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Speed, Flexibility, and Transparency: Surveying Budget Execution Methodologies to Better Support Emerging Technologies

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Speed, Flexibility, and Transparency: Surveying Budget Execution Methodologies to Better Support Emerging Technologies

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Abstract

The Department of War's ability to develop and field emerging technologies at the pace of modern threats depends on the deliberate and intentional use of existing financial management authorities and budget execution methodologies rather than the creation of entirely new ones. This paper examines how the Department can best develop and field new and constantly evolving technologies within existing options while remaining consistent with congressional appropriators' oversight responsibilities. Drawing on interviews with former Pentagon and Congressional officials, the paper evaluates key budget execution methodologies across four metrics: speed, flexibility, transparency to congressional appropriators, and transparency to industry. Findings reveal that the most significant barriers to execution speed are relational rather than structural, rooted in eroded trust between the Appropriations Committees and the Pentagon. The paper identifies a range of available authorities, programs, accounts, and funding that offer meaningful flexibility when properly understood and applied. The paper concludes with six recommendations that target specific friction points where budget execution methodologies could be expanded, clarified, or more effectively applied to improve outcomes.

Introduction

Article 1, Section 9, Clause 7 of the U.S. Constitution states, “No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.” This Article dictates that the government cannot spend money unless Congress has appropriated it first – and the government must be transparent on the spending of public funds. This year marks 65 years from when Defense Secretary Robert McNamara first introduced the Planning, Programming, Budgeting, and Execution (PPBE) process in 1961. Today, the Department of War (DoW) is pushing for a more flexible and agile execution process, which is challenging congressional perspectives regarding their constitutional oversight responsibilities. For the DoW to achieve technological dominance, it must be enabled to execute resources quickly in alignment with its strategic vision and operational and tactical goals. This paper seeks to champion budgeting authorities that both align with the Pentagon’s vision for an agile execution process and support Congress' constitutional role in the Legislative–Executive partnership outlined in Article 1’s partnership.

Additionally, the current budget structure, which consists of budget requests and appropriations, leads to perceptions of constraint. For example, appropriations are categorized by lifecycle phases, or “colors of money,” which were originally designed for traditional activities that delivered hardware systems and platforms through linear, sequential project management. This type of categorization is inconsistent with the more modern agile development practices of today for both software and hardware. Critics of the current organizational structure of appropriations point to the fact that these discrete budget activities often create delays when a system transitions from the developmental stage to procurement. Moreover, the current appropriations account structure facilitates budgetary oversight through the use of program elements (PEs). PEs, which are reported to Congress and the public via DoW budget documents, arrange programs by Military Service/Defense Agency and Budget Activity. Each Military Service must manage hundreds of PEs, with the DoW submitting a budget with more than 1,800 PEs for Research, Development, Testing and Evaluation (RDT&E), requiring significant time and resources for the production of detailed budget justification documents (Lofgren, 2019). Simultaneously, even with these thousands of pages delivered to Congress and associated budget briefings, the congressional defense committees criticize the Department for a lack of transparency in program planning and execution.

Many experts have proposed improvements to the Department’s resource allocation to emerging technologies and innovation broadly. The recent 2024 PPBE Commission recommendations proposed many technical changes to budget and appropriations processes, including a complete overhaul of the budget structure’s organization. The Center for New American Security proposed in 2019 that Congress should consider appropriating funds “for the full life cycle of a given weapons system according to the kind of life cycle it has: 1) enduring systems, such as ships and aircraft; 2) evolving systems, such as software; and 3) expendable systems, such as attritable drones and munitions” (Blume & Parrish, 2019). They claim that reorganizing appropriations categories along these lines would preserve robust congressional oversight while also allowing the Department to more easily move programs from development into production, as it would no longer require different colors of money.

Before leaving Congress, former Representative Mike Gallagher (2023) introduced the Funding Indo-Pacific Readiness and Enhancing Stockpiles (FIRES) Act in 2023 with the goal of using unobligated balances to enhance combat lethality, specifically addressing needs in shipbuilding and critical munitions. In a 2024 House Armed Services Committee (HASC) Cyber, Information Technologies, and Innovation (CITI) subcommittee hearing, then-Rep. Gallagher claimed $11 billion in DoW unobligated funding was returned back to the Treasury Department

and “By some estimates, we’ve lost $125 billion over the last decade” (Congress, 2024). No new legislation concerning the use of unobligated funding has since been passed.

The 2025 Fostering Reform and Government Efficiency in Defense (FoRGED) Act originating from Senator Roger Wicker’s office and the 2025 Streamlining Procurement for Effective Execution and Deliver (SPEED) Act from Chairman Mike Rogers’ office both acknowledged the urgency of acquisition reform. The DoW (2026) took the signals from both of these pieces of legislation and used their own policy direction to move forward with their own changes, such as a mandate from Secretary of Defense Pete Hegseth to the Military Services to establish an “Innovation Insertion Increment” (III) beginning in FY 2028 with a goal of having funding reserved for “last mile” development, including integration, testing, and validation of systems within every new portfolio acquisition executive (PAE). While these authorization and policy generating groups and efforts provided concrete action to enhance acquisition and funding availability, they involved limited consideration of the needs and practices of the Appropriations Committees in their emphasis on speed.

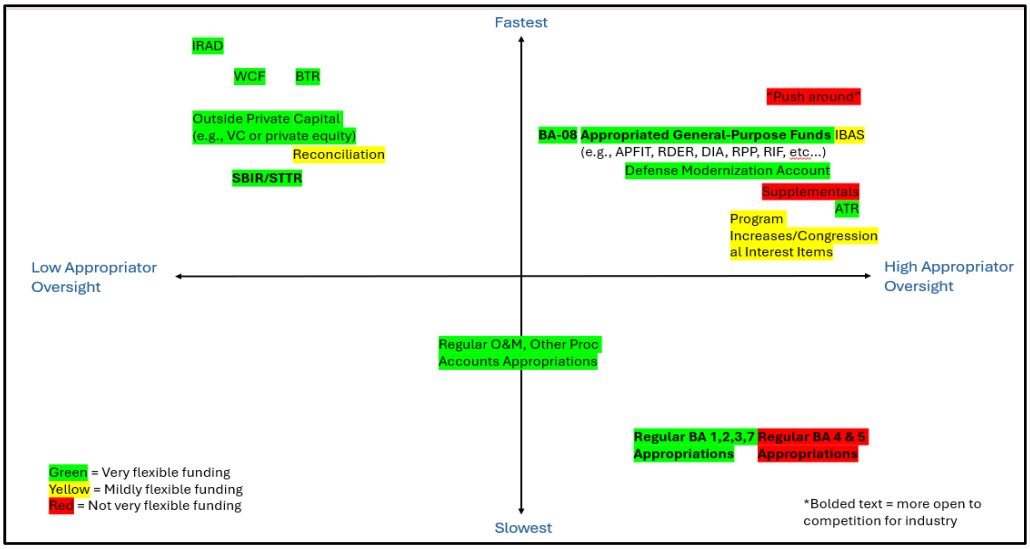
The success of these or similar initiatives will heavily depend on buy-in from the Appropriations Members and their staff. To fund, develop, and deploy operationally relevant technologies to meet the pace of threat, the DoW will need to find ways to build confidence among the appropriators for new initiatives that seek to resource innovation activities outside the traditional project management structure of linear progression through budget activities. The strained relationship between the Executive Branch and the Congressional Appropriations Committees is perhaps best illuminated by the 2026 Joint Explanatory Statement for Appropriations, which states the Appropriators’ view that the DoW has sufficient authorities to meet its strategic goals (U.S. Senate Committee on Appropriations, 2026, p. 14) and therefore there does not need any alterations to the current appropriations framework. The 2026 JES also noted that “consideration of legislative changes to the appropriations structure is premature until the Department has … addressed persistent internal delays” (U.S. Senate Committee on Appropriations, 2026, p. 11). As such, legislative changes to reprogramming thresholds, notification requirements, new start guidelines, or consolidation of colors of money are unlikely to happen in the near-term.

This paper examines a set of budget execution methodologies that underpin defense technology development. These options establish basic financial procedures for technology development activities and the ability of the Department to move money within the above established reprogramming thresholds. The success of the Department is heavily contingent on its relationship with the Appropriations Committees, their members, and earning trust from the committee staff. While other stakeholders – such as the Office of Management and Budget – play key influential roles in this trust relationship, this paper pays particular attention to the relationship between the Appropriations Committees and the Pentagon.

This paper surveys available budget execution options across four metrics for funding: 1) flexibility, 2) speed to performer, 3) oversight transparency, and 4) industry and investor transparency. This discussion is then synthesized to inform a set of principles, or best practices, that can be used when attempting to move money quickly and communicating with the appropriators and industry. The takeaways from this paper are the result of a series of conversations with key stakeholders, including former Professional Staff Members (PSMs) from the four congressional defense committees, former leadership from the Pentagon, as well as representatives from the defense industry, to better understand the needs and goals of each group. The goal is to outline the budget execution methodologies that are transparent to the appropriators, support increased private sector competition and can be leveraged to rapidly deliver capabilities to the end-user.

Evaluating Budget Execution Methodologies for Speed, Flexibility, Competition, and Transparency

It is a strategic imperative for the DoW to improve the fielding of new capabilities in terms of both speed of development as well as its ability to shift funding between programs depending on national security threats and needs. It is equally important to ensure that the DoW is making the best use of taxpayer dollars, promoting enough competition and iteration within industry to reduce cost, enable innovation, and drive technological progress. Interviews with experts revealed that there are already many mechanisms, bureaucratic processes, authorities, and types of funding available to the Department that enable this type of flexibility with acceptable levels of oversight. Many of these are unevenly understood and inconsistently applied, suggesting there is an opportunity to help practitioners identify the right instruments for a given need and to make explicit the trade-offs each choice entails. The following section ranks select methodologies for adjusting, obligating, or transferring funds based on four metrics: speed, flexibility, oversight transparency, and industry and investor transparency. The quad chart below provides a visual summary of the findings.



Ultimately, the DoW has a range of options depending on whether it seeks to optimize for speed, flexibility, transparency to Congress, or competition among industry. These methodologies also heavily rely on three primary factors: 1) the time of year, 2) the type of organization or individual seeking to allocate or receive the funding, and 3) the level of political support for the new initiative – all of which influence the ability to move expiring, current year, and future funding. For example, budget amendments can adjust funding after the budget was submitted to Congress. One interviewee described an informal and highly effective bureaucratic process known as "push around," where the Deputy Secretary of War and Comptroller work with the Appropriations Committees Chairs as well as Ranking Members to adjust funding allocations in the President's Budget Request (PBR) before the final conferenced appropriations bill is released. Similarly, interviewees noted that with enough support from the relevant DoW and Congressional officials, money can be moved if a case is made that the need is legitimate. The section below describes the justification for these rankings.

Speed

For the purposes of this paper, speed is defined as the length of time it takes for funding to be recognized on a performer's balance sheet, starting from when the need is recognized by the government. To draw an analogy to the private sector, this would include time from the start

of an investment fund raise to funds being delivered to a company's balance sheet via debt or equity. For the DoW using the PPBE process, this would include time from a program manager's inputs to the Program Objective Memorandum (POM) planning process to funding being delivered to a performer's accounts receivable. Mechanisms such as reprogrammings and working capital funds increase speed of funding delivery in this context. Interviewees emphasized that DoW obligation speed depends on the availability of an existing contract vehicle with the intended performers, or the ability to be awarded a position on an existing contract, as well as the timing of appropriations. Therefore, speed in the government context is heavily dependent on the ability of contracting and program management staff to be agile with both resourcing and contracting processes. While funding speed and contracting are tightly linked, this paper focuses only on the budget execution processes and does not consider delays that might be caused by other issues in the acquisition process, such as identifying a contract vehicle.

Faster Options for Moving Money

- Private capital
- "Push-around"
- Below-Threshold Reprogramming (BTR)
- Working Capital Funds (WCFs)
- Small Business Innovation Research/Small Business Technology Transfer (SBIR/STTR)
- Above-Threshold Reprogramming (ATR)
- Supplementals
- Reconciliation
- Defense Modernization Account (DMA)

Public debate about obligation speed typically focuses on in-year funding adjustments, such as reprogramming actions (which will be discussed in more depth below), appropriated general-purpose funds (e.g., Accelerating the Procurement and Fielding of Innovative Technologies [APFIT]), WCFs, supplementals and/or reconciliation, and congressionally directed spending. However, the fastest way to develop new capabilities is through private capital – whether through independent research and development (IRAD), venture capital, private equity, or other sources. The National Defense Industry Association's Emerging Technologies Institute's (NDIA ETI) research suggests that, by reducing the risk of a total lapse in funding, diversification of funding sources is an effective strategy for meeting operational and industrial base readiness objectives (Moyer, 2026). Beyond the advantages of providing timely resources to performers, private capital is often used to supplement government funding for two additional reasons: 1) It allows companies to share technical and program execution risk with the government using private dollars, and 2) It aligns incentives with private sector revenue opportunities, buffering a company's financial outflows against lumpy or inconsistent government spending.

A substantial body of literature discusses reprogramming actions, SBIR/STTR programs, and supplemental funding; however, comparatively little research has been conducted on underused authorities, such as DMA (GAO, 2023). Funds may be transferred to the DMA during any FY up to $500 million – and the account overall must not exceed $1 billion – but the Service Secretary or Secretary of War cannot initiate the transfer until 30 days after the date in which the congressional defense committees are notified of the amount and purpose of the proposed

transfer (Legal Information Institute, n.d.). The PPBE Commission states, "[t]o date, no funds have ever been transferred into the DMA. Because the legislation authorizes the transfer of expiring funds into the account within the last 30 days of the [FY], DoW Components prefer to use or reprogram the available funds for other priorities to use in the year of execution" (Commission on PPBE Reform, 2024). Program Managers believe that transferring funds into DMA means losing control of the money at the program level, and there is speculation that the Comptrollers' office is also hesitant to execute DMA (Greenwalt, 2023). As such, the DoW has shown no, or very little, intent to use this account and authority (Commission on PPBE Reform, 2024).

Slower Options for Moving Money

- Congressionally Directed Spending
- Appropriated General-Purpose Funds (e.g., Accelerating the Procurement and Fielding of Innovative Technologies [APFIT], Rapid Prototyping Program [RPP], Industrial Base Analysis and Sustainment [IBAS], Defense Innovation Activities [DIA], and others)
- Federal Loan and Loan Guarantee Programs
- Traditional PPBE process

Interviewees emphasized that congressionally directed spending allows funding to align more closely with the timing of need identification, enabling execution to begin far earlier than under the standard PPBE process, which typically requires planning years in advance. However, the pace of execution can still vary based on the priority the DoW assigns to the effort. The speed of award depends on whether the receiving Department office is aware of congressional intent early enough for the Executive Branch to have an appropriate contract vehicle ready at the time of appropriation. This sidesteps the wait of the traditional PPBE process, which requires the DoW to plan the allocation of resources among funding lines roughly two years in advance. Without this preparation, contract awards may take longer than standard appropriations. Nevertheless, Congressional members view it as a timely process for enabling the Department and congressional committees to adjust to emerging needs and interests after the President's Budget has been received on the Hill and before appropriations are provided.

While appropriated general-purpose funds (e.g., IBAS, RIF, and APFIT) are typically intended to inject funding in companies with new capabilities in the year of execution, they still rely on Congressional support through traditional authorization and appropriations timelines. However, there are nuances within appropriated general-purpose funds. For example, APFIT's popularity is due to the fact that funding decisions occur in the year of execution. Manufacturing Technology (ManTech), IBAS, RPP, and DIA are all also allowed to decide on how to spend their funding in the year of execution; however, their ability to obligate quickly is inherently contingent upon annual appropriations, which helps ensure the DoW can use these programs to fund emerging capabilities based on new threats or needs.

Flexibility

For the purposes of this paper, flexibility refers to the breadth of permissible uses for a given funding source and the degree to which funds can be reprioritized during the year of execution. Flexibility can also be understood in procedural terms, such as the levels or number of approvals required to move money from one purpose to another. Both dimensions are considered in the rankings below.

More Flexible

- Private Capital
- "Push-around"
- BA-08
- BTR
- Reconciliation
- Appropriated General-Purpose Funds (e.g., Accelerating the Procurement and Fielding of Innovative Technologies [APFIT], Rapid Prototyping Program [RPP], etc.)
- Defense Modernization Account (DMA)
- O&M
- WCF
- SBIR/STTR
- IBAS
- ATR
- Budget Activities 1, 2, 3, & 7

The DoW has considerable flexibility regarding its ability to obligate funds in the year of execution. Similar to obligation speed, private capital is ranked the highest, as it does not face the same regulatory or legal constraints that DoW funding is subject to. While private capital often has its own inflexibilities due to review processes inside investment firms, it can in theory be redeployed more quickly than government dollars in response to market conditions, technical pivots, or emerging opportunities – without waiting for a budget cycle or a program office to approve a change.

Transfer authorities such as below- and above-threshold reprogramming and the DMA allow the Department to transfer funds in the year of execution. All three authorities also allow the DoW to transfer RDT&E, procurement, and sustainment funds. Amounts deposited in the DMA are authorized to remain available for transfer and obligation until the end of the third fiscal year that follows the fiscal year in which the amounts are deposited in the account (Legal Information Institute, n.d.). Authorized uses for DMA span the types of activities traditionally authorized for RDT&E, Procurement, and O&M funds.

Funding derived through the reconciliation process gives the Department flexibility to address Department and Administration priorities without seeking further appropriations and to meet urgent and unforeseen operational needs that cannot wait for the traditional budget cycle. These additional funding bills also remove the need for the DoW to reallocate money away from existing appropriated RDT&E, procurement, or O&M accounts supporting current programs or missions.

Appropriated general-purpose funds provide the Department with significant flexibility in the year of execution. APFIT, RPP, and DIA all enable the DoW to make in-year funding decisions. The primary difference between these and other programs lies in the tolerance by Congress for in-year adjustments. APFIT has selection criteria, such as mature technologies ready for production and service buy-in, but is not restricted to pre-planned projects, while RPP and DIA provide high level issue areas that funding ought to align with. For example, RPP organized its funding to specific capability gaps, including kill web interoperability, resilient communications, sensors and data analytics, collaborative multi-domain autonomy, contested

logistics, weapons kinetic/non-kinetic effects, and emerging prototypes and enablers (OUSW [Comptroller], 2026). Additionally, RPP and DIA can pivot away from their thematic areas but must explain the change to Congress. There is also a notification requirement if these programs spend $5 million or more on any project.

Additionally, some programs have authorized flexibility given by Congress or their program structure, which include SBIR/STTR and IBAS funding. Unlike the DoW's more rigid budgeting process, SBIR/STTR funding is collected from a percentage of extramural RDT&E over past years, so it is readily available to spend when project opportunities arise in the year of execution. This enables agencies to quickly test, develop, and integrate cutting-edge technologies. SBIR funding also does not require J-Book descriptions, unlike IBAS.

WCFs are unique in that they operate generally without FY limitations, which gives managers the flexibility to respond to new changes in demand, allowing for long-term inventory management and continued operations without interruption (Herrera, 2020). Under the current statute for WCFs, the Appropriations Committees have added additional reporting requirements on prior-year actuals and projected income and outlays for the upcoming fiscal year, all of which the DoW must submit with the PBR (10 U.S.C. § 2208, n.d.). Although the Appropriations Committees cannot directly control or reduce WCFs – since these funds are not derived from appropriations outside of the initial direct appropriation – they now have greater visibility into their funding than in previous years.

IBAS and other industrial base funds such as the ManTech program provide information to Congress about spending in the J-books. When these programs significantly deviate from their original requests during execution, the Appropriations Committees often push back either through oversight hearings or by reducing funding for specific line items and redirecting it to priorities of their own choosing. Nevertheless, IBAS' congressional mandate originates from the Industrial Base Fund authority in Title 10 and is permitted to lead a range of activities that support the defense industrial base (Industrial Base Fund: General Authorities, n.d.). IBAS' flexibility is derived from its broad mission statement as well as the fact that it can transfer money to other relevant appropriation lines.

The Department also has considerable flexibility when using more traditional appropriated accounts. While the Appropriations Committees maintain skepticism about BA-08 (discussed below), all elements of the program's funding, RDT&E, Procurement, and O&M are executed under a single appropriation that was placed as a new Budget Activity (the eighth one) within RDT&E. O&M's flexibility stems from the fact that it is often appropriated for broader missions rather than specific prescribed activities. The PPBE Commission report noted that RDT&E BA-01 Basic Research and BA-02 Applied Research are actually quite flexible, as these programs can support broad research (Commission on PPBE Reform, 2024). Among all budget activities, Operational System Development (BA-07) is considered one of the most flexible accounts given the range of activities allowed under its definition (GAO, 2007). Former Congressional PSMs noted flexibility can be heavily impacted by the level of detail described in Congressional justification books (J-books). Current J-books vary widely in scope and content, with some large program descriptions providing limited information while some smaller programs provide extensive detail (Commission on PPBE Reform, 2024). Former Pentagon officials pointed to a structural tension in J-book formulation: Detailed justifications improve defensibility before appropriators but can reduce flexibility during execution, while less specificity preserves agility but invites cuts for insufficient justification.

Less Flexible

- Budget Activity 4 & 5 and 6

- Supplementals
- Congressionally Directed Spending

Former Congressional PSMs shared that program descriptions are often the strictest in BA-04 Advanced Component Development & Prototype BA-05 System Development and Demonstration, who own the largest share of RDT&E funding. To comply with these requirements, the program offices and Comptroller carefully monitor the spending of these funds, which therefore restricts the flexibility of these funds. Additionally, both of these accounts tend to be written with more programmatic detail in the J-books compared to BAs 1, 2, 3, and 7. However, there are certain programs that use BA-04 funding that are exceptions, including the former Rapid Defense Experimentation Reserve, the Army's Technology Maturation Initiative, and the Office of Strategic Capital (OSC).

Congressionally directed spending and supplementals are the least flexible because their funding is intended for specific activities or needs and therefore not able to be adjusted after the money has been appropriated.

Transparency to Industry and Openness to Competition by a Variety of Organizations

Firms require substantial experience engaging with the DoW before their capabilities can be effectively incorporated into the defense R&D and acquisition system. This requires an open innovation ecosystem that actively cultivates competition and engagement between industry and government customers. As such, the central question is, "Is this program or availability of money open to multiple companies or organizations?" Most sources of funding are available to multiple organizations. However, there are a few cases where funds are less transparent, such as congressionally directed spending or BTRs. Ultimately, companies want clarity on DoW plans and programs to inform and prioritize their efforts to win competitions and receive contract awards. Industry often forecasts future bids and their ability to win contracts based on publicly available information. Therefore, lines included in the PBR that receive appropriations, and are funded throughout the Future Years Defense Plan (FYDP), are more transparent for industry and allow companies to plan for competing for contracts. OSD and the Services will often host industry days or solicit Requests for Proposals to enable competition. These tools provide clarity for industry regarding who is the funding office, program plans and purposes, and the award criteria.

Transparency to Appropriations Committees

Congress must be able to perform its Constitutional duty to appropriate all funds that the government can draw from the U.S. Treasury. This leads to Congressional efforts to maintain oversight over agency budgets and expenditures. This oversight can be manifested in several ways, including DoW notifications to the Congressional defense committees, congressional action on funding adjustments through reprogrammings, cuts to the budget request, supplemental appropriations, and direct appropriated funding of Congressional priorities.

More Transparent to the Appropriations Committees

- Congressionally Directed Spending
- "Push-around"
- Supplementals
- Reconciliation
- Defense Modernization Account
- WCF

- Budget Activities 4, 5 and 6
- ATR
- Budget Activities 1, 2, 3, & 7
- Federal Loan and Loan Guarantee Programs
- Appropriated General-Purpose Funds (e.g., Accelerating the Procurement and Fielding of Innovative Technologies [APFIT], Rapid Prototyping Program [RPP], etc.)
- IBAS

With all of the types of money, bureaucratic processes, programs, and authorities above, the Appropriations Committees play a direct role in the approval of funding or are required to be notified of funding adjustments and plans. Across all cycles of the budget request, appropriation, and execution process, there exists communication between Congress and the DoW. Current communication with Congress comes through J-books, "push around," hearings, staffer day briefs, and staffer questions. In certain cases, post-appropriations – such as with APFIT awards – the DoW proactively informs Congress of spending plans ahead of the congressionally-mandated 30-day notification. This process helps build confidence among appropriators that the DoW understands their needs and plans accordingly. In instances where the DoW would like to adjust from its original request, it can do so through notifications to Congress and/or Congressional approval. IBAS is unique because it consists of a majority of congressionally directed spending. In FY 2026, Congress appropriated approximately $812 million in discretionary funding, which represents almost a 200% increase from the DoW's initial approximate $273 million PBR (Appropriations Bill, 2026). This does not include the approximately $2 billion IBAS received from the reconciliation bill (Comptroller, 2025).

Less Transparent to the Appropriations Committees

- SBIR/STTR
- BTR
- Private capital

The above funding methodologies are less – or in certain cases not at all – subject to congressional oversight. While SBIR/STTR funding requires congressional authorization, the lack of J-Book descriptions for SBIR/STTR funding means that appropriators have less insight into program plans, goals, and outcomes, including resource allocation. While BTRs require the DoW to provide Congress with a notification, they do not require prior approval.

Principles (Best Practices)
Principles for Moving Money Quickly (Regardless of Performer):

1. Money (private capital) that is already in the hands of the performer is the fastest.
2. Any funding organization can be faster if they have political capital.
3. Increasing execution flexibility requires the DoW to have official guidance (i.e., formal documentation) that specifies roles, responsibilities, and procedures for using a funding authority.
4. To execute a program well, there should be an easy to establish, or an existing, contract ready to award funding, aligned within appropriation, authorization, and acquisition processes, and have outyear funding across the FYDP.

When speed of obligation is treated as the primary metric, the critical factor is not the source or type of funding, but simply whether the performer has capital available to start the project without delay. Speed is linked to notable factors. First, speed is inextricably linked to the political support from senior leaders in the Department and/or Congress. Often, bureaucratic processes can be expedited with enough buy-in from DoW and Congressional leadership. Second, speed is also determined by whether or not an existing vehicle contract is available to provide an efficient way for the government to transfer money to private sector performers. Understanding the FMR underpins the DoW's ability to creatively use money. Former appropriations staffers noted it is a lack of that detailed understanding that drives the DoW to seek additional funding flexibility.

Principles for Communicating With the Appropriators:

1. If the Department of Defense seeks congressional support and provides a well-defined plan – supported by specific requirements and credible data – appropriators are more likely to be receptive and provide assistance.
2. Transparency and continuously updating Congress on program progress, changing requirements, and other "fact-of-life" changes are necessary for building confidence in DoW execution.
3. Reallocating appropriated funds is difficult when there is a lack of trust and transparency between Congress and the Department.

Due to breaches of trust and the introduction of the PPBE process, execution flexibility has decreased since the 1950s. Through the 1960s, funds could be characterized as lump-sum, no-year, and reprogrammable. Not only could funding be moved between projects within a budget line item, but the Department could also quickly reprogram funds between line items. Over the next several decades, Congress began locking funds into finely detailed line items which expired after a set number of years. In August 2000, the Financial Management Regulation (FMR) expanded prior approval to four congressional committees over thresholds that had previously only required Secretary of Defense approval and congressional notification, ultimately increasing time and effort required to approve each reprogramming (McGinn & Lofgren, 2022).

The current dynamic between the appropriators and the Department is such that no amount of reporting will help the Department get the perceived flexibility outside of existing processes. The granting of additional budget flexibility to the Department is based on the presumption that a state of trust and comity exists between the legislative and executive branches regarding the proper use of appropriated funds. Similarly to the previously cited FY 2026 Joint Explanatory Statement, the FY 2021 House Appropriations report states, "Unfortunately, the cuts to quality-of-life programs are only one example of the Department's mismatch between its stated priorities and its fiscal actions. Another example is the continued use of defense funding to pay for the border wall" (House Appropriations Report, 2021). Specific steps will need to be taken to strengthen the relationship between the DoW and Congress, aiming to overcome eroded trust and difficulties in sharing information.

Principles for Communicating With Industry:

1. Industry planning requires transparency in budget trends and, ideally, stability of funding levels.
2. Companies often want to be able to defend programs they are participating in throughout the budget process.

3. While procurement dollars are sought after, RDT&E funding may better support many companies' goals for growth and align with product development lifecycles.

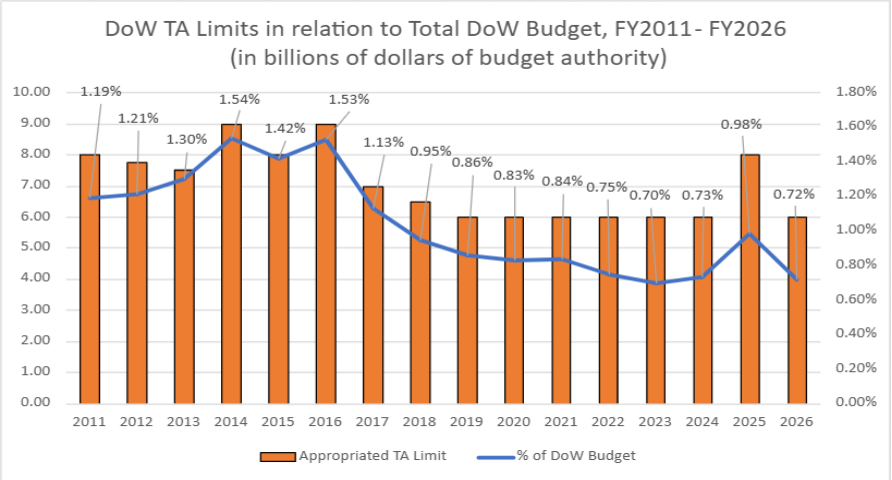
For defense companies, long-term planning is foundational; it enables them to understand their supply chain and plan ahead of potential disruptions, make required capital investments in research and manufacturing infrastructure, address structural vulnerabilities, make informed workforce decisions about hiring and training, and prioritize efforts. Outyear procurement funding is what makes being part of a program of record so attractive: Funding stability allows companies to create repeatable processes, drive down costs, log consistent revenue, and have a budget line to defend when engaging the Armed Services and Appropriations Committees.

For defense companies, long-term planning is foundational; it enables them to anticipate supply chain disruptions, address structural vulnerabilities, and make informed workforce decisions about hiring timelines and project prioritization. This planning imperative is what makes procurement funding so attractive: Its stability creates repeatable processes and predictable returns, drives down costs, and gives companies a defensible line item when engaging the Armed Services and Appropriations Committees. However, the preference for procurement should not be universal. As the DoW's competitive advantage increasingly derives from software and information technologies – capabilities that are developed and sustained through fundamentally different acquisition pathways than traditional platforms – RDT&E funding may actually be more appropriate for certain companies. The iterative, problem-oriented nature of RDT&E aligns more naturally with the development of software-defined capabilities, suggesting that the ideal "color of money" should be less about stability preference and more about what a company is actually producing.

Selected Examples

Each FM authority operates under distinct conditions that define its optimal use case; each one has a specific role to play within the broader program funding architecture. While not exhaustive, the following list of methodologies indicates the variety of ways the Department can allocate resources and the differences in speed, flexibility, openness to competition, and transparency to congressional oversight bodies for each.

Reprogramming is the primary mechanism by which the DoW addresses funding needs in the year of execution. Most of the reprogramming process exists as an informal agreement rather than in law due to constitutional limits (Hale, 2021). Through Below-Threshold Reprogramming (BTR) and Above-Threshold Reprogramming (ATR), the DoW can transfer funds within and across appropriation accounts in the execution phase. Each year, the Appropriations bill sets the total limit for reprogramming across the DoW's portfolio, known as General Transfer Authority (GTA). For FY 2026, the limit is $6 billion. The figure below shows the total GTA limits, indicating a decrease in the overall amount of funding that is available for transfer as a percentage of the entire DoW appropriated budget since 2017.



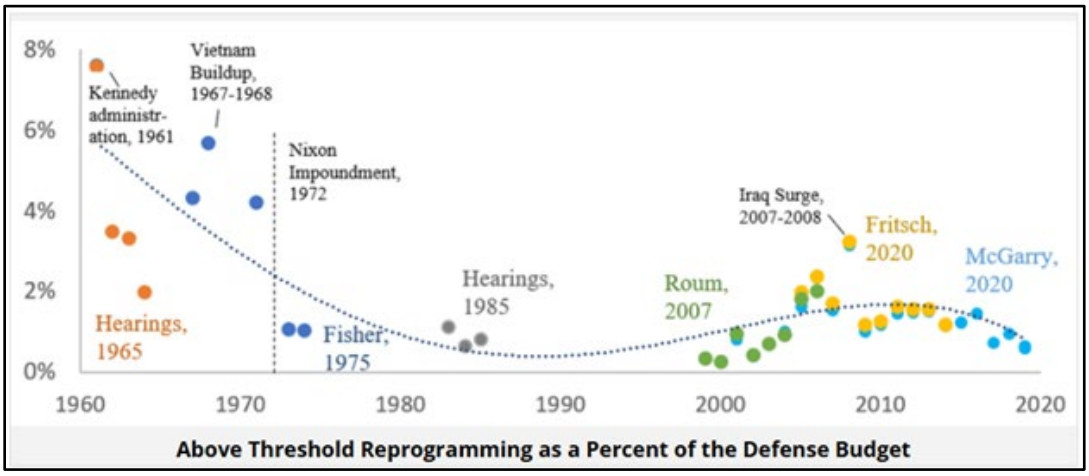
While reprogramming actions are colloquially known to be a flexible tool for the Pentagon, interviewees noted the practical challenges to executing the reprogramming within the Department. The Section 809 Panel found that the total time to approve an ATR ranges from four to six months (McGinn & Lofgren, 2022). ATR requires twelve signatures in addition to Congressional approval from the Armed Services and Appropriations Committees (McGinn & Lofgren, 2022).[1] However, former appropriations staffers noted that reprogramming actions can be faster than the average timeline; speed is dictated by an urgent need or operational imperative in addition to the body of evidence that demonstrates a capability that is necessary. Moreover, interviewees also expressed frustration with the ramifications of executing reprogramming actions. Since reprogramming actions must be zero-sum, where the adds to programs must be fully offset by cuts to other programs, it is asserted by former Pentagon officials that the accounts where money is pulled from are often targeted for cuts by appropriators the following year. Thus, the DoW must more clearly communicate to the Appropriations Committees that each account reflects a valid requirement, even when funds have been used as a source for reprogramming. These situations require additional dialogue to address appropriators' concerns that such accounts may be repeatedly relied upon as reprogramming sources.

The Section 809 Panel also noted that reprogramming thresholds have been falling in real dollar terms. As a percentage of DoW outlays, between 1963 and 2018, the RDT&E reprogramming threshold fell by half (Section 809 Panel, 2019). The graph below leverages six different sources to depict the decline of the use of ATRs as a percent of the defense budget (McGinn & Lofgren, 2022). It is important to note that overall execution flexibility may have decreased due to a myriad of reasons, including but not limited to "(1) the increasing definition of budget line items (BLI) leading to less flexibility within a single BLI; (2) the increasing scope of congressional prior approval to include thresholds in that had only required notification in the

[1] Signatures required: Program manager, Military Service comptroller appropriation manager, Military Service budget manager, Military Service budget director, Military Service comptroller, Military Service vice chief of staff, Military Service secretary, DoW Directorate for Freedom of Information and Security Review, DoW Comptroller budget directorates, DoW Comptroller, Deputy Secretary of Defense, and Office of Management and Budget

It wasn't until an August 2000 update to the FMR that actions which had required congressional notification were changed to require prior approval from the four congressional committees.

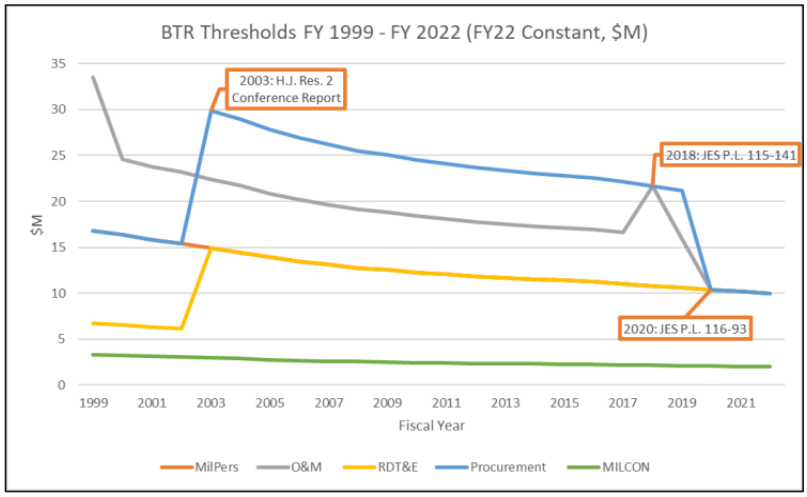
past; and (3) reduced opportunities to use unexpended balances to cover claims and maximize use of current budget authority" (Lofgren, 2022).



BTRs create more flexibility, as they are not subject to prior approval, though Congress is usually notified of BTR actions on a quarterly basis, or sometimes via a 30-day notification, if required (Comptroller, 2021). BTRs come with their own internal limitations, such as not being used to start new programs or alter budget line item intent, and they must remain within approved dollar thresholds. Compared to ATRs, the total value of money moved through BTRs is typically less (McGinn & Lofgren, 2022). The FY 2026 thresholds include:

- **RDT&E:** $15 million or 20% of a program element
- **Procurement:** $15 million or 20% of a budget line item
- **O&M:** $15 million of a budget activity

The BTR thresholds have not kept pace with inflation or increasing defense budgets and have in fact been decreased by Congress in recent years. The figure below shows the value of BTR thresholds since FY 1999 adjusted to FY 2022 dollars (Commission on PPBE Reform, 2024).



Callout boxes represent notable congressional action on threshold levels.

Every appropriation type shows a decrease due to inflation over the past two decades, signaling that reprogramming actions – and BTRs specifically – are more likely to be less

effective today based on economic changes, which therefore restricts the DoW's ability to respond to changes in requirements.

Reconciliation

The 2025 budget **reconciliation** act, or "One Big, Beautiful Bill," provides approximately $150–156 billion in mandatory funding for various defense and national security projects and programs. The media has also reported that the DoW's plan is to spend all of the money available in FY 2026 despite the funding having been made available for five years, allowing them to obligate funds through September 30, 2029 (Obis, 2026). The DoW submitted both unclassified and classified spending plans to the House and Senate Armed Services Committees. However, the classified plan included items that were not inherently sensitive, such as barracks improvements, thereby limiting transparency for the public, industry, and even parts of Congress (Obis, 2026). At the same time, the unclassified version was not made publicly available, and much of its content deferred to the classified plan for additional detail.

While reconciliation funding can provide a quick demand signal, industry interviewees noted that its rollout generated significant uncertainty. It was initially unclear whether the funding was additive or a substitute for existing appropriations – a confusion reinforced when OMB and CAPE moved money from program lines that received reconciliation dollars in the FY 2026 PBR. Stakeholders were also uncertain which programs the funding was intended for, which offices would manage execution, and when those offices would receive the money. The lack of clarity hurts industry's ability to plan and understand the Department's needs. Established industry companies produce long-range business plans that are based on the FYDP, which helps gauge which contracts to bid on and the likelihood of winning. When programs are funded by reconciliation or a supplemental versus the base budget, it can add an additional layer of uncertainty.

Industry interviewees also noted a level of uncertainty from their government customers regarding the use of reconciliation funding. It seemed that limited guidance was provided to program managers, which may inhibit their ability to quickly and efficiently use available resources. Moreover, it has taken the Services 6+ months to receive the outlays. This differs from supplementals, which often take only weeks. Supplementals are faster because they align to specific programs and accounts.

Interviewees also emphasized that successful programs require consistent funding across the full development-to-sustainment lifecycle, meaning outyear funding must be aligned with the acquisition process from the outset. If the DoW intends to obligate reconciliation funds within one to two years, spending should be directed toward one-time investments – such as military construction or attritable systems – that do not require sustained follow-on funding.

Innovation Funds (Rapid Innovation Fund & APFIT)

Innovation funds allow defense officials to resource projects in the year of execution, with the goal of helping industry partners transition their capabilities to production. This may include projects without an approved requirement, program of record, or new start. Historically, Congress has supported several generations of innovation funds. Yet, both Congressional Members and staff have also been concerned about whether funded efforts are operationally effective and include transition plans, as program offices and resource sponsors may not be invested partners. Unless the project is tied to outyear funding, critics argue that the innovation fund is an inefficient tool for delivering capabilities.

Through the 2010s, the **Rapid Innovation Fund (RIF)** provided the DoW with a mechanism by which to continue development of a given capability and/or sustain it until a POR could pick it up and insert it into their program and budget. The RIF was funded at $250 million

annually from FY 2011 through FY 2019 by Congress, but the Pentagon did not include RIF in its 2020 or 2021 budget request (Laingen, 2020). Ultimately, Congress stopped funding it in FY 2020 (Lofgren, 2022). The advantage of RIF was that the funding largely went to small businesses that had successful SBIRs and required a bridge before becoming a full acquisition program. RIF's funding flexibility was tied to the fact that the authority gave the DoW the ability to transfer funds available to the RDT&E account of a military department, defense agency, or combatant command (GAO, 2023). Funding ended up lapsing due to lack of Department leadership support; the GAO noted, "leadership may not have fully understood the importance of this program and its effect on the science and technology community, in part, due to the RIF program's lack of reporting on its work."

Accelerating the Procurement and Fielding of Innovative Technologies (APFIT) is a program authorized by Congress to flexibly and rapidly provide procurement funding to promising technologies. APFIT has been supported by both the Executive Branch and Congress, and has grown to a budget of roughly $1 billion, including significant funding for FY 2026 in the One Big Beautiful Bill.

APFIT is an example of the benefits of strong transparency and partnership between OSD and the appropriators. There is increased flexibility for the Department in allocating APFIT funding, based on the Office of the Under Secretary of Defense for Research and Engineering (R&E) informing the Appropriations Committees on funding allocations after projects are selected and before they are announced. While earlier iterations of APFIT funding did not always tie into outyear funding, the program is intended to fund capabilities that have Service support and will ideally be laid into future budget cycles. APFIT is only able to fund a small number of companies per cycle, which means that APFIT cannot and should not be the only set of un-previously assigned procurement dollars in the Department.

Like RIF, APFIT uniquely targets nontraditional companies and small businesses, who have production-ready capabilities that need procurement funding as a stopgap until the outyear funding begins. APFIT's continued success is also contingent on annual and stable appropriations that increase what the Department requests. This year, APFIT will have $1 billion in FY 2026 funding with the Reconciliation funds, but the FY 2026 PBR only requested $92 million. The Department will also need to start requesting more funding for APFIT in its Budget requests, or else – like what happened to RIF – Congressional leadership decision-making could shift and not continue adding hundreds of millions of dollars to the line. Ultimately, both RIF and APFIT are at best a work-around to the greater challenge of transition and indicate a greater desire within the DoW for in-year execution funding.

O&M

O&M is one year money and colloquially known as the "use-it-or-lose-it" account, which reflects the incentive DoW offices have to spend end of year unobligated funds on less than the most productive items or efforts. Therefore, O&M is also one of the easiest places to use as a source of funds when shortfalls occur in other parts of the defense budget. Unlike RDT&E funds, which are generally appropriated with very specific funding levels allocated for specific programs and activities, O&M funding is often appropriated more broadly by organization, object of expenditure, or mission (Commission on PPBE Reform, 2024). As such, O&M funds can be moved to higher priority areas. However, this means it can be simultaneously difficult to predict the exact amount of O&M funding that will be required when building the budget due to the unforeseen challenges that arise in the sustainment of a system. Therefore, the DoW and its industrial base partners must predict required levels of sustainment funding, leading to great uncertainty.

The PPBE Commission noted that O&M funding is also subject to varying interpretations across the DoW regarding its full scope of applications. While O&M is intended for sustainment and not new programs, many DoW weapon systems deployed require periodic hardware and software updates, which may reduce costs, address obsolescence issues, and increase capability. The PPBE Commission report notes, “it has become increasingly difficult to differentiate between increased capability (which requires RDT&E and Procurement funding) and form/fit/function hardware updates to maintain a capability (which can be made with O&M funding).” As such, the Commission recommended that the Department be authorized to use O&M funds for hardware improvements during sustainment, even if such improvements result in increased capability.

Currently, the FMR allows the Department to do this in certain instances. For example, interviewees noted the F/A-18 has gone through multiple upgrades since its introduction into service in the early 1980s using O&M funds. Regarding hardware, the FMR currently allows O&M funds to be allowed for aircraft repair and modification, and engine overhaul (Comptroller, 2010). The PPBE Commission also reported that O&M is subject to varying interpretations across the Department, but generally the FMR criteria “requires that expenses incurred in continuing operations and current services are O&M, including software releases not involving significant performance improvements or extensive testing; modernization costs under $350 thousand are considered expenses (O&M); and costs over $350 thousand are considered investments (RDT&E)” (Commission on PPBE Reform, 2024). Critically, PMs are often restricted from using authorities creatively by fiscal attorneys.

BA-07

This **Operational System Development** budget activity covers development efforts to upgrade systems that have been fielded or have received approval for full rate production and anticipate production funding in the current or subsequent fiscal year (Comptroller, 2022). BA-07 is routinely the DoW’s largest source of RDT&E funding, with $132 billion requested in the FY 2027 PBR (Comptroller, 2026). Under the DoW’s current regulation, programs in BA-07 are neither required to report in the code itself that the funds are for RDT&E nor report the nature of the development effort (GAO, 2007). In addition to being used to modify existing fielded equipment, BA-07 also has a unique advantage in that this funding can be used to initiate Low-Rate Initial Production (LRIP; Comptroller, 2022). While BA-07 offers greater funding flexibility than other budget activities, its obligation timeline remains tied to the standard appropriations process, aligning with the common appropriator view that the DoW should request funds through formal channels, thereby preserving the Appropriations Committees’ role. Previous NDIA ETI research shows that industry performed almost 80% of BA-07 funding in FY 2021, suggesting that BA-07 satisfies multiple stakeholder needs, including the flexibility that the DoW wants, appropriator involvement, and strong industry participation (Winn & Shearer, 2023).

BA-08

The **Software and Digital Technology Pilot Program**, or “BA-08,” was first requested by the DoW and established as part of the FY 2021 PBR due to an internal perceived lack of flexibility regarding software development. The Services had different approaches to funding software development. Interviewees noted that the Army used RDT&E dollars for software activities while other DoW components and offices used O&M or procurement dollars. Using different colors of money for software development also meant that collaboration across offices and Services was restricted. The PPBE Commission noted “that the individual software developer performs the same task whether it is labeled development or sustainment. Either term could appropriately or accurately describe the very same activity, yet the FMR continues to treat these efforts as two separate categories.” Under BA-08, the Department can centralize funding for software, electronic tools, systems, resources, acquisition of services, business process re-

engineering activities, functional requirements development, technical evaluations, and other activities in direct support of acquiring, developing, deploying, sustaining, enhancing, and modernizing Software Digital Technology Pilot Programs (Commission on PPBE Reform, 2024).

While the BA-08 authority addresses the need for flexibility regarding software development, it must still comply with traditional budget planning timelines, which can limit the synchronization of funds on specific projects. Despite these successes, recent attempts by the DoW to expand participation in the BA-08 Pilot Program have not been supported by Congress due to concerns that the DoW has not adequately detailed the quantitative benefits of the authority for programs, especially relative to IT programs which are operating using traditional appropriations accounts. The GAO also noted, "officials said that they encountered resistance when using BA-08 … flexibilities because [it] required deviation from the execution of funding that officials were accustomed to using."

Recommendations

The following recommendations are derived from interviews with former Pentagon and Congressional officials, analysis of existing financial management authorities, and findings from existing literature. Collectively, they are intended to address structural constraints in the current budget process that limit execution speed and flexibility while preserving appropriate congressional oversight. Each recommendation targets a specific friction point where existing authorities could be expanded, clarified, or more effectively applied to improve outcomes.

The Congressional Appropriations Committees should support the Secretary's Innovation Insertion Increment (III) beginning with the FY 2028 budget with appropriate Congressional oversight. Secretary Pete Hegseth's III initiative aligns with the PPBE Commission report's recommendation, "Establish Special Transfer Authority for Programs Around Milestone Decisions," which argues for a new authority that allows the DoW to move money between RDT&E and Procurement Accounts within a single program (within an established three-year transition period). Interviews with former DoW officials expressed the need for some flexibility around the use of these two specific colors of money. To ensure that these funds are appropriated and executed responsibly, the Pentagon should instill a set of guardrails or existing authorities that would accomplish the outcomes Secretary Hegseth is looking to achieve. These could include:

- Setting a cap on funding amounts permitted for use in III (~20% of PAE budget) to develop the program and lessons learned and building support from Congress
- At a programmatic level, the level of authority should mirror BA-08 and use the reporting requirements consistent with the BA-08 pilot program.
- Insert an APFIT line in each PAE in addition to the APFIT line within OSD. This line could be specifically designed for commercial technologies or successful technologies from the SBIR/STTR program or nontraditional companies.

Congress should make use of the "Dash-1" application developed by the DoW. In response to the PPBE Commission's recommendation to establish a classified and unclassified IT enclave to exchange information, the Pentagon created a secure, digital collaboration environment known as "Dash-1" within ADVANA to enable streamlined communication with Congress. As of July 2025, Dash-1 was populated with PBR 2025 data and would add FY 2026 data when available (Comptroller, 2025). While this is a good first step, the Department will need to also eventually provide information on reprogramming actions, financial execution data (obligations and expenditures), expanded acquisition program data (significant events, execution, and mandatory acquisition reports), congressional reporting requirements,

congressional communications with the DoW (RFIs, advanced policy questions [APQ], questions for the record [QFR], and constituent requests; Commission on PPBE Reform, 2024).

The Armed Services Committees should authorize the Pentagon to be allowed to use O&M for continuous hardware improvements for fielded systems. The FMR currently allows the use of O&M for certain hardware upgrades; however, the Department should be allowed to update systems that are currently in sustainment. The PPBE Commission notes that "it has become increasingly difficult to differentiate between increased capability (which requires RDT&E and Procurement funding) and form/fit/function hardware updates to maintain a capability (which can be made with O&M funding)." Moreover, *OUSD(C) should clarify guidance on the use of O&M funds*. This will require a Department-wide understanding of what constitutes an upgrade. As such, the Comptroller should include in its guidance a standard definition of "upgrade" and permissible uses of O&M funding. This standard must be applied across the Services to promote behavior that is easier to track and maintain.

The Department of Defense should accelerate the reprogramming process by allowing the Services to provide their own reprogramming notifications. Ultimately, Pentagon leadership should grant Portfolio Acquisition Executives (PAEs) greater authority within the budget process to better support in-year funding reprioritization. Specifically, PAEs should be allowed to reprogram funds up to a defined monetary threshold without seeking approval from the Office of the Secretary of Defense (OSD). Establishing such a threshold would simplify decision-making, increasing speed of delivery while preserving appropriator oversight.

To maintain visibility over high-priority efforts, OSD should identify a defined set of programs and associated accounts that would still require Service consultation before executing a reprogramming action. These accounts could include Major Defense Acquisition Programs (MDAPs), congressionally directed priorities, programs that are uniquely joint in nature, or have interagency or international partners. For all other programs and accounts not on this list, the Services should be permitted to execute reprogramming actions independently. Limiting OSD involvement to predetermined programs and accounts should reduce internal inefficiencies and return greater control to the Services while preserving OSD oversight where it matters most.

Congressional Appropriations Committees should include inflation adjustment for reprogramming thresholds. Congress should allow for increased BTR thresholds so long as the source and recipient were in the portfolio. This could be outlined in the quarterly DD-1416 reports. Or, instead of raising thresholds, above threshold actions that occur within portfolios could move from prior approval to a letter notification process.

OUSW(C) should update its Budget Execution Flexibilities Memo to include a more comprehensive list of execution authorities. The Comptroller's website contains a summary of certain flexibilities; the GAO (2023) noted that OUSW(C) officials explained this resource generally covers flexibilities that involve their office, such as reprogramming and transfer authorities. Ultimately, the Comptroller's office should serve as a Department-wide resource and therefore should include all available financial management authorities that can help enable the DoW to be more effective using existing authorities and other budget execution methodologies.

Conclusion

The DoW's ability to develop and field emerging technologies at the pace of modern threats depends not on the creation of entirely new budget execution methodologies, but on the more intentional use of those that already exist. As this paper demonstrates, a range of options – from BTRs and WCFs to BA-07, APFIT, and O&M – offer meaningful flexibility when properly understood and applied. The most significant barriers to execution speed are not primarily legal or structural; they are relational. Trust between the Appropriations Committees and the

Pentagon has eroded over decades, and no new authority or funding mechanism can substitute for the sustained, proactive communication that rebuilds it. Initiatives like the III, Dash-1, and a more comprehensive Budget Execution Flexibilities Memo represent meaningful steps forward. But, overall success will ultimately hinge on whether the Department can demonstrate to the appropriators that it is a responsible and transparent steward of public funds. Similarly, the Appropriations Committees will need to respond constructively when the Department presents well-defined plans supported by clear evidence of requirements and resource needs.

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