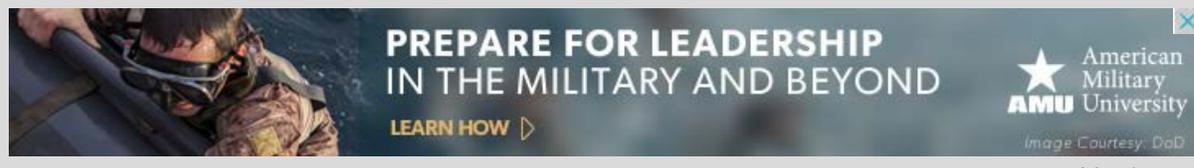


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How DoD Gets Money: A Primer on the US Federal Budget Process

Feb 13, 2012 20:45 UTC by Defense Industry Daily staff

The US federal government puts together its budget by way of a protracted, ongoing process. As the largest recipient of discretionary federal funds, the Department of Defense adds its own layer of complexity unknown to other smaller departments. This article explains how the process unfolds with its major milestones, players, and how they interact.

The Federal and



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Department of Defense Budgeting Process and Cycle

President Budget. Since 1990 the cycle is supposed to start between the first Monday in January and the first Monday in February with the President's proposed budget. In practice some administrations have

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been late by up to several weeks. From then on the cycle involves many interactions within and between the legislative and executive branches.

Congressional budget hearings. Within the next 6 weeks, House and Senate committees conduct hearings in their field of reference (i.e. defense, foreign affairs, energy etc.), then submit their “views and estimates” of spending and revenue to the House and Senate Budget Committees.

Concurrent budget resolution. By April 15 the two chambers are expected to have agreed on budget priorities. A concurrent resolution is not presented to the President and thus does not have the force of law but binds Congress about how to proceed for the rest of the cycle. They are known as H./S.Con.Res. for the House and Senate versions of the resolution, respectively. In recent years Congress has not always delivered on that legal obligation, and failed to do so at an increased frequency.



Appropriations. Starting on May 15 appropriations bills may be considered in the House, where budget bills originate. The 12 subcommittees get their 302(c) suballocations and work on their respective domains. By the end of June the House completes action on annual appropriation bills. Spending is defined in two ways: budget authority (BA) which reflects the maximum amount of authorized spending, and “outlays” which represent flows from the Treasury to the Departments. Outlays end up varying from the BA because of balances from prior years.

In September the Senate Appropriations Committee writes its own version of the bill based on its Defense subcommittee markup, following a process similar to the House’s.

In principle appropriations (i.e. funding) are to be set at or below levels set by authorizations (i.e. policy). In practice, whether appropriation bills fully reflect the original authorization intent can lead to friction within Congress.

Mid-Session Review (MSR). OMB submits a supplemental update to its budget with its latest receipt and outlay estimates. This is expected on July 15. Again, that deadline is not always met in practice.

Signing a law. Since the two chambers have worked on their own version of the appropriations bills, they have to work together to reconcile their texts. This is known as “going to conference” and is

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done by conference committees that draft legislation apt to meet the demands of the two chambers. This can prove difficult when they are not controlled by the same party.

Once a unified bill is ready the President can sign it into law or veto it. Since the federal year starts on October 1, the whole process should be completed before that date. However it is not rare that there's no political agreement before that deadline, in which case Congress continues to fund the government via a short-term funding measure known as a continuing resolution (CR).

When all is said and done, the signed bill can end up above or below the initial executive request by billions of dollars, with significantly different bits in it. This means DoD and its components may get more than they wanted, less than they wanted, or even stuff that they said they no longer wanted.

Note that Secretary of Defense Leon Panetta knows this process from the inside out since he was Chairman of the House Committee on the Budget between 1989 and 1993 then headed the OMB in 1993-94.

The Legislative Branch

Per Section 7 of Article I of the United States Constitution:

All bills for raising revenue shall originate in the House of Representatives; but the Senate may propose or concur with amendments as on other Bills.

This, alongside with Section 8 of the same article, places the root of federal funding power in the Congress, but does not have anything to say about budgetary legislation *per se*. It is the Budget and Accounting Act of 1921, as codified in Title 31 of the United States Code (USC), which does so at the executive level (more on that further below). In 1974 the Congressional Budget and Impoundment Control Act set the rules on the legislative side. At that time the Congressional Budget Office (CBO) was created to provide budgetary information to Congress independent of the executive branch.

As far as defense spending is concerned, the key House and Senate committees are the Armed Services Committees and Defense Appropriations Subcommittees. There are also committees for Military Construction and Veteran Affairs since these are appropriated separately.

Representatives also join a large number of congressional caucuses, several of which have to do with defense matters, e.g. Army, Army Aviation, C-130 Modernization, Unmanned Systems...

Congressional committees may report proposed changes in entitlements and other mandatory spending and may receive reconciliation instructions. The House Ways and Means and Senate Finance committees will get involved in these discussions but these are not tied to the calendar and are not happening every year, nor are they at the core of how discretionary spending is decided, so for the sake of simplicity they are left out of the scope of this article.

The Executive Branch

The Budget and Accounting Act of 1921 lay a foundation upon which the formal budgeting process and administration since then evolved. At the time a Bureau of the Budget was created which was renamed and reorganized in 1970. Currently the Office of Management and Budget (OMB), as it is now known, is a Cabinet-level office within the Executive Office of the President of the United States (EOP). As its name implies it drives the executive's spending priorities and works to oversee and coordinate the various cabinets and agencies.

Meanwhile the Government Accountability Office (GAO) audits and monitors federal programs on an ongoing basis. This has proved difficult with the DoD which has not presented auditable books for a long time, but is compelled to be ready to do so by FY17.

DoD and its components

Because the Departments of the Air Force, Army or Navy are each bigger alone than most other departments in the cabinet, the DoD budget has a considerably more involved budget process. The military services and defense agencies work for months with DoD which then works with OMB to finalize the budget. This is known within the Pentagon as the Planning, Programming, Budget, and Execution (PPBE) cycle.

In the spring DoD feeds what's called Defense Fiscal Guidance (DFG) to the services. Said services then submit Program Objective Memorandums (POM) and Budget Estimate Submissions (BES) back to the Office of the Secretary of Defense (OSD) and its Cost Assessment and Program Evaluation (CAPE) office and to OMB. By the end of the year the services have raised any Major Budget Issues (MBI) they may have. They also have established a Program Decision Memorandum (PDM) with DoD that the Department will use with OMB to make Program Budget Decisions (PBD).

Though many of these documents and internal discussions stay within DoD, officials of the Air Force, Army and Navy will occasionally make public statements to try and protect their turf. Or some leaks will conveniently happen. In any case historically there's been a rough budget balance between these three services.

In parallel OSD maintains a 5-year outlook known as the Future Years Defense Program (FYDP) that it updates at least twice a year.

For sanity's sake this is a very brief, simplified summary of what is happening within the Department of Defense, and as importantly between it and its Departments and Agencies, to determine and allocate budgets. Links explaining further the full-fledged bureaucratic process are found at the end of the article. They are not sponsored by Advil, but they could.

Additional Readings & Sources

- [US Constitution](#) 
- [US Code Title 31](#) 

- [House of Representatives Committee on the Budget – The Budget ; Missed Budget Deadlines](#)
- [Senate – Committee on the Budget](#); [Budget Timetable](#); [Legislative Process: How a Senate Bill Becomes a Law](#) [PDF]
- [White House OMB – The Budget](#)
- [Congressional Research Services \(CRS\) – The Congressional Budget Process: A Brief Overview](#)
- [CRS – Historical Information on Congressional Budget Resolutions](#) [PDF]
- [CRS – Submission of the President’s Budget in Transition Years](#)
- [CRS – The Mid-Session Review of the President’s Budget: Timing Issues](#)
- [CRS – Overview of the Authorization-Appropriations Process](#) [PDF]
- [National Academy of Public Administration – Office of Management and Budget](#)
- [Congressional Member Organizations](#) (CMOs aka caucuses)
- [Senator John McCain \[R-AZ, SASC ranking member\] – Remarks on defense spending](#), Sept. 2011
- [Defense Acquisition University – Program Objectives Memorandum](#), [Program Decision Memorandum](#), [Program Budget Decision](#), [Major Budget Issues](#), [Future Years Defense Program](#)
- [Army Force Management School – PPBE Executive Primer](#)
- [DOD – Procedures and Schedule for FY2012-2016 Integrated Program/Budget Review](#) [PDF]
- [CBO – Models Used by the Military Services to Develop Budgets for Activities Associated with Operational Readiness](#)
- [Stimson Center – Defense Budget Analysis](#)

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