Chapter 12
Funding the Force

Section I: Introduction

The DOD Planning, Programming, and Budgeting System (PPBS) provides the biennial framework for making decisions on current and future programs consistent with national security objectives, policies, and strategies. The Secretary of Defense provides direction throughout the cycle while giving the Services and DOD agencies the authority to execute the program and budget. The PPBS was instituted to facilitate budgeting for forces, systems, and programs rather than resource categories. It is the primary DOD system for managing the department’s military functions. Each phase of the process aims at achieving the best mix of forces, manpower, materiel, equipment, and support within funding constraints.

The Army’s PPBES interfaces with the PPBS. These two systems enable all processes to structure, man, equip, train, sustain, station, and deploy organizations. Force integration manages the resulting changes by planning, coordinating, synchronizing, and executing related activities and operations.

Section II: The DOD Resourcing System

The committees and decisionmaking bodies involved in the execution of PPBS include:

- The DOD Executive Committee (EXCOM). The EXCOM is chaired by the Secretary of Defense. It is the senior deliberative and decisionmaking body within the Department of Defense for all major defense issues.
- The Defense Resource Board (DRB). The DRB is chaired by the Deputy Secretary of Defense. It reviews guidance for planning and programming and the program and budget; promotes long-range planning and stability; and advises the Secretary of Defense on proposed decisions.
- The Defense Acquisition Board (DAB). The DAB is chaired by the Undersecretary of Defense for Acquisition with the Vice Chairman, Joint Chiefs of Staff as the vice chairman. The DAB oversees systems acquisition through review of major acquisition programs at each milestone decision point in a system’s life cycle.
- The Joint Requirements Oversight Council (JROC). The JROC is chaired by the Vice Chairman, Joint Chiefs of Staff. It validates military needs at initiation of major acquisition programs and subsequently validates system performance goals and program baselines at successive milestones.

Section III: The Army Resourcing System

PURPOSE

The Army’s PPBES complements and responds to Office of the Secretary of Defense (OSD) and joint strategic planning guidance. It provides the basis for determining force requirements and objectives and structuring, documenting, prioritizing, and executing current and planned programs. It also sets priorities and establishes the basis for the Army’s Program Objective Memorandum (POM). It is the Army’s primary strategic management system used to allocate and manage constrained resources and provide the architecture and tools to achieve approval for the programming and execution of Army programs. PPBES is the principal foundation for force integration activities in terms of functioning, timelines, and interrelationships at all levels.

PPBES APPLICATIONS IN FORCE INTEGRATION

In consonance with the PPBS, the Army uses PPBES to facilitate program reviews, prioritization, approval, and execution. Among other applications, PPBES provides a basis to determine force, system, and program costs and to compare cost and benefit alternatives. The interrelated phases of cyclic PPBES activities
provide for an orderly progression from national security objectives, policies, and strategies to the development of Army missions, force and materiel requirements; establishment of force structure and programs within resource constraints; and finally to the preparation, review, and execution of the budget. Specifically, PPBES supports force integration by-

- Providing essential focus on departmental policy and priorities for Army functional activities.
- Planning the size, structure, strength, equipment, and training required to support the national military strategy.
- Programming the distribution of available manpower, fiscal resources, and materiel among competing requirements based on Army resource allocation policy and priorities.
- Budgeting to convert program decisions on fiscal resources and manpower into requests for congressional authorization and appropriations.
- Executing programs to apply resources to achieve approved program objectives and adjust resource requirements based on execution feedback.
- Executing programs and budgets to manage and account for funds to carry out approved programs.

**PPBES RESPONSIBILITIES**

**Office of the Secretary of the Army**

At the departmental level, the principal responsibilities involving PPBES include-

- Functional oversight by the Office of the Secretary of the Army (OSA).
- Policy and system oversight by the Assistant Secretary of the Army (Financial Management) (ASA[FM]).
- Budgeting formulated and executed by the Deputy Secretary of the Army for the Army Budget.
- Acquisition by the Assistant Secretary of the Army (Research, Development, and Acquisition) (ASA[RD&A]), Army acquisition executives (AAEs), Program Executive Officers (PEOs), and program, project and product managers (PMs).

**Army Staff Proponencies**

Army staff (ARSTAF) proponents with responsibility for management of PPBES phases include:

- Planning executed by the Office of the Deputy Chief of Staff, Operations (ODCSOPS).
- Programming executed by the Director of Program Analysis and Evaluation (DPAE).
- Requirements determination by the ODCSOPS.

**PPBES Committees**

The principal PPBES committees supporting the process [Figure 12-1] include -

- The Select Committee (SELCOM). The SELCOM is co-chaired by the Vice Chief of Staff, Army and the Undersecretary of the Army. The SELCOM includes membership from the secretariat and the ARSTAF, with others on an as-required basis. It functions as Headquarters, Department of the Army’s (HQDA’s) senior committee and reviews, coordinates, and integrates PPBES actions. It reviews program performance and budget financial execution, and disposes of actions or refers them to the Army leadership for disposition.
- The Strategy and Planning Committee (SPC). The SPC is chaired by the Assistant Deputy Chief of Staff, Operations and includes planning officials of the ARSTAF and
secretariat, including the Director of PAE and Deputy Assistant Secretary of the Army for the Army Budget. The SPC provides an integrated forum for Army planning, including force structure guidance, force development, and coordination for The Army Plan (TAP).

- The Program and Budget Committee (PBC). The PBC is co-chaired by the DPAE and DAB and includes ARSTAF and secretariat membership responsible for programming or budgeting. The committee oversees the programming, budgeting, and execution phases of the PPBES, including feedback among phases, and functions in a coordinating, executive and advisory role. It provides a continuing forum in which program and budget managers review, adjust, and decide issues.

- The Prioritization Steering Group (PSG). The PSG is chaired by the DCSOPS and includes ARSTAF and secretariat membership. The PSG reviews unresourced programs submitted by Major Commands (MACOMs) and PEOs and proposed decrements recommended by the PBC, and resolves differences. The PSG makes recommendations, including off-setting decrements, to the SELCOM.

- The Program Evaluation Groups (PEGs): PEGs maintain consistency during planning and program review as well as budget analysis, preparation, and defense. During execution, PEGs track program and budget performance. Throughout the PPBES phases, PEGs coordinate resource changes with HQDA staff agencies having proponency for affected management decision packages (MDEPs) and translate budget decisions and approved manpower and funding into program changes, ensuring that data transactions update MDEP databases.
• The Army System Acquisition Review Council (ASARC).
• The Materiel Acquisition Review Board (MARB).
• The Major Automated Information Systems Review Council (MAISRC).
• The Study Program Coordination Committee (SPCC).
• The Construction Requirements Review Committee (CRCC).
• The Stationing and Installations Planning Committee (SIPC).
• The Installation Management Steering Committee (IMSC).

Section IV: Budget Planning, Guidance, and Direction

OPERATIONAL PLANNING REQUIREMENTS

Operational planning addresses the short term, extending out two years from the current year. It is conducted under the Joint Operation Planning and Execution System (JOPES) and the Army Mobilization and Operation Planning and Execution System (AMOPES). Through JOPES, the Commanders-in-chief (CINCs) and their Service component commands develop wartime Operational Plans (OPLANs) to employ the current force to carry out assigned military tasks. OPLAN reviews provide information about shortfalls and limiting factors for consideration in current planning, programming, and budgeting.

Time-phased Force Deployment Data (TPFDD) specify arrival priorities for force augmentation, resupply, and troop replacement. TPFDD review and subsequent logistics and transportation assessments identify adjustments required to support CINC OPLANs. Issues that cannot be satisfactorily negotiated become subjects for subsequent force, logistics, and transportation conferences. Identified shortfalls and limitations are injected into future requirements through the force integration analysis and program development processes.

CINC OPLANs are submitted for Joint Chiefs of Staff review and approval in July of odd years. These OPLANs provide a basis for CINC integrated priority lists.

DEPARTMENT OF DEFENSE BUDGET PLANNING GUIDANCE

Guidance in support of budget estimate submissions (BESs) is prepared by OSD after approval of the POM and is provided for the preparation of the Army BES. This guidance includes:

• New requirements and changes initiated by Congress, OMB, and OSD.
• Current year guidance, including items to be considered in supplemental budget requests.

• Budget year guidance for preparation of budget estimates based on force levels, program decisions, and total obligation authority (TOA) levels in the POM (as modified by PDMs).
• Authorization estimate guidance.
• Additional guidance applicable to all sections of the budget (e.g., inflation indices, outlay rates, use of contingency funds).

ARMY BUDGET PLANNING GUIDANCE

The Army Long-Range Planning Guidance

The Army Long Range Planning Guidance (ALRPG) addresses the period ten to 30 years in advance and allows the senior leadership to create and clarify a vision of the future Army. The products of long-range planning guide the midterm vision used in developing the force and setting program requirements.

The ALRPG analyzes national security objectives against a range of potential threats and necessary force capabilities projected
worldwide over the period under consideration. The document is distributed in the fall of each even year. The ALRPG provides the long-term perspective for solutions developed within the enhanced concept-based requirements system (ECBRS) to satisfy projected warfighting needs. The Army modernization plan (AMP) provides input to the development of the long-range research, development, and acquisition plan (LRRDAP).

The Army Plan

Together with command and agency supporting long-range plans, the ALRPG guides a preliminary TAP version. It is prepared late in odd years to set the course for requirements determination and force development for the following PPBES biennial cycle.

TAP documents policy and force levels and provides resource guidance. Force levels are stabilized initially by force requirements planning and then refined by objectives planning. Objectives planning includes Total Army Analysis (TAA) and Force Integration Analysis (FIA). Covering the POM period and ten years beyond, TAP distills Army missions. It coalesces information from the Defense Planning Guidance (DPG), Joint Strategic Planning System (JSPS) planning products, the ALRPG, and other guidance.

Several draft TAPs are published early in the odd year, followed by the final TAP, which is published after the DPG in October or November. It documents the Army fiscally constrained force approved by the Secretary of the Army and Chief of Staff of the Army. Together with Army program guidance (APG), the final TAP provides direction to the programming, budgeting, and execution phases of PPBES. It reflects the Army’s priorities within expected resource levels.

The Army Planning Guidance

Purpose and Scope

Based on direction provided by DPG, the APG structures and guides program development supplemented by other instructions and guidance used within the Army and its MACOMs. It contains resource-constrained guidance predicated upon affordability analyses and estimates of OSD directed fiscal constraints. CSA and SA guidance are also necessary in the development of the Army BES. Input from the MACOMs and PEOs is reviewed and used by appropriation sponsors and budget program managers in preparing their estimates.

The APG directs HQDA agencies to prepare alternative programs to support the Army POM force. Such alternatives provide insights on ways to apply resources to achieve Army goals and flexibility to adapt to resource levels.

Draft APG

A draft APG is issued with the draft TAP in January of even years. The draft APG translates planning objectives into an initial plan. This plan applies constrained resources for building an integrated and balanced Army program to achieve Army goals, and reflects the President’s budget being sent to Congress. The draft APG-

- Reflects the base force updated through the TAA process.
- Considers positions taken by Congress in its review of near-year programs.
- Incorporates program adjustments from the OSD PDM.
- Projects the availability of manpower and fiscal resources.
- Includes economic assumptions.
- Describes preliminary program guidance, including the following-
  - Base force proposed for the program period.
  - Military end strength.
  - Force readiness goals.
Final APG

The final APG is distributed the following June, and is also included as part of TAP. The format of the APG parallels that of the POM, with the following standard topics:

- Force structure.
- Force deployment and prepositioning.
- Modernization and investment.
- Force readiness and sustainability.
- Facilities construction and maintenance.
- Manpower.
- Unified commands.
- Automated information systems.
- Nonstrategic nuclear forces.

Program Budget Guidance

Purpose and Scope

The Army PBG is issued after receipt of OSD dollar and prioritization guidance. It provides resource guidance to the MACOMs, PEOs, and other operating agencies, to include:

- Force structure and associated manpower.
- Appropriations of immediate MACOM and PEO interest-
  - Operation and maintenance, Army (OMA) and Army Reserve (OMAR).
  - Military Construction, Army (MCA) and Army Reserve (MCAR).
  - Army family housing (operation and maintenance [AFHO] and construction [AFHC]).
  - Research, Development, Test, and Evaluation (RDT&E) and procurement appropriations.
  - Construction using trust funds for commissary construction and nonappropriated funds (NAF) for morale, welfare, and recreation (MWR) construction.

PEG Publication Milestones

In the odd years, a PBG is issued that reflects the President’s budget and guides agency program development. It also guides preparation of the resource management update (RMU), refining the command budget estimate (CBE) submitted the previous even year. Later, a PBG update follows publication of the final TAP and APG in June. In September, another PBG records the result of the July RMU submissions and publishes probable fiscal guidance for MACOM and PEO use in completing field POMs submitted about November 1.

In even years, the President may submit an amended budget and the PBG will be provided for information to MACOMs and PEOs. A PBG follows submission of the POM to OSD in April, reflecting the new program and guiding preparation of CBEs. A PBG update in the fall reflects Army budget estimates submitted to OSD in September.

Other sources of information that are used in programming include:
• Army Modernization Information Memorandum (AMIM).
• Force Modernization Master Plan (FMMP).
• Modernization Resource Information Submissions (MRIS).
• Total Army Equipment Distribution Program (TAEDP).

**HQDA Administrative Instructions**

Administrative instructions are provided by HQDA during the programming phase. They include:

• The MACOM POM development instructions (MPDI), which provide administrative instructions to guide MACOMs and PEOs in preparing their program submission and for MACOMs to submit high-priority warfighting needs.

• The Army POM preparation instructions supplement (APPIS), which provides administrative instructions for use by HQDA in final preparation of the Army POM submission as an augmentation to OSD POM preparation instructions (PPI).

**Section V: Programming and Budgeting**

**PROGRAMMING**

**Programming Purpose and Scope**

Programming translates OSD and Army planning guidance, the DPG and TAP, into a comprehensive and detailed allocation of forces, manpower, materiel, and fiscal resources for a six-year period. Programming allocates resources to support Army functions and missions. In the process, the PPBES provides the mechanism for integrating and balancing centrally managed programs for manpower, operations, RDA, stationing, and construction.

**Programming Responsibility**

The DPAE has responsibility for the programming phase, to include the Army’s program review. The DPAE ensures that the program accurately reflects the cost estimates for major weapon systems approved by the ASARC and the major information systems approved by the MAISRC. Affordability is evaluated by assessing the effects of resource constraints on alternative program options. The ASA(FM) closely monitors POM development to transition from the first two program years into the next biennial budget.

**Program Development**

Program development is formally initiated when the final TAP is published with the included APG, which reflects affordability analyses from the FIA process. TAP and APG lock in the Army POM force, stabilize manpower and key equipment requirements for program development, and serve as the program baseline for the following:

• An Army force posture statement.
• The POM years of the LRRDAP.
• MACOM and PEO POM requirements.

**BUDGETING**

Budgeting expresses resource requirements in manpower and dollars, classified by congressional appropriation, with emphasis on the first two years of the approved six-year program. The three stages of Army budgeting are as noted below.

**Budget Formulation**

Budget formulation is the main budgeting task and requires the development of detailed fund estimates to support plans and programs. At Department of the Army level, it includes a joint analytical review of the Army’s budget estimate submissions by OSD, the OMB, and
subsequent program budget decisions (PBDs) by the Deputy Secretary of defense or the Secretary of Defense. It concludes with the transmission to Congress of the approved DOD budget as part of the President’s budget.

Budget formulation concentrates on the development of the CBES. The CBE process is essentially one of “communicating down” the projected resource availability and “communicating up” the planned use of those resources. The CBE represents the commander’s financial plan and has as its basic purposes:

- Providing a record of activities to be conducted and the resources required to support them.
- Identifying the actions that are to be accomplished by each subordinate element.
- Establishing a standard to measure accomplishments and resource utilization.

The installation role in budgeting is primarily to allocate resources based on fiscal guidance. The starting point of the budgetary process at installation level is the receipt of the constrained PBG from the MACOM. The PBG provides the installation with expected dollar and manpower availability for the budget and program years.

Various schedules are submitted in support of the CBE, including the commander’s narrative, which describes the situation at the installation for resources. When the CBE and the various required schedules are sent from the installation through the MACOM to HQDA, the formulation process for budget year funds is complete.

**Budget Justification**

This stage involves congressional review and approval. Budget justification entails the presentation of budget requests in support of the various programs and appropriations before the House and Senate Armed Services and Appropriations Committees. When the congressional reviews are completed, a vote is taken on the committee bills. Any differences between the versions are resolved in joint conference.

**Budget Execution**

In this stage, the Army reconciles budgets with approved congressional funding levels and develops instructions for execution of approved programs. This stage also includes apportionment requests, allocation, obligation, expenditure, and accounting for funds. Budget execution is fundamentally a continuous event. The budget execution stage begins the first day of the fiscal year and continues until the final day of that same fiscal year. The following steps must occur sequentially in the expenditure of government funds:

- Receipt of funding authority. An apportionment distributes funds by making specified amounts available for obligation. Appropriation sponsors request apportionment from OMB by submitting justification through the DAB and OSD at the time of budget review. OMB approves the requests, returning the apportionment through OSD.
- Institution of administrative funds control procedures.
- Transaction identification, accounting, reporting, (including obligation of funds), and review of unliquidated obligations.
- Year-end reconciliation of files and records, use of remaining funds, and submission of certified year-end financial reports.

In this phase, the Army also evaluates how well resources are applied to achieve approved program objectives and adjusts resource requirements based on execution feedback. This may entail financing unbudgeted requirements caused by conditions unforeseen at the time of budget submission and of higher priority than the requirements from which the funds have been diverted. Congress recognizes this need for flexibility during budget execution to accommodate unforeseen requirements or
changes in operating conditions. Accordingly, federal agencies may reprogram existing funds to finance unbudgeted requirements as controlled by stated restrictions and within specified dollar thresholds.

THE PROGRAM OBJECTIVE MEMORANDUM

The final product in the program development process is the POM. The Army POM normally consists of nine volumes (Figure 12-2, Army POM Volumes), with additional volumes included as required to address special issues.

POM Program Cycle

The POM program cycle begins in the fall of even years. It occurs after OSD program review and near the end of the even-year TAA process. In this early stage of the cycle, planning and programming center on publishing the draft TAP with included preliminary programming guidance. The activity continues with an FIA to establish the preliminary program force.

From January through the end of May, the FIA of the TAA force serves as a link between midterm planning and projections for the availability of resources. The FIA develops and costs major force alternatives. From these alternatives, the Secretary of the Army and the Chief of Staff, Army select and confirm the preliminary program force. The FIA examines the affordability of each alternative of the TAA base force, adjusting the force to reflect resource constraints. It also examines the capability of alternative force units to perform assigned missions in support of CINC operational requirements.

The FIA considers inputs from several areas, including the effect of deliveries from earlier budget and execution cycles on the first two years of the program, execution and current production rates, program impacts resulting from
OSD budget reviews, and fiscal guidance issued by OSD following submission of the President’s budget to Congress.

Upon receipt of the MACOM POMs, DPAE verifies data and loads it to the HQDA decision support system (DSS), accessible to POM developers to include the 14 program evaluation groups.

The development of the POM matches resources to missions in a rapidly changing fiscal environment. The functional review process follows the steps shown in Figure 12-3, Program Functional Reviews.

Role of Program Evaluation Groups

PEGs oversee resources from a functional or program perspective but within subprogram and appropriation structures. PEGs build the Army program at budget level of detail by reviewing and validating MACOM POM submissions. MACOM program realignments that conflict with HQDA guidance are returned to the MACOM for revision. If they cannot be resolved, the PEG elevates the issue to the PBC for resolution. The PEGs are thus program validators and program integrators that identify and resolve programmatic problems. PEGs also spread OSD-directed fiscal decrements. PEGs remain in operation through the PPBES process to maintain consistency as program development transitions into BES development and budget defense before the committees of Congress. During execution, PEGs track program and budget performance.

Program Optimization and Budget Evaluation

Army submissions to update and maintain the future years defense program are provided through the program optimization and budget evaluation (PROBE), the resourcing database. PROBE is used to support the process of developing the POM and formulating the budget.
It is a data-gathering, organizing, and translating system. PPBES data from the MACOMs or ARSTAF automated systems are forwarded to the PROBE for collection and analysis. PROBE uses the same PPBES data, with some modifications, to generate both the POM and the budget. The POM is coded by program, appropriation, and program element. The budget is coded by appropriation, budget activity, and PBD.

Maintenance files in the PROBE database are kept current and provide the basis for editing all entries in the data files. To optimize the use of available time in the constrained POM/budget preparation cycle, the DSS has controlled access to the PROBE database to assist programmers and senior decisionmakers.

**MANAGEMENT DECISION PACKAGES**

Early in the PPBES process, the resource management architecture allocates program and budget resources. It does this by appropriation and program element to MDEPs, which provide a resource management tool (Figure 12-4, MDEP Structure and Functionality).

**Purpose**

MDEPs structure programs for consideration, approval, and prioritization. During execution, they provide for program review and evaluation. During programming, MDEPs provide visibility to assess program worth, confirm compliance, and rank resource claimants. During budgeting, MDEPs help convey approved programs and priorities into budget estimates. Providing the mechanism for data entry, MDEPs also help PEGs post program changes caused by budget decisions and approved funding. During execution, the posted MDEPs allow evaluation of program and financial performance.

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**Figure 12-4**

MDEP Structure and Functionality

1-11
Origins

MDEPs are derived from four sources:

- Field-Initiated MDEPs. These are program initiatives and other requirements or displays submitted by MACOMs and PEOs.
- DA-directed MDEPs. These address deficiencies that significantly hinder the Army in performing its mission.
- Compliance MDEPs. These adjust Army functional programs mainly to meet requirements mandated by the DPG.
- Self-initiated MDEPs. These fill program gaps not covered by existing or other new MDEPs. These include technical MDEPs to support technical management and pricing during programming and budgeting, and military pay MDEPs.

Scope

Taken collectively, MDEPs account for all Army resources. Resources summed across all MDEPs in a given year represent the total projection for the Army for that year. Individually, an MDEP describes a particular organization, program, or function and also records the resources associated with the intended output. An individual MDEP applies uniquely to one of the following six management areas:

- Missions of Modified Table of Organization and Equipment (MTOE) units.
- Missions of Table of Distribution and Allowances (TDA) units and Army-wide standards and functions.
- Missions of Standard Installation Organizations.
- Acquisition, Fielding, and Sustainment of Weapon and Information Systems (with linkage to organizations).
- Special Visibility Programs.
- Short-Term Projects.

MDEP Connectivity

The MDEP links Army decisions and prioritization structures with FYDP accounts. FYDP accounts record Service positions in OSD and Army management structure (AMS) accounts. AMS accounts record funding transactions in Army activities and installations. The MDEPs link databases with the master force, authorizations and manpower allocations, individual training programs, and depot maintenance programs.

MDEPs also link program outputs to TAP objectives, giving visibility to prioritized resource claimants in relation to DPG compliance, TAP priorities, and CINC IPLs.

MDEP Application

Using MDEPs, program development applies information from the APG published in June to refine and extend the program of the previous PPBES cycle. Program development by MACOMs, PEOs, and other operating agencies begins early in the odd year. The resource position reflected in the FYDP and the President’s budget and related PBG serve as the base for developing program requirements. Upon publication of the APG, agencies adjust requirements to conform to guidance by preparation of:

- RMUs submitted in July, updating even-year CBEs.
- Command plans validating the latest force structure changes or requesting internal reprogramming to meet them.
- MACOM and PEO POMs submitted about November 1.
- A validated economic analysis for the POM years when a program is first funded.
Information for the early years of the approved LRRDAP serves as the RDA program equivalent to MACOM and PEO POMs.

**MACOM MDEP Prioritization**

Within the confines of TAP guidance, MACOMs conduct trade-off analyses to determine which MDEPs must be fully resourced, which ones can be partially resourced, and which, if any, can be billpayers for higher priority MACOM needs. The MACOM commander may submit a Schedule 8 that proposes these zero-sum resource "push-arounds" between MDEPs as initially resourced in the PBG. He may also submit a prioritized listing (Schedule 1) of MDEPs that would be more fully resourced if allowed by PBG guidance. MACOMs may submit a list of MDEPs (Schedule 1A), which could be decremented if required.

The MACOM commander thus defines the MACOM’s core needs by realigning resources across MDEPs (Schedule 8) and the margins of his program. This is done by identifying his highest priority unresourced needs (Schedule 1) and his lowest priority resourced programs (Schedule 1A).

**COMMAND BUDGET ESTIMATES**

**Purpose and Scope**

The MACOMs and PEOs respond to the PBG with submission of CBEs. CBEs are used by MACOMs and PEOs to show command operating programs for the prior and current years and requirements for the upcoming fiscal years. They include budget and workload data needed by appropriation sponsors in developing and evaluating their budget estimates and management initiatives taken by the command or agency to reduce costs based on POM submissions and the ensuing PBG.

**Application**

Drawing from CBEs, each appropriation sponsor reviews and marks up the separate estimates for every appropriation. A major objective during budgeting and execution is to maintain consistency within the program. Acceptance of any change to program levels in the approved POM requires determining program trade-offs to achieve a zero-sum change. Proposed program changes submitted in the CBE are reviewed by functional proponents, PMs, and appropriation sponsors. Appropriation sponsors submit their budget estimates for review by the PBG, the same forum that reviewed the Army POM. The DAB chairs the PBC while it discusses the issues and alternatives to the proposals of the appropriation sponsors. Following PBC revision of the budget estimates for each appropriation, the appropriation sponsors present the proposed budget estimates to the ASA(FM) for review. The DAB then presents summary budget estimates to the SELCOM, CSA, and SA for review and decision.

**THE BUDGET ESTIMATE SUBMISSION**

The DAB develops for OSD the Army’s coordinated budget BES based on the approved POM as modified by the PDM. The BES also conforms to specific budget guidance received from OSD. The BES covers the prior year, the current year, and the two budget years.

The BES is submitted to the DRB and is analyzed by OSD and OMB. After this analysis, the BES is reviewed. Based on the results of this process, OSD forwards a PBD to the Deputy Secretary of Defense in which at least one alternative is offered to the Army estimate.

**OSD PROGRAM BUDGET DECISION CYCLE**

During the PBD cycle, each Service identifies certain pending decrements and addresses the impact of the decrements as major budget issues (MBIs). At the end of the PBD process, the SECDEF makes the final decision on MBIs to request fund restoration or recommend other action.

OSD issues DRB decisions on major budget issues as final PBDs and OMB incorporates final budget controls for the current and budget years into the President’s budget. The DPAE uses this
data plus the outyear controls to update the future year defense plan (FYDP) to reflect the President’s budget submission. Appropriation sponsors use the adjustments to post MDEPs at the program element, standard study number, or project level of detail.

**Section VI: Resource Management**

Resource management is the direction, guidance, and control of financial and other resources. It involves the application of programming, budgeting, accounting, reporting, analysis, and evaluation to:

- Acquire resources.
- Allocate resources according to priorities.
- Account for resources.
- Analyze and correct programs as required.

**ARMY RESPONSIBILITIES, POLICIES, AND PROCESSES**

The Army is vested with the public’s trust and confidence for defending the nation and has a responsibility for the assets that have been entrusted to it. Resource management is an integral part of the commander’s role in fulfilling this responsibility. Responsible resource management is the key to sustaining and modernizing the Army and is essential for the maintenance of the Army’s readiness posture.

Resource management policy addresses the need for particular programs, how they serve specific Army missions, and whether those missions and strategies are sensible.

Programmatic and financial resource processes examine the efficiency of how funds are allocated and spent and how effectively programs are managed and integrated. Resource management at the programmatic level encompasses the way the Army integrates soldiers, civilians, facilities, equipment, information, time, and dollars to produce a viable force capability.

Stewardship is the ability of the Army to get the right resources to the right commands so that subordinate activities can accomplish their missions. Army stewardship ties together all phases of PPBES and focuses on the interdependence among commands and the involvement of the Defense Finance and Accounting Service (DFAS). Stewardship keeps the Army focused on the key issues, to include mission transfers to the reserve components; equipment acquisition strategy; information and resource management; and the integration of equipment, doctrine, and organizations into combat-ready organizations.

The ASA(FM) has statutory responsibility for Army budgeting and execution. A sponsor for each congressional appropriation assists the Assistant Secretary and the Director of the Army Budget in discharging statutory responsibilities relative to fund management. The appropriation sponsors also coordinate the allocation of funds in support of the Army program. In the actual execution of funds, the ultimate responsibility for fund control lies with the DFAS.

**FUNDS AUTHORIZATION**

**Congress**

**Budgetary Controls**

The Constitution forbids the disbursement of funds from the Treasury except by appropriations made by law. Congress has taken five major actions to control budgetary affairs. These actions are:

- Requiring budget justification, to consist of an authorization action to justify selected major facets of the Army’s program and a separate appropriation action to finance the authorized items.
- Requiring the executive branch to develop procedures to control the flow of funds to prevent overspending. OMB does this by
apportioning or releasing funds to the agencies as they are required, rather than when Congress makes them available.

- Requiring each department to establish a resource management organization (i.e., ASA[FM]) to provide technical competence for the management of funds appropriated by Congress.

- Forbidding the acceptance of voluntary supervision on behalf of the government, except as may be necessary in emergencies involving the safety of human life or the protection of property.

- Establishing the General Accounting Office (GAO) as the watchdog over expenditures and to institute standards for financial and other resource management systems.

Funds are thus provided by Congress in specific amounts for specific purposes through public law. The phrase "administrative control of funds" as required by law is used to identify those actions, events, or systems that are required to ensure that:

- Funds are used only for the purposes intended.

- Fund amounts, in excess of those available, are neither obligated, disbursed, nor further distributed.

- Agency heads are capable of fixing responsibility, if violations occur.

Punitive Provisions

The United States Code prohibits illegal use of funds and establishes punitive provisions for violations. The Anti-Deficiency Act:

- Forbids making or authorizing an expenditure or obligation in excess of the amount available in an appropriation or an apportionment or in excess of the amount permitted by agency regulations.

- Provides administrative and criminal penalties for a violation.

- Requires apportionment by regular periods, by activities or functions, or by a combination of both methods.

Continuing Resolutions

The appropriations act provides budget authority to incur legal obligations and to make payments. When Congress fails to pass an appropriation by the end of the fiscal year, it usually passes a Continuing Resolution Act, providing emergency legislation that authorizes the funding of government operations without appropriations. A temporary measure, the continuing resolution usually restricts funding to the prior-year level and prohibits new initiatives.

Office of the Secretary of Defense

OSD controls multi-year procurement accounts through program releases that specify the quantity of an authorized item that may be bought. Authorization controls apply thresholds on budget programs and activities funded by operating accounts that govern rates of expenditure. Within these thresholds, execution accommodates changes in pricing and in adjusting command priorities.

The program budget guidance or the budget and manpower guidance provides direction, but does not include the specific authority to obligate funds. The fund authorization document (FAD) is used to allocate, suballocate, and allot annual funding programs and to provide obligation authority. For procurement and RDT&E appropriations, an approved program document accompanies the FAD to provide further administrative limitations on the use of funds.
Force Integration

Department of the Army

The Army, as an operating agency, must first receive OSD program authorizations through the DFAS before any funds can be obligated. It can then allocate apportioned funds to executing agencies in subordinate commands and installations. This is done by allotments that authorize users to place orders and award contracts for products and services to carry out approved programs. Installations obligate funds as orders are placed and contracts awarded. They make payments as materiel is delivered or as services are performed.

Early in the fiscal year, the Director of the Army Budget prepares initial obligation and outlay plans for all Army appropriations and funds that will be active during the year. After an appropriation act passes, he and appropriation sponsors review plans based on MACOM and PEO estimates of annual obligations. The ASA(FM) sends completed obligation and outlay plans to the OSD comptroller. The plans are tied to the obligation and outlay controls of the President’s budget. There, under the Gramm-Rudman-Hollings Act, the controls are agreed to by DOD and Congress before the President submits the budget.

EXPENDITURE EVALUATIONS AND CONTROLS

Department of Defense

OSD conducts a biennial execution review as a scheduled event in the DOD PPBS process. The measure focuses exclusively on execution of the defense program. The review considers subjects selected by the Deputy Secretary of Defense from candidates nominated by OSD, the CINCs, and the Services. OSD uses review findings to influence future OSD policy and the defense program. The findings also lead to new guidance for conducting current efforts.

Department of the Army

HQDA conducts a quarterly management review of selected Army programs under the program performance and budget execution review system (PPBERS). It compares actual program performance with objectives set by the Secretary and the Chief of Staff, Army at the beginning of the year. It then takes corrective action to improve goal accomplishments. The PBC receives the quarterly PPBERS presentations, from which it selects topics for further presentation to the SELCOM.

Means for evaluating system program performance include milestone reviews of designated acquisition programs by the ASARC and milestone and IPRs of designated automated information systems by the Army MAISRC.

The program and budget accounting system is a departmental system that provides for departmental accounting and reporting. This system uses centralized processing and decentralized control over program and fund distribution functions from HQDA to the MACOMs and to the installations. This system also uses central accumulation of installation trial balances to verify DA reports.

The standard Army financial inventory accounting and reporting system performs financial inventory accounting for stock-funded supply transactions. This includes recording obligations, receipts, and payments related to inventory transactions; maintaining a general ledger; producing management reports; and generating obligations and disbursement records for the Standard Financial System (STANFINS).

DA Subordinate Commands and Agencies

MACOMs, PEOs, and other operating agencies carry out the approved program within funding provided. They review budget execution and account for and report on the use of allocated funds by appropriation, program, Army management structure code, and MDEP. The financial data obtained as feedback help MACOMs and agencies develop future requirements.

The STANFINS performs "consumer fund" accounting for most Army installations (exceptions are AMC and communications and
electronics activities). It records funding authorizations; accumulates and reports on obligations and disbursements against fund authorizations for control purposes; and provides breakout to installation, MACOM, and HQDA financial managers of funds, obligations, and disbursements by appropriation. STANFINS serves as the Army’s primary record at installation level for installation-level appropriation accounting. It produces the financial reports required by higher authorities.

The tactical unit financial management information system (TUFMIS) is an automated system that is operated in direct support units (DSUs). DSUs receive requests for materiel from tactical units. TUFMIS records inputs and outputs to and from DSUs by supported units/organizations. The system produces daily and cumulative-to-date reports on commitments for materiel costs by unit and by weapon system. TUFMIS provides reports and information for resource management at the tactical level; however, it is not a formal accounting system with certifiable records. TUFMIS does provide commanders with the dollar value of supply requisitions by unit and the availability of funds to purchase supplies from a higher echelon source.

Summary

The PPBES goal is to ensure that the program is designed to meet the demands of the national military strategy within available resources. The decisions and priorities established during the programming cycle are the foundation for the Army BES. Depending on the particular phase of the PPBES cycle, actions proceed under the direction of functional proponents: planning under the DCSOPS, programming and evaluation of program performance under the DPAE, and budgeting and financial execution under the ASA(FM) and the DFAS.