BACKGROUND:

The Planning, Programming, Budgeting, and Execution (PPBE) process is the Department of Defense (DoD) internal methodology used to allocate resources to capabilities deemed necessary to accomplish the Department’s missions. One output of the PPBE process is the funding proposed to be included in the President’s Budget (PB) submitted to Congress; the ultimate objective is to provide Combatant Commanders (COCOMs) with the optimal mix of forces, equipment, and support attainable within established fiscal constraints.

PPBE evolved from the Planning, Programming, and Budgeting System (PPBS), introduced into DoD in the early 1960’s by Robert McNamara during his tenure as Secretary of Defense (SECDEF). The PPBS was a cyclic process consisting of three distinct, but interrelated, phases: planning, programming, and budgeting. PPBS established the framework and provided the mechanisms for decision making for the future and provided the opportunity to annually re-examine prior decisions in light of the existing environment at that particular time (e.g., evolving threat, changing economic conditions, etc.).

From initiation in the early 1960’s until 2001, the basic PPBS process remained relatively stable with documentation and submissions of individual phases of Planning, Programming, and Budgeting being developed, and decisions made, in a sequential manner. During 2001, OSD changed the process to require a combined Programming/Budgeting phase with concurrent preparation and submission of the various Programming and Budgeting documentation and submissions, with corresponding decisions made almost in parallel to ensure coordination.

Though the current documented PPBE process, which was established in 2003, retains most of the features contained in the previous PPBS, it did add greater emphasis on execution of the budget authority provided by Congress in response to the DoD budget requests in the PB. Another change from PPBS is the decrease in the annual “re-visiting” of decisions made in the prior year (i.e., first year of the PB); instead, major reviews of funding requirements are made on a biennial basis and only minor changes to the “baseline” are made in the following year. The approach under PPBE is to do a more thorough, but less frequent, analysis and matching of resources against requirements, and to continuously evaluate whether individual programs are providing the expected benefits (i.e., greater emphasis is given to the evaluation of performance outputs than to budgetary inputs). This approach is expected to drive improved upfront resource allocation decisions and combine a review of the effectiveness with which Congressional funding is being used to accomplish the DoD assigned missions. Further changes, some of which will be discussed below, are in process as of the date of this Teaching Note.
PROGRAM STRUCTURE

Future Years Defense Program (FYDP)

The vitality of the PPBE process is captured in the Future Years Defense Program (FYDP), a computerized database that summarizes forces, resources, and equipment associated with all DoD programs approved by the SECDEF; it also summarizes the changes that occur throughout the process. The FYDP displays – by fiscal year – total DoD resources and force structure information for the prior year, current year, biennial budget years, and the following four years (i.e., the "outyears"). It also includes force structure information for an additional three years beyond the four “outyears”. The FYDP is updated two times during the PPBE cycle: (1) in August/September to reflect the Services combined Program Objective Memorandum/Budget Estimate Submission (POM/BES) submission and (2) in January of the following year to reflect the PB that will be submitted to Congress the following month.

The FYDP is considered an internal DoD working document and is closely held within DoD. Since the FYDP outyear programs reflect internal planning assumptions, FYDP data beyond the budget years is not released outside the Executive Branch without the permission of the Under Secretary of Defense (Comptroller) (USD(C)). However, in response to a 1987 statutory requirement, DoD provides Congressional oversight committees and the Congressional Budget Office, within 120 days of submission of the PB, a special publication of the FYDP which includes procurement and RDT&E annexes displaying data for the prior, current, budget, and four out years.

Future Years Defense Program (FYDP) Structure
Figure 1

As shown on Figure 1, the FYDP is structured in three basic dimensions. For internal DoD management purposes (the first dimension), the FYDP is divided into 11 Major Force Programs. In its second dimension, the FYDP is arranged using the appropriation terminology in the PB and used by Congress to review the budget request and enact budget authority through the authorization and appropriation process. The third dimension displays resources by DoD components (e.g., Services and Defense Agencies).

**Major Force Programs**

A Major Force Program (MFP) reflects a macro-level force mission or a support mission of DoD and contains the resources necessary to achieve a broad objective or plan. It reflects fiscal time-phasing of mission objectives and the means proposed for their accomplishment. Each MFP consists of a number of program elements, discussed in the next paragraph.

**Program Elements**

The program element (PE) is the primary data element in the FYDP and normally the smallest aggregation of resources controlled by the Office of the Secretary of Defense (OSD). It generally represents a collection of functional or organizational entities and their related resources. PEs are designed and quantified to be comprehensive and mutually exclusive. There are over 3,600 active PEs. As the building blocks of the programming and budgeting system, PEs are continually reviewed to maintain proper visibility into the multitude of defense programs. They may be aggregated in a variety of ways:

- To display total resources assigned to a specific program
- To display weapons systems and support systems within a program
- To select specified resources
- To display logical groupings for analytical purposes
- To identify selected functional groupings of resources

The symbology of PEs consists of a seven-digit number with an alphabetical suffix that identifies a program, organization or office. The first two digits identify the MFP that contains the PE (e.g., the PE "0203123A" would indicate an Army program within MFP 2 - General Purpose Forces). The alphabetical suffix identifies the Service or Defense Agency that has cognizance over a particular program element. For example, "A" indicates an Army program, "F" an Air Force program, "N" a Navy program and "M" a Marine Corps program. This PE structure facilitates compilation of the FYDP for different purposes, such as an appropriation review. Further information can be found in DoD 7045.7-H, FYDP Structure Management Handbook (available at http://www.dtic.mil/whs/directives/corres/pdf/704507h.pdf). This Handbook is an extensive document (more than 2,000 pages) that contains the DoD program structure and definition of each MFP and PE approved by OSD.

[Section Omitted]

**OVERVIEW OF THE PPBE PROCESS**

Because the PPBE process is calendar-driven (i.e., there is a requirement that by a specified date a specified action must be accomplished, a specified event must occur, or a specified decision
must be made), it is appropriate to view those required actions, events and decisions along a timeline. However, because some DoD appropriations are active (i.e., currently available for new obligations) for several fiscal years rather than for just a single fiscal year, and those required activities, actions, events and decisions overlap among fiscal years and calendar years, the timeline must be able to accommodate multiple fiscal years as well as those multiple events and activities that occur during those years.

The “Resource Allocation Process – Overlap” chart at Figure 4 shows the relationship between what is happening (i.e., the status of actions, events and decisions) in multiple fiscal years and when those things should occur (i.e., the calendar years). The primary purpose of the chart is to provide a guide to determine when a specific aspect of planning, programming/budgeting, execution or Congressional enactment on the PB is occurring any time during a three calendar year period. On the chart there are three calendar years across the top and five fiscal years along the left side. Inside the chart are the events, activities, and decisions that occur during each of the five fiscal years. This chart is designed to give maximum flexibility for use during the three calendar years shown across the top of the figure. There is, however, an important limitation to the use of the overlap chart: the “where” those events, activities, and decisions occur. All actions inside the chart are those that occur at/between/among Headquarters of the various Services, Defense Agencies, OSD, and Congress (i.e., consider this as “Washington” actions). The overlap chart does not necessarily indicate the “when” of actions that occur at the Major Command or Program Office level, although there may be some concurrency of actions at those levels and at the higher command levels. Program Offices would normally provide input for programming and budgeting requests to their respective Service Headquarters or Defense Agency several months before the headquarters/agency would submit its programming and budgeting request to OSD.

To use the chart, first determine the month and calendar year of interest (i.e., the month and year in which you want to know what is happening with regard to one of the fiscal years). For example, if you want to know what is happening “in Washington” during February 2009 (which is also FY 2009), enter the chart from the top where that month/year is visible. Second, envision (or actually draw) a perpendicular line straight down from February 2009 to the bottom of the chart through FY 13. Inside the large rectangle you intersected the horizontal bars for FY 09, FY 10, FY 11, barely touched FY 12, and missed FY 13. Inside those horizontal bars are the words Execution, Enactment, Planning, and Planning respectively for those bars intersected or touched. Beneath the FY 09 Execution bar are the words “FY 09 and prior”; beneath the FY 10 Enactment bar is “PB” and “FY 10”; and beneath the FY 11 Planning bar are the words “FY 11-15” and GDF/JPG”. This means that during February 2009, FY 09 and any prior year budgets still considered “current” are being executed; the FY 10 PB has just been submitted to and is being enacted by Congress; and FY 11–15 is in the “Planning” phase and the GDF and JPG documents are being prepared.
**Figure 4**

As a second example, assume you are interested in what is happening in “Washington” during November 2009 (which is the second month of FY 10). Draw the perpendicular line straight down from November 2009 through FY 13 and you can see the following: the second year of FY 09 appropriations that are still available for obligation purposes are being executed; FY 10 and prior year funds are being executed; programming and budgeting actions of PPBE for FY 11-15 (i.e., *Change Proposals* [CPs]) are being worked; and planning actions for FY 12-17 are being worked, to include the GDF and JPG documents being prepared.

This same process can be used to determine the actions that should be occurring during any desired month and year shown across the top of the figure. You can also determine the calendar period during which actions should be occurring by entering the chart at the horizontal bars. For example, if you are interested in when the FY 12-17 POM and FY 12-13 BES will be developed, submitted to OSD, and ultimately finalized, enter the first year of that FY sequence (i.e., FY 12) and read across. You can determine that those actions occur during the period April/May 2010 through January/February 2011 period, culminating with submission of the Defense portion of the FY 12/13 President’s Budget to Congress in February 2011.

Between January 2008 and the date of this Teaching Note, various offices within OSD, through direction of the SECDEF and DEPSECDEF, have initiated changes that will impact the PPBE process but that have not yet been formally incorporated into DoD regulations, directives, and/or instructions. Among those changes, there are three that will result in significant impacts to the PPBE process: (1) replacement of numerous strategic planning documents within the Planning Phase with several different guidance documents (discussed below); (2) establishment of nine Capability Portfolio Managers (CPMs) who will have the responsibility – during the entire PPBE process – to provide advice and recommendations to the Deputy Secretary of Defense (DEPSECDEF) and his Deputy’s Advisory Working Group (DAWG) and Heads of the DoD
Components regarding capability development issues within their respective portfolios; and (3) providing COCOMs the capability to influence all phases of the PPBE process, through the previously mentioned CPMs. In addition, in April 2008 the USD(C) requested proposals for developing a new version of the process.

The following sections describe the phases of the PPBE process as of the date of this Teaching Note; the sections and graphics reflect a combination of current regulatory guidance and changes that have not yet been codified but are expected to be in the near future. The process described is intended to be a biennial process (i.e., conducted every two years). This concept is consistent with DoD's submission of a biennial budget that is part of the PB request to Congress for even-numbered fiscal years (e.g., the FY08 PB contained DoD budget justification material for FY08 and FY09). (Note: The DoD Authorization Act of 1986 [PL 99-145, Section 1405] prescribed a biennial budget commencing with the 1988/89 PB submission and the DoD Authorization Act of 2008 [PL110-181, Section 1006] repealed the requirement for a two-year budget cycle. However, as of the date of this Teaching Note, the OSD had not provided implementing guidance to the latter law). To support this submission, Planning commences in an odd-numbered year; is completed in the following even-numbered year; and is followed by Programming, Budgeting, and Execution reviews in that same even-numbered year. In this process, even-numbered years are referred to as the on-years and odd-numbered years are referred to as the off-years.

Although the PB request to Congress for a fiscal year starting with an even numbered year contains the DoD budget request for two fiscal years, in practice, Congress does not provide DoD with biennial appropriations. As a result, an amended budget justification is submitted for the second year of the original biennial budget in order to update Congress on the DoD requirements for that second year. Differences in the off-year procedures for the biennial cycle have not been institutionalized, as on-year procedures previously had been, and are noted in the paragraphs below.

A concurrent programming and budgeting process was implemented with POM/BES FY03-07, submitted in Fall 2001. The POM is sent to OSD for an internal review by the OSD Program Analysis & Evaluation (PA&E) programmers. The BES is reviewed primarily by budget analysts in the Office of the USD (C). Prior to the FY03-07 POM/BES, these reviews were sequential. In the current PPBE process, the two reviews (by PA&E and USD (C)) are done concurrently. In May 2003, the process was further revised and an execution review was added, to be concurrent with the program/budget review. The same basic process was also used in calendar year 2005.

**PLANNING**

(The following discussion of the Planning Phase addresses the process being followed and documents used in the FY10-15 PPBE cycle, which is occurring during calendar year 2008.)

Planning is the first step in the DoD resource allocation process (shown in Figure 5) and is accomplished by almost parallel actions by the civilian side of OSD (USD Policy) and the military side (led by Joint Chiefs of Staff [JCS] with participation of the Services and COCOMs). Although USD (Policy) is the official lead for the Planning Phase of PPBE, the Chairman of the Joint Chiefs of Staff (CJCS) plays a significant role in the process. This phase begins with issuance of the national defense policy by the President’s National Security Council, in the form of the National Security Strategy (NSS) (the last of which was issued in March 2006), which includes input from multiple federal level agencies. The NSS defines specific national-level
strategic outcomes that must be achieved. The Planning Phase ends with the issuance of the Joint Programming Guidance (JPG), which is prepared by the OSD Director, PA&E and released by the SECDEF. The JPG sets specific fiscal controls and directs explicit program actions for each Military Department and Defense Agency. The JPG is normally issued only in the on-years of the PPBE process. In general, the Planning Phase identifies the capabilities required to deter and defeat threats and defines for the upcoming Programming Phase national defense policies, objectives, strategy, and guidance for resources and force requirements to meet the capabilities and objectives. The Planning Phase begins about three years in advance of the first fiscal year for which budget authority will be requested in the President’s Budget; for example, the planning to support the FY10 budget request began in the early part of calendar year 2007.

The first activity in the Planning Phase is a review of previous guidance. This review examines the evolution in required capabilities and changes in military strategy and policy as documented in the National Defense Strategy (NDS) issued by the SECDEF (first issued in 2005 and re-issued in June 2008). The NDS provides strategic guidance on the priority of defense missions and associated strategic goals. The review also includes the National Military Strategy (NMS) issued by the CJCS (and is under review as of the date of this Teaching Note). The NMS provides strategic direction on how the Joint Force should align the military ends, ways, means, and risks consistent with the goals established in the NDS. The Planning Phase also includes the OSD Quadrennial Defense Review (QDR) (which was last completed in 2006 and is required to be completed again and submitted to the Congress in 2010). The QDR provides the results of a comprehensive examination of potential threats, strategy, force structure, readiness posture, modernization programs, infrastructure, and information operations and intelligence. All of these documents provide strategy-based planning and broad programming advice for preparation of what was previously published as the Strategic Planning Guidance (SPG); however, in 2008 the SPG was replaced by a new document. The Guidance for the Development of the Force (GDF) considers a long-term view of the security environment and helps shape the investment blueprint for the six POM years. Issued for the first time by SECDEF in May 2008, it establishes priorities within and across Joint Capability Areas managed by CPMs referenced above. In a forthcoming Department of Defense Directive (DoD), the CPMs are to be charged with developing capability portfolio planning guidance and programming, budgeting, and acquisition advice. The overall role of the CPMs will be to manage assigned portfolios by integrating, coordinating, and synchronizing programs to optimize capability within time and budget constraints. A related document, but not included in the PPBE process, is the Guidance for the Employment of the Force (GEF), which sets forth operational priorities from the present time through the next two years (budget years). The GEF was issued by SECDEF for the first time in May 2008. The Joint Strategic Capabilities Plan (JSCP), which is developed concurrently with the GEF and issued by the CJCS, tasks the COCOMs with developing plans consistent with the GEF.

The JCS-level Joint Requirements Oversight Council (JROC), along with the Joint Staff, assists the CJCS in identifying and assessing the priority of joint requirements, studying alternatives, and ensuring priorities conform to and reflect resource levels projected by the SECDEF. Within the Planning Phase, the JROC provides suggested issues and recommendations for the Chairman’s Program Recommendation (CPR), which is intended to influence the JPG. The CPR provides the CJCS’s program recommendations that are intended to enhance joint readiness, promote joint doctrine and training, and satisfy warfighting requirements. Overall JCS participation in the planning phase is governed by the Joint Strategic Planning System (JSPS).
CJCS Instruction (3100.01), and CJCSI 8501.01A, which addresses participation by the CJCS, the COCOMs, and the Joint Staff in the DoD PPBE process.

The Planning Phase concludes with the SECDEF’s issuance of the JPG, which is the link between the Planning and Programming Phases. In recent PPBE cycles, to include the 2010-2015 POM, the JPG has been initially issued, revised, and reissued as the Planning phase evolves. Changes to the Planning Phase process continue to evolve as of the date of this Teaching Note. Figure 5 below provides a notional layout of the various documents involved in the Planning Phase as it currently exists.

**PPBE – Planning Phase**

*Notional Relationship of Planning Documents as of POM 2010-2015*

**Figure 5**

**PROGRAMMING IN THE ON-YEAR**

The purpose of the Programming Phase is to allocate resources to support the roles and missions of the Military Departments (i.e., Army, Air Force, and Navy and Marines) and Defense Agencies. During the Programming Phase, previous planning decisions, OSD programming guidance contained in the JPG, and Congressional guidance are translated into detailed allocations of time-phased resource requirements which include forces, personnel, and funds. This is accomplished through systematic review and approval processes that "cost out" force objectives and personnel resources in financial terms for six years into the future. This process gives the SECDEF and the President an idea of the impact that present day decisions will have on the future defense posture. The Director of OSD PA&E is responsible for overall coordination of the Programming Phase.

**Program Development**

In August of an even-numbered year (i.e., an on-year), each Component (Military Department and Defense Agency) submits a combined POM/BES to SECDEF. The POM/BES covers the 6-year FYDP and presents the Component's proposal for a balanced allocation of available resources within specified constraints to satisfy the GDF and the JPG. Significant force structure and end-strength changes, as well as major system new starts must be identified. Program imbalances and shortfalls in meeting GDF, JPG, and warfighter objectives are also to be highlighted.
**Program Review and Decisions**

After submission of the combined POM/BES (see Figure 6), the Joint Staff, JROC, and CPMs conduct a review of the POM portion of the Military Departments’, Components’, and Defense Agencies’ submissions to assess how they have conformed to the priorities and resource constraints addressed in the GDF, JPG, NMS, and the QDR. The results of the Joint Staff and JROC reviews are included in the **Chairman’s Program Assessment (CPA)**, which is issued during the Fall and which may include alternative program recommendations and budget proposals to achieve greater conformity with the stipulated priorities. The CPMs’ assessments are submitted to the Deputy’s Advisory Working Group (DAWG) chaired by the DEPSECDEF. The CPMs may outline alternative investment recommendations to those submitted in the POMs.

Concurrent with the Joint Staff review of the POM portion of the POM/BES, program analysts in the Director, PA&E office conduct a detailed review of the Services’ and Defense Agencies’ POM submissions and make program change recommendations through POM **Issue Papers**. These documents define specific issues to be reviewed by comparing the proposed program to the objectives and requirements established in the GDF and JPG. The Issue Papers present alternatives and evaluate the implications of each alternative, including cost and personnel changes. The Services, Joint Staff, and OSD directorates may comment on – **reclama** – the recommendations contained in the POM Issue Papers, to include providing justification supporting the original POM submission.

During October and November, the DEPSECDEF issues to the Military Departments and Defense Agencies one or more **Program Decision Memoranda (PDMs)**, which summarize the program decisions in the current cycle. These PDMs approve, with the indicated changes, the Service/Agency POMs.

**Figure 6**
**BUDGETING IN THE ON-YEAR**

The USD (Comptroller) has responsibility for overall coordination with OSD for the Budgeting Phase, which occurs concurrently with the Programming Phase. After submission of the combined POM/BES (see *Figure 6*), budget analysts in the USD(C) office and budget examiners from OMB conduct a review of the BES portion of the Components’ submission. [Per agreement between OSD and OMB, senior budget examiners from OMB participate in the DoD budget review process at this point to preclude the necessity of OSD submitting the Defense Budget to OMB for a separate review prior to it being integrated into the PB as is required for all other federal agencies.] The Comptroller and OMB emphasis during this review is on proper budget justification and execution; however, the analysts and examiners also consider program alternatives being developed on the programming side. OSD decisions pertaining to program issues (i.e., PDMs issued during the concurrent POM/BES review) must also be incorporated into other OSD decisions being made during the Budgeting Phase. The concurrent review of a combined POM/BES from the various Components – rather than sequential reviews of the POM and BES by the different elements at the OSD level – is considered to be more efficient because the same or similar issues addressed in the POM review need not be revisited in the BES review process.

The product of this review and decision process will become the Defense portion of the PB. Continuing a practice that began with the FY 1988 budget submission to Congress, DoD submits a biennial budget in which the first two years of the six-year FYDP period are submitted to Congress as fully supported "stand alone" budgets. However, as noted earlier, Congress does not provide a two-year appropriation for DoD. During the second year of the biennial cycle (the *odd-year*), DoD reviews its previous year's budget submission and submits an updated, one-year budget request for the second year of the previous biennial budget.

**Budget Process**

Prior to submission of the combined POM/BES to OSD, operational organizations and field activities such as program offices begin developing their individual budgets as a prelude to the headquarters' call for budget estimates. This development action may begin as early as mid-fall prior to submitting their budget estimates to the Service Headquarters in early spring. The Services each conduct a summer budget review. The reviews give the Services an opportunity to internally address budget display/justification problems before submitting the combined POM/BES to OSD in August. The Services are generally trying to put together a balanced funding request that complies with published fiscal constraints. The combined POM/BES must also include adjustments for pay (military and civilian) and for any pricing policies developed between OSD and OMB. The FYDP is updated at the POM/BES submission.

**OSD Budget Review**

Budget analysts from USD(C) and budget examiners from OMB normally conduct a joint review of the POM/BES from October to early December. OMB retains the authority to submit separate review decisions, but in practice, rarely does. The USD(C) budget analysts usually issue *advance questions* to obtain written responses from the program offices and/or Components. After reviewing these responses, the budget analysts normally conduct hearings to review appropriations or specific programs (although this is not a formal requirement). Appropriate Service functional staff and OSD program advocates provide information as necessary during
those hearings. During the review, the budget analysts examine the BES from each Service and Defense Agency to assess conformity with other higher level guidance.

There are four areas considered by the USD(C) budget analysts and OMB budget examiners as principal issue areas during the review and “scrub” of the Services’ and Agencies’ budget submissions: program pricing, program phasing, funding policies, and budget execution.

- **Program pricing** - Examines whether the specific program has been properly priced (e.g., that the budget was prepared on the basis of “most likely cost” of the work to be done and that the proper escalation index has been applied to the constant-year budget estimate to determine the then-year funding requirement).

- **Program phasing** - Examines the compatibility between the approved acquisition strategy and the funding necessary to pay for the requirements shown in that strategy (e.g., have Procurement funds been phased properly to coincide with program plans for production).

- **Funding policies** - Examines the compliance of the budget request with the proper funding policy for each appropriation category being requested (e.g., RDT&E has been budgeted on an incremental basis; Procurement and MILCON on a full funding basis; and O&M and MILPERS on an annual basis).

- **Budget execution** - Examines the efficiency with which the organization has executed (i.e., obligated and expended) currently available funds, and the effect of current year execution on budget year submissions. As an example, has the organization met established goals for obligations and expenditures during the current fiscal year? If not, can those “excess” funds from the current fiscal year be allowed to slip/roll into a future year, allowing for a decrease in the funding requirement in the future year?

Of the four budget review issues, budget execution is the primary focus during this portion of the process. This focus on execution is intended to ensure that the limited funding available for a given fiscal year is used to satisfy as many requirements as possible.

**Program Budget Decision (PBD) and Reclama Process**

Following a thorough review of the POM/BES and the questions/answers from the OSD/OMB budget hearings, each USD(C) analyst normally prepares one or a series of Program Budget Decisions (PBDs) for the appropriations and/or programs under his/her oversight. These PBDs adjust the funding submitted in the POM/BES. PBDs address primarily the budget year(s), although effects on the current year and the four out-years may be included.

Before a PBD is issued, a “draft” or “advance” version is usually coordinated throughout the OSD staff. The draft PBD is also provided to the Services and Defense Agencies for comment (i.e., a reclama and, if desired, an alternative position). The affected Service Secretary or Head of Defense Agency is given an opportunity to disagree with the draft PBD recommendation and provide supplemental or new information that addresses the basic argument and assumptions of the draft PBD. The time available for this reclama process is extremely limited: normally no more than 96 clock hours from when USD(C) releases the draft PBD. In addition to the Component directly affected by the PBD, other interested DoD organizations and OSD staff elements may respond to the draft PBD during the PBD reclama coordination process. Specifically for acquisition programs, the offices of USD (Acquisition, Technology & Logistics) and Director, PA&E may develop reclamas or alternative positions to the draft PBDs that impact such programs.
After considering the information in the submitted reclamas (and alternative positions, if any), the USD(C) analyst may choose: (1) not to go forward with the PBD; (2) to submit the PBD after modifying it; or (3) to submit the PBD as originally drafted. If the analyst decides to submit the PBD (either in the original or modified version), a summary document is prepared that includes the information supporting the draft PBD as well as all submitted reclamas. The PBD is provided to the Deputy Secretary of Defense (DEPSECDEF), who normally makes the final decision and signs the final PBD. The DEFSECDEF will usually choose between the USD(C) analyst’s recommendation or one of the alternative positions. In a few cases when the PBD affects items considered non-controversial, the USD(C) will sign the final PBD.

Near the end of the PBD decision and dissemination process, each Service Secretary has a final opportunity to request adjustments made by previous PBD actions. This is the **Major Budget Issue (MBI)** process wherein the respective Service Secretary can meet with the SECDEF to identify issues considered by that Service to be “absolutely essential”. Services generally are required to provide funding offsets from other programs within that Service to “buy back” those limited number (usually no more than 5 or 6) of “essential” programs previously reduced by PBDs. Decisions resulting from these meetings are usually announced in revisions to signed PBDs. The MBI process usually occurs in the latter part of December.

**President’s Budget (PB)**

The Services revise their budgets to incorporate the decisions from the concurrent program and budget review process (signed PBDs and PDMs) for inclusion in the PB. After a “top line” meeting between the SECDEF, Director of OMB and the President, the PB is finalized in early January and submitted through OMB for consolidation with budget requests from all other federal agencies to Congress no later than the first Monday in February. The FYDP is also updated to reflect the PB. These actions end the Budgeting Phase of PPBE and begin the Congressional Enactment process.

**Key Documentation**

As part of the justification for the budget request contained in the PB submitted to Congress, the Services provide **budget exhibits** to USD(C) and to the DoD oversight committees of Congress. Some of the exhibits of interest to acquisition program personnel include:

- The R-1 document, which provides a breakout of all RDT&E appropriations by PE. The R-1 displays each program’s title, budget activity, and dollars for the prior, current, and budget year(s). The R-1 also includes DoD component summaries by appropriation, budget activity, and MFP.

- Additional R-Forms greatly expand on the narrative and numerical detail in the R-1 document. Various R-forms include: a mission description and justification; program accomplishments and plans; an eight-year funding profile, and cost to completion; funding changes since the last PB; funding from other appropriations; a schedule of major acquisition and testing milestones; program cost detail by work breakdown structure (WBS); and contracting data for development, support, and testing.

- The P-1 document, which provides a breakout of all procurement appropriations by line item. The P-1 shows each program’s title, unit cost, quantities and dollars for the prior, current, and budget year(s). The P-1 also includes DoD component summaries by appropriation and budget activity.
- P-Forms, or procurement exhibits, are prepared to support the transition from the Service POM to the Service budget for all procurement programs. P-forms provide detailed program information reflected in the FYDP.

The exhibits described above reflect the overall status of a weapon system program. They inform OSD and the Congress of the progress and problems in program execution, schedule, and cost projections. DoD Regulation 7000.14-R, Financial Management Regulation, Volume 2, provides the basic guidance for the documentation. Program managers should also consult Service-specific instructions and guidance for preparing these documents. Further information on these budget exhibits may be found in the Teaching Note of that title.

**PROGRAMMING/BUDGETING IN THE OFF-YEAR**

As noted earlier, programming/budgeting is intended to be a biennial process. The off-year review typically adjusts the remaining five years of the POM to reflect “fact-of-life” changes to programs. Incorporation of new requirements or major program changes is usually restricted to the regular, on-year POM process. In May 2003, DEPSECDEF announced there would be no off-year *Defense Planning Guidance (DPG)* (forerunner of the SPG and now the GDF) or POM/BES submission for FY05-09.

In place of the POM/BES, the Services, Defense Agencies, and COCOMs were to submit *Program Change Proposals (PCPs)* and *Budget Change Proposals (BCPs)*. The off-year review for FY05-09 was to focus on assessments concerning current and previous resource allocations and performance of on-going programs. Guidance for the off-year cycle has not been “institutionalized”, as has been done for the on-year guidance. In fact, a number of terms and ground rules applicable to the FY05-09 reviews were modified for the FY07-11 process as stated in a 12 May 05 memorandum co-signed by the OSD Director, PA&E, and the USD(C). That memo established terms, timelines, and the overall process for the FY07-11 program and budget review; however, even those procedural changes were not institutionalized. The FY07-11 process was particularly unique in that the cycle included the results of a *Base Realignment and Closing (BRAC)* process and a QDR, both of which had a significant impact on Fact-of-Life changes and *Change Proposals*. The term “Budget Change Proposals” was changed to “Fact-of-Life Changes” and the term “Program Change Proposal” was changed to “Change Proposal”.

For the FY09-13 process, the ground rules were only slightly modified but still were not “institutionalized”. An 8 May 07 memorandum co-signed by the OSD Director, PA&E and the USD(C) characterized the FY09-13 approach as “…a hybrid between a “full-year” and an “off year” review…” Guidance in the next two paragraphs is based on the referenced 8 May 07 memo for the FY09-13 cycle, which was accomplished during calendar 2007. It is provided as representative of what may be required in the next off-year PPBE cycle.

**Off-Year Program and Budget Review (conducted during calendar 2007)**

During this most recent off-year cycle, Change Proposal nominations were accepted only from the Secretaries of the Military Departments, the Chairman of the Joint Chiefs of Staff, the Under Secretaries of Defense, the Assistant Secretary of Defense for Network Information and Integration (NII), the Director of Operational Test and Evaluation, the Commander, U.S. Special Operations Command, and the Capability Portfolio Managers of the four prototype Capability Portfolios. Defense Agencies were required to submit Change Proposals through their Principal Staff Assistants.
COCOMs were required to submit Change Proposals to the Joint Staff for action and to their Executive Agent for information.

Though POMs were not to be submitted, Components were to submit a complete BES that reflected any changes in their Change Proposals and estimates for FY09 costs associated with the Global War On Terror (GWOT). Change Proposals were to reflect proposed fact-of-life adjustments, programmatic resource offsets necessary to fund fact-of-life adjustments, and a limited number of other issues. The baseline for the Change Proposals was the FY08 PB (i.e., the FY09 column of that PB). USD(C) and Director, PA&E reviewed the Change Proposals for compliance with guidance and acceptability of offsets. Those proposals accepted for consideration in the Program and Budget Review were assigned to either USD(C) or Director, PA&E for issue development and resolution. The Three-Star Review Group that participated in the on-year process performed the same function and briefed the Deputy Secretary’s Advisory Working Group (DAWG) on any unresolved issues. Final decisions made by the Secretary of Defense were recorded in either PDMs or PBDs.

EXECUTION REVIEW

The final activity in the PPBE process is the Execution Review, which occurs concurrently with the Program and Budget reviews. The purpose of the Program Review is to prioritize the programs which best meet military strategy needs; the purpose of the Budget Review is to decide how much to spend on each of these programs; and the purpose of the Execution Review is to assess what is received for the money spent (i.e., actual output versus planned performance). Performance metrics are being developed and used to measure program achievements and attainment of performance goals. Over time, these metrics will be analyzed to ascertain whether resources are appropriately allocated.

[Section Omitted]

SUMMARY

DoD uses the Planning, Programming, Budgeting, and Execution (PPBE) process to determine priorities and allocate resources. In the Planning Phase, the capabilities required to counter and defeat threats to national security are established and the forces needed to provide those capabilities identified. In the Programming Phase, these force requirements are prioritized and resources allocated to best meet the needs within fiscal, manpower, and force structure constraints. In the Budgeting Phase, the components and OSD scrub all programs to ensure the most efficient use of scarce budget authority. Finally, in the Execution Review, program output is assessed against planned performance to determine the best return on investment. The Programming, Budgeting, and Execution Reviews take place concurrently.