From Requirement to Capability

- **Life Cycle Cost Analysis**
  - ICE
  - Fiscal Environment
  - CAIV
  - POE
  - AoA

- **Cost Analysis**
  - ICE
  - CCA

- **Planning, Programming, Budgeting and Execution**
  - FYDP
  - DPPG
  - POM
  - RMD
  - MFP
  - PE
  - BES
  - FEA
  - MBIs

- **Congressional Enactment**
  - HAC
  - HASC
  - SABC
  - SASC
  - SBC

- **Budget Resolution**
  - Authorization & Appropriation Laws

- **Force Structure Modernization**
  - Operational Capability Readiness Sustainability

- **Operational Concept**
  - Acquisitions Program Baseline
  - Capability Docs
  - Capabilities-Based Assessment

- **Feedback**
  - Commitment Reprogramming
  - Budget Authority Obligation Expenditure Outlay

- **Budget Execution**

- **Acquisitions Fund Policies**
  - Full Funding (Exceptions)
  - Incremental Funding
  - Annual Funding
  - Estimate

- **Acquisitions Funding Policies**
  - Incremental Funding
  - Annual Funding
  - Estimate

- **Acquisitions**
  - Acquisition Program Baseline
  - Capability Docs
  - Capabilities-Based Assessment

- **Operational**
  - Concept AoA
  - Capability Assessment Feedback
  - CAIV MBIs

- **Full Funding (Exception)**
  - FYDP DPPG POM RMD MFP PE BES FEA MBIs

- **Budget**
  - Budget Authority Obligation Expenditure Outlay
• PPBE Overview
  – Management Systems and Phases
  – Major Changes in FY 12-16 PPBE Cycle
  – Front End Assessments
  – DoD Efficiencies Initiative

• Building Blocks
  – FYDP, MFP, Program Elements

• PPBE Process and Schedule

• Capability Portfolio Managers

• Membership of DAWG and SLRG

• Resource Allocation Process
Three Major DoD Management Systems

Planning, Programming, Budgeting and Execution

Joint Capabilities Integration and Development System (JCIDS)

Defense Acquisition System

DDR
PPBE is the Primary Resource Management System for DoD:

- Articulates strategy
- Identifies size, structure and equipment for military forces
- Sets programming priorities
- Allocates resources
- Evaluates actual output against planned performance and adjusts resources as appropriate
PPBE Phases

- **Planning (OSD Policy)**
  - Assess capabilities / review threat
  - Develop guidance

- **Programming (OSD CAPE)**
  - Turn guidance into achievable, affordable packages
  - Five-year program (Future Years Defense Program)

- **Budgeting (OSD Comptroller)**
  - Test for efficient funds execution
  - Scrub budget year
  - Prepare defensible budget

- **Execution Review (concurrent with program/budget review)**
  - Develop performance metrics
  - Assess actual output against planned performance
  - Adjust resources to achieve desired performance goals
**4 Major Changes in the FY 12-16 PPBE Cycle**

DepSecDef memo, dated 9 Apr 10

- **DPPG (was GDF and JPG)**
- **One budget year (was two on the “on years”)**
  - Makes this an annual budget cycle vs a biennial budget
  - Every year is a “POM” year
  - No more PRs (Navy), APOMs (AF), or mini-POMs (Army)
- **Focus on a 5-year period**
  - Changed FY12-17 period to FY 12-16
- **DOD conducting Front End Assessments**
  - Eight issues with SecDef oversight via the “Large Group”
  - All other issues led by DepSecDef via the DAWG
• Strategic Comm and Info Operations
• Long Range Strike Family of Systems
• Airborne ISR
• Cyber Defense
• Global Posture
• Reset of Equipment from Operations
• Integrated Air & Missile Defense
• Tactical Aircraft
<table>
<thead>
<tr>
<th></th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>Total</th>
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<tbody>
<tr>
<td>Army, Navy, Air Force</td>
<td>2</td>
<td>3</td>
<td>5.38</td>
<td>10</td>
<td>28.3</td>
<td></td>
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<tr>
<td>Def Agency/Field Activity</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>7</td>
<td>17</td>
</tr>
<tr>
<td>Combined Goal</td>
<td>7</td>
<td>11</td>
<td>18.9</td>
<td>28</td>
<td>37</td>
<td>101.9</td>
</tr>
</tbody>
</table>
• Goal: Create more agile, flatter, and efficient organization
• Military departments can keep their savings and apply to critical areas such as
  – Personnel in units
  – Force structure
  – Readiness to fight
  – Investment in future capabilities
• Goals will be reviewed annually and may change
• Initiatives must be specific, actionable, and measurable
  – Percentage and across-the-board reductions are not acceptable
• No organization, including OSD, is excluded
• Must be in POM/BES FY12-16 submission to OSD due 30 Jul 10
• Target Affordability and Control Cost Growth
  – Mandate affordability as a requirement
  – Drive productivity growth through Will Cost/Should Cost management
  – Eliminate redundancy within warfighter portfolios
  – Make production rates economical and hold them stable
  – Set shorter program timelines and manage to them

• Incentivize Productivity and Innovation in Industry
  – Reward contractors for successful supply chain and indirect expense management
  – Increase use of FPIF, where appropriate
    • Use 50/50 share and 120% ceiling as point of departure
  – Adjust progress payments to incentivize performance
  – Extend the Navy’s preferred supplier program to a DoD-wide pilot
  – Reinvigorate industry’s IRAD and protect the defense technology base

• Promote Real Competition
  – Present a competitive strategy at each program milestone
  – Remove obstacles to competition
    • Require open systems architecture and set rules for acquisition of technical data rights
  – Increase dynamic small business role in defense marketplace competition
• **Improve Tradecraft in Services Acquisition**
  – Create a senior manager for acquisition of services in each component, following the Air Force’s example
  – Adopt uniform taxonomy for different types of services
  – Address causes of poor tradecraft in service acquisition
  – Increase small business participation in providing services

• **Reduce Non-Predictive Processes and Bureaucracy**
  – Reduce number of OSD level reviews...
  – Eliminate low-value added statutory processes
  – Reduce by half, the volume and cost of internal and congressional reports
  – Reduce non-value-added overhead imposed on industry
  – Align DCMA and DCAA processes to ensure work is complimentary
  – Increase use of Forward Pricing Rate Recommendations to reduce admin costs
Future Years Defense Program (FYDP)

- Computer database maintained by CAPE
- Contains approved force structure and resources for all Defense Programs
- Updated two times per annual PPBE cycle:
  - Program Objectives Memorandum/Budget Estimate Submission (POM/BES) - July
  - President’s Budget (PB) - February
- Reflects PY, CY, **BY**, + 4 Out-Years +
  
  10 1 12 13 14 15 16
  
  3 additional years for force structure only
- FYDP 2012-2016 (updated CY 2010) would include:
  - FY 12-16 for force structure & resources
  - FY 17-19 for force structure only
Major Force Programs

Future Years Defense Program (FYDP)

- Strategic Forces
- General Purpose Forces
- Command, Control, Comm, Intell & Space
- Mobility Forces
- Guard & Reserve Forces
- Research and Development
- Central Supply & Maintenance
- Training, Medical, & Other Personnel Activities
- Administration and Associated Activities
- Support of Other Nations
- Special Operations Forces

DOD Appropriations

- RDT&E
- Procurement
- Military Construction
- Military Personnel
- Ops & Maintenance
- Other

DOD Components

Army
- Navy
- Air Force
- Defense Agencies
- Other
Program Elements

PROGRAM ELEMENT (PE): Smallest aggregation of resources normally controlled by OSD
- PE NUMBER: Used to track and identify resources; seven digit number followed by an alphabetic suffix

• PROGRAM 1 (STRATEGIC FORCES)
  0101126F - B-1B Squadrons
  0101215F - Peacekeeper Squadrons
  0101228N - Trident
  0101316A - Worldwide Joint Strategic Comm
  0102424F - SPACETRACK

• PROGRAM 2 (GENERAL PURPOSE FORCES)
  0202112A - Airborne Divisions
  0204224N - Frigates - Missile
  0207138F - F-22 Squadrons
  0207423F - Advanced Communications Systems

Ref: DoD 7045.7 - H
PPBE – Planning Phase

Planning Phase focus:
- Threat vs Capabilities
- Update strategy
- Guidance for programming

~Starts FEB/MAR (1st Year)

APR (DPPG)/Sep (FEAs)
Finish 2nd Year

FEAs to be a strategic view used to inform program/budget reviews.

President
National Security Council
CIA/DIA/JCS/OSD

NSS

OSD
Level

NDS

JCS
Level

NMS

QDR

DPPG

CPR

To Concurrent Program/Budget Review

2 April 10  Fiscal Guidance Issued
30 April 10  Defense Planning and Programming Guidance (DPPG) Issued
30 July 10  Component POM/BES Submissions Due
2-13 Aug 10  Component POM Briefs to 3-Star/DAWG
30 Aug 10  Issue Nominations Due
3 Sep 10  Budget Justification Material Due to OSD/OMB
22 Nov 10  Program/Budget Review Complete
7 Feb 11  President’s Budget Submitted to Congress
• 9 Portfolios are Based on Existing Joint Capability Area (JCA) Structure
• Civilian/Military Co-Leads Designated by DEPSECDEF
• Have No Independent Decision Making Authority
• Afforded Access to JROC, DAB & Other Established Component Forums
• Shall Establish or Identify Existing Portfolio-Level Governance for Each Portfolio
<table>
<thead>
<tr>
<th>Capability Portfolio and Tier 1 JCA</th>
<th>CPM Civilian Lead</th>
<th>CPM Military Lead</th>
<th>Senior Warfighting Forum (SWarF) Lead *</th>
<th>CPM Joint Staff OPR *</th>
<th>Functional Capability Boards *</th>
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</thead>
<tbody>
<tr>
<td>Command and Control</td>
<td>ASD (NII)</td>
<td>JFCOM</td>
<td>JFCOM</td>
<td>J-3</td>
<td>JFCOM</td>
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<tr>
<td>Battlespace Awareness</td>
<td>USD (I)</td>
<td>STRATCOM</td>
<td>STRATCOM</td>
<td>J-2</td>
<td>J-2</td>
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<tr>
<td>Net Centric</td>
<td>ASD (NII)</td>
<td>STRATCOM</td>
<td>STRATCOM</td>
<td>J-6</td>
<td>J-6</td>
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<tr>
<td>Logistics</td>
<td>USD (AT&amp;L)</td>
<td>TRANSCOM</td>
<td>TRANSCOM</td>
<td>J-4</td>
<td>J-4</td>
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<tr>
<td>Building Partnerships</td>
<td>USD (P)</td>
<td>Director, J-5</td>
<td>JFCOM</td>
<td>N/A</td>
<td>J-5</td>
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<tr>
<td>Protection</td>
<td>USD (AT&amp;L)</td>
<td>Director, J-8</td>
<td>STRATCOM</td>
<td>N/A</td>
<td>J-8</td>
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<tr>
<td>Force Support</td>
<td>USD (P&amp;R)</td>
<td>Director, J-8</td>
<td>JFCOM</td>
<td>N/A</td>
<td>J-8</td>
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<tr>
<td>Force Application</td>
<td>USD (AT&amp;L) USD (P)</td>
<td>Joint Requirements Oversight Council (JROC)</td>
<td>JFCOM SOCOM STRATCOM</td>
<td>J-8</td>
<td>J-8</td>
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<tr>
<td>Corporate Management &amp; Support</td>
<td>DCMO</td>
<td>Director, Joint Staff</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* As designated by the Chairman of the Joint Chiefs of Staff (CJCS)
Deputy’s Advisory Working Group

- Deputy Secretary of Defense (Chair)
- Vice Chairman Joint Chiefs of Staff (Vice Chair)
- Under Secretary of Defense (AT&L)
- Under Secretary of Defense (Policy) and Principal Deputy
- Under Secretary of Defense (Comptroller) /Chief Financial Officer or Principal Deputy
- Under Secretary of Defense (P&R) or Principal Deputy
- Under Secretary of Defense (Intelligence) or Principal Deputy
- Secretary or Under Secretary of the Army
- Secretary or Under Secretary of the Navy
- Secretary or Under Secretary of the Air Force
- Chief or Vice Chief of Staff of the Army
- Chief or Vice Chief of Naval Operations
- Chief or Vice Chief of Staff of the Air Force
- Commandant or Assistant Commandant of the Marine Corps
- Commander or Deputy Commander, SOCOM
- Deputy Chief Management Officer
- ASD (Legislative Affairs)
- ASD (Networks & Information Integration/Chief Information Officer
- ASD for Public Affairs
- General Counsel
- Director of Administration and Management
- Director, or Principal Deputy Director, CAPE
- Director, Joint Staff
- Chief, National Guard Bureau or Deputy
- Director, SP&P-J5
- Director, FS,R&A-J8
Senior Leader Review Group

- Secretary of Defense
- Deputy Secretary of Defense
- Secretary or Under Secretary of the Army
- Secretary or Under Secretary of the Navy
- Secretary or Under Secretary of Air Force
- Chairman Joint Chiefs of Staff
- Vice Chairman Joint Chiefs of Staff
- Under Secretary of Defense (AT&L)*
- Under Secretary of Defense (Policy)*
- Under Secretary of Defense (Comptroller) /Chief Financial Officer*
- Under Secretary of Defense (Intelligence)*
- Under Secretary of Defense (P&R)*
- Commandant or Assistant Commandant of the Marine Corps
- Director of Administration and Management
- Chief or Vice Chief of Staff of the Army
- Chief or Vice Chief of Naval Operations
- Chief of Staff or Vice Chief of the Air Force
- General Counsel
- ASD (Legislative Affairs)
- ASD (Networks & Information Integration/Chief Information Officer
- ASD for Public Affairs
- Director, Cost Assessment and Program Evaluation
- Director, Joint Staff
- Deputy Chief Management Officer
- Chief, National Guard Bureau
- Principal Deputy
## Resource Allocation Process

<table>
<thead>
<tr>
<th>FY 11 and prior</th>
<th>2nd Yr</th>
<th>3rd Yr</th>
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<tbody>
<tr>
<td><strong>Execution</strong></td>
<td><strong>FY 11</strong></td>
<td><strong>FY 11 and prior</strong></td>
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<tr>
<td><strong>Enactment</strong></td>
<td><strong>Execution</strong></td>
<td><strong>2nd Yr</strong></td>
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<tr>
<td><strong>Execution</strong></td>
<td><strong>3rd Yr</strong></td>
<td><strong>Enactment</strong></td>
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<td><strong>Execution</strong></td>
<td><strong>3rd Yr</strong></td>
<td><strong>2nd Yr</strong></td>
</tr>
<tr>
<td><strong>Execution</strong></td>
<td><strong>2nd Yr</strong></td>
<td><strong>3rd Yr</strong></td>
</tr>
</tbody>
</table>

PB – President’s Budget
BES – Budget Estimate Submission
POM – Program Objectives Memorandum
DPPG – Defense Planning & Programming Guidance
Most Probable Cost (MPC)

- AKA Most Likely Cost
- 50% chance of overrunning or underrunning on a normal curve
- The Fin Mgt Reg (DoD 7000.14R) says you should budget to MPC
- DAPA Report (2006) recommended 80% confidence level (CL)
- Air Force SAE (Mr. Van Buren) memo dated 17 Mar 10 says NLT mean (typically 55-65% CL) or expected value of cost estimate
- OSD CAIG using 50% CL
- WSARA 2009 Section 101
  - DCAPE must issue guidance on confidence levels for cost estimates for MDAP and MAIS programs
  - MDAP and MAIS programs must disclose confidence level
    - If less than 80%, must explain
<table>
<thead>
<tr>
<th>Appropriation</th>
<th>Max Into</th>
<th>Max Out</th>
<th>Level of Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research, Development, Test &amp; Evaluation</td>
<td>Lesser of $10 million Or 20%</td>
<td>Lesser of $10 million Or 20%</td>
<td>Program Element</td>
</tr>
<tr>
<td>(RDT&amp;E)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procurement (PROC)</td>
<td>Lesser of $20 million Or 20%</td>
<td>Lesser of $20 million Or 20%</td>
<td>Line Item</td>
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<tr>
<td>Operations &amp; Maintenance (O&amp;M)</td>
<td>$15 million</td>
<td>No Limit, Unless specified</td>
<td>Budget Activity</td>
</tr>
<tr>
<td>Military Personnel (MILPERS)</td>
<td>$10 million</td>
<td>No Congressional Restrictions</td>
<td>Budget Activity</td>
</tr>
<tr>
<td>Military Construction (MILCON)</td>
<td>Lesser of $2 million Or 25%</td>
<td>No Congressional Restrictions</td>
<td>Project</td>
</tr>
</tbody>
</table>
Multiyear Procurement (MYP)

• Exception to Full Funding Policy

• A Single Contract for a Specific Quantity of Usable End Items to be Delivered Over a Period of Time Greater Than One Year But Not More Than Five Years

• After initial MYP Approval by Congress, the Service Requests – and Congress Appropriates – Required Budget on a “Year by Year” Basis to Obligate Against the Contract

Source: DoD 7000.14-R, Vol 2A, Chap 1, Section 010203
Defense Appropriations
“Colors of Money”

Military Personnel (MILPERS)
- Active & Reserve Forces

Operation & Maintenance (O&M)
- Active & Reserve Forces
  (civilian Salaries, supplies, spares, fuels, travel, etc...)
- Environmental Restoration
- Former Soviet Union Threat Reduction
- Overseas Humanitarian, Disaster, & Civic Aid

Procurement
- Aircraft
- Missiles
- Weapons
- Weapons & Tracked Combat Vehicles
- Ammunition
- Other Procurement
- Shipbuilding & Conversion
- Marine Corps
- Defense wide procurement
- National Guard & Reserves

Research, Development, Test & Evaluation (RDT&E)
- Basic Research
- Applied Research
- Advanced Technology Development
- Advanced Component Development & Prototypes
- System Development & Demonstration
- RDT&E Management Support
- Operational Systems Development

Military Construction (MILCON)
- Facilities
- Family Housing
- Base Realignment & Closure (BRAC)

Other
- Defense Health Program
- Chemical Agents & Munitions Destruction