Overview

- History of PPBE
- PPBE: Today, Tomorrow
- AF’s Processes
- Summary
DON’T WORRY.
These cuts will just make you leaner.
The DoD Budget Process
Up and Out

DoD uses the Planning, Programming, Budgeting & Execution (PPBE) process to link its resources to the defense strategy.

- Components prepare program and budget estimates
  - Planning Phase
  - Programming Phase
  - Budgeting Phase
- OMB and OSD concurrently review Component submissions
- President submits budget to Congress (1st Tuesday of February)
- Congress appropriates and authorizes funding for the Department
  - Budget Legislation
  - Authorization & Appropriation
“You cannot make decisions simply by asking yourself whether something might be nice to have. You have to make a judgment on how much is enough.”

Robert S. McNamara
April 20, 1963

Six Fundamental Ideas:
1. Decisions should be based on explicit criteria of national interest, not on compromises among institutional forces
2. Needs and costs should be considered simultaneously
3. Major decisions should be made by choices among explicit, balanced, feasible alternatives
4. The Secretary of Defense should have an active analytic staff to provide him with relevant data and unbiased perspectives
5. A multiyear force and financial plan should project the consequences of present decisions into the future
6. Open and explicit analysis, available to all parties, should form the basis for major decisions
**PPBS, Continued**

- Designed to establish the Secretary’s control over the Department
- Established in 6 months, used in preparing the FY63 budget (Jan 62)
- Program alternatives reviewed in terms of cost/benefit
- Decisions developed through Draft Presidential Memoranda (DPM)
  - Prepared by the Office of Systems Analysis
  - Changed to Program Analysis and Evaluation (PA&E) in the 1970s
  - Reviewed and amended by the Secretary, then to the Services
  - Issues decided by the Secretary after review of Service comments
- Decisions recorded in the Future Years Defense Plan (FYDP)
  - FYDP arrays resources in Major Force Programs (MFP), as well as by Service, and by budget category
  - FYDP provides map from appropriations categories to output categories
  - MFPs facilitate analyses of capabilities by assembling complements and substitutes into mutually exclusive, collectively exhaustive sets
“PPBS” Recently

- Weapons Systems Acquisition Reform Act (WSARA) of 2009
  - Established the Director of Cost Assessment and Program Evaluation (D,CAPE), a Presidentially appointed, Senate confirmed position
  - Transferred PA&E staff to CAPE
  - Addressed shortcomings in DoD acquisition processes
  - Required realistic cost estimation throughout the acquisition cycle
  - Expanded the need to provide guidance for Analyses of Alternatives (AoAs)
Recent Initiatives Affecting PPBE

- Management Initiative Decision (MID) 913
  - Initiated a two-year cycle
    - “On-year” - OSD provides guidance (fiscal and programmatic) and Services build programs as they desired
    - “Off-year” - OSD focuses on execution and longer term planning; limited changes to program of record
  - Changed acronym to PPBE, reflecting increased emphasis on Execution resource data

- Enhanced Planning Process
  - Replaces old Defense Planning Guidance with:
    - Strategic Planning Guidance (fiscally informed, high level) in December
    - Joint Planning Guidance (fiscally constrained, proscriptive) in April
  - Fully integrated program and budget build and reviews
  - Annual performance review

- RMDs, Front End Assessments (i.e., SCMR, SPR) and DPPG

- Moving toward single Program/Budget data structure
Deputy Secretary Work tasked Comptroller, Policy and CAPE to review PPBE with an eye towards “reset”

Key objectives
- Balance strategic and programmatic risk
- Produce more rigorous and credible budgets
- To support workload reductions

Focus on what’s not working
- What is not serving the needs of DoD or our oversight customers?

Approach
- Established Working Group with representatives from Services, JS, NGB, and SOCOM; led by CAPE, Comptroller and Policy
- Solicited Service/Component comments and suggestions regarding PPBE process, procedures, timelines, inputs, outputs, interactions, etc.
- Select congressional appropriations staff provided feedback on delivered budgets
PPBE Reset, Near Future

- Separation, Revert to Tradition (Full Two-Year Schedule)
- Guidance: earlier FG & DPG, DPG phased forward, periodic updates
- Process: Separated Program and Budget Reviews (reversion to historical) – will take 2 cycles to fully adjust - moving POMs 5-6 weeks forward per year
  - Goal: 15 Jun POM submission, 1 Jul issues identified
  - Year 1 – Aug-Oct Program Review; Year 2 - Jul-Sep Program Review
  - Year 1 and 2: 1 Oct Program Review decisions (with offsets) incorporated
  - Year 2: 15 Oct database lock, J-book submission with Programming decisions
  - Year 1 and 2: 15 Oct – 15 Dec: Budget Review
  - Year 1 and 2: 15 Dec Budget Review decisions (with offsets) incorporated
  - Major Budget/Program Issues: late December
Decoding the Acronym

- **PLANNING** - Figuring out what we will need
  - Lay out future needs, and innovative methods to achieve them, based on projected Total Obligation Authority (TOA)
- **PROGRAMMING** - Figuring out what we can afford
  - Prioritize all needs; decide how, how much and where to accept risk based on available TOA throughout FYDP
- **BUDGETING** - Allocating and refining
  - Detailed pricing of resources requested
- **EXECUTION** - Making it happen
  - Actual distribution/outlay of resources; Facts of Life often cause resources to not be spent exactly as budgeted

A Continuous Loop
What is PPBE Today?

- An executive management tool which reflects:
  - The Executive Branch’s civilian control of the military
  - The Secretary of Defense’s management style

- A resource allocation process for administering:
  - An annual budget in excess of $500 billion
  - More than 2 million active service members and civilians
  - Capital assets exceeding $1 trillion (facilities, equipment)

- A rational methodology for balancing:
  - Internal (DoD-wide) and External (Administration and Congressional) Priorities
  - Central Planning vs. Delegated Management
  - Stability vs. Change
PPBE Schedule

Continuous Cycle

- OSD-level Planning (Jan - Jun) – CAPE develops Fiscal Guidance
- Programming & Budgeting (Apr - Aug)
  - Services and Fourth Estate agencies prepare plans on their recommended allocation of resources (Program Objective Memorandums (POMs))
- Program & Budget Review (Aug - Dec)
  - CAPE forms “Issue Teams” to evaluate POMs
    - Led by CAPE analysts and includes representatives from Components across the DoD
  - 3-Star Programmer’s Group – Chaired by Director, CAPE
    - Members: DCAPE, Service 3-Star Programmers, OSD Under Secretaries, Joint Staff, COCOMs
    - Briefings present issues, analyses, risks, options, and tradeoffs
  - Deputy’s Management Action Group (DMAG) – Chaired by DEPSECDEF
    - Members: DSD, VCJCS, DCAPE, Service Undersecretaries, Service 4-Star Vice Chiefs of Staff/Assistant Commandant, OSD Undersecretaries, SOCOM
  - CAPE works with OSD(C) to help develop President’s Budget submission

PPBE is the principal tool used by the SD and the DSD in allocating resources across DoD, PBR is when/how they do it!
Service POMs are “reviewed” externally (OSD, JS, COCOMs, Agencies)

- “Grading the Homework” – assessed against all previous Guidance, compared to last year’s POM

Issue Papers: Programmatic and Budgetary

- External reviewers submit Issue Papers to change Service POM
- Resolution: Compliance items and PBR Decisions: AF TOA at risk

OSD and Services establish Issue Teams: Present cases/debate each issue to prepare for/recommend resolution to 3-Star Programmer’s Group and DMAGs

- “Phantom” Issues: not part of Issue Paper, but must be defended
- “Zombie” Issues: despite resolution, debate continues

Decisions codified in Resource Management Decision (RMD) document
Two Types of Issues Identified by OSD or JCS

- **Programmatic** issues propose changes that impact mission and/or operational requirements
  - Force structure changes
  - OPTEMPO changes
  - Changes to weapon or system functionality
    “Are we doing the **right thing**?”

- **Budgetary** issues propose changes that impact price
  - Inflation and utilities costs
  - Fuel cost factors
  - Cash flow considerations
    “Are we doing the **thing right**?”
After informal Issue Team engagement, OSD (CAPE and/or Comptroller) formally writes outstanding issues as proposed changes to the USAF position – initially as Draft RMDs.

- OSD publishes surviving issues as Draft RMDs organized by:
  - Cost/Economic Assumptions
  - Budgetary/Programmatic Issues
  - OCO Issues
- Services respond to Draft RMDs
  - Accept, Accept with Comment, or Reclama
  - Could result in the elimination or modification of issues.

- OSD can:
  - Restrict Services’ response to Draft RMDs – “error of fact” only reclamas
  - Publish Signed RMDs – SecDef order to execute
    - Can completely skip the “draft RMD”
PBR Division of Labor

- Deputy Secretary of Defense (DSD)
  - Leads whole process, approves Issues, chairs DMAG
- OSD
  - CAPE: Program Review (Chairs 3-Star Programmer’s Group)
  - Comptroller: Budget Review, Budget Finalization and Rollout
  - Establishes Issue Teams, based on nature/content of Issues
- Air Force: SAF/FMP (Program Review) & SAF/FMB (Budget Review)
  - Leads building of POM & AF Defense of POM (PBR)
  - Establishes companion Teams to OSD’s Teams
    - ~28 Teams, 250 Action Officers
    - Preps AF Principals attending the 3-Stars and DMAGs
  - Tracks each Issue, accruing bills to AF, develops bill-paying strategy

The Department dances around the flame of PBR
Key Points to Remember

- PPBE is DoD’s resource allocation system
  - DPG and FG set direction & priorities—POMs are “graded” accordingly
  - Programming assigns resources to achieve direction
    - “roughly/affordably right”
  - Budgeting fine tunes cost details
    - Budgetary level of detail
- PPBE is (not) zero-based
  - Programming: the art of allocating between competing requirements
- PBR is The Dance!
- The SD has no shortage of advisors
  - Each with own perspective (policy, technology, etc.)
- Must pay attention to multiple years, simultaneously
- Did you comply with Guidance?
- Recently: Is it at “PB” or “BCA”?
- Is it in the RMD?
PPBE PROCESS

DoD’s Scarce

THE ART OF DISTRIBUTING RESOURCES EQUITABLY
AF PPBE Processes

- Planning
- Programming
- Budgeting
- Execution
- Summary
FM and A5/8 Reorganization
Post PBR16

Re-org should be transparent to MAJCOMs

Integration Cell
Planning
A8X

FM
Programs
FMP
Budget
FMB
Engine Room

PPBE
Mission and Mission Support Panels

MISSION AND SUPPORT PANELS

REORG should be transparent to MAJCOMs
Planning, Programming, Budgeting, and Execution (PPBE)

- Planning
- Programming
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- Execution
- Summary
AF Strategic Planning Process

- 30 Year Look: “Call to the Future!”
- Strategic Environment & Threat Assessment
- Strategic Priorities & Lines of Operation
- S&T & Research Focus Areas

- 20 Year Look: Single AF Master Plan
- Fiscally Informed: Current/Emerging Prgms
- Strategic Off-Ramps & Pivot Points
- Overarching guidance for “Flight Plans”

- 10 Year Look: Integrated Planning Force
- Balanced Resources & Investment Strategy
- Cross-Portfolio Trades
- First 5 years = POM

Air Force Strategy
Updated every 4 Years

Master Plan
Updated every 2 Years

Updated Annually
“We have to stop dancing around the flame of the POM.” (CSAF, ‘15)

Seams and constructive tension exist between Planning and POM

- Long range Planning requires many assumptions & clear Strategy
- POMs are tightly fiscally constrained, many external voices alter Service POM submission as it becomes part of PB
- Budget execution deviates from (PB x Facts of Life)/Time
- Plan must continuously “course correct” as assumptions change
  - External voices rarely alter AF Strategy or Plan, directly

SecAF/CSAF directed effort to formalize Long Range Planning

AF on evolutionary path to “smooth flow” POM from codified RAP

AF must still deliver Global Vigilance, Reach, and Power for the Nation
The Air Force will transition from a program-centric to plan-centric resource allocation process over the next two cycles.

Develop a prioritized capability investment list.

Planning will work from the Far-term back to near-term.

Initiatives must first enter through the RAP for funding in the POM.

Planning force proposals will be presented in the form of Initiatives, Disconnects, or Offsets.

Create a resource allocation plan at BCA funding levels, with the fidelity required to develop the FY18 POM.

RAP should be balanced at BCA.

Planning process validated at 4-star Planning Choices Event.
Overview

- Planning, Programming, Budgeting, and Execution (PPBE)
- Planning
  - Programming
- Budgeting
- Execution
- Summary
AF Programming
Building the POM

- Headquarters Air Force: SAF/FMP—The Engine Room
- MAJCOMs/Core Function Leads/Service Core Functions
- Phase 1 Balanced Submission; Phase 2 Submissions
- O&M, Investments, Offsets
- The Air Force Corporate Structure: disciplined, rigorous process
  - The (Mission and Mission Support) Panels
  - Intermediate Level Review (ILR)
  - Air Force Board (AFB)
  - Air Force Council/4-Star Vector checks
  - “Get To the Bottom Line”/POM Closure

Annual “Math Problem” to comply with Guidance, support CCDRs, balance Readiness, Modernization, Investments and take care of Airmen

Integrity - Service - Excellence
## FY17 POM Programming Timeline

### U.S. AIR FORCE

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### Input Sources
- 1 Feb PPG/PGM/PPI Release
- 2 Feb Budget Roll-Out
- 9 Feb ZBT Closed
- ~15 Feb OSD Fiscal Guidance
- 16 Feb Baseline Extension
- ~28 Feb Air Force Fiscal Guidance
- 28 Jan -- SASC CSAF/SECAF Sequestration Hearing
- 5 Mar (Tent) -- SASC CSAF/SECAF Posture Hearing
- 7 Mar (Tent) -- SASC CSAF/SECAF Posture Hearing
- 25 Feb -- SAC-D CSAF/SECAF Posture Hearing
- 28 Feb -- SAC-D CSAF/SECAF Posture Hearing

### Programming
- 2 Mar Balanced Submissions & Disconnects
- 9-13 March ILR Balance Validation Under-Execution Review
- MPWG 16-19 Mar
- 23-26 March AFB Balance Validation Under-Execution Review
- Offset Analysis
- FMO Validation/Costing
- ~2 Apr Phase 2 Submission “Offsets”
- 14 Apr 4-Star Vector Check

### Congress
- 28 Jan -- SASC CSAF/SECAF Sequestration Hearing
- 5 Mar (Tent) -- SASC CSAF/SECAF Posture Hearing
- 7 Mar (Tent) -- SASC CSAF/SECAF Posture Hearing
- 25 Feb -- SAC-D CSAF/SECAF Posture Hearing
- 28 Feb -- SAC-D CSAF/SECAF Posture Hearing

### Committee Mark-Ups
- 16 Feb Baseline Extension
- ~28 Feb Air Force Fiscal Guidance

### Committee Conference
- 28 Jan -- SASC CSAF/SECAF Sequestration Hearing
- 5 Mar (Tent) -- SASC CSAF/SECAF Posture Hearing
- 7 Mar (Tent) -- SASC CSAF/SECAF Posture Hearing
- 25 Feb -- SAC-D CSAF/SECAF Posture Hearing
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### FM Validation
- 26-29 May AFB “GTBL” Manpower FMO
- 12-15 May ILR “GTBL” Manpower FMO
- 14 Apr 4-Star Vector Check
- 27-29 May AFB “GTBL” Manpower FMO

### UNCLASSIFIED

**Integration - Service - Excellence**
Cost Analysis/Estimating

Impact on Budgets

- Acquisition Programs
  - Service Cost Positions for Acquisition Pgm Milestone Reviews
  - Nunn-McCurdy (MDAPs); Critical Changes (MAIS)
  - MDAP Issue Team, 2009 WSARA, 2366 a & 2366b certifications
  - Non-Advocate Cost Assessments…55% of FYDP– 2% cost risk

- O&M Programs
  - $8B Flying Hour Program Annual Reprice for POM
  - Business Case Analysis and Economic Analysis

- AF Total Ownership Cost Database
  - Scope: Historical Costs All Appns Since 1996
  - Uses: ID historical cost drivers; shape future budgets

Cost Community Advisory Member to AF Corporate Structure: Critical contributor to “Executable” budgets
Overview

Planning, Programming, Budgeting, and Execution (PPBE)

- Planning
- Programming
- Budgeting
- Execution
- Summary
Signed RMDs to PB Release

AIR FORCE PAYS BILL

Signed RMD → MBI Discussion (if permitted) → ABIDES Updated → AFCS Briefed → DOD Budget submitted to OMB

PB Presidents’ Budget

PB SUBMITTED to CONGRESS
After Final RMDs

- Balance FYDP Database and Lock
- Write Congressional Justification Books (J-Books) For Base Budget & OCO…Coordinate Drafts with OSD Comptroller
  - O&M: Active, Guard, Reserve
  - MILPERS: Active, Guard, Reserve
  - RDT&E (covers total force)
  - Procurement (covers total force): Aircraft, Ammo/Munitions; Missile; Other
  - MILCON: Active, Guard, Reserve
  - BRAC (covers total force)
  - Military Family Housing (active)
  - Working Capital Funds (very small direct appn to active)
- Produce PB Rollout Brief and Overview Book→ audiences: public; media; Congress (HASC, SASC, HAC-D, SAC-D)
Overview

- Planning, Programming, Budgeting, and Execution (PPBE)
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Budget Execution (O&M example)
“How You Get Your Money”

Funds Distribution

Air Staff

MAJCOM

Wings

OG
MSG
MXG
MDG

Financial Working Group (FWG)

Program Review Working Group

Program Review Group

Financial Management Board (FMB)

Board

Council

AF Panels

AF Group

AF Board

AF Council

Base Level

MAJCOM

HQ USAF
Execution Reviews

U.S. AIR FORCE

- Conducted Year Round for All Appropriations…Heavy Concentration @ Mid Yr

- Mid Year Concentrations at Air Staff, MAJCOM, Product Centers
  - O&M and MILPERS: in Support Of Omnibus Reprogramming
    - Metric: obligation % (periodic revalidation of need)
    - Governance Bodies: OBRC and PBRC; AF Board; AF Council
  - RDT&E and Proc: In Support of Omnibus Reprogramming
    - Metric: expenditure % RDT&E; obligation % Procurement
    - Governance Bodies: Spring Execution Review…IBRC; AF Board; AF Council
  - WCF: In Support of Omnibus Reprogramming
    - Metrics: Net Operating Result; Variances to Plan; Cash Levels
    - Governance Bodies: OBRC; AF Board; AF Council

- Reprogrammings
  - Below Threshold: completed by Air Force w/o external approvals
  - Internal: OSD approval
  - Prior Approval/Above Threshold: OSD; OMB; Cong Committees’ Approval
Overview

- Planning, Programming, Budgeting, and Execution (PPBE)
  - Planning
  - Programming
  - Budgeting
  - Execution

- Summary
Overall Briefing Summary

- PPBE is a balancing act...across a complex DoD
  - Any initiative/disconnect means an offset is lurking
  - Always ask “How much?” and “who’s paying for it?”
- Simultaneous, blended efforts: defending budget on Hill; executing current budget; planning (RAP) and formulating (POM) next budgets
- Rigorous cost estimates are the foundation for a realistic Plan, risk-balanced POM and an executable budget
- Efficient execution is key to maximizing AF resources/capabilities
- PBR: Defend the POM through consistent narrative, teamwork!
- Budget Control Act/sequestration is a PPBE game changer
- Your 1st questions should be: what FY; what exercise (POM, PB); base or OCO; PB or BCA; is it in an RMD, what’s in ABIDES?

Spending culture is changing ...

Each of us must maximize resources for the AF
QUESTIONS