Budget Execution 101

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From Requirement to Capability

Cost Analysis

Life Cycle Cost
ICE
Fiscal Environment
POE
AoA
CCE

Planning, Programming
Budgeting & Execution

Annual Funding
Full Funding (Exceptions)
Incremental Funding

Congressional Enactment

Budget Resolution
Authorization & Appropriation Laws

Feedback
Commitment
Reprogramming
Outlay

Budget Authority
Obligation

Budget Execution

Force Structure Modernization
Operational Capability
Readiness
Sustainability

President's Budget

FYDP
QDR
DPPG
CPA
MFP
POM
BES
RMD

HAC
HASC
HBC
SAC
SASC
SBC

APB

Operational Concept

Capabilities-Based Assessment
Capability Docs
The established rule is that the expenditure of public funds is proper only when authorized by Congress...
Congressional “Power of the Purse”

- Derived from the Constitution –
- No money can be paid out of the U.S. Treasury unless it has been appropriated by an act of Congress
- Thus, a federal agency is dependent upon the Congress for the funding needed to carry out its mission
Proper Stewardship of Use of Funding Authority

- Managing the fiscal affairs of government agencies:
  - The government: Sets financial standards and enacts the laws that control the use of funding authorities
  - The agency: Provides internal controls to ensure efficiency and effectiveness of operations
  - You as an accountable individual also have a major stewardship role
Accountability

- Agents (employees) of the government are required to maintain public confidence by providing a standard of “reasonable care” in safeguarding federal money and property.

- *Accountable individuals*, as “stewards of the taxpayers’ monies”, are held to a higher standard of conduct.

- Accountability equals liability = agency can collect money from a negligent accountable individual and/or can take disciplinary action.
Who Are Accountable Individuals?

- **Certifying Officer** - designated by agency to certify vouchers, but has no public funds in personal custody
- **Disbursing Officers** - Federal employee physically disbursing public funds
- **Contracting Officers**
- **Accountable Officials**
  - You as a Purchase Card Holder
  - You as a Certifier of a “time card” or a travel voucher
Overview

- Apportionment Process
- Monetary Concepts
- Life of an Appropriation
- Fiscal Laws
- Spending Plans
- Reprogramming
Apportionment Process

Appropriation

- Congress
  - Provides Budget Authority
- OMB
  - Investment – Annual
  - Expense – Quarterly
  - Defer/ Rescind
- OSD Comptroller
- Service Comptroller
- MAJCOM/PEO/SYSCOM Comptroller
- PMO
  - Program Management Office
Types of Appropriations

Congress produces four types of appropriations:

- Permanent (indefinite) appropriations, known as direct or mandatory spending, e.g., Social Security, Medicare
- Regular (definite) appropriations, known as discretionary spending, e.g., agency operations, procurement, research efforts
- Supplemental appropriations
- Continuing resolutions, that provide continuing resolution authority
Bridge from Congressional Action

- Enrolled (identical) appropriation bill passed by the House and Senate
  - provides budgetary authority
- Signed into law by the President
- Appropriation Warrant issued by Treasury
  - automatic, agency does not request
  - establishes a “checking account”
- OMB Apportionment
  - agency must request
  - provides obligational authority
Budget and Impoundment Control Act of 1974

**DEFERRAL**

- Temporary impoundment due to technical problems/schedule slip
- President **notifies** Congress of his intent to defer\(^1,2\)
- If either House or Senate pass resolution disapproving, funds must be released
- If Congress does nothing\(^3\) deferral stands and funds need **not** be released (until end of FY)

**RESCISSION**

- Permanent impoundment due to program cancellation
- President **requests** Congressional action to rescind
- If both House and Senate pass rescission act or joint resolution, funds are rescinded
- If Congress does nothing\(^3\) President **must** release funds and execute program

Notes: 1. Purpose, amount, and time. 2. Not to exceed end of FY; funds cannot be allowed to expire. 3. Within 45 days of continuous session of Congress.
### Example of Rescissions

**Contained in Defense Appropriations Act for FY 2007**

*(RESCISSIONS)*

SEC. 8040. “Of the funds provided in Department of Defense Appropriations Acts, the following funds are hereby rescinded from the following accounts and programs in the specified amounts:”

<table>
<thead>
<tr>
<th>Appropriation</th>
<th>Fiscal Years</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipbuilding &amp; Conversion, Navy</td>
<td>2005/2009</td>
<td>$ 11,245,000</td>
</tr>
<tr>
<td>Aircraft Procurement, Air force</td>
<td>2005/2007</td>
<td>$108,000,000</td>
</tr>
<tr>
<td>Other Procurement, Army</td>
<td>2006/2008</td>
<td>$120,200,000</td>
</tr>
<tr>
<td>Aircraft Procurement, Navy</td>
<td>2006/2008</td>
<td>$  79,700,000</td>
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<tr>
<td>Aircraft Procurement, Air Force</td>
<td>2006/2008</td>
<td>$141,100,000</td>
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<tr>
<td>Missile Procurement, Air Force</td>
<td>2006/2008</td>
<td>$142,000,000</td>
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<tr>
<td>RDT&amp;E, Army</td>
<td>2006/2007</td>
<td>$  21,600,000</td>
</tr>
<tr>
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<td>2006/2007</td>
<td>$  35,798,000</td>
</tr>
<tr>
<td>RDT&amp;E, Air Force</td>
<td>2006/2007</td>
<td>$  92,800,000</td>
</tr>
<tr>
<td>RDT&amp;E, Defense-Wide</td>
<td>2006/2007</td>
<td>$120,700,000</td>
</tr>
</tbody>
</table>
Appropriation

Apportionment

Allocation

Sub-Allocation

Allotment

Congress

OMB

OSD Comptroller

Service Comptroller

MAJCOM/PEO Comptroller

PMO Program Management Office

• Provides Budget Authority
• Investment – Annual
• Expense – Quarterly
• Defer/ Rescind
• Technical Withholds
• Administrative Withholds
• General Reductions

• Withholds
• General Reductions

• Withholds
• General Reductions

Now, the PMO can use the remaining Budget Authority.
Apportionment

- Following passage of an appropriation, an agency must request an apportionment from OMB
  - Designed to "force" an agency to "spread" its funding over the entire year
  - Usually provided on a quarterly basis
  - Dollar amount based on negotiations between the agency and OMB
- Apportioned amounts cannot be exceeded
- Unused obligational authority can be carried forward each quarter into the 4th quarter
**Explanation of Some Typical “General Reductions”**

**FFRDCs:** Congress has directed DoD to cut funds from programs getting assistance from Federally Funded Research and Development Centers (FFRDCs).

**Consultants:** Congress has directed DoD to take a specific percentage of O&M, RDT&E and Procurement accounts from programs that use consultants.

**Budget Cap:** To meet defense budget cap, Congress has directed DoD to reduce all RDT&E and Procurement funds in programs by a specific percentage.

**National Missile Defense (NMD):** Congress has directed DoD to cut most research funding by a specific percentage to fund an equal increase in NMD funding.

**Small Business Innovation Research (SBIR):** Annually, Congress directs a specific amount of funding for SBIR but does not appropriate those funds; OSD is required to reduce most research accounts to fund the SBIR program.

**Inflation:** When “actual” inflation is lower than predicted during budget preparation, “savings” are often pulled from programs and used as a source for reprogramming actions.
Overview

• Apportionment Process
• Monetary Concepts
• Life of an Appropriation
• Fiscal Laws
• Spending Plans
• Reprogramming
Use of Budget Authority

Budget Authority

Credit Card Spending Limit

Administrative Reservation of Funds

Commitment

Verification of Available Funds

Legal Reservation of Funds

Obligation

Sign Receipt for Purchase

Expenditure

Write Check to Credit Card Company

Outlay

Check clears your account

Outlay

P - Purpose
T - Time
A - Amount
Overview

• Apportionment Process
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• Reprogramming
Appropriation Life Cycle
Appropriation Life by Category

<table>
<thead>
<tr>
<th>Years</th>
<th>1</th>
<th>2</th>
<th>3</th>
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<td>MILPERS</td>
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</tbody>
</table>

**Current Period:** Available for new obligations, obligation adjustments, expenditures, and outlays

**Expired Period:** Available for obligation adjustments, expenditures, and outlays, but no new obligations

**Canceled:** Unavailable for obligations, obligation adjustments, expenditures, and outlays
Appropriation Life Cycle
Phasing Enacted in Public Law 101-510 (5 Nov 1990)

**PHASE 1**

**CURRENT ACCOUNT**
(1 - 5 YEARS)

Available for new obligations, increased scope on existing obligations, payments and adjustments

**PHASE 2**

**EXPIRED ACCOUNT**
(5 YEARS)

Available for payments and adjustments (up or down) to existing obligations

Not available for new obligations or increased scope on existing obligations

FY, appropriation, and line item identity remain to enable “charging” original obligation fund cite

**PHASE 3**

**CLOSED/CANCELED ACCOUNT**
(FOREVER)

No longer available for payments or obligation adjustments

Adjustments and payments are charged to currently available appropriation of same type, up to lesser of 1% of currently available appropriation or unexpended balance of closed appropriation
Facts: (1) Time now: May 29, 2014

Scenario #1 - Procurement Appropriation

(2) FY 06 $ Cited in Invoice

Current Account

Expired Account

Closed Account

New Obligations

No New Obligations

Use Currently Available Appropriation

Obligation Adjustments

Expenditures

Accounting Identity

Adjustments and payments charged to currently available appropriation of same type, up to lesser of 1% of currently available appropriation or unexpended balance of closed appropriation
Appropriation Life Cycle
Scenario #2 - RDT&E Appropriation

Facts: (1) Time now: May 29, 2014
(2) FY 08 $ Cited in Invoice

FY 08  FY 09  FY 10  FY 11  FY 12  FY 13  FY 14  FY 15
Current Acct  Expired Account  Closed Account
FY 1  FY 2  FY 3  FY 4  FY 5  FY 6  FY 7  FY 8  FY 9 +
New Obligations  No New Obligations
Use Currently Available Appropriation
Adjustments and payments charged to currently available appropriation of same type, up to lesser of 1% of currently available appropriation or unexpended balance of closed appropriation

Obligation Adjustments
Expenditures
Accounting Identity
Overview

• Apportionment Process
• Monetary Concepts
• Life of an Appropriation
• Fiscal Laws
• Spending Plans
• Reprogramming
Fiscal Laws

**Misappropriation Act** [Title 31, US Code, Sec 1301]
- Requires that appropriated funds be used only for the purposes and programs for which appropriation was made

**Bona Fide Need Rule** [Title 31, US Code, Sec 1502]
- Requires that appropriated funds be used only for needs or services that arise in the year(s) of the appropriation’s obligation availability period

**Anti-deficiency Act** [Title 31, US Code, S 1341,1517]
- Prohibits making or authorizing an obligation in excess of the amount available in the appropriation
- Forbids obligating funds in advance of appropriation
- Requires regulations to ensure obligations are kept within appropriated or sub-divided amounts and to fix responsibility for violations of the Act
### Availability of Appropriations:

**PURPOSE**

- **Congress** has “Power of the Purse”

  “No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law….”
  – The Constitution of the United States, Article I, Section 9, clause 7

- **Misappropriation Act:**
  “Appropriations shall be applied only to the objects for which the appropriations were made…”
  – 31 USC § 1301(a)
Determining Purpose

- Appropriations Act
- Authorization Acts
- Congressional Intent
- General Legislation
- Comptroller General and Court Decisions
Necessary Expense Rule

- Does the purpose bear a logical relationship to the appropriation sought to be charged?
- Is the activity sought to be funded prohibited by law?
- Is there another appropriation specifically provided to fund the activity?
The Time Rule:
“On September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose.”
– 31 USC §1552(a) &1533

The “Bona Fide Need” Rule:
“The balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability…”
– 31 USC §1502(a)

Periods of Availability

<table>
<thead>
<tr>
<th>Category</th>
<th>Availability Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>RDT&amp;E</td>
<td>2 years</td>
</tr>
<tr>
<td>PROC</td>
<td>3 years</td>
</tr>
<tr>
<td>O &amp; M</td>
<td>1 year</td>
</tr>
<tr>
<td>MILPERS</td>
<td>1 year</td>
</tr>
<tr>
<td>MILCON</td>
<td>5 years</td>
</tr>
</tbody>
</table>
Availability of Appropriations:

AMOUNT

- The **Anti-deficiency Act** (ADA) prohibits making or authorizing expenditures or incurring obligations *in excess or in advance* of an appropriation
  - 31 USC §1341(a)

- The ADA prohibits “expenditures or obligations exceeding an apportionment or the amount permitted by regulations…”
  - 31 USC §1517(a)

- Heads of executive agencies shall prescribe by regulation a system of administrative control to:
  1. restrict obligations or expenditures to the amount of apportionments or reappropriations of the appropriation; and,
  2. fix responsibility for exceeding an appropriation or reappropriation
  - 31 USC §1514(a)
31 U.S.C. 1342

- “An officer or employee of the United States Government may not accept voluntary services for the government or employ personal services exceeding that authorized by law except for emergencies involving the safety of human life or the protection of property.”
- 23 Stat. 17 (1884)
Most Frequent Violations of the Anti-deficiency Act*

- Exceeding limits on the use of Operation and Maintenance (O&M) funds for minor construction projects (exceeding the amount permitted by regulations)

- Exceeding the fund availability amount in an appropriation or exceeding the amount of an allotment/suballotment (often results through failure to record obligating documents in a timely or accurate manner)

- Using O&M funds to acquire equipment items that exceed the designated amount for mandatory use of procurement funds (expense versus investment threshold rule) (exceeding the amount permitted by regulations)

- Obligating in advance of funds being made available

*Source: DoD Financial Management Regulation, Volume 14, Chapter 10
Most Frequent Causes of Violations of the Anti-deficiency Act*

- Established internal controls and standard operating procedures not followed
- Inadequate supervisory involvement or oversight
- Lack of appropriate training
- Inadequate standard operating procedures and internal controls

*Source: DoD Financial Management Regulation, Volume 14, Chapter 10
Questions to Ponder

1. For fiscal years 2005-2009, what was the largest single reported amount on the “GAO AntiDeficiency Act violation reports” website?

   A. $16K   B. $1.6M   C. $16M   D. $160M   E. $1.6B

2. Of the total of 94 reported fiscal law violations shown on the “GAO Antideficiency Act violation reports” website for fiscal years 2005-2009, how many were from the Department of Defense?

   A. 11   B. 21   C. 31   D. 61   E. 71

Source:  [http://www.gao.gov/ada/antideficiencyrpts.htm](http://www.gao.gov/ada/antideficiencyrpts.htm)
Your program has both RDT&E and Procurement funds available for new obligations.

The PCO awarded an R&D contract citing a FY14 procurement appropriation. Action did not exceed procurement appropriation.

Violation of Misappropriation Act

Title 31, US Code, Sec 1301

“Appropriated funds are to be used only for the purposes and programs for which the appropriation was made.”
Time is 30 May 14. Your program has both RDT&E and Procurement funds available for new obligations.

The PCO signed a FY14 procurement funded contract for an amount greater than the amount apportioned to the service.

Violation of Anti-deficiency Act

Title 31, US Code, Sec 1517(a)

The ADA prohibits “expenditures or obligations exceeding an apportionment or the amount permitted by regulations...”
Time is 30 May 14. Your program has both RDT&E and Procurement funds available for new obligations.

The program office receives an invoice citing FY07 RDTE. The program pays this invoice with FY07 RDTE.

Violation of Time Rule

Title 31, US Code, Sec 1552(a) & 1553

“On 30 Sep of 5th FY after period of availability for obligation…account shall be closed…and not available for obligation or expenditure for any purpose”
Time is 30 May 14. Your program has RDT&E, O&M and Procurement funds available for new obligations.

For needs arising in FY 14

The PCO signs a contract citing FY14 O&M funds for new computers that he expects to need in Oct 15

Violation of Bona Fide Need Rule

Title 31, US Code, Sec 1502(a)

Appropriated funds are “available only for payment of expenses properly incurred during the period of availability” of the funds
ADA Penalties

- **Administrative**
  - Up to and including, when circumstances warrant, suspension from duty without pay or removal from office.

- **Criminal**
  - $5,000 fine
  - 2 years jail
  - Or both
Reimbursable and Support Agreements

• An agency or organization may do work for another agency or organization if:
  ▪ Funding is available
  ▪ Order is in best interest of government
  ▪ The organization “filling” the order can provide/acquire the goods or services
  ▪ The head of the agency decides ordered goods or services cannot be provided by contract as conveniently or cheaply by a commercial enterprise
Reimbursements

- Permitted to do work for others under a
  - Project Act Order (41 U.S.C. 23)
    - order placed with and accepted by another DOD entity
  - Economy Act Order (31 U.S.C. 1535)
    - order placed with and accepted by another federal entity
- The performing agency must comply with any restrictions in the appropriation language of the ordering agency
Overview

• Apportionment Process
• Monetary Concepts
• Life of an Appropriation
• Fiscal Laws
• Spend Plans
• Reprogramming
### Obligation and Expenditure Plans

#### An Example

**FY 13 RDT&E Obligation/Expenditure**

<table>
<thead>
<tr>
<th>Obligations</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
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<tbody>
<tr>
<td>Plan Month</td>
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<td>5</td>
<td>5</td>
<td>25</td>
<td>2</td>
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<td>Plan Cum</td>
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<td>44</td>
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<td>75</td>
<td>85</td>
<td>90</td>
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</tr>
<tr>
<td>Actual Cum</td>
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<td>6</td>
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<td>32</td>
<td>34</td>
<td>35</td>
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<tr>
<td>Variance Cum$</td>
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<td>-6</td>
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<td>-34</td>
<td>-34</td>
<td>-32</td>
<td>-28</td>
<td>-41</td>
<td>-50</td>
<td></td>
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</tr>
<tr>
<td>Var Cum %</td>
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<td>-60%</td>
<td>-67%</td>
<td>-85%</td>
<td>-81%</td>
<td>-73%</td>
<td>-47%</td>
<td>-55%</td>
<td>-59%</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Expenditures</th>
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<tbody>
<tr>
<td>Plan Month</td>
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<tr>
<td>Plan Cum</td>
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<tr>
<td>Actual Cum</td>
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<tr>
<td>Variance Cum$</td>
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<tr>
<td>Var Cum %</td>
</tr>
</tbody>
</table>

Report Cutoff Date

30 June 2013

How well is this Program Office executing its budget?
Execution - OSD Goals

By End of First Year of Funds Availability

RDT&E
- Obligations: 80% (or more)
- Expenditures: 55% (or more)
- Focus: Expenditures

Procurement
- Obligations: 80% (or more)
- Focus: Obligations

Each Service/Component then establishes its own set of goals
Reclamas

- **When to reclama:** to respond to a proposed program decrement or plus-up

- **Who prepares:**
  - Program office/command, submitting the FM chain of command and/or acquisition champion (PEM, RO, or DASC)
  - For acquisition program, ensure coordination with user / warfighter

- **Content:** (four parts)

  1. Variance Explanation. Why are we varying from the plan / goals and how / when will get back on track?


  3. Impact of Potential Cut. What are the potential impacts to both the operational user / warfighter and acquisition / business efforts?

  4. PMO Recommendation. What should higher HQs do in short / long term?
Part 1: Variance Explanation

- Is higher headquarters data correct and up-to-date?
- What has occurred that higher headquarters might not know about – specifics?
  Can we document these actions / events?
- Why are we varying from our spending plan (obligation and / or expenditure plans)?
- Why have we not achieved program, Service, and/or OSD goals?
- How have we traditionally executed?
- What is our “get well” plan to get back on track?
Part 2: Impact of Potential Cut (Operational)

- Talk with warfighter / user and address *operational impacts*:
  - What scope will not be done if funds are taken?
  - What capability will not be provided and what is the impact?
  - Will the effectiveness, survivability, and/or safety of the warfighter / user be jeopardized by this cut?
  - Will the cut cause operational readiness to suffer?
  - Will logistical supportability / maintenance issues develop?
  - Will the cut affect manning and training for the system?

- Identify only impacts that the program *will implement* if the decrement is sustained.
Part 3: Impact of Potential Cut (Business)

- After reviewing the acquisition and contracting strategies and overall schedule, address *programmatic / business impacts*:
  - Current contract; production rates / breaks; next contract award
  - Schedule slips; delayed tests / milestones / phases / LRIP / IOC
  - Reportable breaches (Acqn Program Baseline; Nunn-McCurdy)
  - Additional out-year costs; R&D / Investment / O&S cost growth
  - Violates direction from Senior DoD Leadership or Congress?
  - Inspector General / Government Accountability Office interest
  - Interdependence with other programs / Services / countries
  - Increases program risk; termination?; government liability / costs

- Be specific! Use actual data, when possible: CPR, CFSR, etc.
Part 4: Recommendation

- Give the “marker” something to work with

- Command or Program Office Recommendation:
  - Agree? Disagree? Alternatives? Payback requested?
  - What should higher HQ do in the short/long term?

Respond only to question; be brief - just facts

Use non-technical language; spell out abbreviations
Reclama “No-Nos”

- **No response** - Program seen as easy target
- **Failure to know the audience**
- **Whining** - Especially when lengthy
- **Claiming unexecutability**
  - If cut is small, no one will believe it
  - If cut is large, chance of cancellation grows
- **Making statements not supported by facts**
  - Overly optimistic EACs not supported by Earned Value data
  - Poorly performing contractors will not dramatically improve
- **“#1 Program in the Navy!”**
  - If it were, it probably would not be targeted for a cut
- **Chicken Little**
  - The sky will not fall if your program has a little cut
Overview

• Apportionment Process
• Monetary Concepts
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• Reprogramming
“Movement” of Funding Authorities

- Ongoing throughout the fiscal year, management compares budget and planned results to actual obligations and actual results
- Decisions may be made to “move” funds to meet changing priorities and conditions
- Emerging conditions or unanticipated events will require the budget officer to assess strategies
Factors That Could Impact Need to Move Funding Authority

- Emergencies/changing programs
- Natural disasters
- Terrorist activities
- Legislative or regulatory changes
- Internal factors
- Unfunded requirement list
The Mid-Year Review

- Mid-Year Review is one of the tools that management uses to maximize fund usage
  - It is carefully prepared
  - It considers planned performance for the last two quarters and validates inputs
  - Identifies higher funding priorities
Ways to Move Obligational Authority

- **Transfer** – moving funds from one appropriation to another. Illegal without statutory authority.
- **Reprogramming** – moving funds within a single appropriation. Can occur between programs, object classes, or line items.
Reprogramming

Reprogramming is the use of funds for purposes other than originally appropriated

- Provides flexibility in execution of programs
- Reprogramming rules are based on agreements between DoD and Congress
- Funds can only be reprogrammed within the same fiscal year, not between fiscal years

Types of reprogramming actions:

- Below-Threshold Reprogramming (BTR) (DD 1416)
- Internal Reprogramming (DD 1415-3)
- Congressional Notification Letter (in advance of initiation)
- Congressional Prior Approval (DD 1415-1)
Levels of Control for Below Threshold Reprogramming

- Appropriation Category
  - Level of Control
    - Program Element
      - Project
    - Budget Activity
      - Sub Activity
      - Activity Group
      - Budget Activity
    - Line Item
      - Sub Activity
      - Activity Group
      - Budget Activity
- RDT&E
  - Procurement
  - O&M
  - MILPERS
  - MILCON
  - Budget Activity
  - Activity Group
  - Project
• Applies only to movement of funds within an appropriation between elements at the appropriation’s level of control

• Limitations on BTR into or out of a level of control are based on a combination of set dollar limits and a percentage of the amount appropriated by Congress (baseline amount)

• Reprogramming that would cause these limits to be exceeded must be submitted for prior Congressional approval

• Does not apply to Congressional special interest items. Also, lines specifically reduced / denied by Congress can’t be increased / reinstated

• New starts cannot be initiated with BTR

DD Form 1416 – semi-annual report
## Below Threshold Reprogrammings (BTRs)

(Amounts are Cumulative Over Entire Period of Obligation Authority)

<table>
<thead>
<tr>
<th>APPRN CAT.</th>
<th>MAX INTO</th>
<th>MAX OUT</th>
<th>LEVEL OF CONTROL</th>
<th>NEW OBL AVAIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>RDT &amp; E</td>
<td>Lesser of $10 M or 20%</td>
<td>Lesser of: $10 M or 20%</td>
<td>PROGRAM ELEMENT</td>
<td>2 YEARS</td>
</tr>
<tr>
<td>PROC</td>
<td>Lesser of $20 M or 20%</td>
<td>Lesser of: $20 M or 20%</td>
<td>LINE ITEM</td>
<td>3 YEARS (SCN: 5 YEARS)</td>
</tr>
<tr>
<td>O &amp; M</td>
<td>$15 M</td>
<td>$15 M</td>
<td>BUDGET ACTIVITY</td>
<td>1 YEAR</td>
</tr>
<tr>
<td>MILPERS</td>
<td>$10 M</td>
<td>No specific Congressional restriction</td>
<td>BUDGET ACTIVITY</td>
<td>1 YEAR</td>
</tr>
<tr>
<td>MILCON</td>
<td>Lesser of $2 M or 25%</td>
<td>No specific Congressional restriction</td>
<td>PROJECT</td>
<td>5 YEARS</td>
</tr>
</tbody>
</table>

Internal Reprogramming

Realigns funds to a different line item or appropriation for proper execution of the same requirement with no change in purpose.

May involve General Transfer Authority (GTA) and may involve Congressional Special Interest items.

Normally pertains to “transfer accounts” (Environmental Restoration; Foreign Currency Fluctuation; Drug Interdiction, etc.).

Approved by USD (Comptroller)
DD Form 1415-3

Not a typical action initiated by an acquisition organization.
Congressional Notification Letter

Applies to Actions Involving:

- New programs or line items
- New procurement programs, including mods, <$20M
- New RDT&E programs <$10M for entire effort
- Program terminations <$10M RDT&E and <$20M procurement
- Safety mods <$20M entire effort can be initiated prior to advance notification

Requires:

- Notification letter coordinated with USD (Comptroller)
- Component may initiate action 30 days after notification if HASC, SASC, HAC, SAC do not object
Congressional Prior Approval

Applies to Actions Involving:
- Moving funds between appropriations
- Use of general transfer authority between appropriations or legal subdivisions
- Increasing quantities for major systems
- Congressional Special Interest Items
- Exceeding amounts specified for below-threshold reprogramming
- Initiating new starts >=$10 RDTE and / or >=$20M procurement
- Terminating programs >=$10M RDT&E and / or >=$20M procurement

Requires:
- DD Form 1415-1 submitted by USD (Comptroller)
- Approval by HAC/SAC and HASC/SASC
- Approval by House & Senate Committees on Intelligence (for intelligence assets)
- Normally aggregated and submitted as a single “Omnibus” package to Congress in May
Year End Closeout

- As the end of the fiscal year nears, the agency must balance accounts and report on all spending
- Additional funds may become available at year end due to:
  - release of reserves by OMB or higher headquarters
  - reprogramming or transferring actions
  - deobligation of unliquidated obligations
Obligational authority that comes available at year end should be applied to unfunded requirements, but must meet the *necessary expense rule and bona fide need*

Fixed term appropriations (annual and multi-year) having unobligated balances at the close of their period for new obligations and payment revert to expired accounts for the next five years.

After five years in the expired status the account is canceled and closed.
Year End Reporting

- Mandatory financial statements and workload reports are required in various formats by:
  - OMB
  - Department of Treasury
  - Federal Accounting Standards Advisory Board
Annual Financial Statements

- Year-end financial reporting is conducted in compliance with several OMB Circulars and GPRA-mandated performance requirements.
- Annual financial statements include:
  - Balance sheet
  - Net Cost
  - Change in net position
  - Budgetary resources
  - Social Insurance
  - Custodial activity

Questions or Comments???