

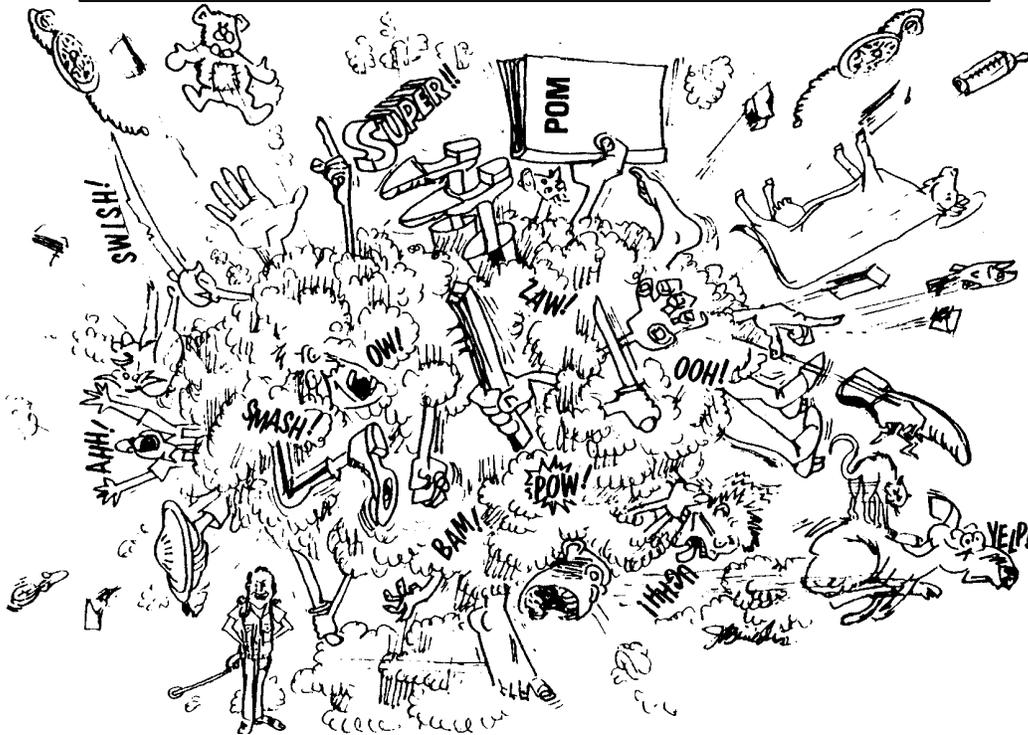
# DEPARTMENT OF DEFENSE PLANNING, PROGRAMMING, BUDGETING, AND EXECUTION (PPBE) PROCESS / ARMY PLANNING, PROGRAMMING, BUDGETING, AND EXECUTION (PPBE) PROCESS

—An Executive Primer—

## INTRODUCTION

Prior to embarking on a detailed discussion of our topic, we need to establish a few practical definitions. **Resources** are the people, equipment, land, facilities, and their necessary support funding. **Planning** provides a list of approved requirements that need resources. **Requirements** are established needs justifying the timely allocation of resources to achieve a capability to accomplish approved military objectives, missions, or tasks. Programming groups the requirements into logical decision sets, allocates six-year resources among those sets, and selects those that fit within the resource limits. **Budgeting** focuses on the first two years of the six-year program and rearranges the programs under congressional appropriation groupings and submits the resulting two-year budget to Congress for review and approval of the first year. These are simple definitions of the critical elements of the Department of Defense (DoD) Planning, Programming, Budgeting, and Execution (PPBE) process and the supporting Department of the Army PPBE component.

## PPBE PROCESS



THE ART OF DISTRIBUTING RESOURCES EQUITABLY

Figure 1

## BACKGROUND

Secretary of Defense Robert McNamara established the DoD Planning, Programming, and Budgeting System (PPBS) in 1962. The system as we know it today is dramatically different from the 1962 system to include its current title – the Planning, Programming, Budgeting and Execution (PPBE) process.

Prior to the McNamara era, each Service essentially established its own single-year budget and submitted it to Congress annually. When McNamara became the Secretary of Defense (SECDEF) in 1962 he brought with him expertise on how to control large organizations—the major tenet being the need to plan and program to control change over several years (i.e., multi-year programming). His management approach required each Service to document their multi-year programming of resources in a single document termed the Five Year Defense Program (FYDP). He designated the SECDEF as the only approving authority for any changes to that document. Thus any Service that wanted to add, delete, or revise something in the FYDP had to obtain SECDEF approval. The Office of the Secretary of Defense (OSD) approved, disapproved, or modified a requested FYDP change.

The Services responded to this control, over time, by virtually swamping OSD with change requests. They apparently assumed that submitting more requests increased the probability that OSD would approve some of those requests. To accommodate this increase in change requests OSD established the Program Analysis and Evaluation (PA&E) office. The original responsibility of this office was to evaluate the change requests and to recommend to the SECDEF those change proposals that had merit. In the beginning the PA&E analysis focused on technical merit, defense needs, and adequacy of the proposal. Over time, however, this objective approach adjusted to the realities of resource constraints. Soon the analysis and evaluation of change proposals submitted by the Services (under a rule that if OSD approved the changes, then the Service got the dollars), began to focus on affordability as opposed to need or technical merit. More and more OSD analyses of proposals resulted in the disapproval of change requests under the guise of technical deficiency when, in fact, it was an affordability problem.

As this fact of life emerged, it became apparent that OSD needed a system to discipline the frequency, timing, quantity, and value of change proposals. That, in turn, resulted in the development of the PPBS framework wherein Services submit changes to a multi-year program on a cyclical basis and OSD provides guidance on the dos and don'ts.

PPBS evolved to its present state as a result of internal OSD initiatives to make the system more responsive and as a result of pressures external to OSD to do things differently. Today, the PPBE process includes the full range of activities that support both DoD and Army decision-making concerning the allocation of resources. The Army in 1981 added Execution to its process and re-titled it PPBES. In 2003, DoD changed PPBS to PPBE. Army followed DoD's lead and replaced PPBES with PPBE process. Therefore, we will identify both the DoD process and the Army process as PPBE.

## OVERVIEW

We will not attempt to describe in detail the DoD and Army PPBE processes, but will instead attempt to provide a familiarity with the processes in layman's terms. Subscribing to the adage that a picture is worth a thousand words, Figure 1 graphically portrays the system as we know and love it today.

First, we need to expand the practical definitions of planning, programming, and budgeting presented in the introduction. **Planning** includes the definition and examination of alternative strategies, the analysis of changing conditions and trends, threat, technology, and economic assessments, and efforts to understand both change and the long-term implications of current choices. Basically, it is a process for determining requirements. **Programming** includes the definition and analysis of alternative forces, weapon systems, and support systems, together with their multi-year resource implications and the evaluation of various tradeoff options. Basically, it is a process for balancing and integrating resources among the various programs according to certain priorities. **Budgeting** includes formulation, justification, execution, and control of the budget. Basically, it is a process for convincing OSD and Congress to provide the necessary resources and then balancing the checkbook to ensure we spend our resources in accordance with the law. It is very important to understand that these general definitions relate to the functions performed and not to a specific organizational element that performs them. With these definitions in mind, we will now transition to the specifics of the Army PPBE process.

There are really two kinds of systems operative in Headquarters, Department of the Army (HQDA) today (fig 2).

### TWO KINDS OF SYSTEMS OPERATING AT DEPARTMENT OF THE ARMY

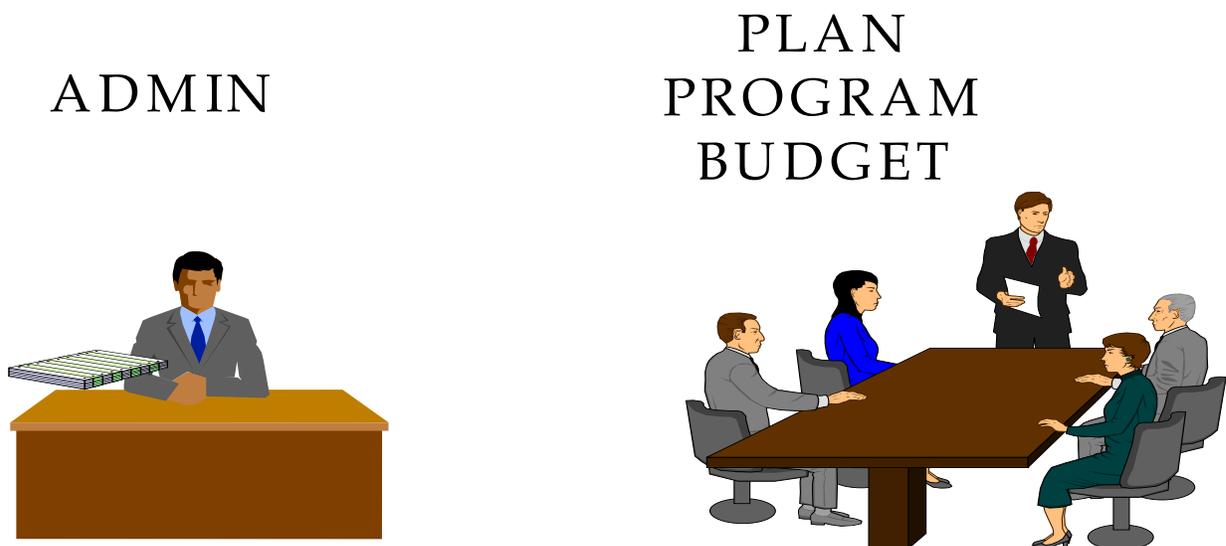
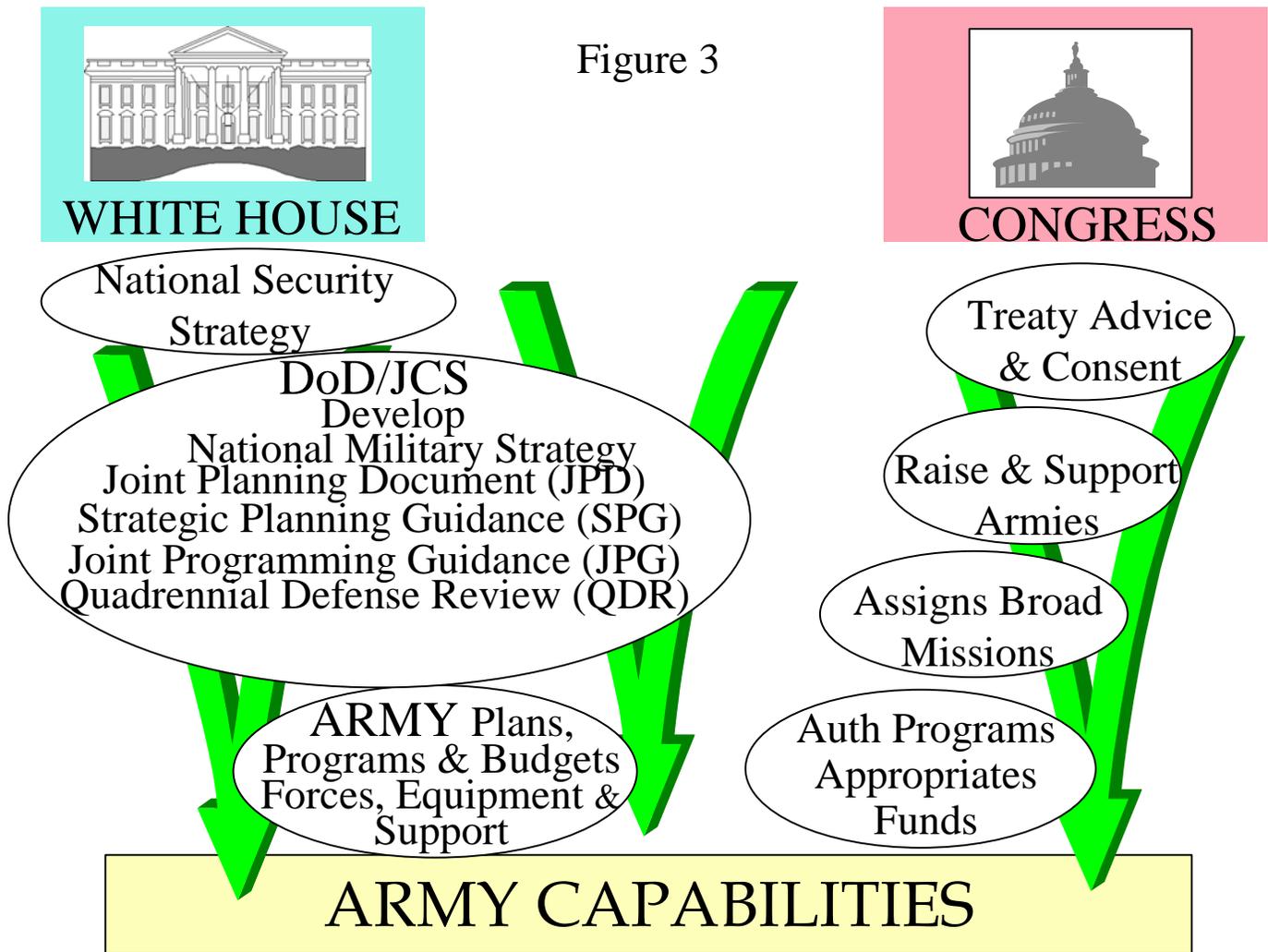


Figure 2

The administrative system consists of the processes and controls we establish essentially to move the mail and provides the procedures and policies we follow to communicate in a standard format within the headquarters. Army PPBE establishes and, in some cases, disciplines how we communicate both inside and outside the Army in terms of planning, programming, and budgeting. While PPBE is primarily a DoD internal system, it has become an integral part of the vocabulary of Congress and other Executive Departments. It is milestone oriented and ultimately influences activity levels, late hour and weekend work requirements, leave schedules, and the disposition of everyone it touches.

The entire system has its origin in an assessment of Army capabilities, both today and what the Army wants in the future. As shown in Figure 3, Congress and the Executive Branch adjust or refine these capabilities when they fulfill their constitutionally mandated responsibilities.



If we were to array the functions required to provide, sustain, and improve our capabilities and associate them with the elements of Army PPBE, we might see a correlation similar to that seen in Figure 4. The impression conveyed that there is no overlap is misleading; however, the degree of overlap between functions is a topic that generates heated discussions and is one of the ingredients that causes the integration of the various functions. Suffice it to say it is not a heel-to-

toe relationship and overlaps exist that require considerable cooperation and coordination between responsible agencies.

\*Note: The 2001 Quadrennial Defense Review Report announced a new defense strategy built around the concept of shifting to a “capabilities-based” approach to defense. While we cannot know with confidence what nation, group of nations, or non-state actor might pose a threat to US vital interests or those of our allies and friends in the future, it is possible to anticipate the capabilities an adversary might employ to coerce neighbors, deter the US from acting, or attack the US or its deployed forces.

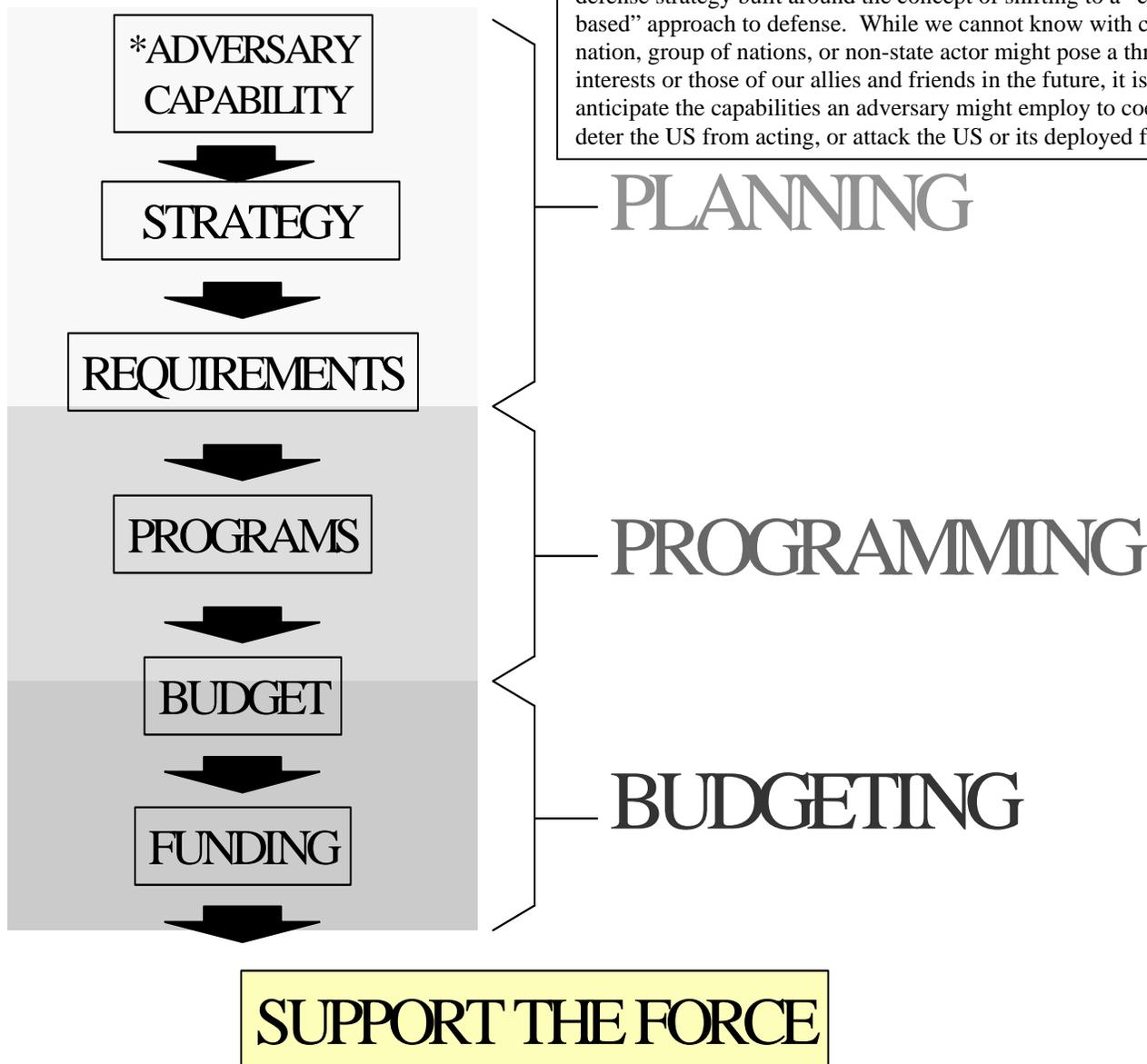


Figure 4

## PLANNING

We will now turn to the start point of the biennial (two year cycle) DoD and Army PPBE process—the planning phase. We show in Figure 5 the “what” aspects of planning. DoD conducts an enhanced, collaborative joint planning process formulating, assessing, and deciding major issues. The Army breaks the planning timeframe into three sections: the far term (out to 25 years), the mid term (out to 16 years), and the near term (out to 6 years). It almost goes without saying that consistency during the planning phase is critical, if the plan is to be relevant. If the plan is constantly changing or is not realistically attainable, it loses credibility and people will soon ignore it. Therefore, Army provides stability by fiscally informing resource allocation and force size during the planning phase.

# PLANNING

## •WHAT

- >Enhanced, collaborative joint planning
- >Far Term - Out to 25 Years
- >Mid Term - Out to 16 Years
- >Near Term - Out to 6 Years
- >Fiscally Informed
- >Establishes Fiscally Informed Force Levels
- >Departure Point for Programming

## •WHO

- >JCS Produces NMS and JPD
- >OSD Produces SPG, JPG, and QDR
- >ODCS, G-3 Produces TAP, TAA, and ODCS, G-8 Produces the RDAP

Figure 5

In Figure 5 we also introduce the “who” aspect of planning. The Organization of the Joint Chiefs of Staff (OJCS) produces a document called the National Military Strategy (NMS) that defines the national military objectives, establishes the strategy to achieve these objectives, and addresses the military capabilities required to execute the strategy. OJCS also produces a document called the Joint Planning Document (JPD) that provides initial, timely, authoritative planning and broad

programming advice to the Secretary of Defense for the preparation of the Strategic Planning Guidance and the Joint Programming Guidance. The Office of the Secretary of Defense (OSD) then produces the SPG and JPG providing guidance to the military departments and defense agencies for planning and Program Objective Memorandum (POM) development. The SPG is a single, fiscally informed policy and strategy document that may include programmatic guidance on a few issues of paramount importance. The JPG is a fiscally constrained programming guidance document recording decisions reached in the enhanced planning process and demonstrating that the totality of programmatic guidance provided in the SPG and DPG is fiscally executable.

The Army's Deputy Chief of Staff, G-3 has overall responsibility for developing The Army Plan (TAP) and its three stand-alone sections. Section I is Army Strategic Planning Guidance (ASPG). ASPG is the responsibility of the DCS, G-3 and analyzes the future strategic environment 25 years out. Section II is Army Planning Priorities Guidance (APPG). APPG is the responsibility of the DCS, G-3 and covers the six years of the POM plus ten additional years. Section III of the TAP is the Army Program Guidance Memorandum (APGM). APGM is the responsibility of the Director, Program Analysis and Evaluation (DPAE, G-8). It guides the POM by providing goals, objectives, sub-objectives and prioritized resource tasks for each of the six Program Evaluation Groups (PEGs). ODCS, G-3 conducts the Total Army Analysis (TAA) and the ODCS, G-8 develops the Research Development and Acquisition Plan (RDAP). TAA validates the operating force and produces the support and generating forces to complement the Army's operating force. The RDAP is a 1-n prioritized list of all RDA program packages [Management Decision Packages (MDEPs)] with funding and quantities for the POM and the Extended Planning Period (EPP), nine years beyond the POM.

While the SPG, JPG, and TAP are formidable documents to sit down and read for complete comprehension, they are critically important documents in the process. The process of developing the SPG and JPG includes the military departments, The Joint Staff, Defense Agencies, and the unified commands, while TAP development includes all Major Army Commands (MACOMs) and Army Component Commands (ACCs) of the unified commands. Everyone in the chain has the opportunity to participate. Hence, the process itself is just as important as the final products because it provides direction and coordination within the Department of Defense and the Army.

# PROGRAMMING

## PROGRAMMING

### •WHAT

- >Translates Planning and Programming Guidance into finite action
- >Considers Alternatives and Tradeoffs
  
- >Integrates Proponent's Requirements into a balanced Program

### •WHO

- >DPAE within ODCS, G-8 Produces the POM
- >ODCS, G-3 Integrates Requirements & Prioritizes Programs

Figure 6

gram. The program balance becomes difficult when we must achieve that balance within constrained resources.

We display in Figure 7 what appears to be a different definition of programming than shown earlier. In reality, it is just academically a little more precise. Nevertheless, the important aspects of

## DEFINITION OF PROGRAMMING

The Art of Translating Guidance and Objectives Into Action To Produce Combat Capability by the Timely and Balanced Allocation of Resources

- How Big Will We Make the Army?
- What Forces Will It Contain?
- What Will We Buy?
- Where and What Will We Build?
- What Are the Expected Resource Constraints?

Figure 7

(other than headaches and confusion). Every even fiscal year they produce a document that displays the Army program over a six-year period. They call it a Program Objective Memorandum (POM) because that's what programmers have always called it. Combined with the even fiscal year Budget Estimate Submission (BES) and transmitted by the SECARMY in a memo to the SECDEF that includes an Executive Summary, the POM/BES comprises both narrative and a

We now transition to a brief discussion of those strange folks called programmers. In Figure 6 we depict the job description of a programmer.

A programmer endeavors to translate the goals and objectives of the planner (i.e., requirements) into finite actions with resources applied. The programmer considers alternatives and tradeoffs but always remains focused on the planner's guidance and objectives. Perhaps the most critical task of the programmer is to integrate all the different requirements into a balanced pro-

gram. This graphic are the questions that the programmer must address. Hopefully, at this point an issue we raised at the outset is becoming clear, one central activity in the organization cannot perform the programming function by itself. Every major staff element is an integral part of the programming function. When all the programmers on the Army staff get together they talk about these questions, and they address the conflicts, the alternatives, and the tradeoffs, but always oriented on the planner's guidance and objectives.

We should now talk about what it is that Army programmers produce

database, whose format and contents are prescribed by OSD Programming Data Requirements (PDR). Figure 7a lists topics covered in POM/BES 04-09.

## TOPICS COVERED IN POM/BES 04-09

- Introduction
- Forces
- Investment
- Operations and Support
- Infrastructure – Environmental
- Infrastructure – Defense Agencies
- Manpower and Personnel
- Defense Working Capital Fund

Figure 7a

Figure 8 displays the major ingredients of the even fiscal year POM/BES process. The POM/BES contains what the Army proposes to do with the resources that OSD has provided in its fiscal guidance for each of the six program years in terms of forces, manpower, training, procurement, research and development (R&D), construction, logistics, and all the other things it takes to sustain the force. Once OSD approves the POM/BES, they consolidate it with the other Services' POM/BESs and now call it the Future Years Defense Program (FYDP).

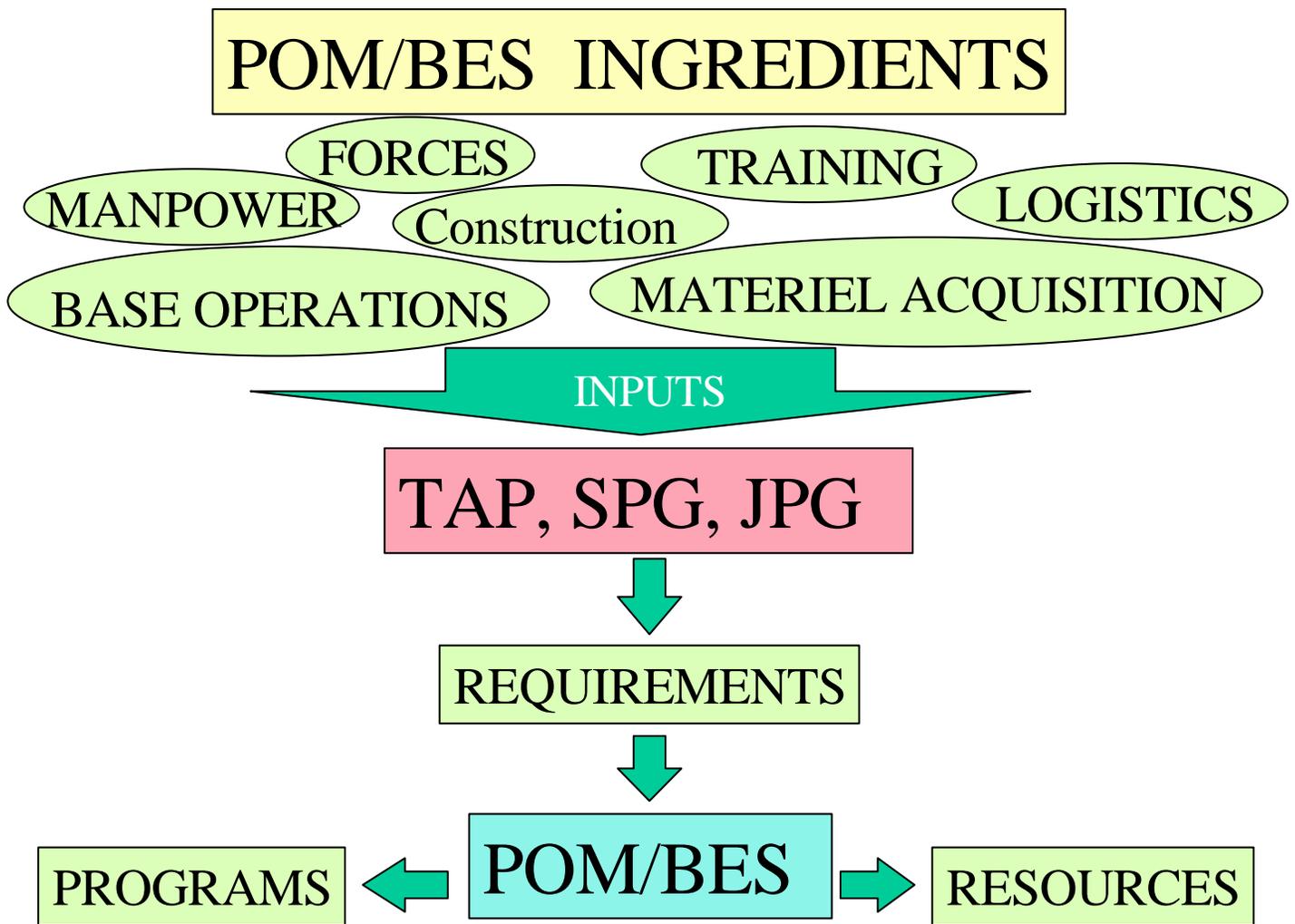


Figure 8

The approval of the even fiscal year POM/BES is not just a short note from the SECDEF to Secretary of the Army (SA) saying, "OK on your POM/BES." Sometimes OSD does not like our stewardship report on how we would allocate the resources. Issues of disagreement are identified as either major or minor. Major issues are analyzed by the 3-Star Group (Director, OSD PA&E (Chair), OSD principals, J8 Joint Staff, and Service programmers) and decision papers are forwarded to the SECDEF for resolution. Minor issues are managed by a smaller group consisting of the Director, OSD PA&E or the Principal Deputy Director, OSD PA&E, the Vice Chairman, Joint Chiefs of Staff (VCJCS), and the Under Secretary of Defense, Comptroller [USD(C)] with recommendations forwarded to the DEPSECDEF for decision. The decisions for both major and minor issues are incorporated in the Program Decision Memorandum (PDM). This decision memo tells us what parts of our POM are approved and what parts we must change.

## BUDGETING

Well before even fiscal year POM approval, programming will have already passed the torch to budgeting. Once the senior Army leadership approves and prioritizes the Army's program, the budgeting process takes control of the Army PPBE database. We have now reached the point where a piece of the program must now transition to the budget.

# PROGRAM/BUDGET (POM/BES) BREAD LOAF

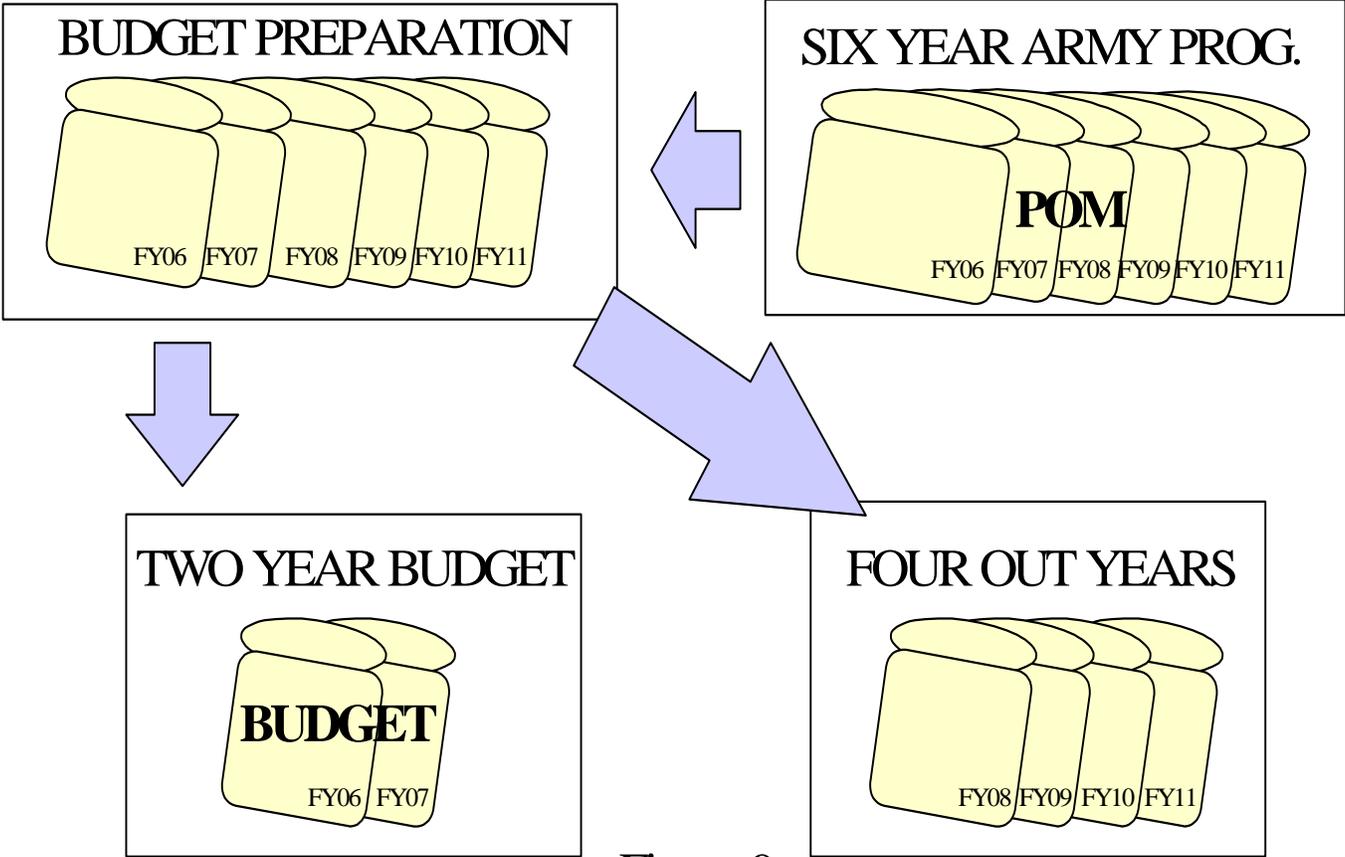


Figure 9

Figure 9 shows the even fiscal year POM 06-11, the six-year Army program, as a loaf of bread divided into six slices each representing one year of the POM. As we begin budget preparation we slice off the first two years and reformat those years from programmer language (programs) into budgetary terms (appropriations). We set aside the remainder of the loaf for about a year then we add two new slices (years) to the back end and bake into another six year POM/BES.

# BUDGETING

**•WHAT**

- >Budget Formulation
  - »Develops Detailed Fund Estimates to Support Plans and Programs
  - »Obtains Resources for Program Execution
- >Budget Justification & Explanation to Congress
- >Budget Execution
  - »Requests Apportionment of Funds from OMB
  - »Allocates Funds to MACOMs
  - »Reviews Expenditures & Obligations

**•WHO**

- >ASA(FM&C) -- The Army Budget Office
- >ODCS, G-3 Integrates Requirements & Prioritizes

Figure 10

In Figure 10 we depict the what and who in the budget process of Army PPBE. The completion of the Program Objective Memorandum (POM) triggers budget formulation and combination of the POM and the BES is the final step before the formal submission of the Services combined POM/BES. The translation of the first two years of the POM into budget language and format is a formidable task that involves every element of the Army Staff and Secretariat.

In Figure 11, we endeavor to show how the program relates to the budget and the perspectives of those performing the program and budget functions. On the left side of the matrix we show the programming view that endeavors to look at packages [Management Decision Packages (MDEPs)]. These packages try to address all appropriations associated with that specific program line as the programmer endeavors to look horizontally across all appropriations.

## Programming vs Budgeting

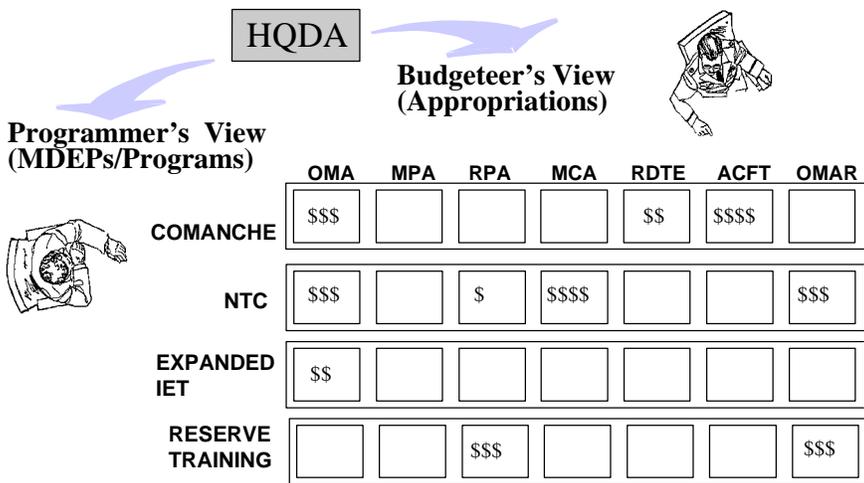


Figure 11

designated for each program.

We allude to this situation when we ask does that number include all the tails? What we are really asking is does the resource total shown include all the dollars or resources required from each appropriation to execute the program properly? The figure shows the budget perspective that looks down vertically, through all programs, oriented on a specific appropriation. In theory, if we could put the whole Army program in this matrix, the programmer would read left to right to determine total cost of each specific program. The budget officer would look vertically to determine the total value of the appropriation and could further see what piece of that appropriation we

# PROGRAM TO BUDGET TRANSITION

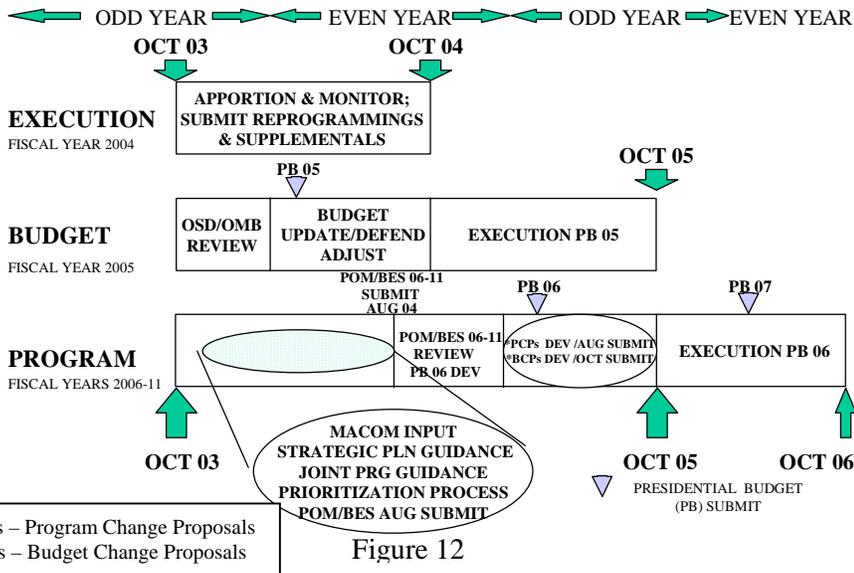


Figure 12

Figure 12 highlights that the Army PPBE is not a successive process where nothing starts until the preceding function has concluded. The program to budget transition really involves three separate functions all going on simultaneously. The situation illustrated started in October 03 in which the building of POM/BES 06-11 was initiated [Note: As of 22 May 2003, a mini-POM and amended BES are no longer submitted in the odd or off year. Instead, program change proposals (PCPs) and budget change proposals (BCPs) may be submitted.] At the top we show

fiscal year 2004 (FY 04), the execution year and the first year of the biennial budget years, FY 04-05. The second function shown we label budget, and it identifies the second year, FY 05, of the current biennial budget. However, the third function labeled program shows that we developed the FY 06-11 program and budget for the POM/BES submission in August 2004 during the execution of the FY 04 budget. When you look at the OCT 03 arrow it becomes apparent that all three functions occur simultaneously and they interrelate. A simple example to point out interdependence might be the procurement of a widget that we had budgeted to buy in FY 04. If for some reason we see that we cannot execute as we planned (e.g., changes such as cost or production schedule), we would probably revise our assumptions for FY 05 and then modify our budget submission. We also would have to modify the subsequent program years, FY 06-11 because changes in FY 04 and FY 05 would probably require adjustments to POM/BES 06-11 resources. This simple example is one of many where execution problems will drive changes into the program years and perhaps influence the plan.

Figure 13 points out the competitors that continually try to get into the program and budget as claimants for resources

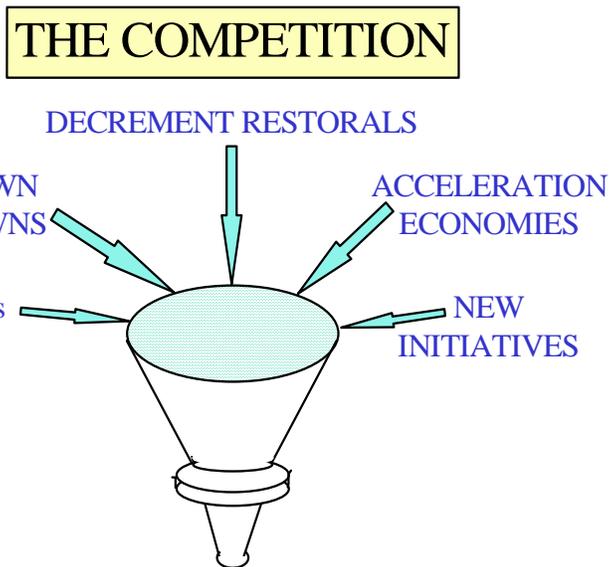


Figure 13

First, there are those essential things called "must do's." They have their origin in changing strategy, doctrine, or recognition that we have something broken and we must fix it. The second claimant is "unknown unknowns" which are either surprises or represent a hedge against a risk we are not willing to accept. Third, there are "decrement restorals" which is another way to say we should put back in what we took out last year. Fourth, acceleration economies highlight that if we bought what we want faster we could save money. We also refer to this issue as "front end resources to achieve economic rates." Finally, we show "new initiatives" which are those things that

respond to a demonstrated need and are trying to obtain resources. Because the Army can only accommodate so many adds to the existing program, we must establish some criteria to evaluate the competition.

Figure 14 highlights some of the criteria used in this discrimination process.

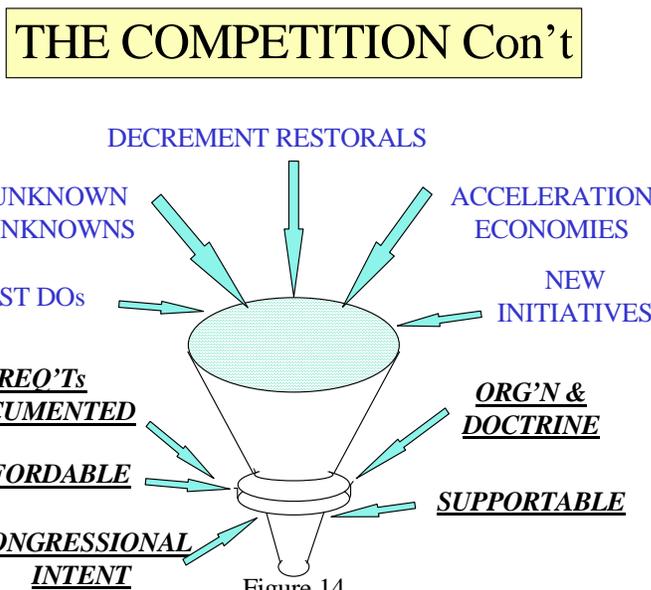


Figure 14

The first test is to determine if the need or requirement is valid or documented. Next is it affordable and, if not, how will it be resourced? Does the requirement complement existing or planned organization and doctrine? Is the proposal supportable in terms of dollars and spaces now and in the future? We also examine for sensitivity to Congressional intent. Depending on the situation, there are many other tests that we can apply. We refer to this testing process as the Army prioritization process. The DCS, G-3 is responsible for requirements integration and the prioritization of all Army programs, but the entire Army

staff contributes. This prioritization process is a continuous process throughout Army PPBE. We might simplistically define the process as a technique where we segregate all the needs of the Army into functional groupings and rank them by their functional contribution. The DCS, G-3 then integrates the product of each of these functional groups [or what we call Program Evaluation Groups (PEGs)] into an Army master priority list.

## MAJOR PPBE PLAYERS

Figure 15 displays the major players in the formal PPBE process.

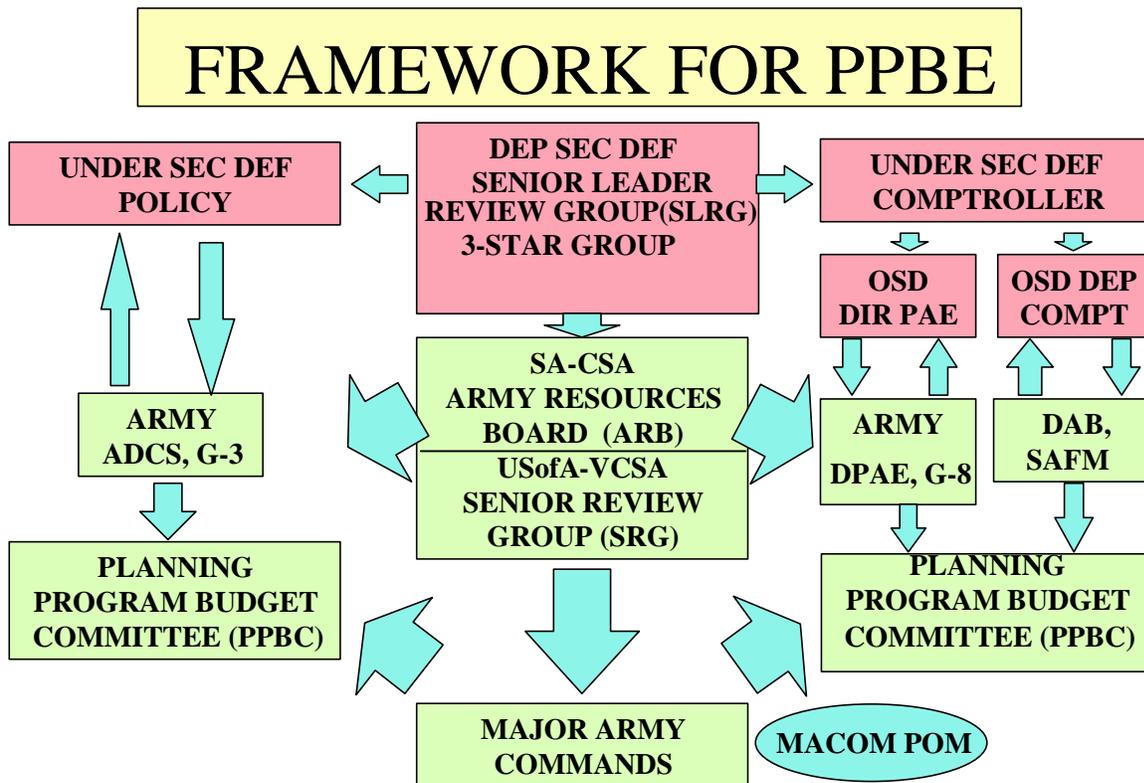


Figure 15

At the top we display the principal OSD entities including their deliberating and decision-making bodies, the Senior Leader Review Group (SLRG) and the 3-Star Group. SLRG membership includes the DepSecDef (Chair), CJCS, VCJCS, Under Secretaries of Defense, DoD (C), Director OSD PA&E, Service Secretaries, and the Assistant Secretary of Defense for Networks and Information Integration [ASD (NII)]. The SLRG oversees the PPBE process and assists the SecDef and DepSecDef make decisions. Membership of the 3-Star Group includes the OSD Director of Program Analysis and Evaluation (Chair), Under Secretaries of Defense representatives, Joint Staff Director for Structure, Resources, and Assessment (J8), and the Services' 3-Star Programmers. The 3-Star Group addresses major issues and presents decision options to the SecDef for resolution.

The ASA (FM&C) is responsible for the administration of all phases of Army PPBE. In the middle of Figure 15, we depict the Army's final deliberating and decision-making body called the Army Resources Board (ARB). The SA chairs and the Chief of Staff of the Army (CSA) vice-chairs the ARB. The Senior Review Group (SRG), co-chaired by the USA and the VCSA, is the central council for coordination of all issues requiring ARB review and approval and is the intermediate senior body between the ARB and the Planning Program Budget Committee (PPBC).

At the bottom of the diagram we show the Planning Program Budget Committee (PPBC) that includes every element of the Army staff and the Secretariat.

The PPBC is the first formal committee with staff-wide participation that addresses the TAP, the program, and the budget. The Director of the Army Budget (DAB), the Director, Program Analysis and Evaluation, G-8 (DPAE, G-8) and the Assistant Deputy Chief of Staff, G-3 (ADCS, G-3) are the co-chairs of the PPBC.

MACOMs provide input to the POM and Budget Estimate Submission (BES) development through the MACOM POM. The PPBC makes initial decisions and recommendations as a body and proposes appropriate program or budget positions to the SRG and the ARB. The SA and the CSA will make the final decisions.

Recently the Joint Staff has played a more active role in PPBE. The major player is the Vice Chairman of the Joint Chiefs of Staff (VCJCS). Figure 16 depicts how the Joint Staff fits into the system.

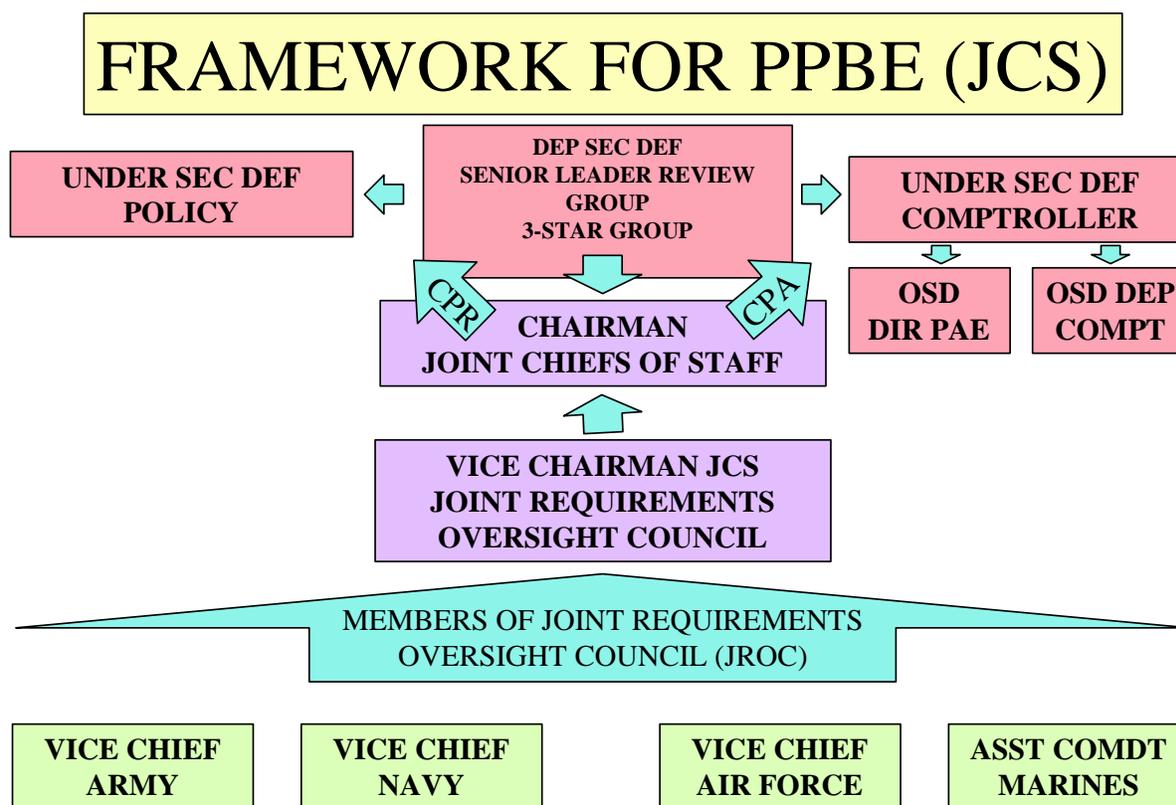


Figure 16

The VCJCS is chairman of the Joint Requirements Oversight Council (JROC) that oversees the Joint Capabilities Integration and Development System (JCIDS) and supervises preparation of the Chairman's Program Recommendation (CPR) and Chairman's Program Assessment (CPA). The CPR provides the Chairman's recommendations to OSD for inclusion in the SPG and JPG. The CPA is the Chairman's assessment of how well the service and agency POMs conform to the guidance and support the combatant commanders. The VCSA is the Army's representative on the JROC.

# Program Evaluation Groups (PEGs)

PEG NAME	PROPONENT	CO-CHAIR POLICY	CO-CHAIR REQTS	APPROPRIATION SPONSOR	PROGRAM INTEGRATORS G-8 DPAE—programming G-3 ZR—planning/prioritizing G-3 RQ—requirements
ORGANIZING	DCS, G -3	ASA(M&RA)	DCS, G-3	ASA(FM&C)	G-8 DPAE, G-3 ZR, G-3 RQ
MANNING	DCS, G -1	ASA(M&RA)	DCS, G-1	ASA(FM&C)	G-8 DPAE, G-3 ZR, G-3 RQ
TRAINING	DCS, G -3	ASA(M&RA)	DCS, G-3	ASA(FM&C)	G-8 DPAE, G-3 ZR, G-3 RQ
EQUIPPING	DCS, G -8	ASA(ALT)	DCS, G-8	ASA(FM&C)	G-8 DPAE, G-3 ZR, G-3 RQ
SUSTAINING	DCS, G -4	ASA(ALT)	DCS, G-4	ASA(FM&C)	G-8 DPAE, G-3 ZR, G-3 RQ
INSTALLATION	ACSIM	ASA(I&E)	ACSIM	ASA(FM&C)	G-8 DPAE, G-3 ZR, G-3 RQ

Program Integrators: DARNG, CAR , CIO/G-6

Figure 17

The Program Evaluation Groups (PEGs) play an important role in the Army PPBE process. They support all phases of the PPBE process with special emphasis on the POM/BES building process. Before POM 98-03 there were 14 PEGs and now there are six. The composition of the PEGs is shown in figure 17. Each PEG has broad Army Secretariat and Army Staff representation. They were restructured to more closely align the Army's POM/BES build to the U.S.C. Title 10 responsibilities of the Secretary of the Army.

## TIMELINES

Even though we have probably been as clear as mud with our preceding discussion, we will take a fast spin through an abbreviated Army PPBE cycle. Keep in mind that the PPBE process operates on a biennial cycle. The Services and Agencies develop and submit a combined POM/BES in the even years of the cycle for OSD/OMB review and adjustment. During the odd, or off year of the cycle, the Services and Agencies do not submit a POM/BES, however, they may submit program change proposals (PCPs) and budget change proposals (BCPs) to the program and budget developed in the even year.

We will start our rapid journey in the latter part of an odd year and we will trip lightly through the succeeding two years. In September-December timeframe, the Army staff develops the Army Plan (TAP). TAP goes through the PPBC, SRG, and ARB framework of the PPBE process. By October, under the direction of the ODCS, G-3, the Army staff should have Section I and II of TAP to the SA and CSA for final approval and signature. Section III of TAP, which is the responsibility of the G-8 DPAE, should receive final approval and signature of the SA and the CSA in late December.

During December, despite all the other things going on, the planning phase of PPBE is now going into high gear at OSD. Hopefully, the Joint Staff has already provided the Joint Planning Document (JPD) to OSD, and Army has published and distributed the update of TAP to the MACOMs for their MACOM POM development. The OSD staff, working under the direction of the Under Secretary of Defense for Policy, USD (P), and in

coordination with the Combatant Commands, Services, and Joint Staff finalizes and issues Strategic Planning Guidance (SPG). SPG is produced or updated as necessary to communicate Defense strategy, top priorities, risk tolerance, and broad capability guidance. SPG provides top down driven unified, resource-informed strategic direction. The Strategic Planning Council (SPC), chaired by the SecDef and composed of SLRG Principals and Combatant Commanders, drives the development of SPG. OSD publishes SPG in December. While the Services participate in the development of this guidance, they do not have veto rights.

SPG is designed to facilitate an enhanced, collaborative, capabilities-based joint planning process covering operational and enterprise planning. This planning process identifies metric-based, outcome-focused capability needs, gaps, and overlaps for selected major joint issues. Competing options to address the needs are assessed and presented to the SecDef for decision. The SPC reviews the joint needs and solutions developed in the planning process to ensure congruency with strategy. Following the SecDef's decisions, fiscally constrained Joint Programming Guidance (JPG) is developed and issued in the March/April timeframe to implement those decisions. About the same time the JPG is published, OSD provides fiscal guidance (total obligation authority) for each of the six program years. OSD develops this fiscal guidance with direction from the President's Office of Management and Budget (OMB).

The Army staff begins POM/BES development in earnest in January of the even years. The MACOM POMs are received in February. As the development process continues into June and July, the pace steadily intensifies with PPBC and SRG meetings becoming more frequent and longer. The Secretariat is always involved and plays an integral part in the development of all memos, read-ahead packages, decision papers, and the decisions themselves. While this is a combined process leading to a single resource position, the POM/BES, the process lead (and database control) resides with the DPAE into June when it transitions to the Director of the Army Budget (DAB).

Hopefully by late July, we have resolved all major issues relating to the POM/BES and the SA and CSA have approved it. The Army staff now turns to writing the narrative portion of the POM and providing justification for submission to OSD on or about 22 August.

OSD reviews the combined POM/BES beginning soon after its submission. Based on data derived from identical program baselines the concurrent program and budget review continues into December concluding when final Presidential budget decisions are made. Issues center on compliance with the Strategic Planning Guidance (SPG), the Joint Programming Guidance (JPG), the overall balance of Service programs, congressional marks, and late-breaking significant events. Issues develop from review by members of the Senior Leader Review Group (SLRG) and nonmember Assistant Secretaries of Defense who manage specific programs. Each reviewer prepares a set of proposals in issue papers that recommend alternatives to POM/BES submitted programs. Proposed additions and reductions sum to zero adding nothing to the cost of the Defense program. Combatant Commanders also may submit proposals, but need not balance theirs.

As issues arise, representatives of HQDA principal officials meet with their OSD counterparts. The Army representatives present the Army position and try to clarify the issue. If possible, they resolve the issue. An issue thus resolved becomes known as an out-of-court settlement. Such settlements require the signature of responsible officials from both Army and OSD. The disposition of remaining issues is decided by OSD. Announced in one or more Program Decision Memorandums (PDMs), the program decisions are incorporated directly into the budget. OSD decides all budget issues through Program Budget Decisions (PBDs).

After the DEPSECDEF or USD (Comptroller) has signed most PBDs, each Service selects as Major Budget Issues (MBIs) certain, still pending, adverse resource decisions. Army MBIs center on decrements to specific initiatives or broad issues that would significantly impair its ability to achieve its program intentions. An MBI addresses the adverse impact that would occur if the decrement were to prevail. At the end of the PBD process, the SECARMY and CSA meet with the SECDEF and DEPSECDEF on Major Budget Issues. After the meeting, the SECDEF decides each issue, if necessary meeting with the Office of Management and Budget (OMB) or the President to request additional funds or recommend other action.

In December, at the end of the PBD cycle, OSD normally issues a final PBD or OSD memorandum incorporating any changes from MBI deliberations, thus completing the PBD process. OSD then issues each Service its final total obligation authority (TOA) and manpower controls. ASA (FM&C) incorporates the final changes in the developing President's Budget while the Director of Program Analysis and Evaluation (DPAE) uses the information to adjust or revalidate the Army's Program.

After implementing the final resource distribution, Army sends the information to OSD. OSD forwards the information to OMB as the Army's portion of the Defense budget, which OMB incorporates into the President's Budget.

The President's Budget (PB) covers prior year obligations and updated resource estimates for the current year. During the even year of the biennial POM/BES cycle, the PB covers total obligation authority (TOA) estimates for the budget year and budget year plus 1. The following odd (off) year, reflecting OSD decisions accepting or rejecting PCPs and BCPs submitted to adjust the even year POM/BES, the PB presents a revised second budget year.

That was a two-year foot race through one cycle. We have clearly not done justice to all the complexity and interrelationships involved, nor have we described the extent of the overlap in all the various functions.

## **EXECUTION—PPBS BECOMES PPBES**

Before 1981, the Army's managers of the then PPBS focused their attention on the planning, programming, and budgeting elements of the system as if they fully identified all

the essential ingredients of the complete system. There was a major deficiency, however, as they tended to leave out the real world aspect of the process—the **execution** of the programs and budgets in the field. There was a compelling need to acknowledge the requirement to capture execution as a critical element of the process. In order to demonstrate the importance of execution review, Army inserted execution in the title of its resource management system changing PPBS to PPBES. In May of 2003, DoD recognizing the importance of performance review changed PPBS to PPBE process. Army followed suit and changed PPBES to PPBE process in September 2003.

Several events must take place before the Army can execute its program after the President signs the Authorization and Appropriation bills passed by the Congress. OMB must apportion the appropriations providing obligation/budget authority. The Department of the Treasury must issue a Treasury Warrant providing cash. Program authority must be released by the Under Secretary of Defense (Comptroller). Finally, the Army process commences. Before the Army can execute its program for the fiscal year, all these authorities must be loaded into the Program Budget Accounting System (PBAS). Guided by appropriation and fund sponsors at HQDA and via PBAS, ASA (FM&C) allocates apportioned funds to MACOMs and operating agencies through the Funding Authorization Document (FAD).

It is only in the execution of the approved and resourced programs that we can evaluate the work that has gone into the earlier three stages of the process or simply stated—did we get the results we expected and for which we paid? If we have designed an attainable, workable program, defined it clearly to both our field commands and the Congress, and provided the resources, then we should be able to execute the program successfully and demonstrate that achievement to others and ourselves. If we have not met this challenge, it will become perfectly obvious during the year of execution.

Sometimes we find in execution of our programs that we face problems that we had not foreseen. These problems might include workers' strikes at the plants that produce our weapon systems, changing international events and commitments of our forces, changes in our national political commitments, or any other of a number of possibilities. These are facts of life that drive changes and we have to be able to accommodate and incorporate these changes into the other ongoing PPBE phases of the process. We have to make certain that we get the best output—the most progress towards our stated goals—for the resources that the process makes available.

Congress recognizes that priorities change dictating the need for flexibility during budget execution. Within stated guidelines and specified dollar thresholds, Congress allows federal agencies to reprogram existing funds to finance un-funded or under-funded requirements. FY91 marked the first year of omnibus reprogramming which, except for construction accounts, consolidates all DoD reprogramming actions for submission at the same time subsequent to mid-year review of program execution.

We have, in the past, transferred responsibility to the field commanders for execution. We have to look at program execution in terms of the program outputs and not simply as the accounting for funds obligated and expended through the finance system.

Feedback allows us to eliminate our unworkable programs and correct our mistakes early in the continuing programming and budgeting processes. Each level of command has the opportunity to eliminate non-productive or ineffective programs that they have initiated and currently control. They also have the opportunity to recommend the elimination of programs that higher levels have initiated or currently control.

Past administrations have recognized this need to evaluate our execution of approved programs. In 1981, OSD established formal performance reviews for designated programs on a regular basis. They tasked the Services to account for the management of their program execution process. During the 1980s and until 1995, the Army staff conducted quarterly execution reviews called Program Performance and Budget Execution Reviews (PPBERS). From 1995 to 2002, the Assistant Secretary of the Army for Financial Management and Comptroller (ASA [FM&C]) conducted Quarterly Army Performance Reviews (QAPRs) of program performance and budget execution. Secretariat and Army Staff principals presented the reviews directly to the SA and the CSA. The QAPR compared program performance with objectives set at the beginning of the fiscal year by the Secretariat and Army Staff principals. Cost and Performance Measures Reviews (CPMRs) replaced the QAPRs in 2002. CPMRs are designed to assess key strategic, business, and programmatic measures. They provide a corporate-level view of a limited set of key performance measures focused on business efficiencies and program accomplishment. Cost and performance measures are accessible on Army Knowledge Online (AKO) leveraging information technology (IT) to conduct e-staffing and eliminate routine meetings and replace paper-laden past processes. Under CPMRs, issue-based action meetings regarding specific performance are conducted as required.

Additionally, the Army Systems Acquisition Review Council (ASARC) monitors performance of designated acquisition programs to include milestone reviews. Finally, program performance feedback is submitted through the Standard Financial System (STANFINS), the principal accounting system for the majority of Army installations, and through the Tactical Unit Financial Management Information System (TUFMIS) for tactical units.

## OVERVIEW—KEY MILESTONES

In Figure 18 we have endeavored to show the key milestones of the process.

In closing, we should add that this process will continue with or without participation from all interested and affected parties. The momentum of the process has developed over the years into a continuous cycle that moves through milestone events of overlapping planning, programming, budgeting and execution phases. There is ample opportunity for interested offices and individuals to become involved; however, there are no engraved invitations. Even though there are major reviews in this process, to influence the action and make a meaningful contribution, one must start long before the leaders meet to make final decisions. Hand wringing and emotional appeals at the final hour may be good for the soul, but seldom provide the remedy sought.



