



# **DoD Budget Issues and Budgeting Changes**

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# Office of the Secretary of Defense



**Secretary of Defense/Deputy Secretary of Defense**

**Under Secretary  
of Defense  
Policy**

**Under Secretary  
of Defense  
Personnel & Readiness**

**Under Secretary  
of Defense  
Acquisition, Technology &  
Logistics**

**Under Secretary  
of Defense  
Intelligence**

**Under Secretary of Defense  
Comptroller/Chief Financial Officer**

**Director  
Program, Analysis & Evaluation**

**Deputy Comptroller  
(Program Budget)**

**Deputy Chief  
Financial Officer**

# Management Initiative Decision 913 (2003)



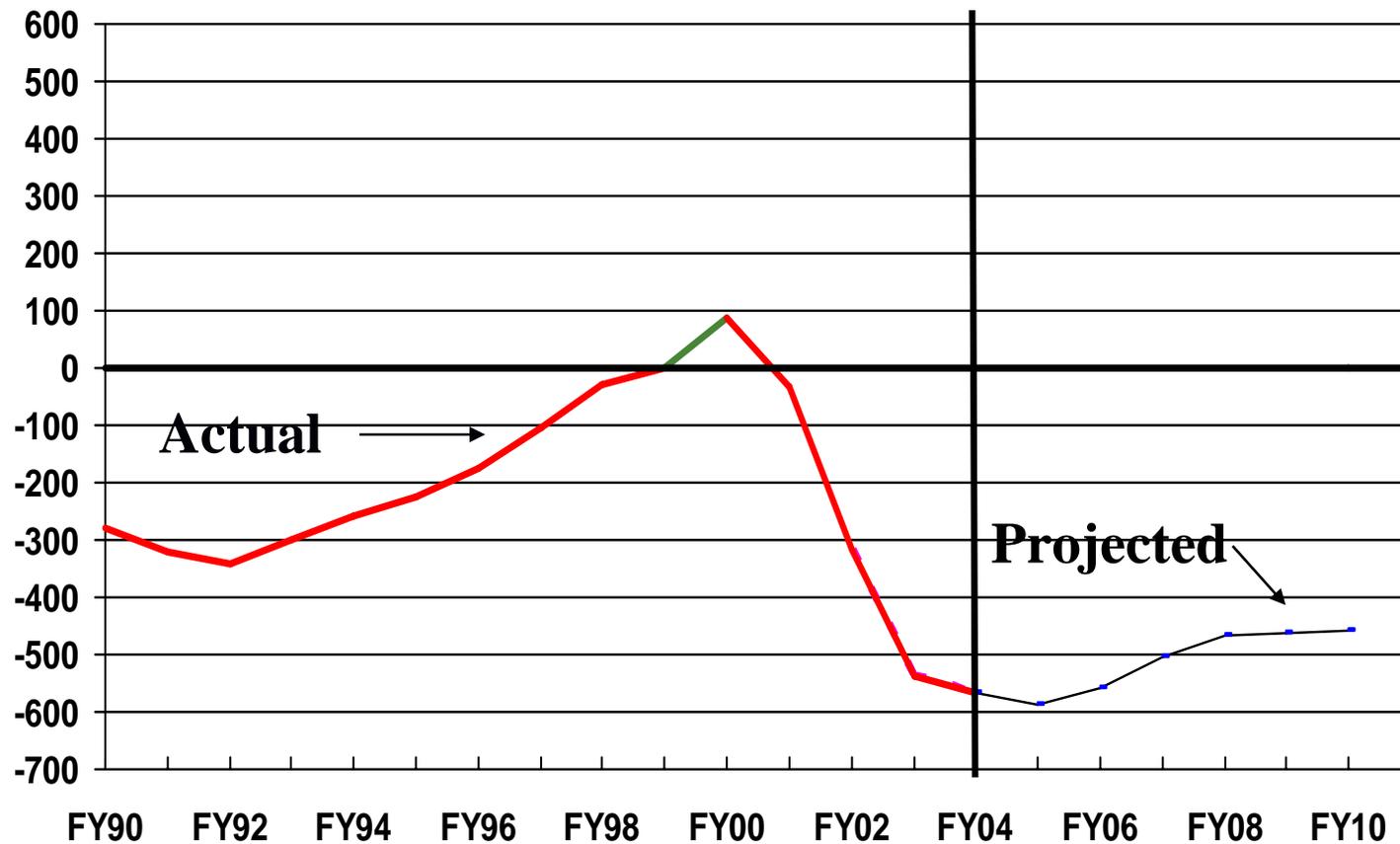
- Established a 2 year budget cycle
  - Set a strategic focus in the “on-year”
  - Make incremental changes in the “off-year”
    - FY 2005 was beginning of cycle
    - Processed Program Change Proposals (PCPs) and Budget Change Proposals (BCPs)
    - **Offsets were required**

# On-Budget Surplus/Deficit

(FY 2006 Budget projections, excluding Social Security)

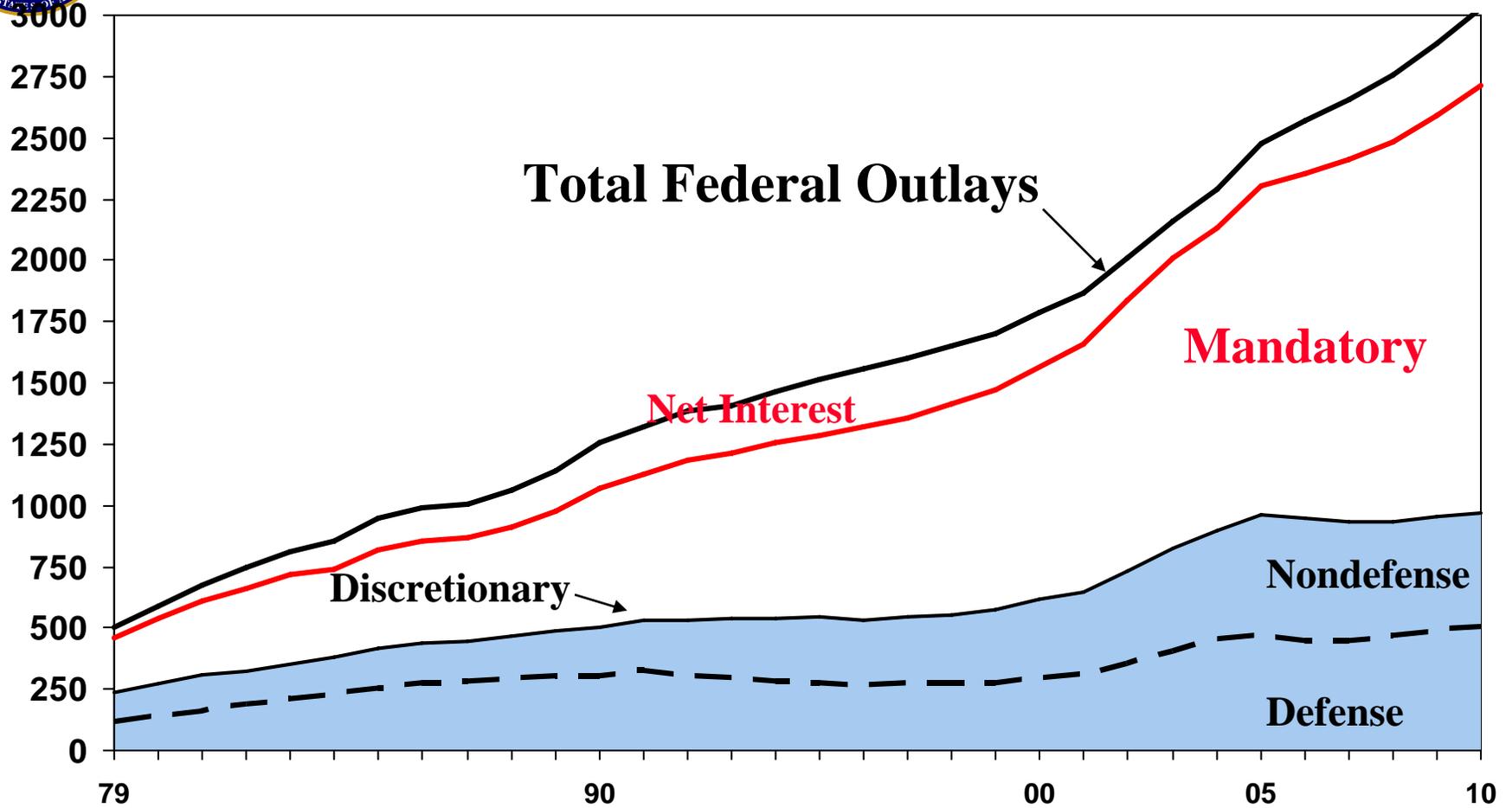


Billions of dollars



# Trends in Federal Spending

(Outlays in billions of dollars)



# FY 2006 - 2011 DoD Budget



**(Dollars in Billions)**

	<b><u>FY 06</u></b>	<b><u>FY07</u></b>	<b><u>FY08</u></b>	<b><u>FY09</u></b>	<b><u>FY10</u></b>	<b><u>FY11</u></b>
<b>FY06 Pres Bud</b>	<b>419.3</b>	<b>443.1</b>	<b>462.4</b>	<b>482.0</b>	<b>492.1</b>	<b>502.3</b>
<b>TOTAL INV.</b>	<b>147.4</b>	<b>158.3</b>	<b>167.9</b>	<b>177.7</b>	<b>180.1</b>	<b>178.3</b>

**Major Defense Acquisition Programs (MDAPs) account for less than half.**

**\* R&D and procurement**

# FY 2006 - 2011 Program/Budget Process



- Spring 04 - Fiscal Guidance provided to Services
- Summer 04 - Services prepared POM/BES
- August 1 - Services submit POM/BES
- Sept - Oct - Issues reviewed, accepted/rejected, issue teams formed, budgets reviewed
- Oct - Dec - Issues briefed to 3-Stars/SLRG

# FY 2006 - 2011 Program/Budget Process



- Nov - PBDs - Departmental level
- Dec - Economic assumptions, guidance on topline
- Dec - PDM issued
- Dec - Final negotiations with Services
- Late Dec - PBD 753 - Budget lock

# Quadrennial Defense Review



- 6 IPTs Formed
  - Capabilities
  - Enablers
  - Roles and Missions
  - Manpower
  - Processes
  - Authorities
- Roundtables
- Sweeping, all encompassing review
- **Resource-neutral**

# FY 2006 - 2011 DoD Budget



**(Dollars in Billions)**

	<b><u>FY 06</u></b>	<b><u>FY07</u></b>	<b><u>FY08</u></b>	<b><u>FY09</u></b>	<b><u>FY10</u></b>	<b><u>FY11</u></b>
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**Pressures on Investment Programs**

# FY 2007 - 2011 Program/Budget Process



August 1 - Components submit “Fact-of-Life” proposals

- Pricing
- Program execution
- Congressional Action (if complete by Aug 1)

Do not anticipate BRAC outcome

**Resource-neutral**

August 15 - Disposition of Fact-of-Life proposals

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# FY 2007 - 2011 Program/Budget Process



Sept 6 - Components submit Change Proposals and BES Submission

- Only accepted Fact-of-Life changes in justification material or electronic submission
- Tailored, limited budget exhibits
- Highlight Change Proposals
- **Resource-neutral**

Fall - Joint Program/Budget review

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# Change Proposal Guidance



- Single, coherent enhancement to Defense capabilities
- Incorporate results of directed studies
- Deviations from previous guidance
- Explain:
  - Why the issue is not appropriate for the QDR
  - Why the issue cannot wait for FY 2008 review
- Identify the risks (operational, future, institutional, or force management) that would be increased to fund the enhancement
- Reductions in the proposal may be used to fund the enhancement proposed **or to fund other initiatives**

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# Change Proposals



- Appropriation guidance
  - Investment
    - ACAT 1 - any quantity change - any change of +/- 10% in any appropriation, any year
    - ACAT 2 - any program new start or termination
    - S&T - any reduction to total level in any year
  - Milcon - change to FY 07 project list, change to project scope

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# Change Proposals



- Appropriation guidance
  - Milpers
    - Change to end or average strength in any year
    - Any new personnel benefit
    - And Permanent Change of Station funding change +/- 5%
  - Operation & Maintenance - any change to program metrics
    - Steaming hours, flying hours, tank miles, Marine Corps ready days
  - Revolving Funds
    - Changes that result in a change in customer rates
    - Changes that result in increased/decreased customer budget authority
    - changes to capital purchases programs

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# FY 2007 - 2011 Program/Budget Process



- Implement results of QDR
- Implement BRAC decisions
- Brief proposals to 3-Stars/SLRG
- Issue PBDs/PDM
- Economic assumptions, deficit projections, topline guidance from OMB
- Final negotiations with Components
- Budget Lock - Dec 20

**PBD 753 Revised?**