



Functions of a Budget

- Contract between legislature & executive
- Contract between layers of the executive
- Expression of expectations and aspirations
- Precedent that influences future decisions
- Call to stakeholders to mobilize support
- Reflections of choices, priorities, relative power
- Influencer of economy

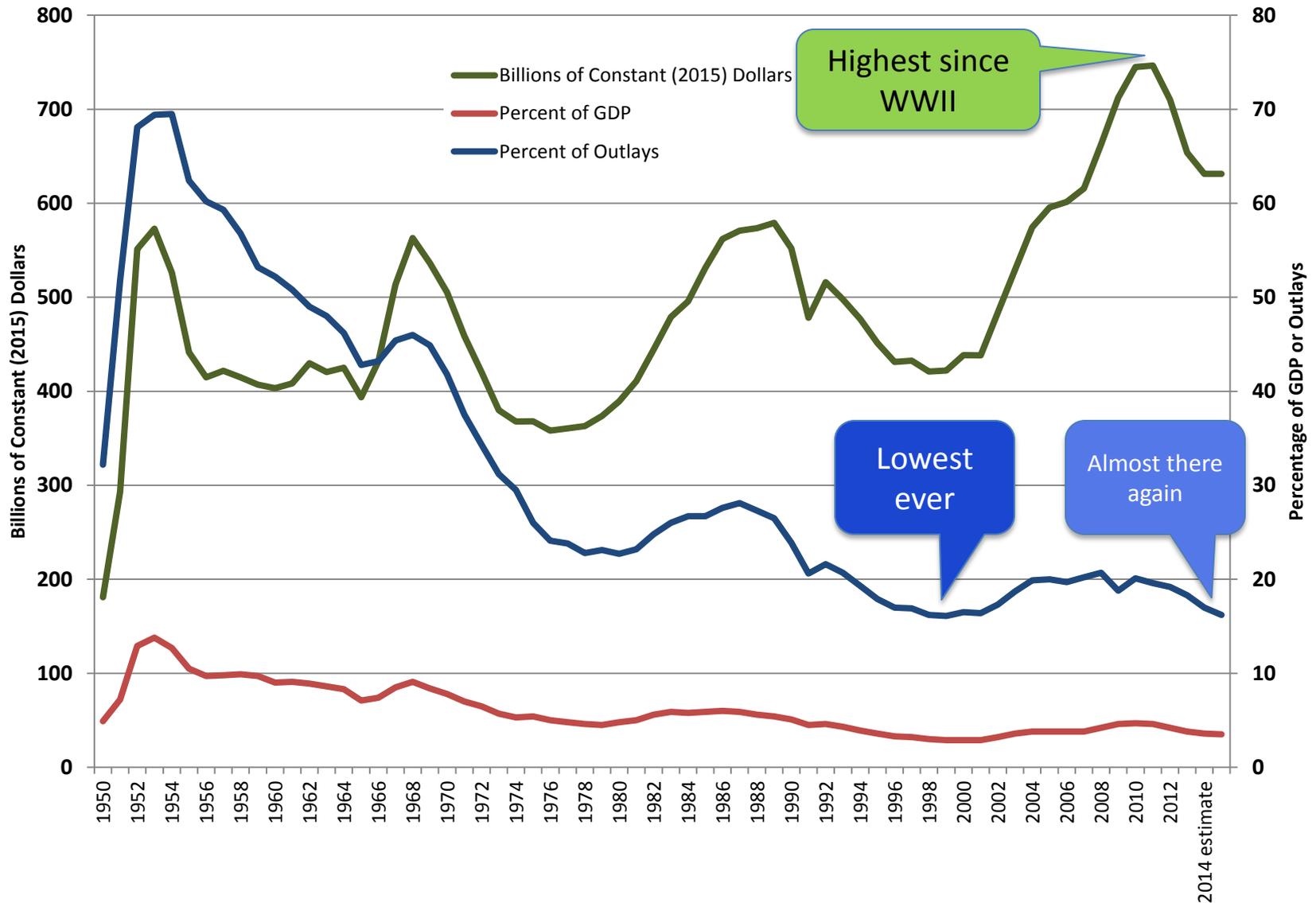
Often viewed within DoD as less than rational, but...

- Tool for:

- Strategic Planning
- Management Control
- Operational Control

Basis for
PPBE

National Defense Spending in Constant \$B, Percentage of GDP, and Percentage of Federal Outlays, 1950-2015





The Major Parts to PPBE

- Strategic Planning
 - Assessment
 - Baseline data & policy guidance
- } Planning

Goal: identify gaps or overmatches between strategy and capabilities and produce objectives for programming. (DPG)

- Intermediate program proposals
 - Integration of proposals
 - Validation of proposals
- } Programming

Goal: allocate resources among programs across a mid-range time horizon that best achieves the planning objectives. (POM)

- Budget submission and legitimization
- } Budgeting

Goal: justify the programming decisions in a format that serves the process of legitimization. (BES)

- Budget and program execution
- } Execution

Goal: implement the policy direction and create the desired capabilities.

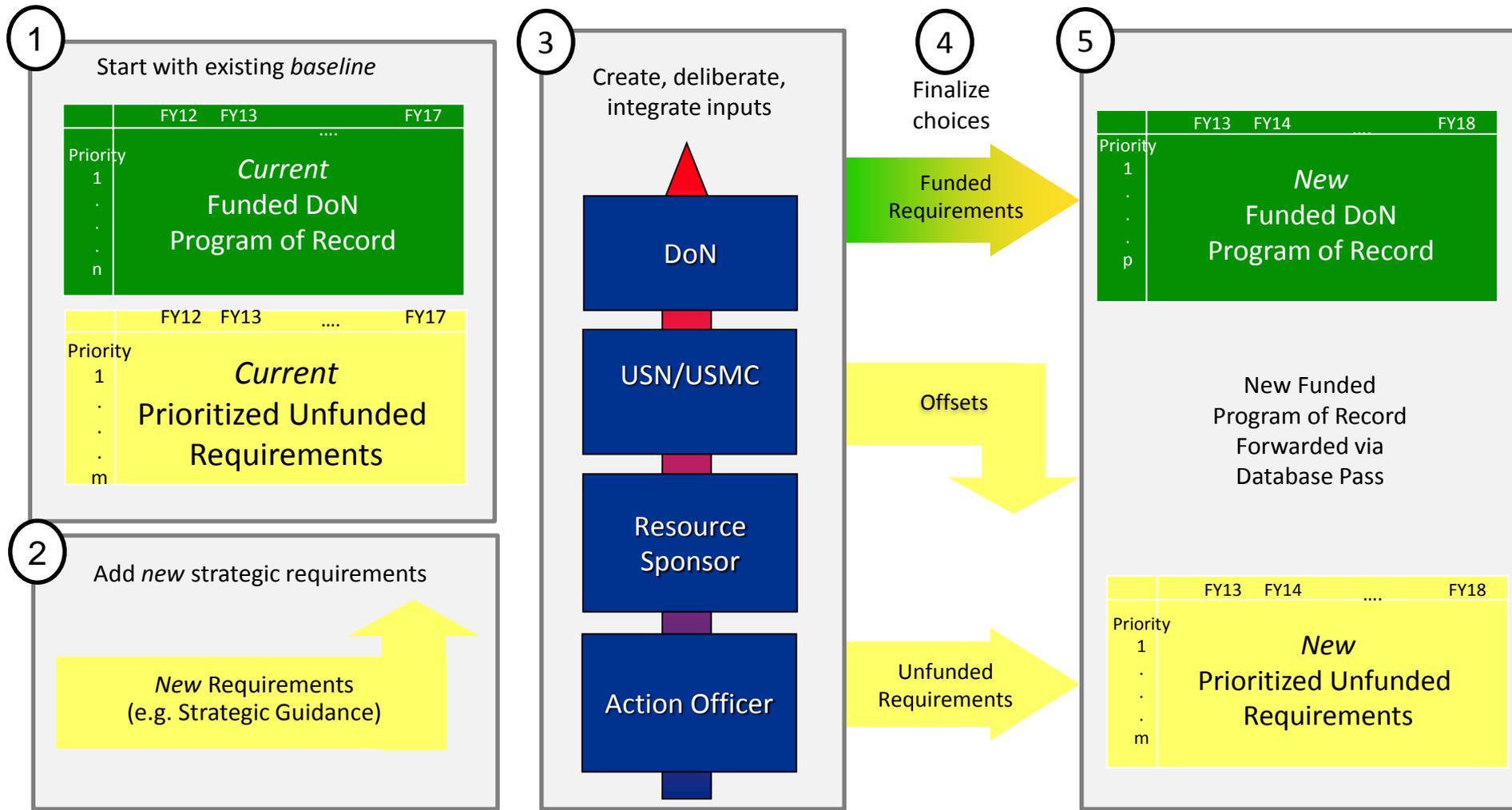


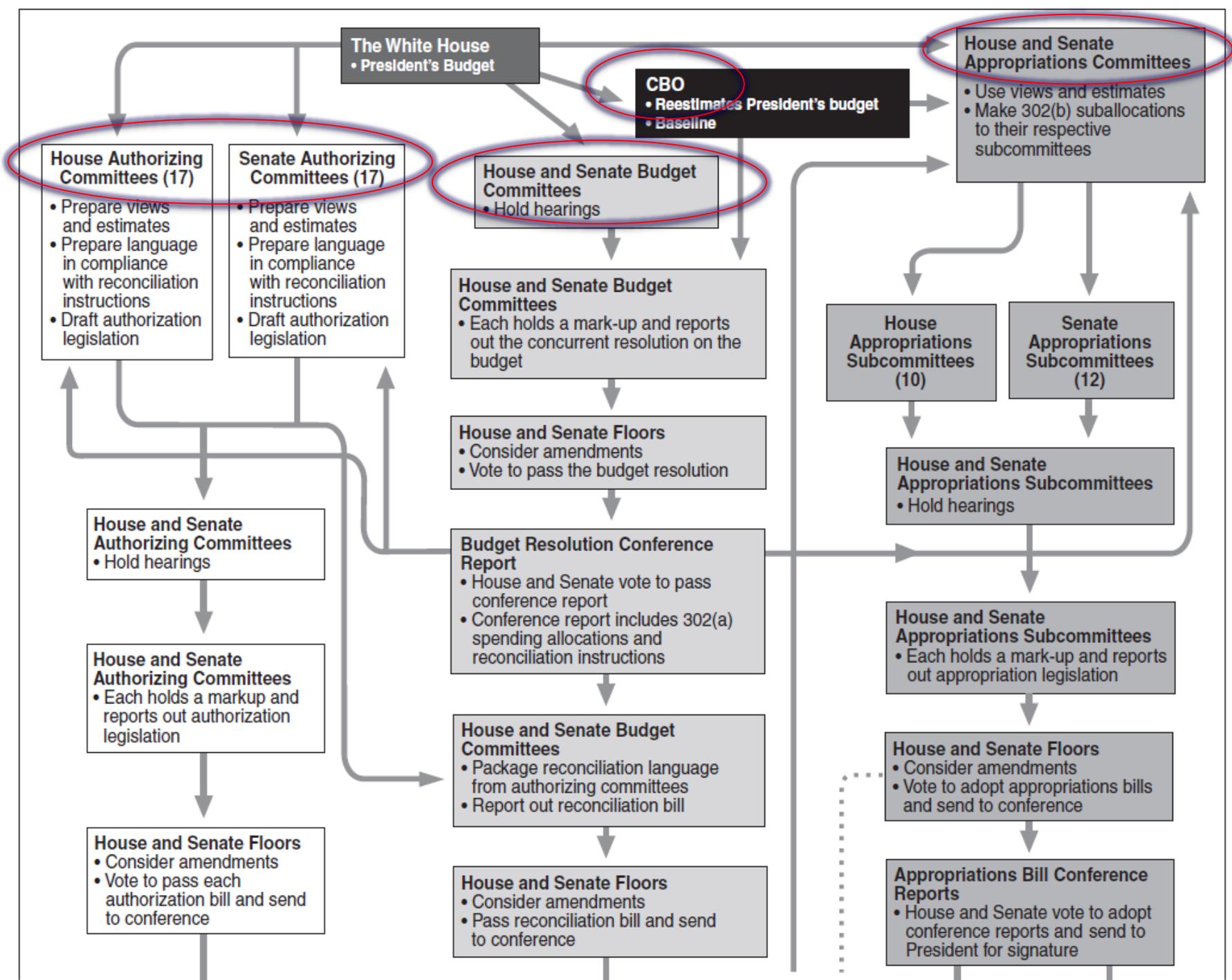
Sources of MilPers cost increases

- Increasing average paygrade (grade creep)
 - Since 1998, officer corps is 6.6% larger; enlisted corps is 1.9% smaller. Number of enlisted per officer fell from 5.25 to 4.82.
- Change in housing administration policy shifted costs from MilCon to MilPers
- Change in accounting rules made apparent some costs that were previously hidden (e.g., retirement accrual)
- Increased use of pays and benefits related to operations (e.g. hazardous duty pays, survivor benefits)
- Pay raises above ECI
- More generous policy (e.g., concurrent receipt, Tricare for Life)



Unfunded or unfunded?







Perspectives on Budget Execution

Effective execution at the **management layer** means ...

- ❑ project prioritization, staffing, and resourcing support organizational goals
- ❑ there is an effective control environment evidenced by effective control systems
- ❑ control is balanced with adaptability and responsiveness
- ❑ relevant and timely financial information flows from staff units to line managers and relevant and timely project information flows from line units to financial managers
- ❑ staffs are recruited, developed and organized to support organizational goals

Effective execution at the **operational layer** means ...

- ❑ compliance with fiscal law and provisions of the appropriations/funds used
- ❑ auditable processes and robust systems that produce timely and reliable financial information
- ❑ supporting processes are reliable:
 - ❑ Contracting & contract management
 - ❑ Timekeeping
 - ❑ Status of funds reporting
- ❑ control activities bind staff discretion to policies and plans