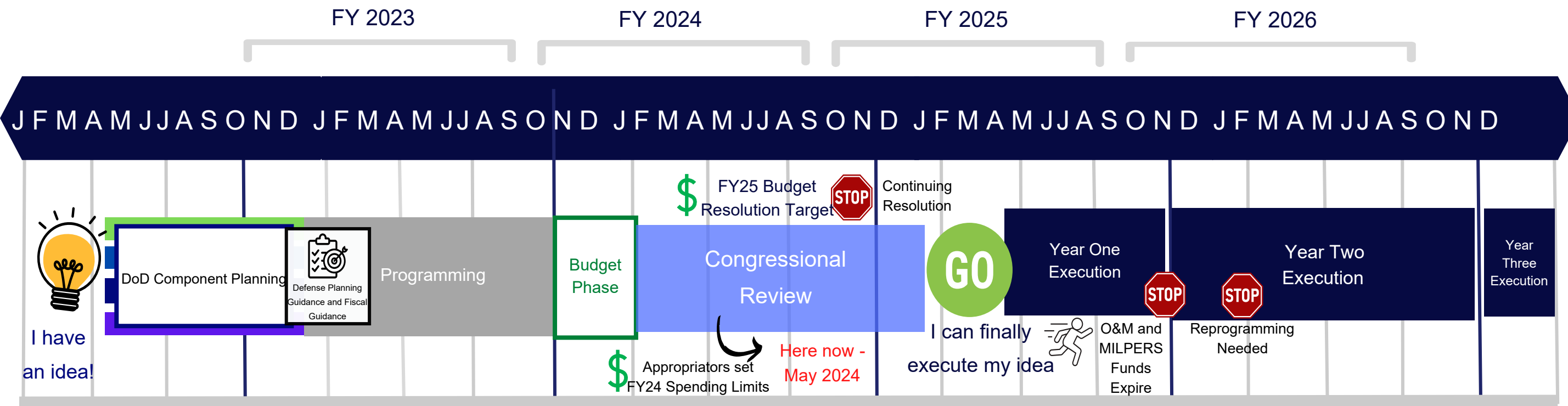
**Timeline represents typical year, not ideal process

- Delivering capability is a complex process which needs the Requirements, **PPBE**, and Acquisition processes to all align.

- To acquire or start something NEW in FY 2025, DoD would have had to have the idea in 2023 or earlier.

- A budget topline and on-time appropriation provide predictability and stability

- The Commission proposes improvements to speed decision-making and delivery of capability to ensure overmatch with our competitors.
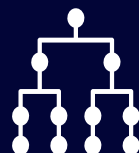
COMMISSION RESEARCH APPROACH

Workforce

Sufficiency of the current DoD programming and budgeting workforce
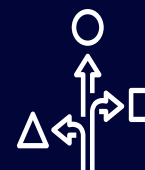
Reprogramming

Monetary thresholds and use of below-versus above-threshold reprogrammings by the DoD

Budget Structure

Current structure and effectiveness supporting warfighting requirements

Agile Budget Mechanisms

BA-08 Software Pilot Program and other mechanisms

Case Studies

Experiences of how PPBE supports or hinders program execution (e.g., "Valley of Death")

FMR/Reports/Studies

Review the Financial Management Regulation (FMR), reports, studies

Comparative Studies

Transferrable best practices from private industry, other federal agencies or countries
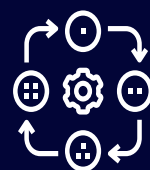
PPBE Assessment

Net Assessment of the Effectiveness of all four phases of the PPBE system

Performance Measures

Metrics currently being used and determining how they are informing budgets

FM Systems

Improvement of Financial Management Systems and their relationship to auditability

Innovation Funds

Root cause for existence of funds and ability to deliver capability

Congress

Institutionalization of information necessary for congressional oversight

Research conducted by Commission staff, RAND, IDA, MITRE, academic organizations to include AIRC and NSIN, and an FM Tiger Team. Commissioners and staff conducted over 400 interviews with over 1,100 subject matter experts.

COMMUNITY ENGAGEMENT

Broader Federal Government
- House Appropriations Committee - Full Committee and Defense Subcommittee
- Senate Appropriations Committee - Full Committee and Defense Subcommittee
- House Armed Services Committee
- Senate Armed Services Committee
- House Permanent Select Committee on Intelligence
- Senate Select Committee on Intelligence
- Various Members of Congress and their staff
- Government Accountability Office
- Office of Management and Budget

Industry
Science Applications International Corporation, Inc , AECOM, AAR Corporation, Exiger, Revere Federal Strategies, Govini, DecisionLens, Productable, Defense & Aerospace Competitive Intelligence Service, Definitive Logic, Catalyst Campus, Applied Intuition, Hermeus, Booz Allen Hamilton, Darkside Federal, UNISON, CSIS, Boeing, Palo Alto, PespiCo, Walmart, Parsons Corp, Lockheed Martin, Northrup Grumman, Huntington Ingalls Industries, Voyager Space, Battelle, Ford Motor Company, Hawkeye 360, Resilience, Mercury Systems, Anduril, Palantir, Rebellion, Arete Associates, Continuum Dynamics, Corvid Technologies LLC, Critical Link LLC, Echelon Bio Sciences, EnergYnTech, First RF, FTL Labs, Indiana Microelectronics, IRFLEX Corp, Judd Systems Technologies, LOADPATH, SI2 Technologies, Spectral Sciences, Google, Tier 1 Performance, Teqnovation LLC, Cypress International, VOXTEL, L3Harris Technolgies, CORAS, OneStream, Integrated Data Services, Metrea, Scaled Agile, Cybernet Systems, Adams and Reese LLP, Salesforce, Costco, CACI, SAP....and more!

Former Government Officials
- former Deputy Secretary of Defense
- former DoD Comptroller
- former Director, CAPE
- former Assistant Secretary of the Navy for Research, Development & Acquisition
- former Assistant Secretary of the Air Force for Acquisition, Technology and Logistics
- former Director, Air Force Rapid Capabilities Office
- former Commander, Air Force Materiel Command
- former Director, Defense Innovation Unit
- former Service Acquisition Executives and program managers
- former HASC, SASC, HAC-D, and SAC-D professional staff members
- former PPBE practitioners
- Service Design Collective

Department of Defense
- Deputy Secretary of Defense
- Secretary of the Air Force
- Under Secretary of Defense (R&E)
- Under Secretary of Defense (A&S)
- Under Secretary of Defense Policy
- Under Secretary of Defense Comptroller
- Under Secretary of the Navy
- Director, CAPE
- DoD Inspector General
- DoD Chief Information Officer (DoD CIO)
- OSD Legislative Affairs
- Chief Data and Artificial Intelligence Office (CDAO)
- Performance Improvement Office (PIO)
- Analysis Working Group (AWG)
- Joint Staff
- Combatant Commands

- Military Department Comptrollers
- Service Programmers
- Service Planners
- Service Acquisition Executives
- NavalX, AFWERX, Office of Naval Research, PEO Digital, Office of Strategic Capital, Defense Innovation Unit
- Washington Headquarters Service
- Defense Finance Accounting Service (DFAS)
- Defense Technical Information Center (DTIC)
- Innovation Steering Group
- PEOs and Program Managers
- Acquisition Innovation Research Center (UARC)

Associations
- American Society of Military Comptrollers
- Association for Uncrewed Vehicle Systems International
- AGA
- Silicon Valley Defense Group
- National Defense Industrial Association
- Federation of American Scientists/ Day One Project

Academia
- George Mason University
- Naval Postgraduate School
- Duke University
- The College of William and Mary
- University of Virginia
- Defense Acquisition University
- Stevens Institute of Technology
- National Defense University

The Public
- Open Mic Session on Program Management
- Open Mic Session on Budgeting
- Open Mic Session on Valley of Death
- Open Mic Session on Programming
- Open Mic Session on Requirements
- Open Mic Session on Reprogrammings
- Social Media/Email Input

Comparative Case Studies
- Countries: Russia, China, Australia, United Kingdom, Canada, France, Germany, Sweden, Japan, Singapore
- US Federal Agencies: Department of Homeland Security (DHS), Office of the Director of National Intelligence (ODNI), NASA, Health and Human Services (HHS), Department of Veteran Affairs, National Nuclear Security Administration

Federally Funded Research and Development Centers (FFRDCs)
- RAND
- MITRE
- Institute for Defense Analyses
- Carnegie Mellon University Software Engineering Institute

COMMISSION ON PPBE REFORM

Commission Findings

Strengths of the PPBE Process

- Supports a structured, repeatable process
- Allows leaders to identify key budget issues
- Brings analytic information to bear
- Ensures stakeholders are heard
- Balances out-year prioritization with short term requirements

Weaknesses of the PPBE Process

- Strategic and resource allocation guidance documents are consensus driven, late to need, and sometimes fail to provide actionable direction
- Budget execution hindered by late enacted budgets; poor incentives for year-end spending
- Lack of agility and speed to respond to evolving threats, unanticipated events, or emerging technology
- Insufficient information technology to support decision-making and data sharing with Congress
- Insufficient workforce capacity and training to regularly inform decision-making in a timely manner

FIVE CRITICAL AREAS FOR REFORM

Improve Alignment of Budgets to Strategy

Foster Innovation and Adaptability

Strengthen Relationships Between DoD and Congress

Modernize Business Systems and Data Analytics

Strengthen the Capability of the Resourcing Workforce

The Commission concluded that a new approach to defense resourcing is required and identified five critical areas for reform, which resulted in 28 actionable recommendations to transform all aspects of the defense resourcing process.

COMPLETE LIST OF RECOMMENDATIONS

Improve the Alignment of Budgets to Strategy

1. **Replace the PPBE Process with a New Defense Resourcing System**
2. **Strengthen the Defense Resourcing Guidance**
3. **Establish Continuous Planning and Analysis**
4. **Transform the Budget Structure**
5. Consolidate RDT&E Budget Activities

Foster Innovation and Adaptability

6. Increase Availability of Operating Funds
7. Modify Internal DoD Reprogramming Requirements
8. Update Values for Below Threshold Reprogrammings
9. Mitigate Problems Caused by Continuing Resolutions
10. Review and Consolidate Budget Line Items
11. Address Challenges with Colors of Money
12. Review and Update PPBE-Related Guidance Documents
13. Improve Awareness of Technology Resourcing Authorities
14. Establish Special Transfer Authority for Programs Around Milestone Decisions
15. Rebaseline OSD Obligation and Expenditure Benchmarks
16. Encourage use of the Defense Modernization Account

Strengthen Relationships Between DoD and Congress

17. Encourage Improved In-Person Communications
18. Restructure the Justification Books
19. Establish Classified and Unclassified Communication Enclaves

Modernize Business Systems and Data Analytics

20. Create a Common Analytics Platform
21. Strengthen Governance for DoD Business Systems
22. Accelerate Progress Toward Auditable Financial Statements
23. Continue Rationalization of the OSD Resourcing Systems
24. Modernize the Tracking of Congressionally Directed Actions

Strengthen the Capability of the Resourcing Workforce

25. Continue the Focus on Recruiting and Retention
26. Streamline Processes and Improve Analytic Capabilities
27. Improve Training for Personnel Involved in Defense Resourcing
28. Establish an Implementation Team for Commission Recommendations

Bolded recommendations are identified as KEY recommendations.

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BACK UP

Improve the Alignment of Budgets to Strategy

Replace the PPBE Process with a new Defense Resourcing System

Reforms the PPBE process into the new DRS with three processes: Strategy, Resource Allocation, and Execution to streamline resource allocation

Strengthen the Defense Resourcing Guidance

Creates robust leadership decision-making process to produce a timely, decisive document to align resources to strategy

Establish Continuous Planning and Analysis

Creates and strengthens analytic processes and metrics for data-driven decisions

Transform the Budget Structure

Transforms the DoD budget to focus on capabilities and accelerate execution

Consolidate RDT&E Budget Activities

Modernizes research and development budget structure for 21st century iterative development

STREAMLINED RESOURCING PROCESS
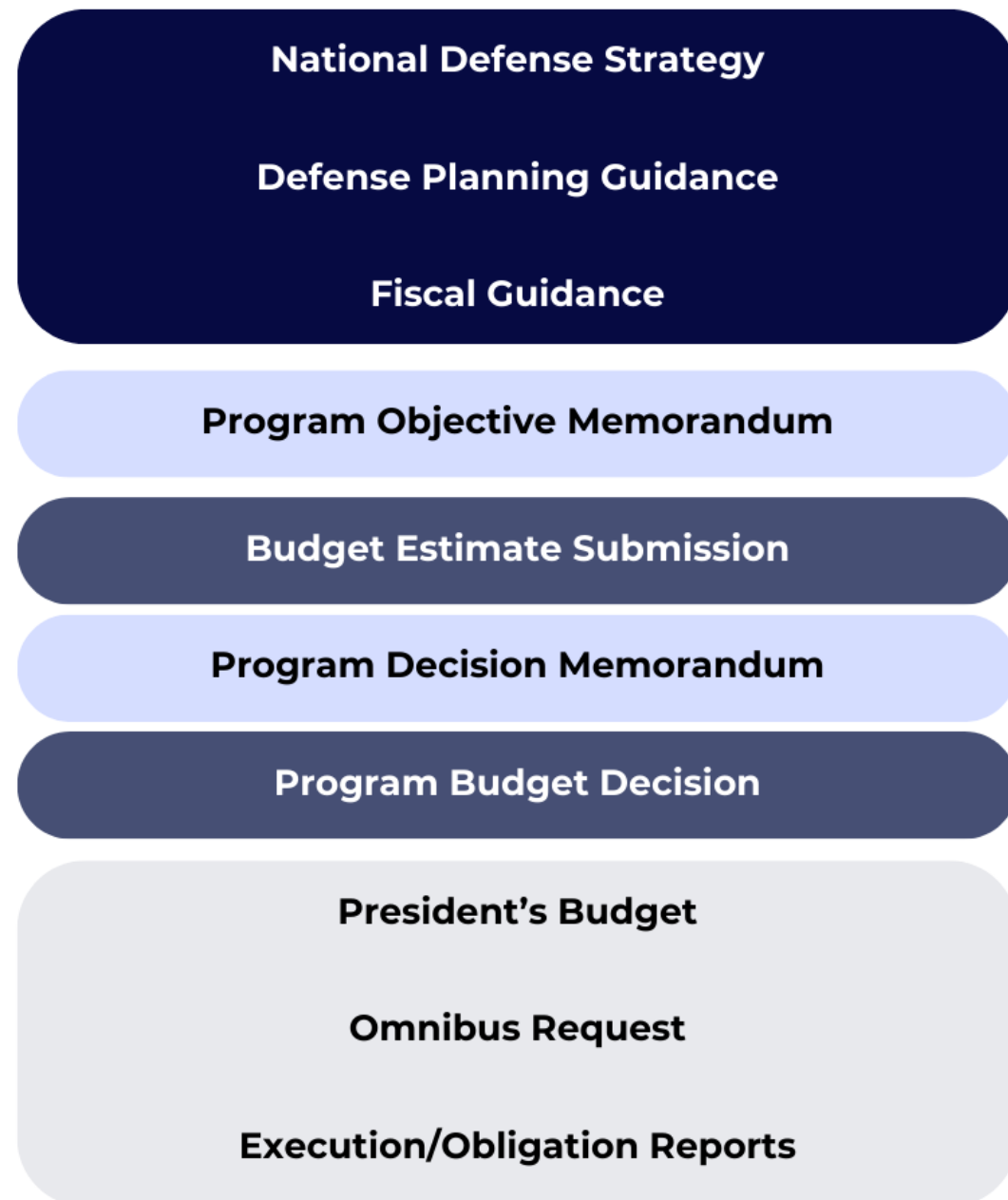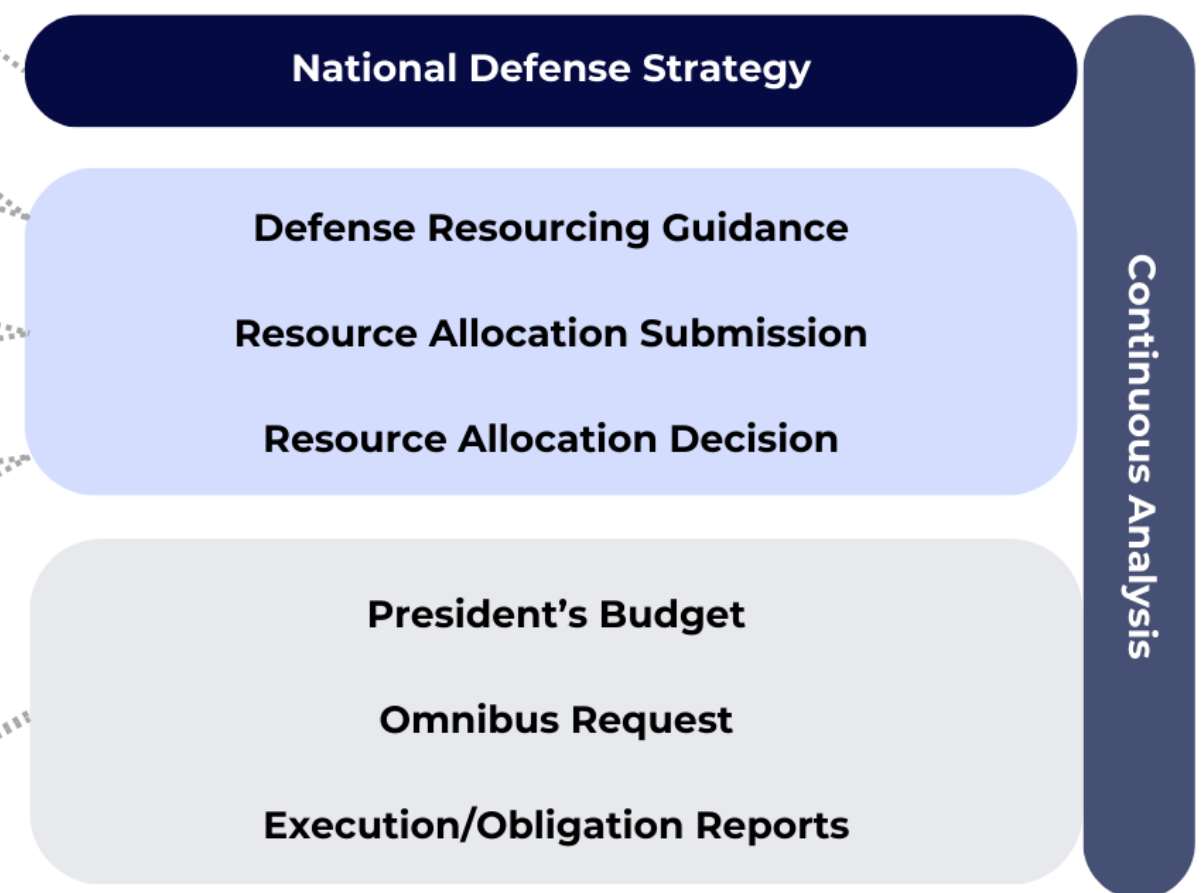
The new DRS and other Commission recommendations strengthen the Department's ability to react to rapidly changing threats and technology to keep pace with strategic competitors.

TRANSFORMING THE BUDGET STRUCTURE

Current Structure	Proposed Structure
Life Cycle Phase (e.g., RDT&E, Procurement)	Service/Component (e.g., Air Force)
Service/Component (e.g., Air Force)	Major Capability Activity Area (e.g., Tactical Aviation)
Budget Line Item (e.g., PE 0604840F, F-35 C2D2)	System/Program (BLI) (e.g., F-35)
Project (if applicable) (e.g., 673501, Air Vehicle Tech Refresh 3)	Life Cycle Phase description(s) (e.g., RDT&E, Procurement, O&M)

Foster Innovation and Adaptability

Increase Availability of Operating Funds

Allow 5% of operating funds to be obligated in second year. Lessens incentive to obligate for lower-priority programs at year end

Address Challenges with Colors of Money

Align color of money with the predominant activity of the program; enable DoD to fund software programs with any color of money; and allow use of O&M for continuing improvements to hardware.

Modify Internal DoD Reprogramming Requirements

Streamline internal reprogramming procedures, including delegation of transfer authority

Review and Update PPBE-Related Guidance Documents

Ensure sufficient review and more frequent update to defense resourcing guidance documents, with an update at least every three years

Encourage Use of the Defense Modernization Account

Utilize the DMA to remove barriers to execution, and work with Congress to improve the authority

Improve Awareness of Technology Resourcing Authorities

Develop a handbook of available innovation funds and authorities

Update Values for Below Threshold Reprogrammings

Raise thresholds to keep pace with historical budget increases; provide agility for increased speed in addressing changing threats/requirements

RDT&E - $25M, Proc - $40M, O&M - $30M, MILPERS - $15M

Mitigate Problems Caused by Continuing Resolutions

Allow DoD to proceed with new starts, increased program quantities and development ramps while under a CR unless any Committee/Subcommittee has prohibited the action

Establish Special Transfer Authority Around Milestone Decisions

Authorize ability to move money between RDT&E and Procurement within a single program between milestones for a 3-year period

Review and Consolidate Budget Line Items

Streamline current resourcing and execution processes, retain transparency for Congress, and end unnecessary duplication in the existing budget structures

Rebaseline OSD Obligation and Expenditure Benchmarks

Assess and rebaseline obligation and expenditure benchmarks based on recent historical execution at the BLI level for all appropriations

COMMISSION ON PPBE REFORM

Strengthen Relationships Between DoD and Congress

Encourage Improved In-Person Communications

The DoD should work with Congress to determine the best time to offer in-person updates that deal with execution-year issues as well as the budget proposal under review by Congress

Restructure the Justification Materials

The DoD should work with Congress to establish common formats and content for the justification books, to include providing appropriate depth of budgetary and programmatic content

Establish Classified and Unclassified Communication Enclaves

The DoD should expedite the delivery of classified and unclassified enclaves to share appropriate information with Congress and for Congress to share information with DoD

Modernize Business Systems and Data Analytics

Create A Common Analytics Platform

The DoD should establish and integrated product team for the expansion and enhancement of capabilities through a common platform (system of systems) to provide enterprise resourcing analytics

Strengthen Governance for DoD Business Systems

The DoD should strengthen the governance over business systems, including development of a strategic approach to prioritize remediation of systems issues impacting auditability and well as establish a Deputy CIO for Business Systems

Accelerate Progress Toward Auditable Financial Statements

The DoD should develop and approve policy changes to financial systems needed to support the financial statement audit

Continue Rationalization of the OSD Resourcing Systems

The DoD should continue to accelerate efforts to consolidate OSD-level resourcing systems, processes, and analytic capabilities

Modernize the Tracking of Congressionally Directed Actions

The DoD should modernize the process and platform by which the DoD tasks and tracks congressionally directed actions

Strengthen the Capability of the Resourcing Workforce

Continue the Focus on Recruiting and Retention
Both OUSD(C) and CAPE should improve recruiting and retention by considering bonuses, modest use of telework and more use of contractor support

Streamline Processes and Improve Analytic Capabilities
The DoD should seek ways to streamline defense resourcing processes and improve analytic capabilities to realize workload reduction and appropriate delegation

Improve Training for Personnel Involved in Defense Resourcing
The DoD should improve training offered on preparation of the budget justification books, data analytics, DoD liaison activities, and private sector best practices.

Establish Implementation Team for Commission Recommendations
A temporary full-time cross-functional team, reporting directly to the Deputy Secretary of Defense, would support the substantial effort required to transform the defense resourcing process over 3-5 years. Collaboration with Congress is key.

IMPLEMENTATION

Establish an Implementation Team for Commission Recommendations

- DoD should establish and resource an implementation team to oversee implementation of recommendations
- Team should be cross-functional, reporting directly to the Deputy Secretary of Defense, and temporary (lasting three to five years)

Congress must be involved in implementation efforts; collaboration is critical

ADVANTAGES OF THE NEW DEFENSE RESOURCING SYSTEM (DRS)

- The DRS will help DoD react to rapidly changing threats and technology and keep pace with strategic competitors

- Recommendations designed to foster innovation and adaptability allow DoD to respond at the speed of relevance <u>while preserving congressional oversight</u>

- A new budget structure and more definitive guidance better align budgets to strategy

- A focus on communications with Congress, business processes, and data analytics will improve relationships, increase the speed of decision-making, and accelerate delivery of capability to the warfighter

- Streamlining reduces duplication throughout the process

Additional Commission recommendations will further strengthen new resourcing system.

COMPLETE LIST OF RECOMMENDATIONS

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A COMPLEX CURRENT PROCESS
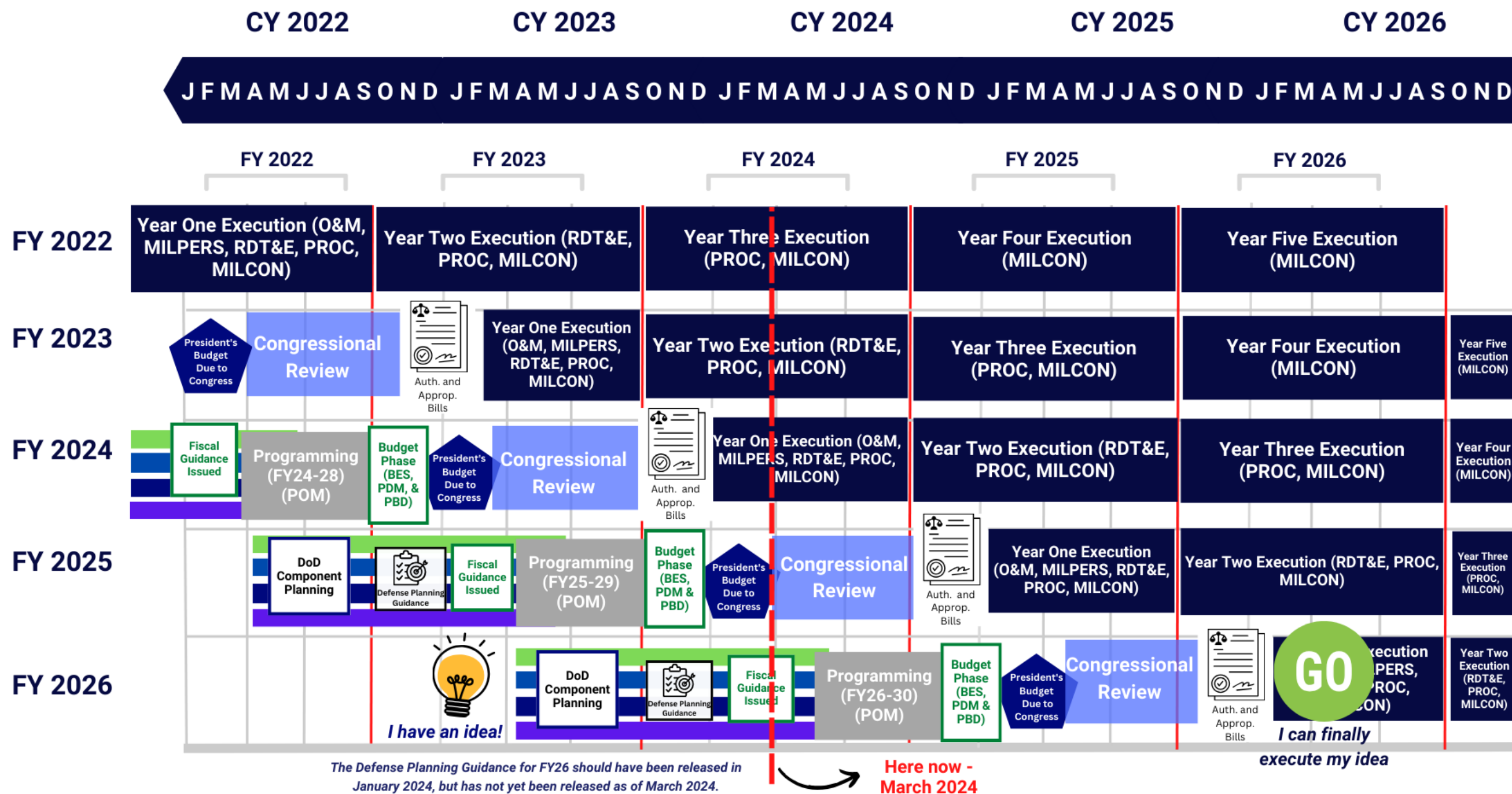
**Timeline represents typical year, not ideal process

Key to Abbreviations: BES - Budget Estimate Submission; PDM - Program Decision Memorandum; PBD - Program Budget Decision; O&M - Operation and Maintenance; MILPERS - Military Personnel; RDT&E - Research, Development, Test and Evaluation; PROC - Procurement; MILCON - Military Construction; Auth. - Authorization; Approp. - Appropriation

CURRENT COMMISSION STAFF

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Director of Operations

Ms. Elizabeth Bieri
Director of Research

Ms. Rachel Conway
Director of Outreach

Ms. Caroline Bledsoe
Senior Researcher

Ms. Kelle McCluskey
Senior Researcher

Mr. Brooks Minnick
Senior Researcher

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Senior Researcher

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Senior Researcher

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Senior Researcher

Ms. Hannah Francis
Senior Consultant
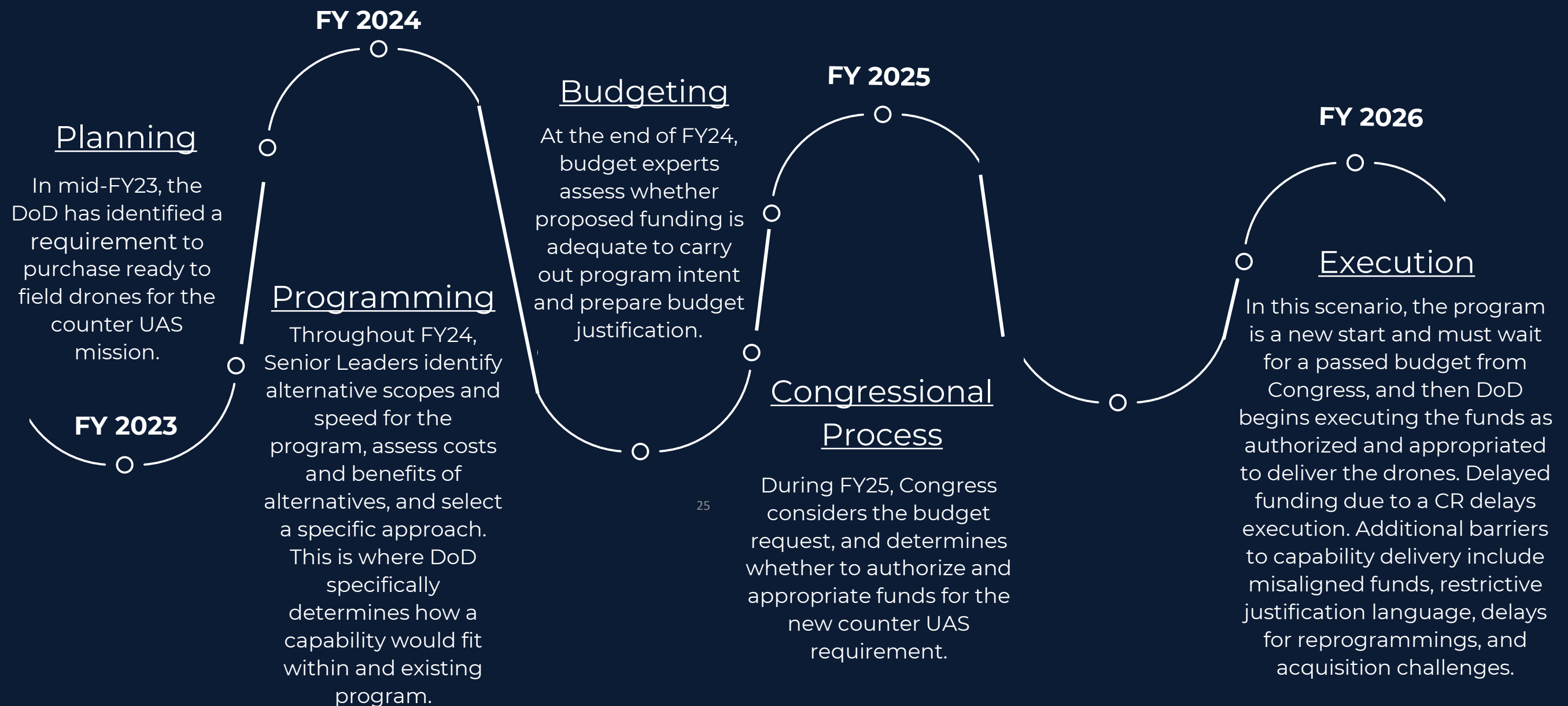
COMMISSION RESEARCH DETAILS

Organic Research

- In-depth analysis of reprogramming actions, program new starts and budget structure
- Analysis of agile budgeting and of expiring, expired, and cancelled funds
- Assessment of OSD CAPE, Comptroller, Service programming & Military Department FM workforces
- Analysis of defense business and financial management systems
- Analysis of DoD performance metrics
- Industry Comparative Study – Interviews with 15 CFOs, literature review
- Assessment of the dev, review, format, and use of formal/informal budget justification materials
- Case studies on Facilities Sustainment Restoration and Modernization
- Review of the DoD Financial Management Regulation and other PPBE related guidance

Outside Research

- **RAND: Comparative case studies: Strategic Competitors, Allied and Partner nations, and other Federal Agencies**
- IDA: Examination of PPBE Documents, Timelines Involved for Each Phase, and the Ability to Make Changes
- AIRC (Stevens Institute, GMU) : Case studies on Tech Transition, Obligation/Expenditure Curve Analysis, Portfolio Budgeting, Justification Books, SAR and Budget Structure analysis
- FM Systems Tiger Team: Review of FM Systems, relationship to internal controls and auditability
- Service Design Collective: Improving communication between Congress and the DoD through technical enclaves
- MITRE: General Use of Performance Measures, Budget Structure versus Strategy, Incentives on Spending Behavior
- NSIN (College of William & Mary, UVA): Innovation/SBIR, Linking Budgets to Strategy

PPBE Slows DoD's Ability to Buy Capability

FY 2024

Planning

In mid-FY23, the DoD has identified a requirement to purchase ready to field drones for the counter UAS mission.

FY 2023

Programming

Throughout FY24, Senior Leaders identify alternative scopes and speed for the program, assess costs and benefits of alternatives, and select a specific approach. This is where DoD specifically determines how a capability would fit within and existing program.

Budgeting

At the end of FY24, budget experts assess whether proposed funding is adequate to carry out program intent and prepare budget justification.

FY 2025

Congressional Process

During FY25, Congress considers the budget request, and determines whether to authorize and appropriate funds for the new counter UAS requirement.

FY 2026

Execution

In this scenario, the program is a new start and must wait for a passed budget from Congress, and then DoD begins executing the funds as authorized and appropriated to deliver the drones. Delayed funding due to a CR delays execution. Additional barriers to capability delivery include misaligned funds, restrictive justification language, delays for reprogrammings, and acquisition challenges.

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A notional example of the typical timeline for DoD to buy new capability for the field

DEFENSE RESOURCING SYSTEM STRUCTURE

Process	Step	Key Document(s)	OPR(s)
Strategy		NDS	OUSD(P)
Resource Allocation	Guidance	Defense Resourcing Guidance (DRG) *(replaces DPG and Fiscal Guidance)*	AWG (CAPE as executive secretary)
	Build	Resource Allocation Submission (RAS) *(replaces POM/BES)*	Service/Component Resourcing Staffs
	Decision	Resource Allocation Decision (RAD) *(replaces PDMs/PBDs)*	OUSD(C)
Execution		President's Budget

Omnibus Reprogramming Request

Execution/Obligation Reports | OUSD(C) and Service/Component FMs |
| The new DRS is enabled throughout the process with continuous analysis and evaluation. | | | |

DEFENSE RESOURCING SYSTEM FLOW CHART

Vision for Defense Resourcing Process

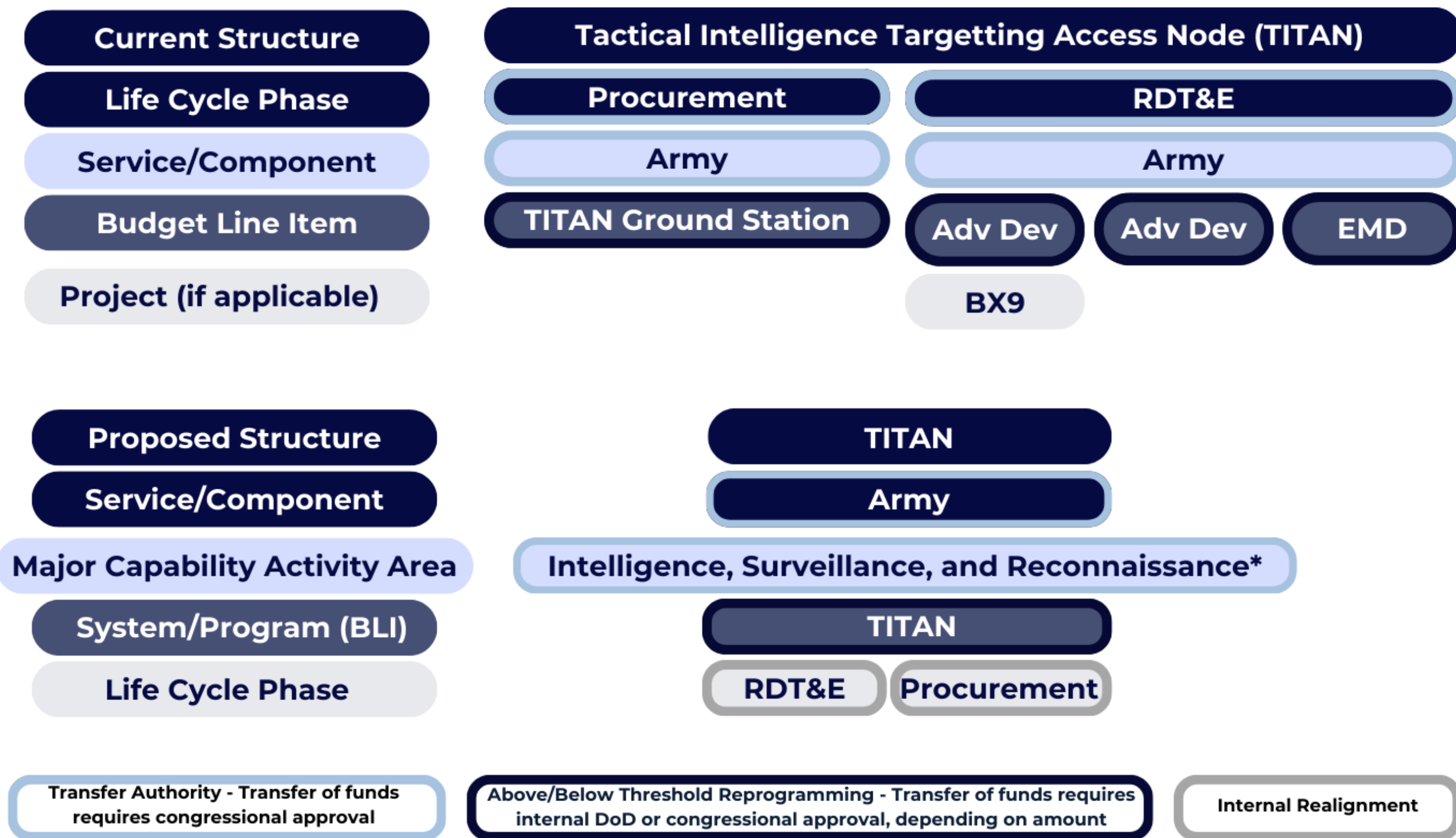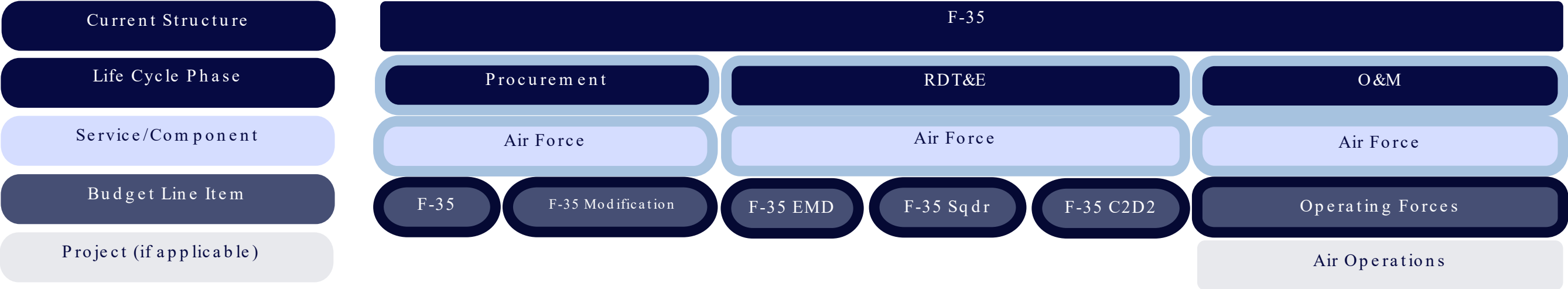Closely align budgets to strategy for the Joint Force based on explicit criteria of national interest, with the ultimate goal of faster delivery of capability to the warfighter.

Base resource decisions on choices among explicit, balanced, and feasible alternatives

Formulate and assess budget alternatives and consequences over multiple years before making major decisions and use analysis to compare costs and benefits.

Enable accountable leaders in acquisition, operational, and support organizations to foster innovation and agility by improving their ability to react to changing threats and requirements, while ensuring the best technology and capabilities are fielded for the warfighter.

Use common modern business systems with shared and accessible data to support decision-making, reduce duplicative efforts, and better communicate information inside the DoD and to Congress.

Provide a dedicated, appropriately skilled, and resourced staff to support the Secretary of Defense and other senior leaders throughout the DoD.

Appropriately signal near and long-term technological and infrastructure priorities to the industrial base, enabling both non-traditional and traditional vendors to supply capabilities to the DoD.

Meet budget timelines while ensuring that stakeholders have a voice in the process

Provide Congress, the Office of Management and Budget, and the American people appropriate visibility into and understanding of key defense resource decisions.

TRANSFORMING THE BUDGET STRUCTURE

Current Structure

	Tactical Intelligence Targetting Access Node (TITAN)	
Life Cycle Phase	Procurement	RDT&E
Service/Component	Army	Army
Budget Line Item	TITAN Ground Station	Adv Dev / Adv Dev / EMD
Project (if applicable)		BX9

Proposed Structure

	TITAN
Service/Component	Army
Major Capability Activity Area	Intelligence, Surveillance, and Reconnaissance*
System/Program (BLI)	TITAN
Life Cycle Phase	RDT&E / Procurement

Transfer Authority - Transfer of funds requires congressional approval

Above/Below Threshold Reprogramming - Transfer of funds requires internal DoD or congressional approval, depending on amount

Internal Realignment

*Notional Major Capability Activity Area

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TRANSFORMING THE BUDGET STRUCTURE

Current Structure	F-35		
Life Cycle Phase	Procurement	RDT&E	O&M
Service/Component	Air Force	Air Force	Air Force
Budget Line Item	F-35 / F-35 Modification	F-35 EMD / F-35 Sqdr / F-35 C2D2	Operating Forces
Project (if applicable)			Air Operations

Proposed Structure	F-35
Service/Component	Air Force
Major Capability Activity Area	Air Combat*
System/Program (BLI)	F-35
Life Cycle Phase	RDT&E / Procurement / O&M

Transfer Authority - Transfer of funds requires congressional approval	Above/Below Threshold Reprogramming - Transfer of funds requires internal DoD or congressional approval, depending on amount	Internal Realignment

*Notional Major Capability Activity Area

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Foster Innovation and Adaptability

Increase Availability of Operating Funds

Allow 5% of O&M and MILPERS to be obligated in second year. Lessens incentive to obligate on lower-priority programs at year end.

$8.9B
Average Cancelled O&M FY 2018 – FY 2022

Other Agencies

DHS: 50% carryover of some unobligated balances
NNSA: No-year funds
NASA: All Two-year funds
Defense Health Program: 1% carryover

Update Values for Below Threshold Reprogrammings

Raise thresholds to keep pace with historical budget increases and allows additional agility.

$40M PROC		$25M RDT&E		$30M O&M		$15M MILPERS	
FY03 $20M	FY23 $10M	FY03 $10M	FY23 $10M	FY03 $15M	FY23 $10M	FY03 $10M	FY23 $10M

FY 2003 – FY 2023 Budget Growth

RDT&E: 142%   O&M: 98%
Procurement: 113%   MILPERS: 68%

Review and Consolidate Budget Line Items

Streamline current resourcing and execution processes, retain transparency for Congress, and end unnecessary duplication in the existing budget structures.

1,700+
Procurement & RDT&E Budget Line Items

93
Army S&T PEs reduced over 5 years

Review and Update PPBE Related Guidance Documents

Ensure sufficient review and more frequent update to defense resourcing guidance documents, with an update at least every three years.

7,000+
pages of financial regulations

Consolidation Supports Agile Development

"I want to retain all the flexibility I can at the lowest levels so we can just not have anything getting in our way...[a consolidated PE] **provides flexibility** to put money in whichever pathway we need **to fulfill requirements.**"
– Army Robotic Combat Vehicle Case Study (AIRC)

LESSONS LEARNED FROM FEDERAL AGENCIES, OTHER COUNTRIES, AND INDUSTRY

Other Federal Agencies

Other government agencies have varying degrees of flexibility not afforded to the DoD.

DHS - Carryover of up to 50% of O&M funds after the period of availability.

HHS - Non-recurring expense fund (NEF), which allows for the reallocation of expired unobligated funds to capital investments.

NASA - Budget appropriated by Mission Theme instead of category (RDT&E, procurement, etc.). All funds are 2-year, providing budget stability, especially during a CR.

ODNI- 30-day notify and wait Congressional notification for reprogrammings exceeding $150M, or 5% of amounts available in the NIP program.

VA- Advanced appropriations that help them weather delayed appropriations. No-year and multi-year appropriations for construction and land acquisition.

NNSA - No "colors of money" and a few appropriation accounts for prioritization of investments and adjustment to emerging needs. No-year funding, allowing funds to be used until exhausted.

NNSA, DHS, and ODNI - Consolidated resource management systems providing common budget structure enabling insight into plans, gaps, redundancies, and execution risks.

Other Countries

The governmental structures of the other countries were often so different that lessons learned are not always applicable to the U.S. without changing our form of government. However, there are a few notable findings worth mentioning:

Passing a Budget Act

In Australia if the budget is not passed, it can lead to dissolution of the government and new elections to be held mid cycle.

Jointness

A shift away from service-centric views and emphasis on cross-governmental mechanisms and joint funds; minimizes duplication and reduces waste within limited budgets.

Defense Industrial Base

UK system implements mechanisms to ensure budget certainty for major multi-year investments, such as establishing 10-year portfolio management agreements with industry partners.

Industry

Strategic Planning, Strategy, and Budgeting

Strong alignment of strategic plan and strategy to budget.

Flexible Budgeting

Fungible funding and ability to make innovation a priority.

Budget Execution and Accountability

Managers are responsible, accountable, and empowered for program execution and funding; flexibility to make trades.

Delegated Authority

Delegated authority and short decision chain enables quick decisions.

Performance Measures

Establishes and regularly views performance measures; actively tracks actuals to forecasts, targets, and strategic plans.

Advanced Business Systems

Takes a phased approach to IT systems modernization, avoids customizing IT solutions due to cost and lessened capability. Regularly reviews needs and invests in advanced commercial business systems and tools to enable data-informed decisions; integral to human capital strategy.

Transparent Communications

Builds trust relationships with Board of Directors and customers.

INDUSTRY BEST PRACTICES

Strategic Planning & Budgeting	Strategy	Flexible Budgeting	Budget Execution & Accountability	Delegated Authority	Metrics & Regular Performance Monitoring	Advanced Business Systems	Transparent Communications
Strategic plan aligned to 5/10/20-year goals and overall strategy; planning is an annual fully-integrated process from start to end, includes complex and detailed planning factors adjusted to changes in business environment; in some cases, first year AOP identifies funding and funded activities for upcoming fiscal year (approved by BOD), developed a "right-sized planning approach" adapted to company's needs, focused on value-added processes, considered the resources needed to achieve desired outputs	Strong alignment of strategy to budget or AOP to ensure efficient use of resources, strategic execution, and enhanced decision-making, some reported strategy is set and only tweaked for updates based on market changes, or strategy was led by a corporate strategy team to have a common approach and process	Annual budgeting process involves a bottom-up build based on top-down guidance to fund all efforts including IRAD and capital expenditures, fungible funds, some defense companies planned for a 90 to 180-day CR contingency, flexibility attributed to budget being managed at sector level, allows for tradeoffs within or across sectors without exceeding overall financial objectives, enables speed and agility to meet evolving needs, funding for innovation is a priority	Core focus in industry, managers held accountable to meet targets, recurring budget reviews from bottom up to CEO to assess revenue, expenses, operating costs, sales, capital expenditure to determine how well funds are being spent on strategic priorities, fungible funding, management reserve held at every level	Flow down of delegated authority from the BOD to CEO, ELT and staff, short decision chain enabled quick decisions or improved timeliness	Identified right set of financial and operational performance metrics, actively tracked actuals to forecasts and plans, KPIs reported at recurring intervals to validate profitability assumptions or identify potential changes in outcomes compared to projections, managers are held accountable for achieving targets and tracking actual performance to forecasts and plans	Leveraged latest COTS business systems technology and tools to meet their needs, enable faster and data-driven decisions; streamlined internal processes before transitioning to new system, large companies (>$30B) prioritized and routinely invested in IT modernization, 24 to 36-month advance planning before implementing a phased transition to new system, integral element of human capital strategy to attract, retain and build a talented workforce	Efficient, accurate and frequent communications are key to build a trust relationship with BOD, understanding the customer's needs required to engage and maintain a strong relationship and build trust

AOP-Annual Operating Plan

ELT-Executive Leadership Team

DoD should routinely review and adopt select modern business practices where they can make the greatest improvements.

NDAA FOR FY 2022 SECTION 1004 FINAL REPORT REQUIREMENTS

(2) Final report.–Not later than September 1, 2023, the Commission shall submit to the Secretary of Defense and the congressional defense committees a final report that includes the elements required under paragraph (1).

Scope and Duties.–The Commission shall perform the following duties:

1. Compare the planning, programming, budgeting, and execution process of the Department of Defense, including the development and production of documents including the Defense Planning Guidance (described in section 113(g) of title 10, United States Code), the Program Objective Memorandum, and the Budget Estimate Submission, with similar processes of private industry, other Federal agencies, and other countries.

2. Conduct a comprehensive assessment of the efficacy and efficiency of all phases and aspects of the planning, programming, budgeting, and execution process, which shall include an assessment of–

   A. the roles of Department officials and the timelines to complete each such phase or aspect;

   B. the structure of the budget of Department of Defense, including the effectiveness of categorizing the budget by program, appropriations account, major force program, budget activity, and line item, and whether this structure supports modern warfighting requirements for speed, agility, iterative development, testing, and fielding;

   C. a review of how the process supports joint efforts, capability and platform lifecycles, and transitioning technologies to production;

   D. the timelines, mechanisms, and systems for presenting and justifying the budget of Department of Defense, monitoring program execution and Department of Defense budget execution, and developing requirements and performance metrics;

   E. a review of the financial management systems of the Department of Defense, including policies, procedures, past and planned investments, and recommendations related to replacing, modifying, and improving such systems to ensure that such systems and related processes of the Department result in– (i) effective internal controls; (ii) the ability to achieve auditable financial statements; and (iii) the ability to meet other financial management and operational needs; and

   F. a review of budgeting methodologies and strategies of near-peer competitors to understand if and how such competitors can address current and future threats more or less successfully than the United States.

3. Develop and propose recommendations to improve the effectiveness of the planning, programming, budgeting, and execution process.