

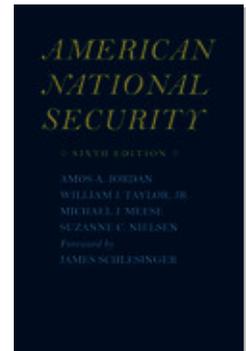


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## American National Security

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## Planning, Budgeting, and Management

A central problem of national security strategy is the limitation on the resources that can be allocated to meet security objectives. A nation's available resources—traditionally categorized by economists as land, labor, and capital—are valued by society, because they can be used to produce a variety of outputs of goods and services that the society desires. When some of those resources are transferred to the government to meet national security objectives, an *opportunity cost* is imposed on society, defined as the lost opportunity of producing other goods and services with those resources to meet private consumption or other social goals. The opportunity cost of defense is not new. It was best described by President Dwight Eisenhower in 1953:

The cost of one modern heavy bomber is this: a modern brick school in more than 30 cities. It is two electric power plants, each serving a town of 60,000 population. It is two, fine, fully equipped hospitals. It is some 50 miles of concrete highway. We pay for a single fighter plane with a half million bushels of wheat. We pay for a single destroyer with new homes that could have housed more than 8,000 people.<sup>1</sup>

Even with a president whose background and personal experience would suggest that he would favor military expenditures, the contentious issue of “how much is enough,” and precisely what national security capabilities the nation should develop, was a major concern.

The ultimate fiscal constraint on security expenditures is most directly related to the potential *gross domestic product*, the dollar value of all final goods and services that could be produced in the nation in a given year if all its resources were fully employed. Invariably, unemployment or excess productive capacity will cause actual output to fall below its potential level, but the potential level is

useful in national security analysis because, within the constraints of time and transitional costs, considerably more resources could be pressed to maximum use in an emergency.

Competing claims on the nation's total output are made by individuals for consumption; by firms for investment; and by local, state, and federal governments for a host of public programs, including national security. Even when resources already allocated to the federal government are examined, expenditures are constrained by interdepartmental competition. How should the proportion of total resources directed to national security objectives be determined? In theory, advocates of national security expenditures should demonstrate that the societal benefits of those expenditures exceed the benefits society would derive from equal expenditures on other government programs or private consumption and investment. Of course, the values at stake are not easily weighed against one another, and the resulting choices are never likely to be entirely free of controversy.

Given competing demand for scarce resources, one objective of national security policy must be to obtain the most security possible for each dollar of expenditure. But even if a system could be designed to achieve the greatest possible efficiency in one sector of national security—say, defense—it would be impossible to meet all the ideal national security goals in other sectors. Resource constraints translate ideal goals into less than ideal objectives. National security objectives are therefore not absolutes but are defined by the process of evaluating the available options. The realistic options facing society are not bankruptcy with perfect security on the one hand or prosperity while risking national security disaster on the other. Rather, society must confront the far more difficult questions of how much expenditure for national security is required, and how much risk it is willing to accept so that adequate resources are available for other government programs, private consumption, or investment.

## **The Challenge for Strategic Planners**

The preceding discussion suggests that the first questions that national security planners must answer are the following: What are the nation's national security objectives, and how can national resources and the instruments of national security be leveraged to effectively meet these objectives? The central challenge in answering these questions arises out of the fact that there is not a unified national security apparatus (an agency or department) that has jurisdictional control over the many aspects of security. Moreover, not only must national security policy makers agree on objectives and the instruments that will be used to pursue them, but they must also grapple with how much of each instrument should be used. In a broad sense, this means agreeing on the right approach—the use of force, diplomacy, or a combination—to national security; it also means agreeing on how to allocate scarce resources to create the required capabilities.

The National Security Council (NSC) is responsible for coordinating national security policies among many agencies, but it possesses no statutory power to control the actions of these agencies. Moreover, law makers do not annually debate

and deliberate on a single national security budget proposal but are compelled to analyze the proposed achievement of security objectives in a piecemeal manner. Multiple agencies compete for their shares of national security dollars and for important roles in shaping and executing national security policy.

In previous chapters, a wide range of actors has been identified as playing key roles in the national security process. Although many actors participate in shaping strategy, a more distinct subgroup of entities actually plays a role in executing it with federal monies. Broadly speaking, current treatment of national security planning, budgeting, and management is limited to three distinct government entities: defense, homeland security, and international affairs (diplomacy). Nested within these three broad areas of security are other security-related areas, such as intelligence, law enforcement, and economic instruments of power.

In terms of resources allocated and expended, defense clearly dominates the various components of national security. This is not surprising, nor is it anomalous historically or when compared to security planning and budgeting in many other countries. The resources required to sustain defense are typically tremendous; in the United States, defense spending constitutes the single largest discretionary government expenditure. Because of its significant role and tremendous weight within the security policy process, the Department of Defense (DoD) is the primary focus of this chapter. However, an evaluation of the DoD's role in national security planning and budgeting offers insight to the problems and tensions that exist in the entire community.

## **The Federal Budget**

The crafting of the federal budget is a highly charged political process, but one that works quite well, given the high stakes and the amount of money involved. It is a process characterized by both conflict and resolution. Conflict stems from the fact that the budget process is not only a matter of allocating huge sums of dollars but also one of setting national priorities. The political nature of such an endeavor naturally lends itself to conflict among a wide range of potentially powerful actors—Congress, its individual members, the president, his or her staff, a huge federal bureaucracy, the military services, states, lobbyists, citizens, and sometimes even international actors. The stakes are clearly high because resources are limited, and any pursuit of one's specific objectives will likely be challenged by another's pursuits. Despite this intense conflict, budgets "must be resolved." Budgetary procedures regulate conflict by parceling out tasks and roles, establishing expectations and deadlines for action, and limiting the scope of issues that are considered. Conflict is dampened by these repetitive tasks that are completed with little or no change, year after year, and by the patterned behavior of individuals involved.<sup>2</sup>

**Process.** The executive and legislative branches play the preeminent roles in the budgetary process. The actors within these branches of government include, but are by no means limited to: the president, the Office of Management and Budget (OMB), federal departments and agencies, congressional tax and budget committees,

the Congressional Budget Office (CBO), congressional authorization committees (the committees with jurisdiction over certain governmental programs, such as the Senate Armed Services Committee), the congressional appropriations committees and their subcommittees, and the Government Accountability Office. Budgeting involves thousands of participants, but very often their roles in the process are prescribed by the repetitive and sequential budget process.

By law, the president must submit a budget to Congress by the first Monday in February each year. Although this officially begins the annual budget cycle, federal agencies have to begin this process much sooner. During the spring a year prior to the budget submission, budget policy is developed. The OMB first presents the president with an analysis of the economy, and they discuss the budgetary outlook and policies. The OMB then issues guidelines to agencies, which in turn review current programs and submit budgetary projections for the upcoming year. The OMB then reviews these projections and prepares recommendations to the president on final policy, programs, and budget levels. The president then establishes guidelines and targets. During the summer, agencies submit their budget estimates and future year projections to the OMB, which then prepares a budget recommendation for the president. The president reviews these recommendations and decides on the agencies' budgets and overall budgetary policy. Once agencies revise their estimates in conformance with the president's decisions, the OMB again reviews the budget, drafts the president's budget message, and prepares the budget document. Finally, the president revises and approves the budget message and transmits the budget document to Congress.<sup>3</sup>

According to the Constitution, Congress must authorize all federal appropriations. As a result of the Congressional Budget and Impoundment Control Act of 1974, this process has become highly standardized. Table 9.1 shows the congressional budget process, which includes several key steps. First is the adoption of a *budget resolution*. The resolution is an agreement between the House and Senate

**Table 9.1** Budget Process

<i>Date</i>	<i>Action to be Completed</i>
First Monday in February	President submits budget to Congress.
February 15	CBO submits report on economic and budget outlook to budget committees.
Six weeks after president's budget is submitted	Committees submit reports on views and estimates to respective budget committees.
April 1	Senate Budget Committee reports budget resolution.
April 15	Congress completes action on budget resolution.
June 10	House Appropriations Committee reports last regular appropriations bill.
June 30	House completes action on regular appropriations bills and any required reconciliation legislation.
July 15	President submits mid-session review of budget to Congress.
October 1	Fiscal year begins.

*Source:* Robert Keith and Allen Schick, *Introduction to the Federal Budget Process*, CRS Report for Congress (Washington DC: GPO, 2004), 13.

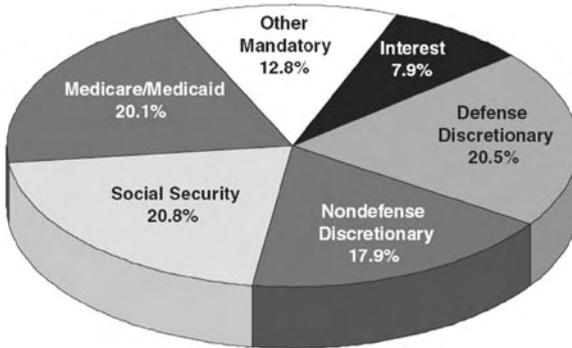
on the overall size of the budget and the general composition of the budget in terms of functional categories (e.g., national defense, international affairs, and so forth). The amounts in these functional categories are then translated into allocations to each congressional committee with jurisdiction over spending; subsequent legislation considered in the House and Senate must be consistent with these allocations as well as the aggregate levels of spending and revenues. In some years, the budget resolution may also contain *reconciliation instructions*. These instructions identify committees that must recommend changes in laws affecting revenues or direct spending programs within their jurisdiction in order to implement the priorities agreed to in the budget resolution. All committees receiving such instructions must submit recommended legislative proposals to the Budget committee in their respective chamber. Reconciliation bills are then considered, and possibly amended, by the full House and Senate.

Congressional approval of each year's spending is divided into thirteen separate appropriations bills that cover broad categories of spending. Appropriations bills are drawn up by the House and Senate Appropriations Committees and their subcommittees. These committees and subcommittees review the requests of particular agencies or groups of related functions. During committee and subcommittee hearings, agency representatives are required to answer questions and defend their requests for the fiscal year (FY). In addition to government officials, lobbyists and other witnesses may testify. Although the appropriations committees have broad discretion in allocating funds, they must stay within the totals set forth in the budget resolution.

When examining the interaction between the federal bureaucracy and Congress, it is important to note the difference between authorization and appropriation legislation. *Authorization legislation* is an act of Congress that establishes a government program and defines the amount of money it can spend. For defense, this is normally done by the House and Senate Armed Services Committees. An authorization bill, however, does not provide money. Only an *appropriations act* can do this. These appropriations acts originate in the Appropriations Committees; for security issues, they originate in their subcommittees on defense. The process for developing a defense budget, within the overall federal budget, is discussed separately in a later section of this chapter.

## Spending for National Security

The DoD holds an exceedingly large share of the national security budget. However, national security spending is not only for military forces but also for homeland security, plus diplomacy and foreign affairs under the national security umbrella. Of course, the vast and disparate bureaucracies involved—in terms of personnel, funds, and missions—create an ongoing puzzle for national security planning. How do these individual organizations overcome bureaucratic barriers to develop an effective, unified approach to achieving national security objectives? How can scarce resources be effectively allocated among multiple agencies and departments, given that these separate entities are typically in competition with one another?

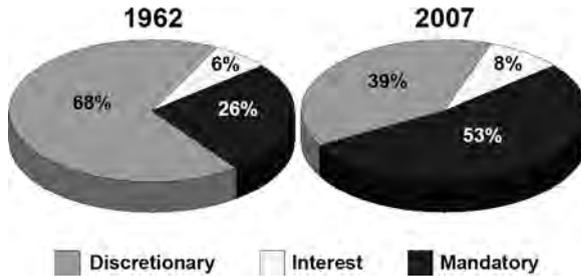
**FIG. 9.1** Fiscal Year 2008 Federal Budget Outlays

Source: Mid-Session Review, Budget of the U.S. Government, Fiscal Year 2009, Office of Management and Budget, p. 4, [www.whitehouse.gov/omb/budget/fy2009/pdf/09msr.pdf](http://www.whitehouse.gov/omb/budget/fy2009/pdf/09msr.pdf)

Figure 9.1 illustrates spending for FY 2008. The pie chart represents the entire federal budget, including mandatory, interest, and discretionary spending. *Mandatory* spending usually comes in the form of entitlements, such as Medicare, Medicaid, and Social Security, but may also be found in other programs. Entitlements “give eligible recipients a legal right to payments from the government and as such, the government is obligated to make such payments even if the budget and appropriation acts do not provide sufficient funds.”<sup>4</sup> Although Congress may set an amount of funds aside for a particular entitlement program, any shortfalls incurred during budget execution must be covered with additional appropriations. Mandatory spending programs have often caused the most political tension in Washington because funding such programs is a foregone conclusion. Politicians and the public are typically unwilling to cut mandatory spending because of the role of these programs in society. These programs have the “combined effect of cushioning households against the cyclical shocks of recession and temporary disability, and against the secular shocks of old age and infirmity.”<sup>5</sup> The only way to reduce mandatory spending is to change the timing or eligibility for benefits, which is extremely difficult for political leaders to do. In short, these programs provide the “social safety net” that most Americans are not willing to forego despite the clear trade-offs—including national security spending—that inevitably arise.

The *discretionary* portion of the federal budget (a combination of the “Defense Discretionary” and “Nondefense Discretionary” categories in Figure 9.1) provides the most room for conflict and debate over the proper allocation of scarce resources. Discretionary funding proposals must not only be renewed by departments and the president each year, but they must also survive both the authorization and appropriation processes in Congress. The ability to “kill” a discretionary program throughout this process is greatly enhanced because of the several decision points it must pass. As one can imagine, this type of process lends itself to a great deal of jockeying and compromise.

**FIG. 9.2** Growth in Mandatory Spending



Source: Mid-Session Review 2008 Charts, [www.whitehouse.gov/omb/pubpress/msr/2008\\_msr\\_charts.pdf](http://www.whitehouse.gov/omb/pubpress/msr/2008_msr_charts.pdf)

During the latter half of the twentieth century, mandatory spending increased so that it came to dominate the federal budget. In 1940, the share of the budget consumed by mandatory spending was only approximately 18%. By 1962, it stood at approximately 26%, and since the turn of the century has reached approximately 53% (see Figure 9.2). Spending growth stems from a variety of sources, most importantly the creation of many new mandatory spending programs in the twentieth century (such as Social Security in 1935 and Medicare in 1965). Another important source is changing demographics. The retiring baby boomer generation, coupled with increased health-care costs and longer life expectancy, is driving up the cost of mandatory spending. As mandatory spending increases, either overall spending must increase, or discretionary spending must decrease to offset it. To pay for any overall increases, the government must either increase taxes or increase debt.

During the first half of the twentieth century, the president had a tremendous amount of power over federal budgeting. In the 1960s, however, a variety of factors motivated Congress to reassert its institutional prerogatives. This trend came to a head in the early 1970s, when Congress and President Richard Nixon fought over budget priorities and procedures. The result was the Congressional Budget and Impoundment Control Act of 1974. Although this act did not alter the formal role of the president in the budget process, it did give Congress a considerably larger role in making informed fiscal decisions. The act provided for Congress “to adopt an annual budget resolution that sets revenue, spending, the surplus or deficit, and debt totals, and [allocates] spending among 20 functional categories.”<sup>6</sup> Congress began to develop its own budget projections and was in a stronger position institutionally to evaluate and counter the president’s proposals.<sup>7</sup> The result was a system that furthered conflict between the executive and legislative branches. Discretionary funding proposals in particular became the primary battleground on which each branch fought for its vision of national priorities. As the discretionary funding proportion decreased, these battles became more decisive and divisive.

As depicted graphically in Figure 9.1, discretionary spending constituted only 38.6% of FY 2007 budget outlays. As a share of discretionary spending only, defense dominated with approximately 51.6%. The other components of security

spending—homeland security (at 3.0%) and international affairs (at 3.1%)—combined equate to approximately 6.1% of discretionary spending.<sup>8</sup> What stands out most in this analysis is the disproportionate share of funds allocated to the military when compared to other instruments of national security policy. One reason for this imbalance is simply that large, high-quality, standing armed forces are expensive. It is noteworthy that, as a share of the budget, defense spending has risen and fallen throughout the past century based on a variety of factors, while spending on international affairs has remained essentially unchanged.

Developing a balanced national security program and translating it into budgets acceptable to Congress, the public, and other executive agencies is a major, extraordinarily demanding effort of public policy. Accomplishing it requires establishment of national security goals and objectives, identification of departmental and agency strategies and specific capabilities required to meet the defined objectives, and setting of priorities that apportion risks given that no amount of spending will address all the possible security concerns that strategists and planners identify. What follows addresses these challenges specifically as they relate to the DoD, and how the DoD seeks to overcome them through the Planning, Programming, Budgeting, and Execution System (PPBES).

## **Evolution of Defense Budgeting**

Prior to World War II and the creation of the DoD, the Department of the Navy and the Department of War (which included the Army and the Army Air Corps) would submit their budgets proposals separately. These budget proposals would be approved by the president and then addressed by two separate authorizing committees in each House of Congress. After the National Security Act of 1947 and its amendments in 1949, 1953, and 1958, the DoD submitted a consolidated, centralized budget. This centralization provided the Office of the Secretary of Defense (OSD) with additional authorities to make tradeoffs among defense programs and better shape national security policy.

Though the successive defense reorganizations brought the secretary of defense increasing authority, reform of the budgetary process proceeded more slowly. Ideally, a budgetary process assists an organization in performing three essential functions: planning, management, and control. The planning process, which translates the goals of an organization into specific objectives, must provide some mechanism for adjusting objectives and resource allocations to total levels of expenditure. The management function involves the establishment and execution of projects or activities to meet the approved objectives. Finally, the control process monitors the results of various activities measured against the objectives and ensures that expenditures fall within specified limits. The issue that faced the DoD was how to enable the secretary of defense to exert his or her statutory authority to plan, manage, and control defense resources.

The person who is most famous for bringing enhanced budgetary tools to address this need was Secretary of Defense Robert McNamara, who took office with the Kennedy administration in 1961. Unlike most of his predecessors, McNamara

viewed his role as being a leader in shaping defense policy rather than as a reviewer of plans and budgets prepared by the services. Moreover, he had a strong presidential mandate to shift the nation's defense posture from one of massive retaliation, relying primarily on Air Force and Navy nuclear weapons, to one of flexible response. Although strategic nuclear delivery systems were still necessary, the shift required new emphasis on mobile general purpose forces. The mandate was to be able to fight simultaneously major wars in Asia and Europe and a "brush-fire" war anywhere in the world—the so-called "two-and-a-half war" strategy. To accomplish these more ambitious objectives, President John Kennedy freed McNamara from specific budgetary ceilings and eliminated any review of the defense budget in the executive branch outside the DoD.

In his approach to the problem, McNamara heeded the advice of the numerous critics of defense budgeting practices in the 1950s. These critics had observed that sound national planning required an evaluation of alternative methods of accomplishing security objectives on the basis of comparative outputs and the costs of each alternative.<sup>9</sup> For example, several strategic nuclear weapons systems, such as Minuteman missiles, strategic bombers, and Polaris missile submarines, contributed to the same objective of deterring nuclear attack. In deciding how much of the defense budget to allocate to each of these strategic systems, the cost and effectiveness of each system should be considered simultaneously. This was virtually impossible in the budgeting system that McNamara inherited, because it was arrayed in terms of service inputs—personnel, operations, maintenance, and military construction—which were accounting categories used by the services and Congress. Budgeting was not done in terms of end products or missions. While forces and weapons were normally considered "horizontally" across services in the planning process, expenditures were portrayed "vertically" within each service by accounting category. The integration of military planning (the domain of the Joint Chiefs of Staff [JCS]) with budgeting (the domain of the civilian secretaries and comptroller organization) required a link between mission objectives and expenditures.<sup>10</sup>

The solution McNamara adopted was *program budgeting*, under which all military forces and weapons systems were grouped into mission-oriented defense programs according to their principal military purpose, even though these missions cut across traditional service boundaries. Programs were then subdivided into program elements (e.g., the General Purpose Forces Program included both Marine and Army forces, such as brigades and divisions, as program elements). With expenditure data arrayed in the program format, a decision maker could readily observe how funds were distributed over mission-related outputs and how those funds were allocated over different forces and weapons systems within each program.

McNamara used the potential of program budgeting to establish the preeminence of the OSD in the national security budgeting process. The Planning, Programming, and Budgeting System (PPBS) that he instituted made it possible to link expenditures more closely to the national security objectives to which they were directed, to compare the relative value of various expenditures, and to enforce the resultant decisions on force structure and weapons procurement. The PPBS improved the ability of the DoD to analyze defense decisions and coordinate

interrelated activities. In practice, it also centralized power in McNamara's and the OSD's hands, providing a systematic methodology for identifying key issues, focusing the attention of the senior leadership on them, organizing the sequence of and participation in the decision process, recording decisions, and shaping the defense program and budget to reflect them. As it was applied during 1961–1968 under McNamara, with emphasis on quantitative analysis of alternatives, the PPBS became a powerful centralizing tool that was resisted by the armed services. McNamara held strong cards, though, in the form of firm presidential backing. His personal style, as well as management approach, and his willingness to discount or ignore military expertise led to continuing tension within the Pentagon during his tenure.

Although the PPBS has been criticized continuously since its inception, it has been retained as the basic structure for defense strategy, program, and budget development through successive presidential administrations.<sup>11</sup> In fact, as a result of numerous government-wide management initiatives over the last two decades, other departments and agencies have essentially adopted the PPBS model. In 2003, the DoD made significant changes to the PPBS, now calling it the PPBES. The sections below outline this process and explain the rationale for this change.

## The Planning, Programming, Budgeting, and Execution System

The purpose of the PPBES is to allocate resources effectively within the DoD. It is important for program managers and their staffs to be aware of the nature and timing of each of the events in the PPBES, because they may be called upon to provide critical information that could be important to program funding and success. In the PPBES, the secretary of defense establishes policies, strategy, and prioritized goals for the department. These are subsequently used to guide resource allocation decisions that balance the guidance with fiscal constraints. As indicated by the acronym, the PPBES consists of four distinct but overlapping phases: planning, programming, budgeting, and execution.

**Planning.** The *planning* phase of the PPBES, which is a collaborative effort by the OSD and the joint staff, begins with an articulation of national defense policies and military strategy known as the Strategic Planning Guidance. The Strategic Planning Guidance is used to lead the planning process, now known as the Enhanced Planning Process. This process results in fiscally constrained guidance and priorities—for military forces, modernization, readiness and sustainability, and supporting business processes and infrastructure activities—for program development. The results of this planning effort are then articulated in a document known as the Joint Programming Guidance. The Joint Programming Guidance is the link between planning and programming, and it provides guidance to each DoD component (military department and defense agency) for the development of a program proposal known as the Program Objective Memorandum (POM).

**Programming.** The *programming* phase begins with the development of a POM by each DoD component that responds to the guidance and priorities of the Joint

Programming Guidance within fiscal constraints. When completed, the POM provides a fairly detailed and comprehensive description of the proposed programs, including a time-phased allocation of resources (forces, funding, and manpower) by program projected six years into the future. In addition, each DoD component may describe important programs not fully funded (or not funded at all) in the POM and assess the risks associated with the shortfalls. The senior leadership in the OSD and the joint staff review each POM to help integrate the various DoD component POMs into an overall coherent defense program. In addition, the OSD staff and the joint staff can raise issues with selected portions of any POM, or any funding shortfalls in the POM, and propose alternatives with marginal adjustments to resources. Issues not resolved at lower levels are forwarded to the secretary of defense for decisions, and the resulting decisions are documented in a Program Decision Memorandum.

**Budgeting.** The *budgeting* phase of the PPBES occurs concurrently with the programming phase; each DoD component submits its proposed budget estimate simultaneously with its POM. The budget converts the programmatic view into the format of the congressional appropriations structure, along with associated budget justification documents. The budget projects resources only two years into the future but with considerably more financial detail than the POM. Upon submission, each budget estimate is reviewed by analysts from the Office of the Undersecretary of Defense (Comptroller) and the OMB. The purpose of their reviews is to ensure that programs are funded in accordance with current financial policies and are properly and reasonably priced. The review also ensures that the budget documentation is adequate to justify the programs presented to Congress. Typically, the analysts provide the DoD components with written questions in advance of formal hearings where the analysts review and discuss the budget details. After the hearings, each component prepares a decision document (known as a Program Budget Decision [PBD]) for the programs or appropriations under its area of responsibility. The PBD proposes financial adjustments to address any issues or problems identified during the associated budget hearing. The PBDs are circulated among other components for their comments and forwarded to the deputy secretary of defense for decisions. These decisions are then reflected in an updated budget submission provided to the OMB. After that, the overall DoD budget is provided as part of the president's budget request to Congress.

**Execution.** The *execution* review occurs simultaneously with the program and budget reviews. The purpose of the execution review is to provide feedback to senior leadership concerning the effectiveness of current and prior resource allocations. To the extent performance goals of an existing program are not being met, the execution review may lead to recommendations to adjust resources or restructure programs to achieve desired performance goals.<sup>12</sup>

**The Rationale for the PPBES.** In May 2003, the DoD adopted the PPBES as an improvement to the decades-old PPBS to make the process more effective and

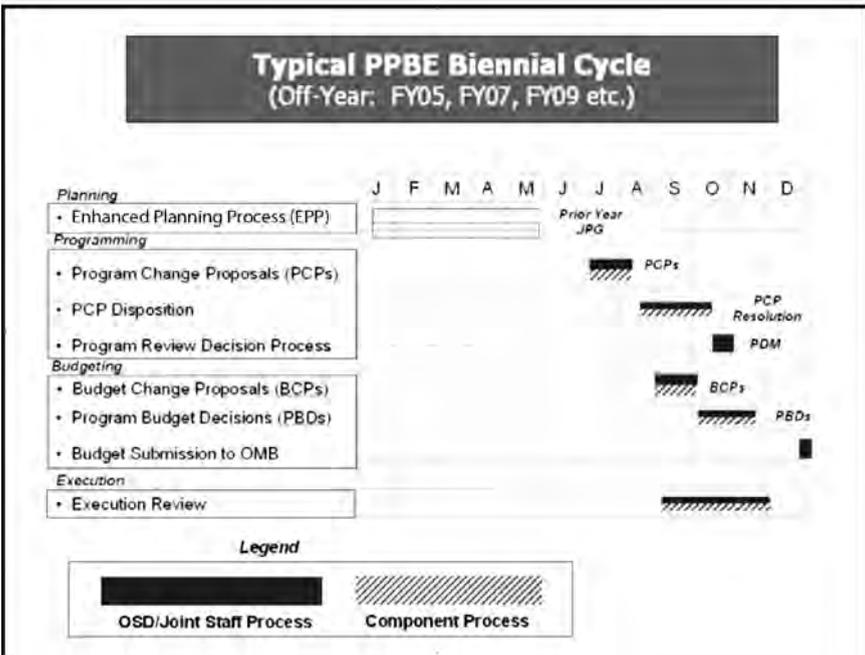
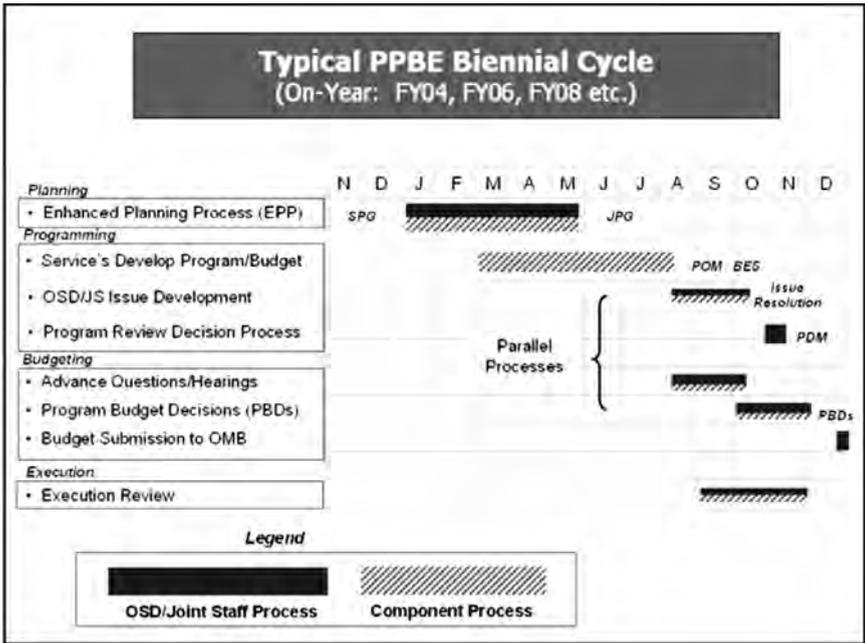
to provide a greater emphasis on execution. The result was not only a change in name: One of the key changes was to move from annual to biennial budgeting. As discussed above, the new system supports two-year budget cycles that result in two-year budgets. The basic concepts behind the new system are consistent with the submission of a biennial DoD budget that is part of the president's budget request to Congress for even-numbered fiscal years. These even-numbered years are referred to as *on-years*, while the odd-numbered years are referred to as *off-years* (see Figure 9.3).

It should be noted that Congress does not actually provide the DoD with biennial appropriations. An amended budget justification must be submitted for the second year of the original budget request so Congress will appropriate funds for that second year. The department uses a restricted process in the off-year to develop an amended budget that allows for only modest program or budget adjustments.<sup>13</sup> In the off-year, assuming no major threat changes, there are no significant changes to policy, strategy, or fiscal guidance. In fact, there may be no issuance of revised Joint Programming Guidance. If revised Joint Programming Guidance is provided, it would only contain minor revisions (although it could direct studies to support major decisions on strategy or program choices for the following year's Strategic Planning Guidance or Joint Programming Guidance). In addition, in the off-year, the DoD components do not provide revised POMs or budget estimates. Instead, the DoD components are allowed to submit Program Change Proposals (PCPs) or Budget Change Proposals (BCPs) to account for fact-of-life changes (e.g., program cost increases or schedule delays). BCPs and PCPs are limited to a single issue and must identify resource reductions to offset any program or budget cost growth. PCPs address issues over a multiyear period, whereas BCPs address issues focused on the upcoming budget year. PCPs are reviewed in a manner similar to on-year program issues, and BCPs are resolved through the issuance and staffing of PBDs.

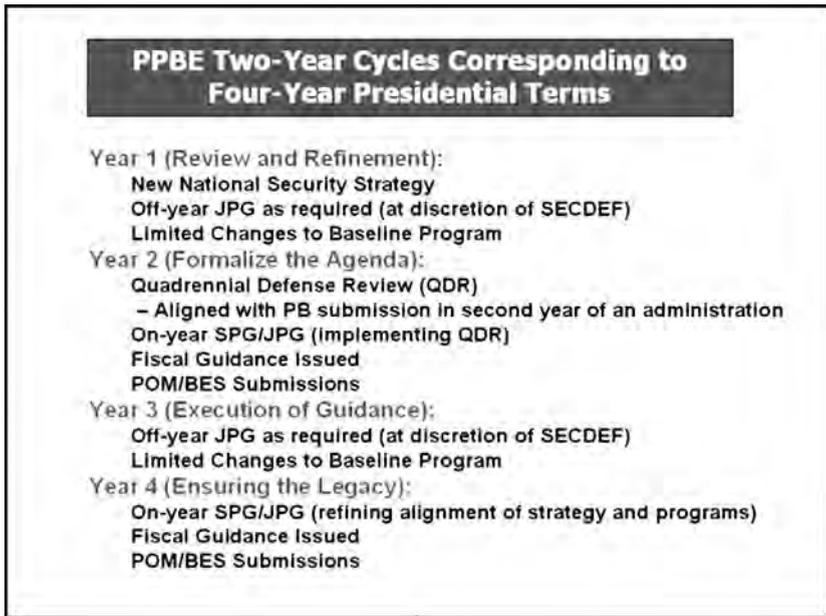
Although the budget process is built upon a biennial structure, the PPBES in its entirety is a four-year process that coincides with presidential terms. Figure 9.4 identifies key events in the process by year. In the first year of the administration, the president approves a new National Security Strategy (NSS), which establishes (1) the worldwide interests, goals, and objectives that are vital to national security; and (2) the foreign policy, worldwide commitments, and national defense capabilities necessary to implement national security goals and objectives. Once the new administration's NSS is established, the secretary of defense, in consultation with the chairman of the JCS, leads the Quadrennial Defense Review (QDR). The QDR is a comprehensive review of all elements of defense policy and strategy needed to support the national security strategy. The defense strategy is then used to establish the plans for military force structure, force modernization, business processes and supporting infrastructure, and required resources (funding and manpower). The QDR final report is provided to Congress in the second year of the administration.

In the PPBES, the QDR final report serves as the foundation document for defense strategy and business policy. Because this document is not available until the second year, the first year of the administration is treated as an off-year,

**FIG. 9.3** PPBE Cycles



Source: Defense Acquisition Guidebook, [https://akss.dau.mil/dag/Guidebook/IG\\_c1.2.asp](https://akss.dau.mil/dag/Guidebook/IG_c1.2.asp)

**FIG. 9.4** PPBE Process and Presidential Terms

Source: *Defense Acquisition Guidebook*, [https://akss.dau.mil/dag/Guidebook/IG\\_c1.2.asp](https://akss.dau.mil/dag/Guidebook/IG_c1.2.asp)

using the president’s budget inherited from the previous administration as a baseline. In the second year, which is treated as an on-year, the Strategic Planning Guidance and Joint Programming Guidance are rewritten to implement the QDR of the new administration.<sup>14</sup> (For further discussion of the role of the QDR in defense policy and the extent to which it has met the intent of congressional reformers, see Chapter 5.)

### Supplemental Appropriations

In recent years, total discretionary spending has risen significantly. According to the CBO, “[i]n 1990, both funding and outlays stood at about \$500 billion. By 2000, they exceeded \$600 billion and grew rapidly from there, reaching about \$1 trillion in 2005.”<sup>15</sup> A major source of this significant increase is a growth in supplemental appropriations. Between September 11, 2001, and December 2005, eleven separate supplemental appropriations totaling in excess of \$300 billion were passed. These appropriations have presented a wide array of practical and political challenges.

One of the most important advantages of supplemental appropriations is that they allow the government to react quickly to unforeseen events, such as natural disasters, or unforeseen military operations. Although the regular appropriation process lasts up to nine months, on average supplementals pass within a four-month

period.<sup>16</sup> During the 1990s, supplemental appropriations were used first for the 1991 Persian Gulf War and later for numerous peacekeeping missions from Somalia to the Balkans. They were also used for hurricane relief, flooding, and other domestic issues. In the twenty-first century, supplementals have been used in much the same manner, for military operations and disaster relief.

Though supplemental appropriations bring with them the advantage of responsiveness, their use is also a source of controversy. Prior to the Congressional Budget and Impoundment Control Act of 1974, there were relatively few controls on supplementals. After this act, however, the use of supplementals was limited to “unanticipated expenses.” An additional constraint was created with the passage of the Budget Enforcement Act of 1990. That legislation imposed spending caps; if a supplemental exceeded such caps, it would have to be offset with a corresponding reduction in spending somewhere else or with a revenue increase. Of course, if the supplemental were deemed necessary for a “dire emergency,” it would be funded out of deficit spending.<sup>17</sup>

Since 2001, the use of supplementals by the administration of President George W. Bush has received a great deal of criticism. Though supplementals had been used to support past U.S. military operations, they were often requested and expended early. They served their emergency function of supplying funds for clearly unforeseen needs.<sup>18</sup> By contrast, law makers have accused George W. Bush of building a “shadow budget” by continuing to fund overseas military operations through supplemental requests to escape the scrutiny, oversight, and debate that accompany regular appropriations. In addition, because of the “dire emergency” status attached to these bills, they are not subject to traditional spending caps. The short-term result has been increased deficit spending. Over the longer term, policy makers will be forced to adjust to new spending-level realities and manage the consequences of deficit spending.

## Looking Ahead

Ideally, the distribution of scarce government resources to security expenditures would perfectly reflect the government’s foreign and security policies and explicit trade-offs between investment in security and other social values. In practice, this is impossible to accomplish, in large part because of the fragmented nature of the U.S. national security apparatus.

Under the PPBS and later the PPBES, the DoD has made important progress in relating the internal allocation of its budget expenditures to security objectives. The highly centralized process of the McNamara era has evolved into a somewhat more decentralized system of participatory management that places increased weight on the military services’ measures of effectiveness. Nevertheless, the essential elements of the system remain.

Unfortunately, the ability of the government as a whole to decide how much to spend on national security and to evaluate defense versus other types of expenditures has lagged far behind. Throughout the 1970s and 1980s, efforts to introduce program budgeting to the remainder of the federal bureaucracy were largely

unsuccessful. With a series of reforms in the 1990s, most notably the Government Performance and Results Act of 1993 (GPRA), the federal bureaucracy began to move closer to successful program budgeting in various departments. The Presidential Management Agenda (PMA) announced in 2001 by George W. Bush was aimed at expanding upon or improving many aspects of the GPRA. Although the value of these initiatives is still being evaluated, it is widely agreed that performance management leads to more efficient practices. Yet, despite the success individual agencies may experience in linking budget requests to performance results, there still remains the important question of whether or not the United States government as a whole has properly allocated its resources to meet national security objectives, not just within each agency but also among them.

Given the fact that national security goals are essentially unlimited, but national resources to achieve them are scarce, how does one effectively manage the national security process? The answer is elusive, for though the president can use the NSC to coordinate the actions of several agencies, there is no unified national security apparatus with the capability to plan, manage, and control all national-security-related spending. In addition, the checks and balances built into the U.S. system of government inevitably lead to tension and cross purposes in the process. It is difficult for the president and Congress to agree on national security priorities; even when there is general agreement on objectives, there will still be disagreements over what instruments of power to use and the relative emphasis appropriate to each. The structure and processes currently in place, although better than those of the past, do not lend themselves to efficient unified decisions.

## Discussion Questions

1. Is it inherently impossible to achieve all our ideal national security goals? Why or why not?
2. Should the United States seek to create a more unified national security apparatus? If so, what should it look like? What political factors would make the formation of such an organization difficult?
3. What agencies and organizations play a central role in the federal budget process? Are some agencies more powerful than others? Why?
4. What factors limit the ability of the president and Congress to radically reshape the federal budget?
5. What is the difference between *mandatory* and *discretionary* spending? Why are these categories significant to national security?
6. Why has discretionary spending decreased steadily as a proportion of the federal budget in recent decades? What factors affect discretionary spending priorities?
7. What is *program budgeting*, and how is it different from previous budgeting practices?
8. Describe the overall PPBES cycle. What is the role of the president, the DoD, and Congress in this process?
9. How do supplemental appropriations impact the budget cycle? From the standpoint of the various actors in the budget cycle, what are the advantages and disadvantages associated with the use of supplemental appropriations?

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