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# DEFENSE SYSTEMS MANAGEMENT SCHOOL



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## PROGRAM MANAGEMENT COURSE INDIVIDUAL STUDY PROGRAM

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THE NAVY PROGRAMMING PROCESS:  
THE PROGRAM OBJECTIVE MEMORANDUM (POM)

STUDY PROJECT REPORT  
PMC 75-1

Mary Ann E. Nason  
GS-12                      DNC

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THE PROGRAM OBJECTIVE MEMORANDUM (POM)

Study Project Report  
Individual Study Program

Defense Systems Management School  
Program Management Course  
Class 75-1

by

Mary Ann E. Nason  
GS-12                      DNC

May 1975

Study Project Advisor  
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This study project report represents the views, conclusions, and recommendations of the author and does not necessarily reflect the official opinion of the Defense Systems Management School, the Department of Defense, or the Department of the Navy.

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## EXECUTIVE SUMMARY

The Navy programming process which develops and formulates the POM has four stages: (1) analysis, (2) decisions, (3) program adjustments, and (4) rationale. These stages intertwine and complement each other during the development and formulation of the POM. The key points associated with

the Navy programming processes are: → include: *Focusing*

- Focuses the Navy decision making process; *Considering*
- Addresses all significant issues and alternatives
- Seeks to develop an optimal Navy thru tradeoffs; *Developing*
- Develops an annual Naval posture statement and *allocating*
- Allocates constrained resources, (manpower and money) for a *five*

*for* 5-year periods; and *Allowing*

- Allows decision makers to further assess the impact of today's decisions on future Naval posture. *A POM is generated; it continues the*
- Looks at programs rather than appropriations (Budget required to support the programs)
- Results in a POM (which continues a dialog with OSD and proposes changes to approved programs. → *(cont on p iii)*)
- Is continuing to evolve and improve.

For the Navy program manager, his interface with the PPBS cycle is his Program Sponsor. Thus, for the Navy program manager to effectively interface with the PPBS cycle, the Navy program manager must keep his program sponsor constantly informed as to justification for program and resources, cost estimate creditability, and revisions or changes to the program.

(cont of p ii)

↳ This study provides overviews of the DOD PPBS process, of the Navy PPBS process, and of the POM and associated programming phase. The focus of the study was to familiarize the reader with the PPBS process and the Navy POM, and to clarify how the development of the Navy POM interacts with the program manager's responsibilities.

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## LIST OF ACRONYMS

ABS	- Amended Budget Submission
APDM	- Amended Program Decision Memorandum
ARC	- Acquisition Review Council
AED (PAE)	- Assistant Secretary of Defense (Program Analysis and Evaluation)
ASN	- Assistant Secretary of the Navy
ASN (R&D)	- Assistant Secretary of the Navy (Research and Development)
CEB	- CNO Executive Board
CMC	- Commandant of the Marine Corps
CNA	- Center of Naval Analysis
CNM	- Chief of Naval Materials
CNO	- Chief of Naval Operations
CPAM	- CNO Program Analysis Memorandum
CPFG	- CNO Programming and Fiscal Guidance
CPPG	- CNO Planning and Programming Guidance
<b>DN</b>	- Department of the Navy
DNFYF	- Department of Navy Five-Year Program
DOD	- Department of Defense
DPPC	- Defense Planning and Programming Categories
DPPG	- Defense Policy and Planning Guidance
DSARC	- Defense Systems Acquisition Review Council
FY	- Fiscal Year
FYDP	- Five-Year Defense Program
IP	- Issue Paper
JCS	- Joint Chiefs of Staff

JFM - Joint Force Memorandum  
 JIEP - Joint Intelligence Estimate for Planning  
 JLREID - Joint Long-Range Estimate Intelligence Document  
 JLRSS - Joint Long-Range Strategic Studies  
 JRDOD - Joint Research and Development Objective Document  
 JSCP - Joint Strategic Capability Plan  
 JSOP - Joint Strategic Objectives Plan  
 NADEC - Naval Decision Center  
 NARM - Navy Resources Model  
 NCB/OP-92 - Office of Budget and Reports/Fiscal Management Division  
 OMB - Office of Management and the Budget  
 OSD - Office of Secretary of Defense  
 PAM - Program Analysis Memorandum  
 PBD - Program Budget Decision  
 PDM - Program Decision Memorandum  
 PE - Program Element  
 POM - Program Objective Memorandum  
 PFBS - Planning, Programming and Budgeting System  
 PPGM - Planning and Programming Guidance Memorandum  
 OP-090 - Director, Navy Program Planning  
 OP-90 - General Planning and Programming Division  
 OP-96 - Systems Analysis Division  
 RAD - Resource Allocation Display  
 R&D - Research and Development  
 RDT&E - Research, Development, Test and Evaluation  
 RDT&E,N - Research, Development, Test and Evaluation, Navy

SECDEF - Secretary of Defense  
SECNAV - Secretary of the Navy  
SIDC - Support Issue Development Committee  
TACAIR - Tactical Air Forces  
TOA - Total Obligational Authority  
TPDM - Tentative Program Decision Memorandum  
TPPGM - Tentative Planning and Programming Guidance Memorandum  
VCNO - Vice CNO

THE NAVY PROGRAMMING PROCESS:  
THE PROGRAM OBJECTIVE MEMORANDUM (POM)\*

CHAPTER I

Overview of the Program Objective Memorandum Process and  
Its Relationship to the Planning, Programming and Budgeting System

PPBS Background

To place the Planning, Programming, and Budgeting System (PPBS) in a proper perspective requires a discussion of the pre-PPBS procedures and environment to establish a rationale as to why an alternative procedure was necessary. The most critical weakness of the pre-PPBS procedures was the inability to provide a systematic basis of cost data on individual weapon systems and force units beyond the present budget year. Without this type of information, the decision makers were without a basis for judging the relative costs and military effectiveness of alternatives. Coupled with this weakness, there was no systematic way to inform top Defense Officials of the current status of the entire Department of Defense (DOD) programs in order to take corrective action in a timely manner if and when required.<sup>1</sup>

During the years prior to the initiation of PPBS in 1961, the financial management and the military planning functions appeared to be worlds apart, and each was treated as an independent activity. The financial management

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\*ABSTAINER

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was under the jurisdiction of the Comptroller; the military planning was under the dual jurisdiction of both the Joint Chiefs of Staff (JCS) and the planning organizations of Military Departments.<sup>2</sup> During the period from 1949 to 1961, the JCS acted only in an advisory capacity and did not play a significant role in the process.<sup>3</sup> Military planning was accomplished in terms of military forces and major weapon systems projected over a period of five, ten, and even twenty years. Conversely, budgeting was accomplished in terms of five major appropriation divisions: Military Personnel, Operation and Maintenance, Procurement, Research and Development, and Military Construction, acceptable to Congress as representative of an approved budget submission format. Budgeting was only projected for one year. In addition to differences in projection periods, the planning and budgeting functions were completely out of tune. Military plans were prepared with little regard to resource constraints, and their associated costs were always far in excess of any proposed budget.<sup>4</sup> The planning and budgeting of Military Departments were relatively isolated from one another which continued to create a multitude of inefficiencies.<sup>5</sup> This created the problem of piecing together unilateral Services plans rather than a unified DOD program.<sup>6</sup>

Despite the restructuring and reorganization of the military establishment under a Secretary of Defense, each Service, between 1949 and 1961, continued to decide for the most part its order of priority of forces, weapon systems and activities and where to spend its money after receiving a set percentage share of the Defense budget.<sup>7</sup>

Technological advances, military streamlining, sophistication of weapon systems with their associated high price tags and the concept that resource

costs and military worth are inseparable from the viewpoint of sound management led to the application of PPBS.<sup>8</sup>

When Robert S. McNamara became Secretary of Defense in 1961, the military planning and budgeting functions were well established, but they appeared to be operating on different wavelengths. A function was required to bridge the gap between planning and budgeting in order for top Defense Officials to make crucial decisions based on a systematic basis of cost and military force requirements. As the new Department of Defense Comptroller, Charles J. Hitch was confronted with the task of directing the financial management effort of the world's biggest business, and recommended to Secretary McNamara his concept of Planning, Programming, and Budgeting.<sup>9</sup> The basic concept of the programming phase is to bridge the gap between multi-year military planning and the one-year budget system. The programming phase is accomplished by "costing out" the force requirements for financial and manpower resources for five years into the future and at the same time displaying forces for an additional three years into the future. This procedure of "costing out" aids the President, the Secretary of Defense, and the Military Departments in determining the impact of today's decisions on the future defense posture.<sup>10</sup>

PPBS was implemented, and the first budget formulated under the PPBS system was the fiscal year 1963 DOD budget. On August 25, 1965, President Johnson stated to Cabinet members and agency heads his viewpoint of the PPBS program.

"I have asked you to meet with me this morning to discuss the introduction of a new planning and budgeting system throughout the Government.

The objective of this program is simple: to use the most modern management tool so that the full promise of a finer life can be brought to every American at the least possible cost.

This program is aimed at finding new ways to do new jobs faster, better, less expensively; to insure sounder judgment through more accurate information; to pinpoint those things we ought to do more, and to spotlight those things we ought to do less; to make our decision-making process as up-to-date as our space-exploring equipment. In short, we want to trade in our surreys for automobiles, our old cannon for new missiles.....

Good government demands excellence.

It demands the fullest value for each dollar spent. It demands that we take advantages of the most modern management techniques.

This is what I want to introduce today - a new planning-programming-budgeting system developed by our top management experts led by Budget Director Charles Schultze. Once in operation it will enable us to:

- (1) Identify our national goals with precision and on a continuing basis.
- (2) Choose among those goals the ones that are most urgent.
- (3) Search for alternative means of reaching those goals most effectively at the least cost.
- (4) Inform ourselves not merely on next year's costs but on the second and third and subsequent year's costs of our programs.
- (5) Measure the performance of our programs to insure a dollar's worth of service for each dollar spent.

This system will improve our ability to control our programs and our budgets rather than having them control us. It will operate year round. Studies,

goals, program proposals, and review will be scheduled throughout the year instead of being crowded into 'budget time'.....

It is important to remember one thing: no system, no matter how refined, can make decisions for you. You and I have the responsibility in the executive branch. But our judgment is no better than our information on the basis of which we can, together, make better decisions."<sup>11</sup>

On a nation-wide television broadcast, President Johnson stated that his confidence in the PPBS was such that he had directed the same basic principles of the planning, programming, and budgeting concept be adopted by most of the other executive branches of the Government, to be installed by February 1966.<sup>12</sup> To date, the adoption of PPBS by all executive departments and agencies has not been accomplished.

Prior to 1969, the Military Departments' budgets were not fiscally constrained and the Service programs were submitted to fully cover all missions in support of the President's strategy guidance. This resulted in unrealistic and unaffordable Military Departments' budgets being submitted, rather than these budgets being developed to attain reasonable plans at the onset due to the future budget constraints. The fiscal constraints were not considered until the entire Defense Budget was being assembled by OSD. The responsibility of trimming the budget to fiscal constraints, and which indirectly made major program decisions on these budget submissions, was performed by OSD.<sup>13</sup> The net result was that the Military Departments may or may not have the best programs for their individual Service since little time was available to weigh alternative programs.<sup>14</sup>

After 1969, the Military Departments' total program objectives and

budget submissions had to recognize explicit fiscal constraints set forth by the Secretary of Defense. The main constraint in developing programs and budgets became fiscal guidance. The Military Departments were responsible for submitting annually to the Secretary of Defense their recommended total programs' objectives for the forthcoming budget year and four subsequent years within explicit fiscal constraints.<sup>15</sup>

During President Nixon's first term, a total posture study of the general purpose and strategic forces was undertaken. The results of this study postulated a range of military objectives, defined the forces required to meet the objectives, and estimated the total defense budgets needed to provide the forces. Based on the results of this study, the President decided on a specific defense strategy which was translated into planning guidance through two documents: the Fiscal Guidance Memorandum and the Strategy Guidance Memorandum. These memoranda were issued to the Services in 1970 as guidance for their development of plans for fiscal years 1972 through 1976. The Fiscal Guidance Memorandum stated to each Service how much they could expect to spend in the budget year FY1972 and in the succeeding four years. The Military Departments' plans had to be constrained to fit within these funding limitations.<sup>16</sup>

The shift from OSD to the Military Departments for the initiative of balancing total program objectives and the introduction of five year fiscal constraints combined to move the emphasis into the programming phase of PPBS rather than the budget formulation/review phase.<sup>17</sup>

#### PPBS Process

Under the Defense Reorganization Act of 1958, the Secretary of Defense

was given two distinct lines of authority under the policy guidance and direction of the President and the National Security Council. A direct command line was established through the Joint Chiefs of Staff to the Unified and Specified commands. An administrative line for control of the Military Departments and for management of military forces was established through the Secretaries of the Military Departments. The Secretary of Defense issues decisions regarding threat appraisal, strategy, and forces through the command line, and issues decisions regarding program goals to support forces and budgeting of annual funds to support the programs through the administrative line. These decisions are integrated through the DOD FPBS process.<sup>18</sup>

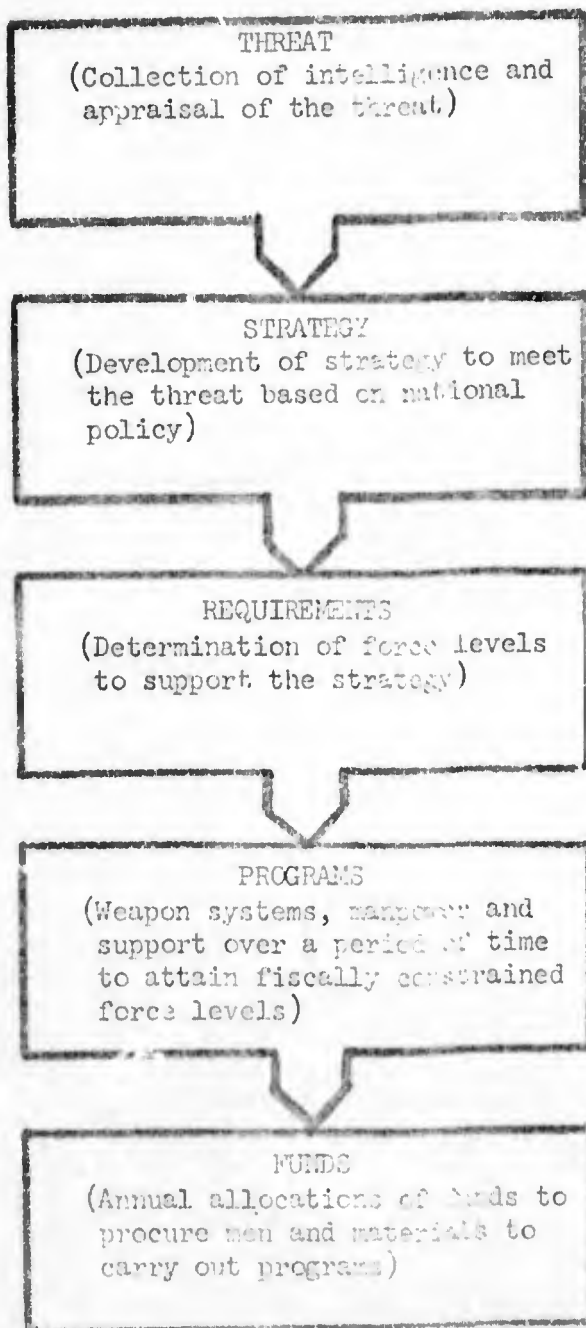
The PPBS process can be summarized as the collection of intelligence, the appraisal of the threat, the development of strategy to meet the threat based on national policy, the determination of force levels to support the strategy, the programming of weapon systems, manpower and support over a period of time to attain fiscally constrained force levels, and the budgeting of annual allocations of funds to procure men and materials required to carry out the programs. DOD Inst. 7045.7 contains the DOD PPBS organization and procedures. The PPBS operates on a 19-month cycle which is recycled annually, and, hence, an overlap results. This means simultaneously budgeting for one year, programming for the next year, and planning for succeeding years.<sup>19</sup> To further confuse the situation, there are three different budgets being considered in any one year: (1) the budget being executed that year, (2) the next year's budget being justified to Congress, and (3) the budget for two years from the present time being formulated

under the PPBS process.

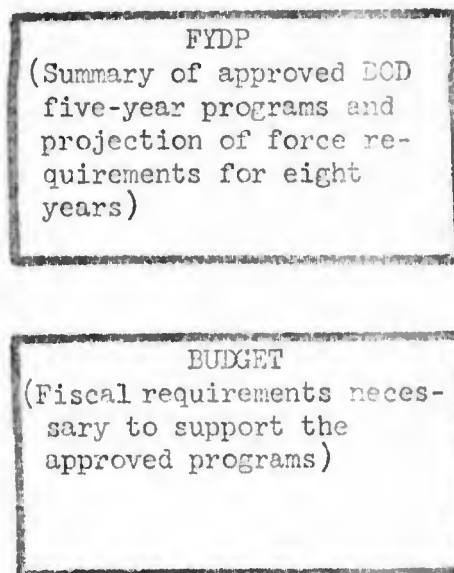
The two major products of the PPBS process are the Five-Year Defense Program (FYDP) and the DOD annual budget. The FYDP is the summary of the approved DOD Five-Year programs and projects force requirements for eight years and manpower and cost data for five years. The FYDP is updated three times during the calendar year in order to reflect programming and budgeting decisions. The first and most important update is based on the President's Budget in January. The second update is based on the submission of the POMs by the Military Departments and Defense Agencies in May. The third update is based on the submission of the Budget Estimates by the Military Departments and Defense Agencies in October. The FYDP information gives the Secretary of Defense and the President an idea of the impact that present day decisions have on future defense posture. The DOD annual budget is formulated each year during the October to December period based on the annual budgets of the defense components developed each year during the July to October period on the basis of the forces and programs set forth under the first program year of the FYDP. The Defense portion of the President's Budget, submitted to Congress each January, is based on the Secretary of Defense's decisions regarding the separate budgets submitted by the Defense components and on the President's decisions on the DOD Budget. 20

PLANNING, PROGRAMMING AND BUDGETING SYSTEM

PPBS PROCESS



PPBS PRODUCTS



The PPBS process is divided into three phases: planning, programming, and budgeting. Planning, the first phase of the PPBS process, starts with the assessment of the threat to national security and, when combined with national policy, culminates in the development of force objectives to assure the national security. These force objectives are limited to existing forces and to future forces to be provided by capabilities of research and production. Programming, the second phase of the PPBS process, is to translate approved concepts and objectives into a definitive structure expressed in terms of time phased resource requirements including personnel, monies, and materials. This is accomplished through systematically "costing out" force objectives for financial and manpower resources five years into the future, while displaying forces for an additional three years. Budgeting, the third and final phase of the PPBS process, expresses the financial requirements necessary to support the approved Military Departments' programs and the entire Department of Defense. It is through the budgeting phase that planning and programming are translated and formulated into the annual funding requirements.<sup>21</sup>

The PPBS cycle involves the following ten basic steps. The SECDEF promulgates the timing annually in the Program/Budget Review Schedule.

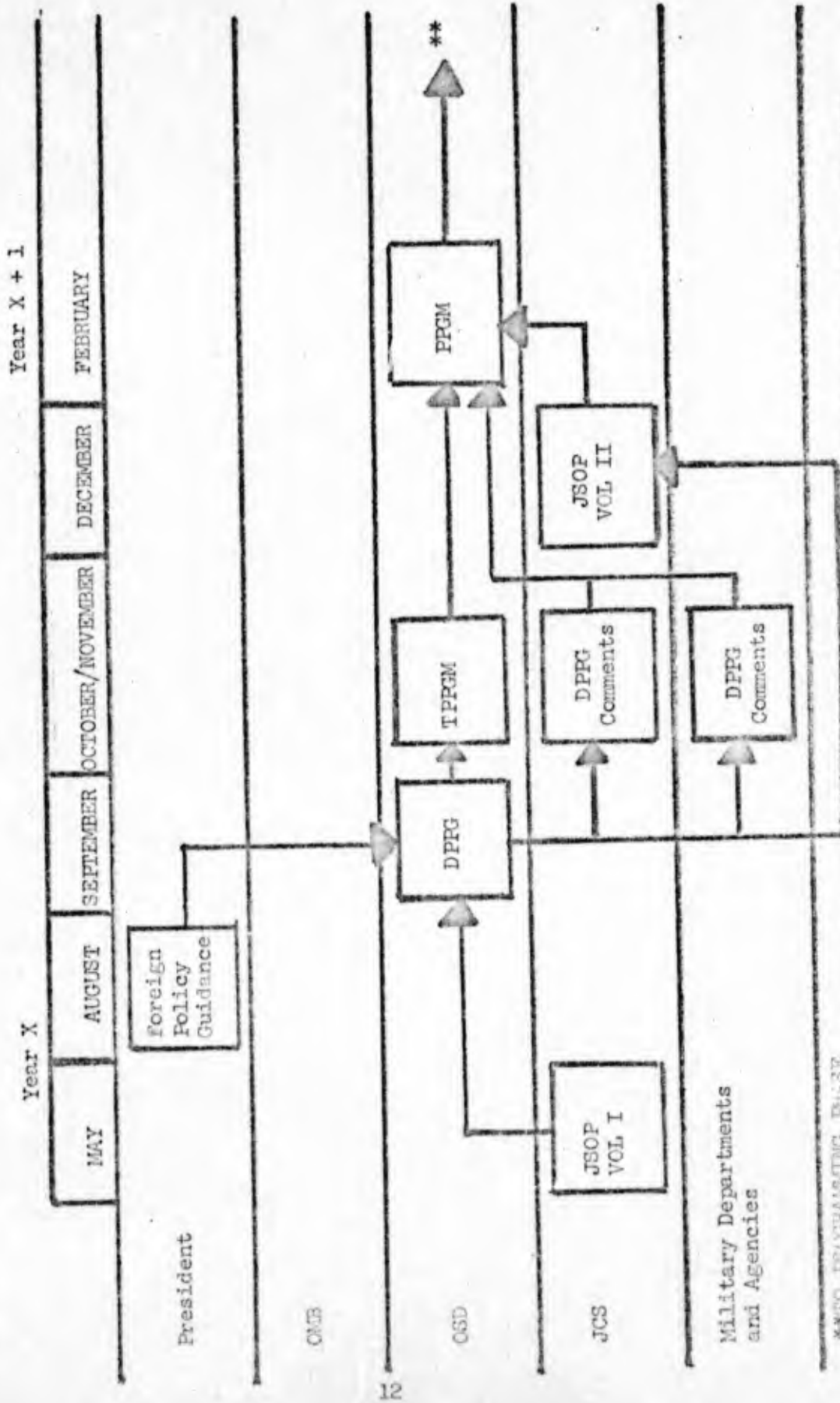
- 1.....JCS submits their strategy in JSOP Vol I to SECDEF
- 2.....SECDEF issues strategic guidance in Defense Policy and Planning Guidance (DPPG)
- 3.....SECDEF issues Material Support Planning Guidance (draft Logistics Guidance)
- 4.....JCS submits their forces plan in JSOP Vol II to SECDEF which is based on JSOP Vol I and

DPPG. This plan is not fiscally constrained and presents what is needed and what can be attained.

- 5.....SECDEF issues Planning and Programming Guidance Memorandum (PPGM) which is a modification to DPPG strategy. The PPGM contains fiscal guidance, material support planning guidance and guidance for Program Objective Memoranda (POM) and Joint Force Memorandum (JFM) preparation.
- 6.....JCS submits the JFM to SECDEF. The JFM contains force and resource recommendations, rationale, and risk assessments which are fiscally constrained consistent with SECDEF fiscal guidance contained in the PPGM.
- 7.....Military Departments and Defense Agencies submit their POMs to SECDEF. The POM contains force and resource recommendations, rationale, and risk assessments which are fiscally constrained consistent with SECDEF fiscal guidance contained in the PPGM.
- 8.....SECDEF issues final Program Decision Memorandum (PDM) after reclaims to tentative decisions submitted by Military Departments and Defense Agencies.
- 9.....Military Departments and Defense Agencies submit budget estimates for budget year.
- 10.....SECDEF issues Program Budget Decisions (PBD).<sup>22</sup>

The planning, programming and budgeting phases of the PPBS are illustrated in the following three exhibits with the approximate timing and corresponding sources for the document shown.

PLANNING PHASE



\*\*TO PROGRAMMING PHASE

This is a continuous PFBS cycle depicting only one PFBS cycle and not the three concurrent PFBS phases interactions. The calendar runs through the planning, programming and budgeting phases.

PROGRAMMING PHASE

Year X + 1



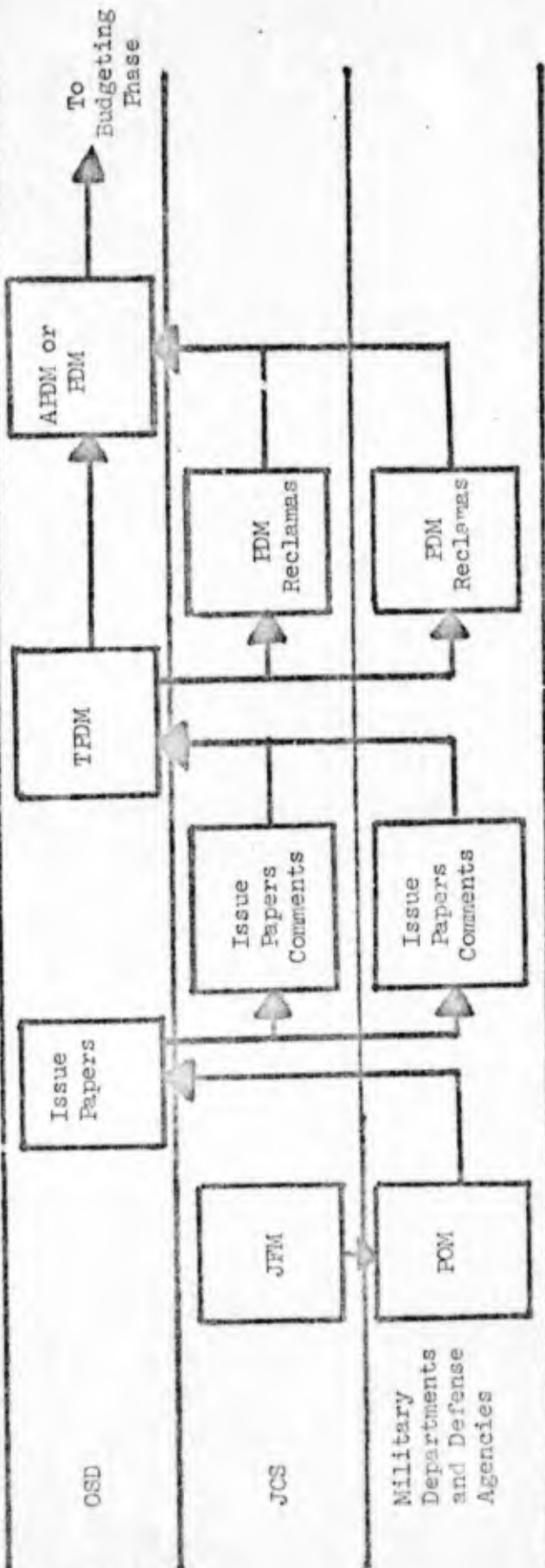
President

OMB

OSD

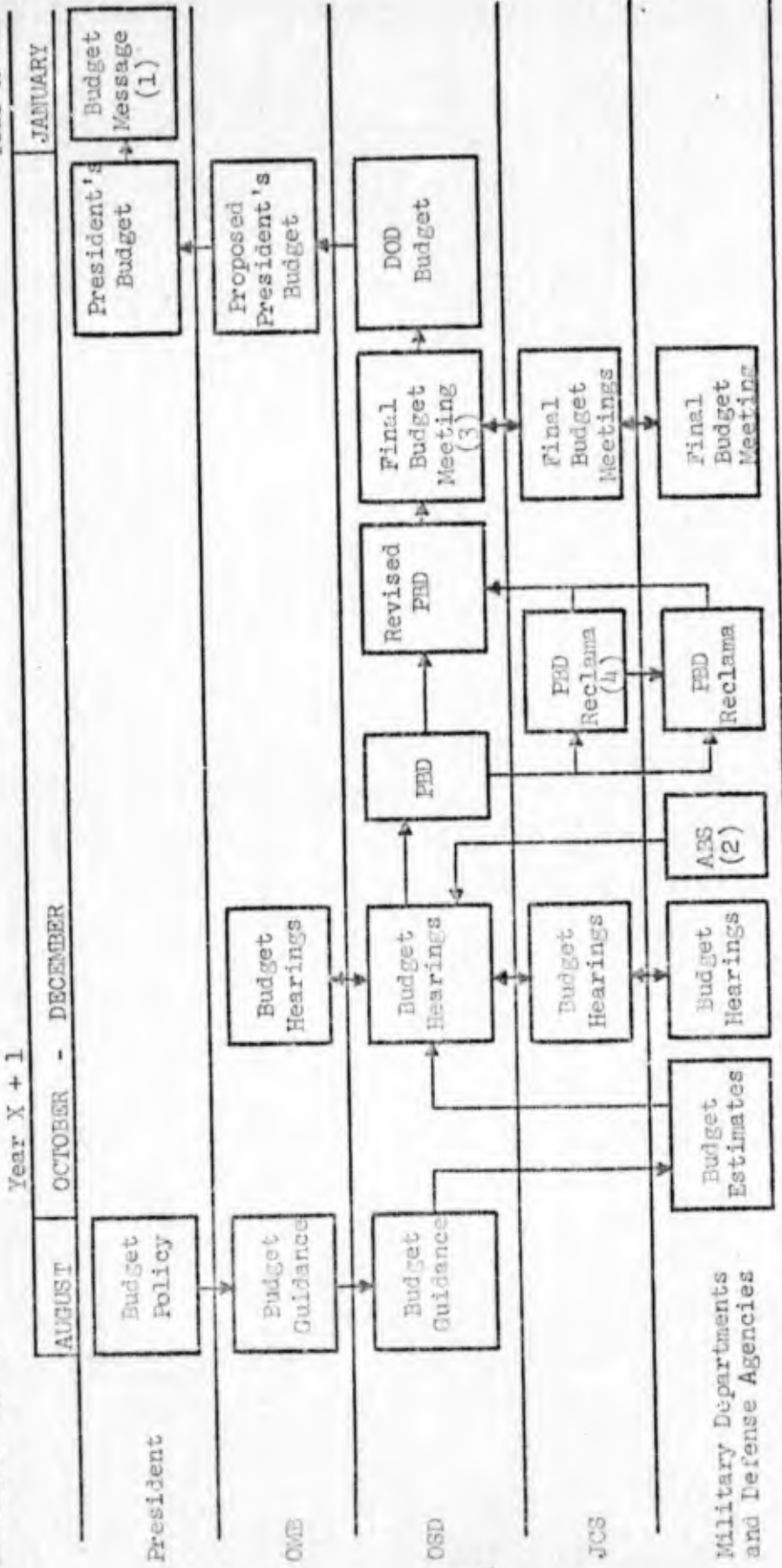
JCS

Military  
Departments  
and Defense  
Agencies



BUDGETING PHASE

Year X + 2



- (1) To Enactment Phase
- (2) Amended Budget Submission may occur at the height of PED and PED Reclama Cycle
- (3) Final PEDs are issued approximately one week after Final Budget Meeting
- (4) JCS may enter a reclama, but in actual practice, JCS's input is included in Service reclama

The PPBS cycle is initiated with the planning phase where the military strategies and total force requirements to achieve national security objectives and corresponding military objectives are determined by the JCS and Service Chiefs. In addition, alternative means are addressed at achieving specific goals, objectives, change in the objectives, and the disposition of military forces. The following documents are also updated by the JCS during the planning phase: the Joint Intelligence Estimate for Planning (JIEP), Joint Long-Range Strategic Studies (JLRSS), the Joint Strategic Objectives Plan, Volumes I and II (JSOP Vol I & II), the Joint Long-Range Estimative Intelligence Document (JLREID), the Joint Research and Development Objective Document (JRDOD), and the Joint Strategic Capabilities Plan (JSCP).

The planning phase is initiated in May with the submission of the JSOP Vol I by the JCS. JSOP Vol I provides the JCS viewpoint or concept of military strategy and force planning guidance to attain the national security objectives and the corresponding military objectives. In about September, following a review of JSOP Vol I by the SECDEF, the Defense Policy and Planning Guidance (DPPG) is issued by the SECDEF, who is a direct representative of the President. The DPPG establishes the preliminary strategic framework for the PPBS process, and issues the strategic guidance and broad objectives for planning, programming, and budgeting phases of PPBS for the entire DOD. Starting in 1974 during the October/November period, the Tentative Planning and Programming Guidance Memorandum (TPPGM) is issued by the SECDEF with final guidance being issued the following February. In December, JSOP Vol II is issued by the JCS and translates

the national security objectives, corresponding military objectives, and military strategy of JSOP Vol I, as modified by the DPPG, into manpower estimates and force objectives required to support that strategy. JSOP Vol II reflects attainable and feasible manpower and force levels although it is not fiscally constrained. The Secretary of Defense's recommendations to the President in regard to total Defense Budget are influenced by JSOP Vol II. The planning phase terminates and the programming phase commences with the SECDEF issuing his Planning and Programming Guidance Memorandum (PPGM) to the JCS, the Military Departments, and the Defense Agencies, concurrently. The PPGM provides modifications and additions to the policy and force planning guidance contained in the DPPG. It contains fiscal constraints for the budget year plus four years, elaborates on essential national objectives, establishes a balance between combat forces and material support readiness, provides the necessary guidance for JFM and POM development and submission, and provides additional planning guidance, as required. This guidance provides the framework around which the JCS, Military Departments, and Defense Agencies build their programs under the fiscal constraints.<sup>23</sup>

During May in the programming cycle, the JFM is submitted to the SECDEF by the JCS and the POMs are submitted to the SECDEF by each Military Department and Defense Agency. The JFM represents the JCS viewpoint concerning the forces to be developed under fiscal constraints and recommends a joint force program within stated guidelines. The JFM force recommendations, procurement programs and risk assessment are developed from information received from the Service Chiefs. The viewpoint of the JCS on the

capabilities of the JFM forces to execute the strategy of JSOP Vol I and the DPPG are included in the JFM. Each POM, submitted by either a Military Department or a Defense Agency, is the document in which the Service Secretary or Defense Agency head recommends and describes annually his total program objectives which are fiscally constrained. The POM is the vehicle through which programming under fiscal constraints is implemented and is developed within the constraints imposed by the PFGM to satisfy all assigned functions and responsibilities during the FYDP period. It is also the primary means of requesting revision to the SECDEF approved programs as published in the FYDP. Since the JFM reflects the Service Chief's insertion of programs and the POM reflects the Service Secretary's programs, differences in programs, force recommendations, and risk assessment may arise between the JFM and the POM. These differences are surfaced and discussed in the POM.<sup>24</sup> This gives the SECDEF the benefit of both the civilian and military opinions on certain differences. The POM is presented to the SECDEF as a total package and, upon submission, included programs are considered "locked." Changes to the submitted POM are permitted if they can be considered within the initial submission period, contribute significantly to the effectiveness of the total package, and identify equal cost trade-offs with previously submitted programs. Essentially, the programming phase, where the JFM and POM are generated, translates JSOP, Vol II, as modified by the PFGM, into mission and program elements within broad program categories.<sup>25</sup>

The initial review of the JFM and POM by the SECDEF's staff is in terms of Major Mission and Support Categories, which are reviewed in terms of

total DOD effort. From this review, individual issues within each category are identified. The Assistant Secretary of Defense (Program Analysis and Evaluation) formulates a series of Issue Papers based on this review for in-depth study and analysis. These Issue Papers contain a statement of the problem with two or more solutions to the problem, and are provided to the cognizant Military Department or Defense Agency and the JCS for review and comment on accuracy, completeness, appropriateness of issues, validity of concepts and adequacy for decisions. The Issue Papers, with all comments, are forwarded to the SECDEF. Based on the JFM, the POM, and Issue Papers with comments, the Tentative Program Decision Memoranda (TPDM) are issued by the SECDEF in July. A separate TPDM is issued to each Military Department and Defense Agency who adjust their programs for the period of the FYDP. Based on further discussion with or reclaims by the JCS, Service Chiefs, Military Departments and Defense Agencies coordinated with ASD (PA&E), the SECDEF makes final program decisions and issues the last week in August the Amended Program Decision Memoranda (APDM) or final Program Decision Memoranda (PDM). Each POM is then adjusted by the APDM or final PDM and becomes the new base for the budgeting phase.<sup>26</sup>

During August, the President issues budget policy which is transmitted by OMB and OSD in the form of budget guidance for the budgeting phase of the PPBS process. The budget is a translation of manpower and material requirements into a time phased financial requirement, organized by appropriation and fund structure. The budget formulation phase corresponds to the budgeting cycle of the PPBS process. On or about 1 October of each year, the Military Departments and the Defense Agencies submit to the

SECDEF their Budget Estimates with budget backup and justification books. These Budget Estimates address primarily the forthcoming "budget year" and, as necessary, recasting of resources to adapt to changing conditions in the "current year" time period. The budget hearings conducted by OSD and OMB begin almost immediately with the JCS, Military Departments, and Defense Agencies serving as program proponents, defending in detail the resources included in the current and budget years for programs. Beginning in October and continuing to the end of December, the Program Budget Decisions (PBD) are issued by OSD as specific decisions are made and normally signed by the SECDEF. The PBDs are made on broad area cuts in funds and approximately 300-325 PBDs are issued and transmitted to the affected Military Departments or Defense Agencies. Most of these PBDs are reclaimed by the Military Departments or Defense Agencies. The period for reclama is initially up to five days at the beginning of the PBD cycle, and is compressed to about four hours toward the end of the PBD cycle. With the bulk of the PBDs issued by the beginning of December, the SECDEF meets with each Service Secretary and Service Chief to discuss the major budget issues and to obtain the Service viewpoint on the major budget issues. After this meeting, the SECDEF makes final decisions on Service reclaims. In some cases, additional latitude may be given to the Services by OSD in that the dollars are not restored by OSD in a response to a reclama, but the Services are told they may restore a certain program to the original level if they will fund it "out of hide," i.e., internally decrement other approved programs for the required funds. In the middle of November, at the height of the PBD and reclama cycle, an Amended Budget Submission (ABS) may be submitted

by the Military Departments or Defense Agencies on their October budget submissions. The ABS usually addresses only major programs which have had significant changes since the October budget submission. The ABS must include dollar for dollar offsets. Budget cuts already made by OSD to the original budget estimates cannot be used as offsets. Based on the budget estimates, Amended Budget Submission, the PBDs and the meetings with the Service Secretaries and Service Chiefs, the SECDEF issues the final DOD Budget which becomes part of the President's Budget. Depending upon the President's schedule, OMB may present him with several major budget issues in early January, and based on his decisions the final President's Budget is formulated. The DOD budget and Congressional backup books and data sheets are adjusted to reflect the President's decisions.<sup>27</sup>

#### Overview of the Program Objective Memorandum

The Program Objective Memorandum (POM) is the heart of the PPBS process due to the shift in emphasis into the programming phase of PPBS rather than the budget formulation/review phase. The shift in emphasis is primarily due to the Military Department and Defense Agencies' current responsibilities for balancing total program objectives under fiscal constraints. (Fiscal constraints may include Total Obligational Authority (TOA) constraints and/or total outlay constraints.)<sup>28</sup>

Each POM, submitted by either a Military Department or a Defense Agency, is the document in which the Service Secretary or Defense Agency head recommends and describes annually his total program objectives under fiscal constraints. The POM is the vehicle through which programming under fiscal

constraints is implemented and is developed within the constraints imposed by the PPGM to satisfy all assigned functions and responsibilities during the FYDP period. It is also the primary means of requesting revision to the SECDEF approved programs as published in the FYDP. The differences between the JFM and POM are surfaced and discussed in the POM.<sup>29</sup>

The POM represents a comprehensive and detailed expression of the total resource requirements associated with the total commitment of the Military Department or Defense Agency. The POM is structured by the ten Defense Planning and Programming Categories: (1) Strategic Forces, (2) General Purpose Forces, (3) Intelligence Communications, (4) Airlift/Sealift, (5) Guard and Reserve Forces, (6) Research and Development, (7) Central Supply and Maintenance, (8) Training, Medical and Other General Personnel Activities, (9) Administration and Associated Activities, and (10) Support of Other Nations, and special program aggregations as identified in the PPGM.<sup>30</sup> The POM is not in the format required for submission to Congress, and the budget personnel will transform the ten Defense Planning and Programming Categories into the Congressional Budget Format: (1) Personnel, (2) RDT&E, (3) Military Construction, (4) Procurement, (5) Operations and Maintenance, (6) Military Assistance, and (7) Other.

The POM is presented to the SECDEF as a total package and, upon submission, included programs are considered "locked." Changes to the submitted POM are permitted if they can be considered within the initial submission period, contribute significantly to the effectiveness of the total package, and identify equal cost tradeoffs with previously submitted programs.<sup>31</sup>

For example, the FY76-80 PGM specified the following POM outline for preparation.

POM OUTLINE

"I. SUMMARY

- A. Strategy Assessment
- B. Summary Force Tables
- C. Manpower Tables
  - 1. By Defense Planning and Programming Category
  - 2. By Type
- D. Cost Data
  - 1. TOA by Defense Planning and Programming Category
  - 2. TOA by Individual Service or Agency Appropriation
  - 3. Civilian Compensation Rates

II. FORCES

- A. Force Employment/Availability
- B. Force Modernization
- C. Lines of Communication
- D. Supporting Data

III. ACTIVE AND RESERVE FORCE CAPABILITIES FOR FY 76 AND FY 80 (FY 76 AND FY 83 FOR THE NAVY) INCLUDING BUT NOT LIMITED TO THE FOLLOWING CATEGORIES WHERE APPLICABLE

- A. Readiness Projections (including status and projections of readiness incentives begun in FY 74, 75 and programs for reduction of other readiness deficiencies)
- B. Peacetime Deployments

IV. OTHER PROGRAM INFORMATION

- A. Intelligence and Security and Intelligence-Related Activities
- B. Telecommunications and WWMCCS Programs
- C. Research and Development
- D. Support to Other Nations
- E. Mapping, Charting and Geodesy
- F. Defense Counterintelligence and Investigative Activities

V. MAJOR ITEM PROCUREMENT INFORMATION

VI. LOGISTICS AND BASE OPERATING SUPPORT INFORMATION

- A. Materiel Support Inventories
- B. Depot Supply and Maintenance Programs
- C. Secondary Item War Reserve Programs
- D. Reparable Programs
- E. Materiel Storage Requirements
- F. Base Operating Support Programs
- G. Family Housing
- H. Review Documents

VII. MANPOWER/PERSONNEL DATA

- A. Manpower Distribution
- B. Personnel Planning
- C. Individual Training
- D. Recruiting and Examining
- E. Health Care Manpower
- F. Social Actions Programs
- G. Aviator Manpower" 32

## The Strategy Assessment Section

"must follow the guidance provided in the PPGM. The POMs should specify assessments and judgements concerning the extent to which the proposed forces and programs provide the capability to implement the Defense Policy and Planning Guidance. Discuss explicitly the risk of being unable to implement the guidance with the proposed programs....evaluate the proposed structure, readiness levels, and modernization to insure that the new five-year defense programs result in a balanced, long-range plan that is both efficient and capable of meeting defense objectives. Describe how manpower and dollar resources were distributed between force operations, force modernization, materiel support and readiness to achieve the best balanced program and also the degree to which your POM responds to the PPGM guidance within these categories. Major program changes from the January FYDP should be noted and discussed. Specifically, how and why were these major changes selected?"<sup>33</sup>

## CHAPTER II

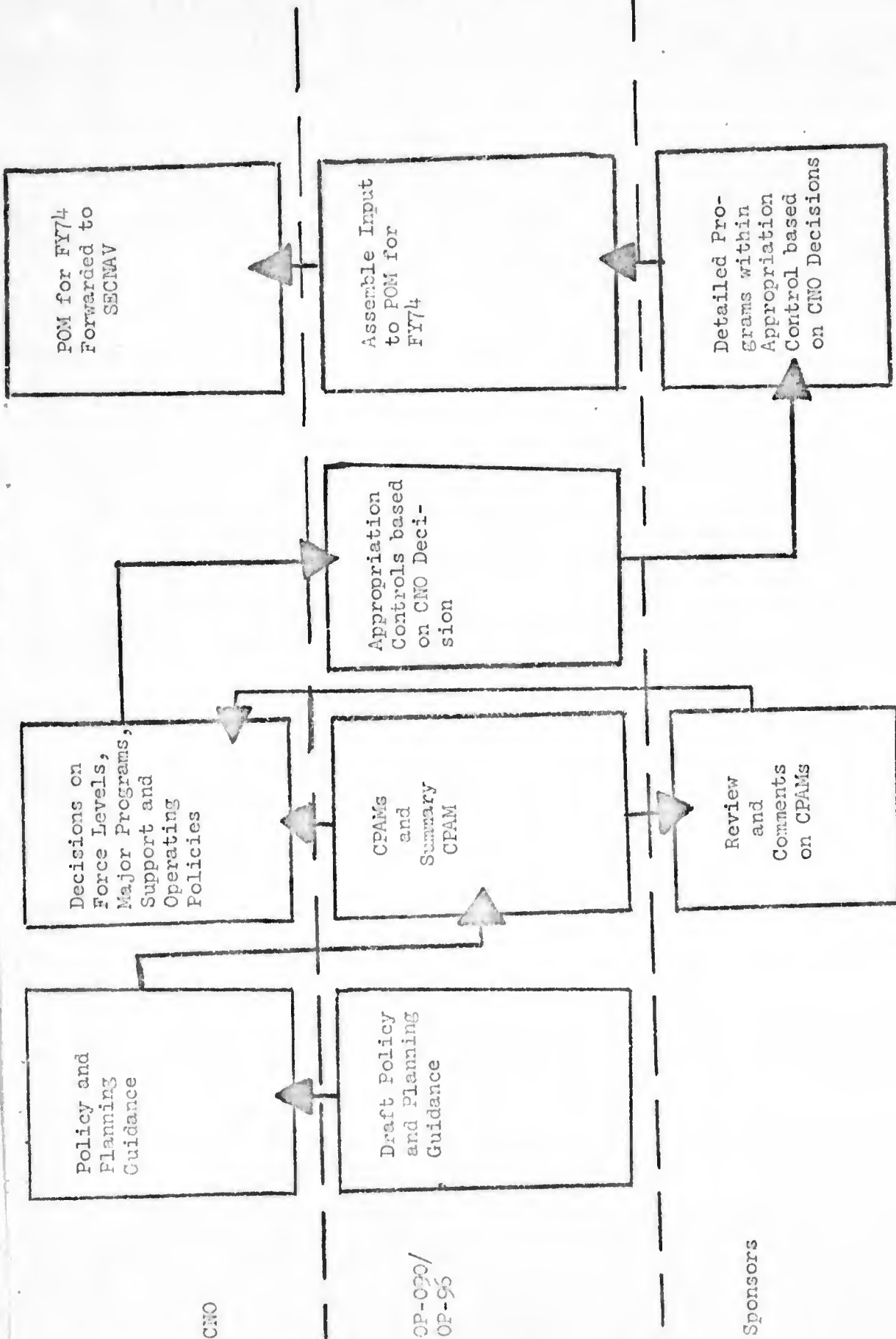
### THE NAVY PROGRAMMING PROCESS AND THE NAVY PROGRAM OBJECTIVE MEMORANDUM

#### The Evolution of the POM Process

In the preparation of the POM for FY72, the Navy began the development of a complex system that has evolved into the present Navy POM process. It took the Navy three cycles to approach a workable system which takes advantage of making trade-offs within a constrained budget. We shall now briefly trace the evolution of the POM process into its present configuration. In the development of the POM for FY72, operating and support policy decisions were the indirect result of assessment of force level and major program decisions as well as arbitrary appropriation limitations set within the Navy. The force levels and major research and procurement programs were chosen by agreement among OPNAV sponsors and approval by the CNO. Based on these agreements, OP-090, Director, General Planning and Programming, selected appropriation totals or "controls." The remaining funds were available to operate and support the forces and to sustain other research and procurement programs. During this process, there was little, if any, consideration of the relationship among the appropriation constraints, force levels, operation and support, or research and procurement programs. Appropriation sponsors' discussions and consideration of budget allocations and tradeoffs were in terms of the inputs at appropriation level. Any detailed tradeoffs occurred only within an appropriation after the appropriation totals were determined. Despite incentives to plan more realistically within a

constrained budget, the Navy used appropriations as the basis for allocating its budget and showed little consideration for balance among forces, procurements, and readiness.<sup>34</sup>

In the POM development for FY73, the Navy's approach was somewhat different than the POM for FY72. The Navy previously determined budget levels had experienced large cuts during the PPBS process and the Congressional justification. OP-090 developed combinations of reductions in forces and associated procurement programs, reductions in operations, manning levels, maintenance, and support and additional arbitrary reductions in other areas to achieve the desired level of cost reduction consistent with the CNO's preferences. After the sponsors reviewed and commented on the proposed reductions made by OP-090, refined sets of alternative reductions were submitted to the CNO. The CNO's decision was the basis for the formulation and development of the detailed POM. During the POM for FY73, the Navy attempted to reduce the extent to which arbitrary decisions were made. Force level decisions were less arbitrary than they had been in the past. The decisions attempted to consider tradeoffs among procurements, force levels, and operating and support policies. Due to a lack of analytical tools and time constraints, there was little detailed examination of tradeoffs among forces competing for the same task or among alternative means to support the force structure. The initiative in developing alternative programs that would satisfy fiscal guidance was largely due to OP-090.<sup>35</sup> There was a movement away from arbitrary selection of force levels and major procurements due largely to OP-090 efforts.



THE POM DEVELOPMENT FOR FY74<sup>36</sup>

The previous diagram is a summary of the POM process for FY74, which was vastly different from the procedures for the previous two years. The POM process began with the CNO issuing his planning guidance for the POM based on his interpretation of the SECDEF guidance. Following that, the CNO Program Analysis Memoranda (CPAMs) were written by OP-96, Systems Analysis Division, which looked at cost and capabilities of alternative Navy programs in detail. The CPAMs were mission oriented rather than appropriation oriented. The areas of strategic forces, tactical air forces, and support and mobility forces, plus support and manpower programs, were analyzed by CPAMs. The CNO and his senior advisor reviewed the alternatives contained within each CPAM represented and comments from sponsors. The CNO indicated his preference for actions in cutting or increasing the program in each CPAM area. Based on fiscal guidance, the CNO was presented with a Summary CPAM that contained alternative combinations of Navy program changes based on his choices in each CPAM area.<sup>37</sup> OP-90 developed appropriation controls based on the CNO's decisions and the sponsors developed detailed programs within the appropriation control. These detailed programs served as an input to the POM being assembled by OP-90.

During the POM development for FY75 to the present for FY77, the POM process has continued in much the same manner with slight modifications. In the POM development for FY76, a refinement to the CPAM, called the Tentative CPAM (T-CPAM) was developed and allows the sponsors to play a more active role earlier in the development of the CPAM.<sup>38</sup> In the POM development for FY77, a CPAM cost estimating change was incorporated. In the past, many programs and increments submitted for review during the CPAM process

were not fully priced out since manpower was not included. The number and costs of manpower were added into the total at the end of the CPAM process, and then an arbitrary decision could be made on the total manpower required for the entire Navy. Accordingly, the true program costs were not reflected. In the CPAM/POM process for FY77, the personnel costs were included in the price of the programs and, consequently, better choices could be made by the decision makers.

NCB/OP-92, Office of Budgets and Reports/Fiscal Management Division, has the responsibility for the total budget submission to OSD on the first working day in October. A new innovative step was taken by NCB/OP-92 with the establishment of the Budget Evaluation Group (BEG). Among the many duties assigned to the BEG is the responsibility to make an independent appraisal on the objectivity and feasibility of budgeting for the program changes that are being made during the PPBS process, especially those changes which are made during the CPAM/POM process, and to insure that a balanced budget is submitted to OSD/OMB and Congress. Unfortunately, the group has just recently been created and no real direct involvement occurred during the POM formulation for FY77.

#### The Navy Programming Process

The Navy Programming Process is contained within the DOD PPBS process.

"For the military, the objectives of PPBS can be summarized as:

- Military missions in consonance with national security objectives.
- Force requirements to meet the military mission.

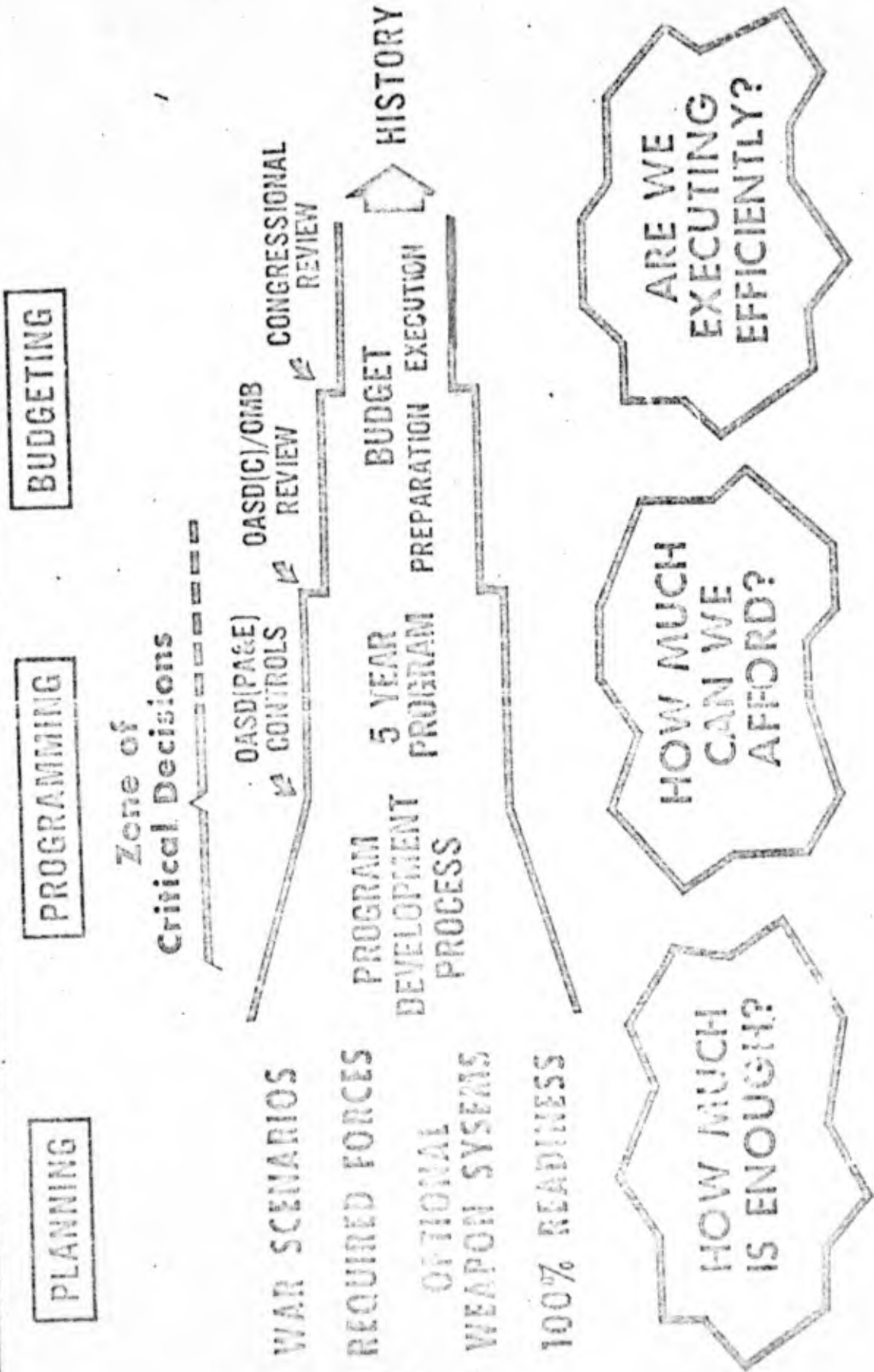
- Programs to procure and support force requirements.
- Budget required to support the program.
- Assurance that future dollar requirements for program do not exceed responsible fiscal options."<sup>39</sup>

In 1969 the SECDEF set forth explicit fiscal constraints which total programs and budget submissions had to recognize. Fiscal guidance became the primary constraint in developing total program objectives and budgets. The Military Departments became responsible for submitting annually to the SECDEF their recommended total program objectives for the budget year and four subsequent years within explicit fiscal constraints.

"The shift from OSD to the Military for the initiative of balancing total program objectives and the introduction of five year fiscal constraints combined to move the competitive arena for financial Navy resources allocation into the OPNAV and HQMC organizations and into the programming phase of PPBS rather than the budget formulation/review phase."<sup>40</sup>

The following diagram illustrates the PPBS process and the programming phase as being the zone of critical decisions.

# PPBS: AN OVERVIEW <sup>41</sup>



"The basic purpose of the programming phase is to translate Department of the Navy approved concepts and objectives into a definitive structure expressed in terms of time-phased resources requirements including personnel, monies and material. This is accomplished through systematic approval procedures that 'cost out' force objectives for financial and manpower resources five years into the future, while at the same time displaying forces for an additional three years. This gives the SECDEF and the President an idea of the impact that present day decisions have on the future defense posture."<sup>42</sup>

The Key points associated with the Navy programming process are:

- Focuses Navy decision making
- Allocates constrained resources (manpower and money) for five year period
- Is concerned with the margin
- Seeks optimum Navy thru tradeoffs
- Looks at programs vice appropriations
- Results in a PCM which
  - Continues a dialog OSD
  - Proposes to change FYDP
- Is repeated annually
- Is still evolving and improving."<sup>43</sup>

During the October/November period, the SECDEF issues the TPPGM with final planning and programming guidance following in February. The programming phase is initiated when the SECDEF issues the PFGM to the Navy in February. This document provides the definitive policy and force planning guidance on which Navy planning and programming are based, particularly with respect to fiscal constraints. The key points covered in the PFGM are:

- Provides the definitive policy and force planning guidance.

- Provides and elaborates on essential national objectives.
- Allocates resources realistically assumed available.
- Establishes a balance between combat forces and materiel support readiness.
- Provides necessary POM preparation guidance.
- Sets forth the basic concepts, principles and objectives which comprise the assumptions upon which the FYDP is structured.
- Provides fiscal guidance which serves as a financial basis for the five-year programs.

The POM must conform to the specific guidance and fiscal levels outlined in the Fiscal Guidance which is normally developed by ASD (PA&E) using the cost of approved programs displayed in the current January FYDP as a baseline. This baseline is adjusted to provide for marginal adjustments in each Service's total as may be required, such that the cost of the overall DOD program is in line with Presidential decisions on the DOD resource allocation. The Fiscal Guidance specifies the DOD resource allocation, identifies specific Total Obligational Authority (TOA) and/or Outlay by fiscal year for the Navy, and certain Defense Planning and Programming Categories are identified for particular constraint. These identified areas are referred to as "fenced" areas, and a lower or upper limit or a precise control may be specified for "fenced" areas.<sup>44</sup>

The SECNAV has assigned responsibilities for the development and submission of the Department of the Navy POM as follows:

- The Department of the Navy Program Information Center (DONPIC) or OP-90 to coordinate the development of the Department of the Navy POM to include:

- The preparation and dissemination of implementing

instructions which support the SECNAV's policy guidance for the preparation of the POM.

- The integration of the POM submissions of CNO and CMC
- The dissemination of draft POM material within the Secretariat for review
- The distribution of cost model printouts and other backup material which is required for the Secretariat review of the POM

-- The Civilian Executive Assistants

- ASN (R&D) to staff and to present to SECNAV for decision the R&D section of the POM
- ASNs to provide staff advice and analyses as appropriate for inclusion in SECNAV POM briefing and decision papers

-- CNO and CMC to develop and to draft the POM submission to the SECNAV

-- Comptroller of the Navy to evaluate, from a budgetary and financial viewpoint, the following:

- The appropriation and fiscal status and implications
- The financial feasibility and balance
- The validity and reasonableness of cost and pricing
- The validity in relationship to planned objectives
- The legality
- The preparation in coordination with the Office of the Secretariat, proposed SECNAV policy guidance for development of the POM
- The appraisal of the POM for
  - the validity and reasonableness in relation to requirements or objectives
  - the program balance

- the feasibility of attainment
  - the compliance with SECDEF and SECNAV guidance
  - The coordination of the Secretariat review of the POM and the staffing of proposed SECNAV decisions on the POM.<sup>45</sup>
- The Chief of Naval Operations (CNO) is responsible for:
- Determining the materiel support needs of the Operating Forces of the Navy (not including Fleet Marine Forces and other assigned Marine Corps forces) including equipment, weapons or weapon systems, material supplies, facilities, maintenance, and supporting services.
  - Determining the present needs, both quantitative and qualitative, for personnel including USN reserve personnel.
  - Determining the overall requirements for Security, Intelligence, Discipline, Communications and matters related to the customs and traditions of the naval service

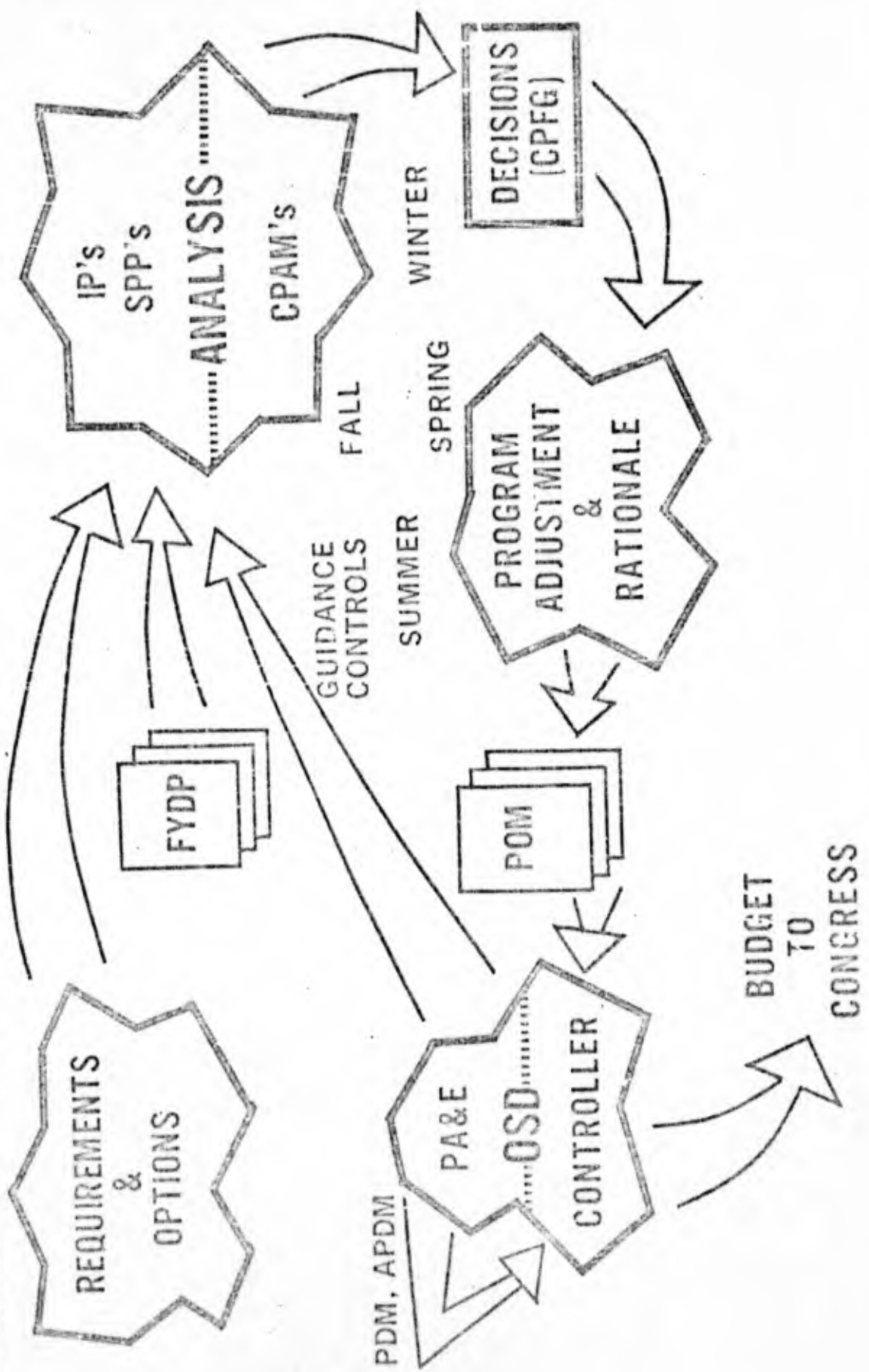
The CNO develops and drafts the POM for submission to the SECNAV. Within the Navy, the following have been established which form the basis for the internal Navy POM development procedures:

- Issue Papers (IPs)
- Program Analysis Memoranda (PAMs)
- CNO Program Analysis Memoranda (CPAMs)
- Sponsor Program Priorities (SPPs)

The CNO Executive Board (CEB) reviews each CPAM with particular emphasis on the priority of each alternative in the face of fiscal constraints and national objectives, and makes recommendations to the CNO. The CNO decisions based on his choices in each CPAM area are reflected in the CNO

Programming and Fiscal Guidance (CPFG) which is the basis for program adjustment and rationale in the formulation of the tentative POM. The CNO submits the tentative POM to the SECNAV.<sup>46</sup> The basic Navy Programming cycle is illustrated in the following diagram.

# THE BASIC NAVY PROGRAMMING CYCLE



## The POM Development

The Navy POM is the SECNAV's annual recommendations to the SECDEF for the detailed application of Navy resources. The Navy POM is developed within the constraints imposed by the SECDEF's PPGM to satisfy all assigned functions and responsibilities for the Navy. The POM is the instrument through which programming under fiscal constraint is implemented and is the primary means of requesting revision to SECDEF approved programs as published in the FYDP.<sup>48</sup>

The POM is structured by the Defense Planning and Programming Categories and special program aggregations as identified in the PPGM.

### Defense Planning and Programming Categories (DPPC) for POM Preparation

#### Strategic Forces

- Strategic Offensive Forces
- Strategic Defensive Forces
- Strategic Control and Surveillance Forces

#### Consolidated Telecommunications Programs

#### General Purposes Forces

##### Land Forces

##### Division Forces

##### Consolidated Telecommunications Programs

#### Tactical Air Forces

##### Tactical Air Forces (Navy)

##### Tactical Air Forces (Marine Corps)

#### Naval Forces

##### ASW and Fleet Air Defense

Consolidated Telecommunications Programs

Amphibious Forces

Naval Support Forces

Consolidated Telecommunications Programs

Mobility Forces

Auxiliary Forces

Intelligence and Security

Consolidated Telecommunications Programs

National and Special Activities - Intelligence

Centrally Managed Communications

Consolidated Telecommunications Programs

Research and Development

Research and Development (Navy)

Research and Development (Marine Corps)

Support to Other Nations

Military Assistance Service Funded

Military Assistance Service Funded (Navy)

Military Assistance Service Funded (Marine Corps)

Geophysical Activities

Consolidated Telecommunications Programs

Mission Support Forces

Reserve Component Support

Reserve Component Support (Navy)

Reserve Component Support (Marine Corps)

Base Operating Support

Base Operating Support (Navy)

Consolidated Telecommunications Programs

Base Operating Support (Marine Corps)

Consolidated Telecommunications Programs

Force Support Training

Force Support Training (Navy)

Force Support Training (Marine Corps)

Command

Command (Navy)

Consolidated Telecommunications Programs

Command (Marine Corps)

Consolidated Telecommunications Programs

Central Support Forces

Base Operating Support

Base Operating Support (Navy)

Consolidated Telecommunications Programs

Base Operating Support (Marine Corps)

Consolidated Telecommunications Programs

Medical Support

Personnel Support

Personnel Support (Navy)

Personnel Support (Marine Corps)

Individual Training

Individual Training (Navy)

Individual Training (Marine Corps)

Command

Command (Navy)

Command (Marine Corps)

Logistics

Supply Operations

Supply Operations (Navy)

Supply Operations (Marine Corps)

Maintenance Operations

Maintenance Operations (Navy)

Maintenance Operations (Marine Corps)

Logistics Support Operations

Logistics Support Operations (Navy)

Logistics Support Operations (Marine Corps)

Federal Agency Support

Federal Agency Support (Navy)

Federal Agency Support (Marine Corps)

Individuals

Transients

Transients (Navy)

Transients (Marine Corps)

Patients and Prisoners

Patients and Prisoners (Navy)

Patients and Prisoners (Marine Corps)

Miscellaneous Costs

Undistributed Contingencies

The Navy POM represents a comprehensive and detailed expression of the total resource requirements associated with the total commitment of the Navy, and addresses the assessment of risks and military advantages of the proposed program, as measured against those currently approved in the FYDP.<sup>49</sup> The POM is normally prepared within the boundaries of the planning information furnished by the JSOP, Vol II, and the PPGM. Any differences between the JFM and POM are addressed in the POM, i.e., force structure, assessment of risks and military advantages of proposed programs as measured against the baseline approved in the FYDP. Supporting detail is prepared in Program Element (PE) terms with the exception of procurement programs, other than major weapon systems, which may be expressed as procurement listings structured by Major Mission and Support Categories.<sup>50</sup>

Compliance with fiscal constraints and achieving balance among the competing demands of program, mission and appropriation sponsors with OPNAV is the responsibility of the Director, Navy Program Planning, OP-090. The OP-090 staff organization has the following fundamental characteristics:

- (1) Overall integration of total program responsibility across the three sequential and interrelated phases of the PPBS process,
- (2) Total responsibility for all appropriations, except RDT&E, and
- (3) Internal division of responsibility among three divisions with each having primacy in one of the three phases of the PPBS process.

In the planning phase of the PPBS cycle, which encompasses the preparation of the CNO Policy and Planning Guidance (CPPG), the IP's, the SPP's, the T-CPAMs and CPAMs, the Systems Analysis Division, OP-96, has the lead for OP-090. In the programming phase where

the annual POM is prepared, the General Planning and Programming Division, OP-90, has the lead in the development and submission of the Navy POM to the OSD. In the budget formulation and review phase, immediately following the POM submission to OSD, the Office of Budgets and Reports/Fiscal Management Division, NCB/OP-92, has the lead for the development and submission of the budget for all Navy appropriations.<sup>51</sup>

In the programming phase where the annual POM is prepared, the General Planning and Programming Division, OP-90, has the following basic tools and guidance for the POM development, as depicted in the following illustration.

# BASIC TOOLS FOR POM DEVELOPMENT <sup>52</sup>

- FYDP (OCT AND JAN) (ISSUED THRICE)  
THE DATA BASE IN SPONSOR MATRACIES
- PPGM (OSD'S GUIDANCE)  
THE CNO'S GUIDANCE
- ISSUE PAPERS (SPP'S)  
THE TECHNIQUE FOR PROGRAM EXERCISE
- T-CPAM'S (CPAM'S)  
CEB BRIEFINGS ON THE "HEALTH" AND POSSIBLE INCREMENTS AND DECREMENTS FOR EACH MISSION AREA
- CPFG (NARM)  
MODELING/ACCOUNTING

The following is a brief discussion of each of the various tools applied in the POM development.

The Five-Year Defense Program (FYDP) is the summary of approved DOD Five Year programs and projects force requirements for eight years and manpower and cost data for five years. It is a management tool that keeps management informed of what has been accomplished in the past and what is to be accomplished in the future to support the national strategy decisions. To accomplish this the FYDP displays the manpower and funds involved in approved programs for FY62 through the current year plus five additional years. The Navy's portion of the DOD FYDP is summarized, displayed and distributed by the publication entitled, "Department of the Navy Five-Year Program," (DNFYYP). The DNFYYP is structured in terms of Defense Planning and Programming Categories, in consistent terms with the decision environment within the Navy. The FYDP is updated three times during the calendar year in order to reflect programming and budgeting decisions. The first and most important update is based on the President's Budget in January. The second update is based on the submission of the POM in May. The third update is based on the submission of the Budget Estimate by the Navy in October. The development of the POM uses the previous budget year FYDP based on the October Budget Estimate as the initial data base, and in January the FYDP data base is updated to reflect the President's Budget submission to Congress.<sup>53</sup>

During the previous August through mid-November time period, the Issue Paper (IP) phase is introduced in the Navy PPBS process. OP-96 in conjunction with the Center for Naval Analyses (CNA) addresses subjects within specific mission areas. A review is completed of potential program imbalances,

potential resource savings, alternative mission/program accomplishment, mission/program unfunded systems or functions and reassessment of threat. Beginning with the development of the Navy POM for FY77, IPs only focus on major programs. Each IP is distributed to various sponsors for review and comment on the accuracy of the facts, completeness of the paper, feasibility, impact of alternatives and adequacy. These reviewed Issue Papers are used in the subsequent program development phases.<sup>54</sup>

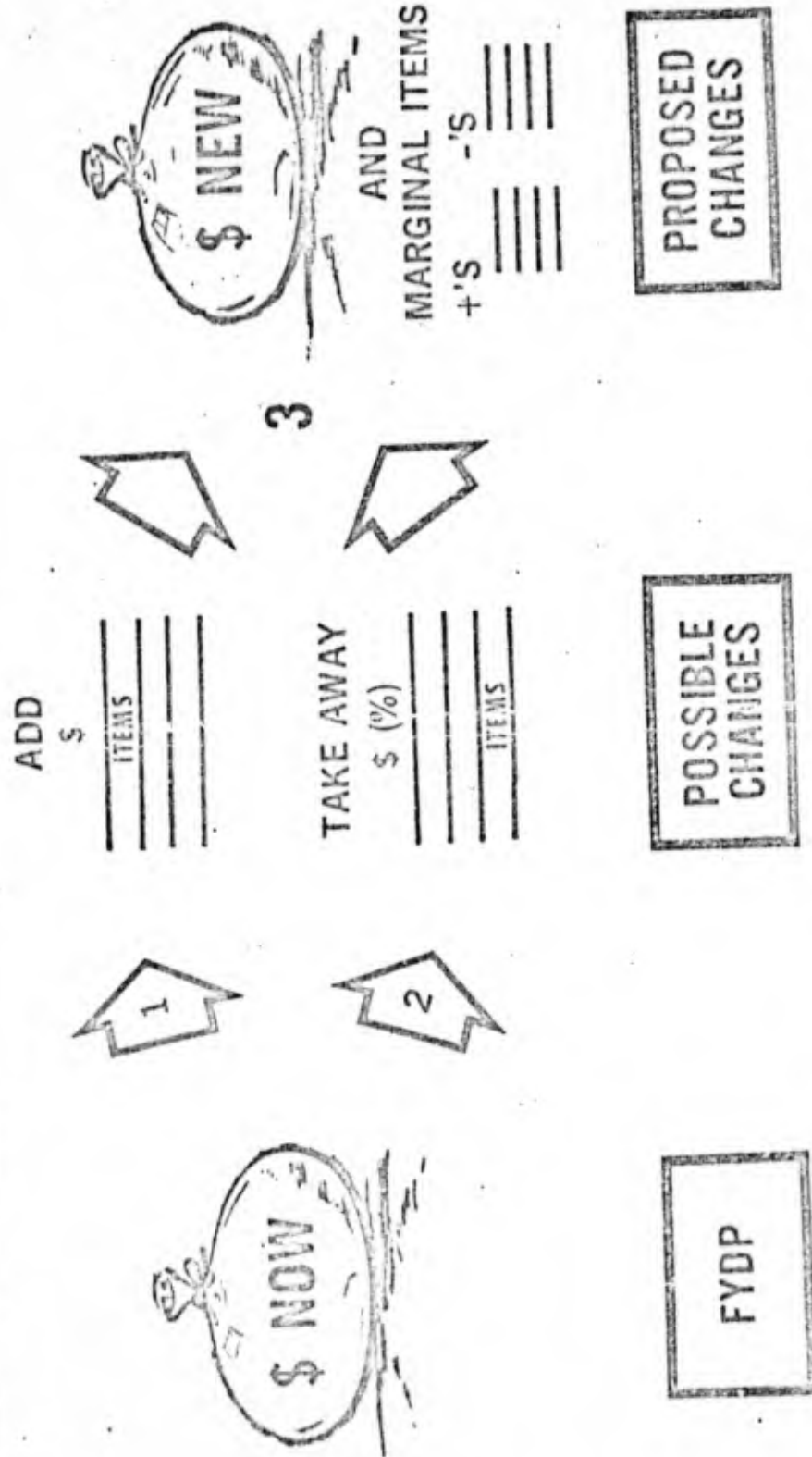
The T-CPAMs are a result of a refinement of the CPAM process in the PCM development for FY76. The T-CPAMs have evolved to allow the sponsors to play a more active role earlier in the development of the CPAM process and allows early definition of issues. The T-CPAMs are distributed in early October to sponsors with initial IPs in preparation for the Navy POM the following May. The T-CPAMs consist of:

- Specific CNO guidance and priorities issued in the CPPG mission area.
- All IPs addressing subjects within the mission area.
- All relevant information to be used in the decision making process for each mission area.
- All significant issues and alternatives within the mission area.
- Sponsor Program Priorities.<sup>55</sup>

The Sponsor Program Priorities (SPPs) is a prioritized list of increments and decrements prepared by Mission Sponsors, other Sponsors and designated participants which responds to the CPPG guidance with fiscal constraint. After the IP phase, the SPPs are developed and submitted in mid-December. The SPPs reflect the Sponsor's priorities considering the IP alternatives.<sup>56</sup>

During the SPP process in the POM development for FY77, a five percent decrement across the board was imposed on all Program Sponsors. The increment list was unconstrained. In addition, Program Sponsors had to submit a list of what additional programs and dollars they would add from within the total program dollars allocated if no decrement was imposed. The methodology of constraint applied to the SPPs process usually varies yearly.

# SPPs: Sponsor Program Priorities <sup>57</sup>



KEEP YOUR PROGRAM FIT BY EXERCISING IT

The T-CPAM is the primary data source for the development of the CPAM. The CPAMs are developed to present the CNO and CEB with an overview of the approved Five-Year Program and possible alternatives thereto. The individual CPAMs are:

- Strategic Forces
- General Purpose Forces
- Command, Control and Communications
- Support and Logistics
- Manpower and Training
- Summary CPAM

The General Purpose Forces area comprises the major portion of the total force structure. Separate Program Analysis Memoranda (PAM) are prepared for:

- SEA Control/Projection Forces (TACAIR)
- SEA Projection Forces (Amphibious)
- Support and Mobility Forces
- SEA Control Forces

These are then combined to form the General Purpose Forces CPAM.

Each CPAM describes the approved FYDP program, reviews capabilities to carry out the overall goals and objectives, identifies major issues requiring a CEB decision, and discusses alternatives which should be considered in the development of a new POM. It also includes a prioritized list of increments and decrements which is essentially a list of programs that require additional funding and those from which funding could be decreased. After the CEB review, the CPAMs form the basis for the CNO's major program

decisions reflected in the CPFU, the basis for the detailed POM development.<sup>58</sup> The Navy, Marine Corps Acquisition Review Committee made the following statement about the CPAM process:

"Effective pursuit of alternatives should normally involve an early industry/service dialogue, with emphasis on a set of mission objectives that establish the minimum capability being sought by the Commission on Government Procurement (COGP) that were used by the NMARC for reference in reviewing the Navy process for initiating and pursuing a system acquisition effort. Such recommendations essentially call for increased industry involvement and responsibility in developing a broader range of alternatives and early agreement among the military services, the Office of the Secretary of Defense (OSD), and the Congress concerning mission goals. The Navy is moving in this direction through the Chief of Naval Operations' Program Analysis Memorandum (CPAM) process (which translates DOD planning and programming guidance into Navy mission area summaries and forms the basis for annual Navy posture statements to the Congress) and subsequent formal budget submission. Discussion and timely agreement as to the purpose for new programs, as opposed to prematurely debated and defined specific system choices, would permit much more rational funding of related effort and associated development and would also permit exploration by the Navy of a broader range of alternatives from which to select and pursue a preferred system solution."<sup>59</sup>

The Resource Allocation Display (RAD) is a computerized model developed for displaying the allocation of resources to assist in the analysis of approved and proposed Five-Year Programs. In the RAD, numerous displays are possible. For example, resource allocation can be displayed by the following categories:

- Force areas
- Defense Planning and Programming
- Function areas
- PAMs
- CPAMs
- Organization entity<sup>60</sup>

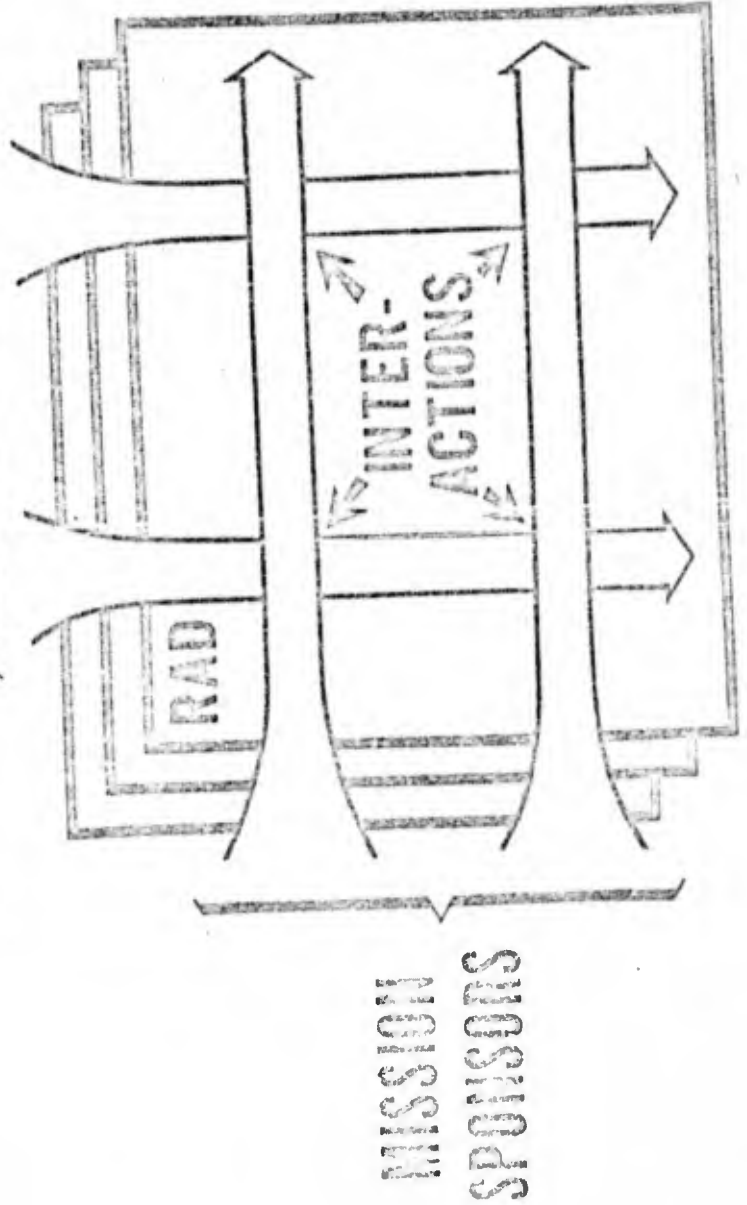
For example, the RAD matrix display approach can be used as a technique for assigning responsibilities and obtaining two views of how to use each dollar as viewed by the Mission Sponsor versus the Force/Function/Support Sponsor. The Navy Resources Model (NARM) translates the FYDP to the RAD using a computer based cross referencing system. The RAD is updated three times a year. The RAD I corresponds to the October FYDP update which is based on the budget submission by the Navy. The RAD II corresponds to the January FYDP update which is based on the President's Budget. The RAD III update is based on the RAD II with the CPTG deltas applied.

# THE SPONSOR/RAD MATRIX<sup>61</sup>

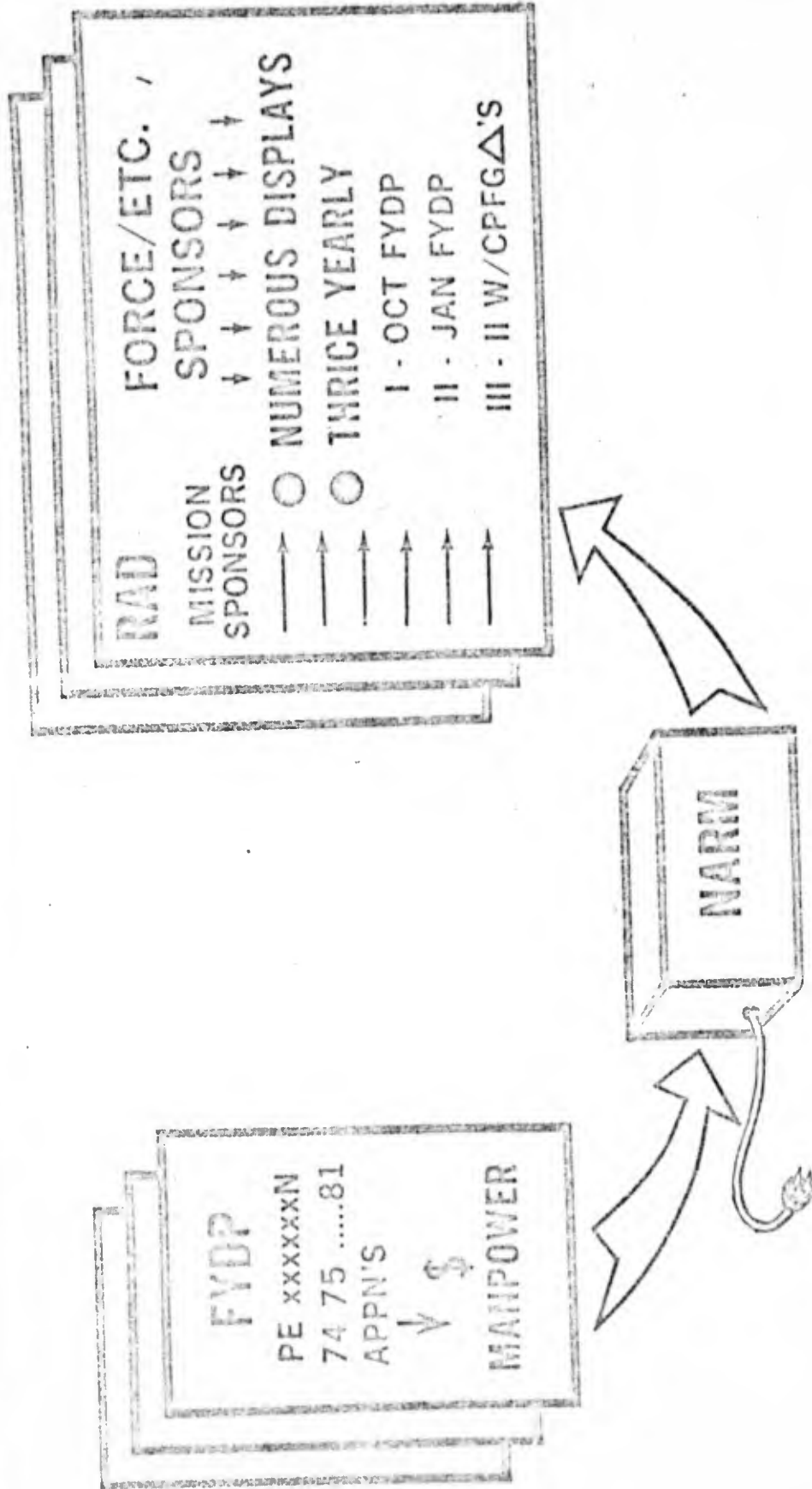
## A TECHNIQUE FOR:

- ASSIGNING RESPONSIBILITIES
- GETTING 2 VIEWS ON HOW TO USE EACH \$

FORCE/FUNCTION/SUPPORT SPONSORS



# RAD: RESOURCE ALLOCATION DISPLAY <sup>62</sup>



NARM translates FYDP to RAD using a dictionary

The POM development is based on the following:

- The SECDEF planning and programming guidance under fiscal constraint in the PPGM
- The SECNAV planning and programming guidance under fiscal constraint in the DONPPG
- The CNO planning and programming guidance under fiscal constraint in the CPPG
- The CNO programming and fiscal guidance in the CPFPG
- The preceding analysis during the planning phase in the IPs, SPPs, T-CPAMs, PAMs, and CPAMs
- SECDEF decisions based on DSARCs, and SECNAV or CNO decisions based on CEBs, NADECs, and ARCs

During the year, several hundred pre-briefing and formal briefings are given to the Defense System Acquisition Review Council (DSARC), the CNO Executive Board (CEB), the Naval Decision Centers (NADEC) and the Acquisition Review Committee (ARC). The Program Sponsor is responsible for insuring that SECDEF decisions based on the DSARCs, and the SECNAV or CNO decisions based on CEBs, NADECs, and ARCs are fully funded during the CPAM/POM process, and that funding levels are in conformance with the decision previously made. If they are not, then the funding levels are to be addressed in an Issue Paper or other interoffice memorandum to OP-95 as to why the funding levels differ from the approved program funding.

The Navy, Marine Corps Acquisition Review Committee made the following statement about the POM process:

"Although the line of financial management authority appears to be clearly defined for RDT&EN, the system continues to be plagued by several serious problems of turbulence arising from both external and internal sources. With the Program Objective Memorandum (POM) exercise in

January, a series of events is initiated to establish the planning base for the next 3 years. However, OPNAV is so heavily involved in manipulating the details of ongoing acquisition programs that guidance for the POM tends to be late, fails to focus on the general objectives of the program, and commonly deals with fiscal solutions to incompletely stated problems.

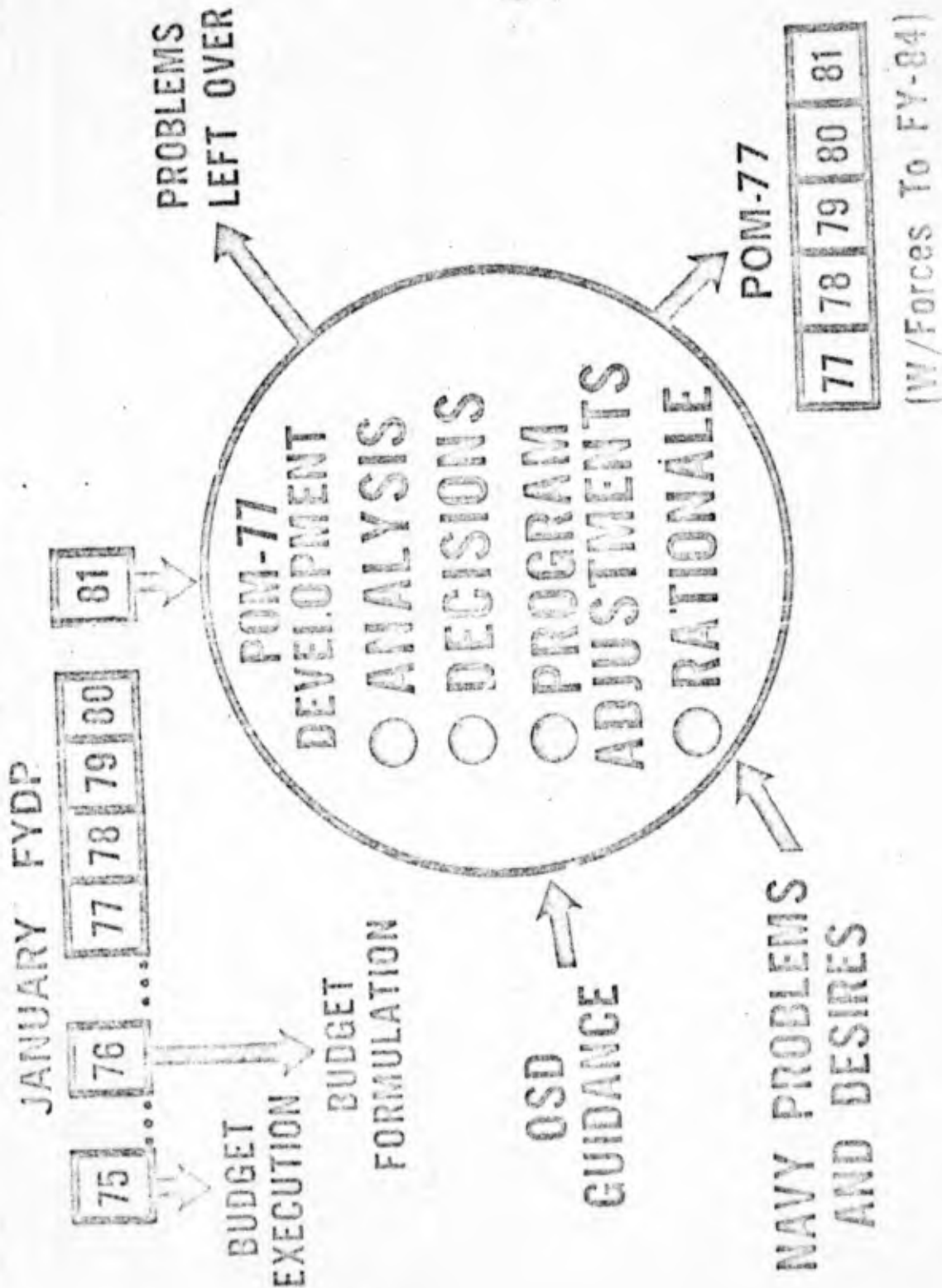
During this POM period, the CNM staff is generally not a part of the deliberations because of haste and a general desire to deal directly with sources of detailed information at low levels in the Systems Commands. This practice results in little attention to coordination among the Systems Commands and represents another example of the lack of balance between OPNAV and NAVMAT in achieving a satisfactory R&D/acquisition program.

Lack of discipline in budget formulation is encouraged by the large number of participants and the number of documentary actions required. Appendix R&D-J is an example and shows all the steps required to prosecute only the PM-4 portion of the POM-76 program, along with a number of actions that do not contribute to a productive program and must therefore hinder the process.

Financial management is inevitably intertwined with program planning. Errors in the initial planning engendered by haste and incomplete knowledge will be perpetuated throughout the POM process and the follow-up budget and apportionment actions. The activities of DDR&E in adjusting program planning through the use of threats of funding deferrals, coupled with the lateness of congressional actions, help create an atmosphere of uncertainty and indecision that percolates down to the lowest program levels. The resultant confusion and instability wastes both money and the energy of key management personnel.

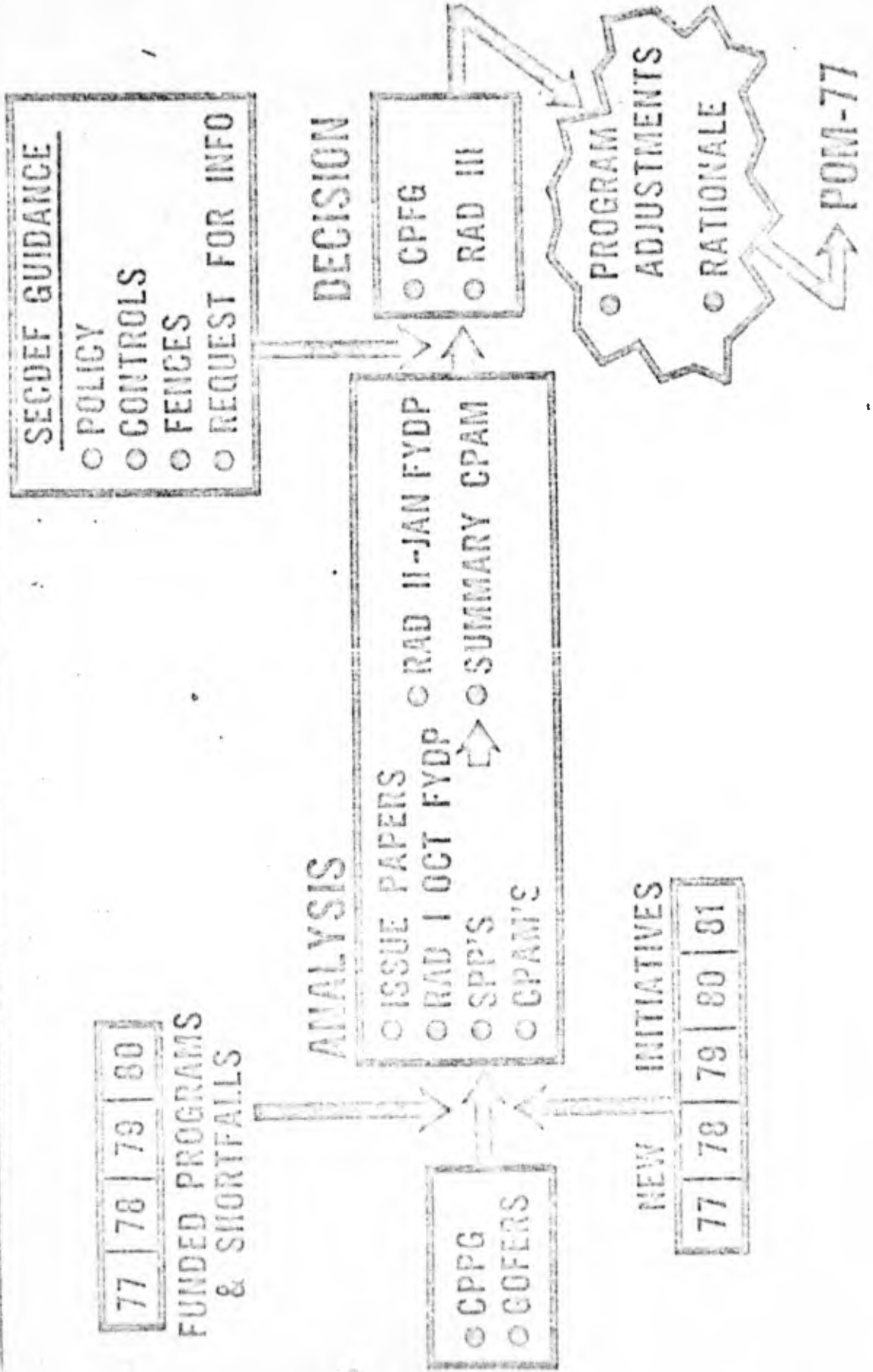
Adjustments in the program in response to fluctuations in either funding or management guidance must be reviewed at each level above the Systems Command out of context with the rest of the total plan as established in the POM, the budget, or the apportionment."<sup>63</sup>

# POM-77<sup>64</sup> DEVELOPMENT-BASIC STRUCTURE



The analysis, decisions, program adjustments and rationale depicted in the previous illustration are further explained in the next two illustrations. The analysis effort is based on the IPs, SSPs, PAMs, T-CPAMs and CPAMs developed in the planning phase and the RAD updates RAD I and RAD II. The CMO's decisions on the formulation of the POM are based on the CPFG and RAD III update. The CPFG is the basis for program adjustments and rationale in the POM preparation. The program adjustments are derived from four areas: the Mission Sponsors, Appropriation Managers, CEB and OP-090. The preparation of the POM rationale is developed by OPNAV and coordinated by OP-090. The POM is submitted to the SECNAV for review, adjustment and approval. The SECNAV submits the POM to OSD in May.

# PROGRAM DEVELOPMENT<sup>65</sup>



# FINAL DEVELOPMENT<sup>66</sup> PROGRAM DEVELOPMENT

SUBMISSION

PROGRAM ADJUSTMENT

DECISION

CPFG
<input type="radio"/> DECISIONS <input type="radio"/> FUNDED <input type="radio"/> UNFUNDED <input type="radio"/> REVISED CONTROLS (RAD III)

MISSION SPONSORS
<input type="radio"/> MISSION BALANCE <input type="radio"/> INTER-MISSION TRADE-OFFS <input type="radio"/> INTER-APP'N TRADE-OFFS

APP'N MANAGERS
<input type="radio"/> BOOKKEEPING <input type="radio"/> FACT OF LIFE CHANGES <input type="radio"/> COST ADJUSTMENTS

CEB
<input type="radio"/> MAJOR ISSUE RESOLUTION

OP-090
<input type="radio"/> BALANCE \$ <input type="radio"/> ASSEMBLE POM DOCUMENTS (INCLUDING USMC)

SECNAV
<input type="radio"/> REVIEW <input type="radio"/> ADJUST <input type="radio"/> APPROVE

POM-77  
TO OSD

- OSD ISSUES
- PDM
- APDM

PREPARATION OF RATIONALE
<input type="radio"/> BY OPNAV <input type="radio"/> COORDINATED BY OP-090

### CHAPTER III

#### CLARIFICATION OF HOW THE DEVELOPMENT OF THE NAVY PROGRAM INTERACTS WITH THE RESPONSIBILITIES OF THE NAVY PROGRAM MANAGER

The Navy program manager must consider and understand the following factors which may affect his program: the political and Congressional environment, the President's Policy, the SECDEF's Policy, the CNO's Policy, the Mission, Program and Appropriations Sponsors' perspectives, budgeting constraints, and changing threats. The Navy program manager should be able to provide quick and accurate information to his program's sponsors to formulate realistic and fair appraisals of military worth of the particular weapon system with regard to all these factors. The Navy program manager will further be faced with continual justification of his program and associated funding throughout the PPBS cycle. The PPBS interface problems that the Navy program manager is faced with are formidable and may at times appear to be insurmountable.

During the total process, if a weakness is detected in the program, and if it is not a top CNO program, the program manager can expect his program to be cut during the Navy's CPAM process, POM process, or budget scrub. Consequently, the cost estimates, the justification for resources and backup material must be the best the program manager can compile. In addition, the program manager must be constantly tuned in to what is happening to his program at the System Command level, the CNM level, the OPNAV sponsor level, and the massaging which is taking place in OP-90, OP-92 and OP-96. If the program manager has not justified his program and associated resources, his

program will probably wind up on the decrement list during the CPAM or POM process, or will be cut during the Navy budget scrub.

As a Navy program manager, your program may be cut during the Navy budget scrub or wind up on the decrement list during the CPAM and POM process even though you have painstakingly provided complete justification of your program and associated resources due to the scarce resources available.

Two to seven years before the program manager needs an increment in funding or a major change to his program, the program manager must start promoting and justifying the associated change. Such a program change or increment in funding, if known, must be addressed during the September/February CPAM process. It has to be surfaced up through the particular System Command, through CMM to the OPNAV program sponsor. The OPNAV program sponsor must include the additional requirement within the total funds assigned minus, in the case of the CPAM/POM FY77, the five percent decrement assigned to each program sponsor. If it cannot be funded, the OPNAV program sponsor includes it as an increment on his list which the program sponsor submits to OP-96, Systems Analysis Division. If the program change or increment in funding is required later, after the POM process starts, the Navy program manager must justify or promote his program up the same chain. The OPNAV program sponsor may be able to fund it "out of hide," i.e., from the total resources assigned and notify OP-090, Director, Navy Program Planning, and CP-96, Systems Analysis Division, as to the change. If neither OP-090 nor OP-96 have any objections, then the funding increase is effective. However, since resources are so scarce, and if the increment of funding is a major increase, the OPNAV program sponsor may

elect to send the issue to OP-090 for resolution in an attempt to obtain a reallocation of funds from another program sponsor. In this case, OP-090 has the decision of disallowing the funding increase, directing the original program sponsor to fund it "out of hide," or decrementing another program sponsor in order to fund it.

After the POM submission, the budgeting process begins under the direction of NCB/OP-92, Office of Budgets and Reports/Fiscal Management Division. If a new requirement for resources is now generated by the program manager, the program manager must go back up the same chain, except, in this case, OP-92 will make the decision on budget year funding resources and OP-90 will make the decision on the out year funding requirements. Here again, OP-92 may disallow the funding increase, may direct that the appropriation sponsor fund it "out of hide," or may decrement another appropriation sponsor to fund the new requirement. In all cases, if a major issue is involved either in planning, programming, or budgeting, the issue will be surfaced to OP-090, the Director, Navy Program Planning, for resolution. If the issue cannot be resolved at this level, the issue is forwarded to VCNO or CNO for final resolution. If successful, the program manager's additional requirements are included in the budget submission to OSD in October. However, the program manager's budget submission must now survive the OSD/CMB budget scrub during the PBD process, followed by the Congressional review of the budget, and passage of the Authorization and Appropriation Bills.

For example, the FY77 CPAM process, which starts the Navy's POM cycle, began in September 1974. The FY77 POM was completed by OP-90 on 1 May 1975

and submitted to OSD on 7 May 1975. The FY77 budget based on the POM and PDM will be submitted to OSD on or about 1 October 1975. The FY77 budget, after being scrubbed by OSD/OMB, will be submitted by the President to Congress in January 1976. Hopefully, Congress will pass the Authorization and Appropriation Bills by October 1976, which begins the 1977 fiscal year, two years after the cycle started.

The degree and magnitude of changes and cuts to FY77 Navy programs that have taken place already during the cycle and the historical changes and cuts that can be anticipated during the remainder of the formulation and justification process are exemplified in the following table:

<u>Changes/Cuts</u>	<u>FY77</u>	<u>FY78</u>	<u>FY79</u>	<u>FY80</u>	<u>FY81</u>
CPAM Process	1	1	1	1	1
POM Process	2	2	2	2	2
PDM (OSD)	2	0.5	0.5	0.5	0.5
Budget Scrub by NCB/OP-92	1.5	?	?	?	?
PBD (OSD & OMB)	<u>1.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
PPBS Process	8	4	4	4	4
Congressional Cuts	<u>2</u>	<u>?</u>	<u>?</u>	<u>?</u>	<u>?</u>
Total Decrements/ Changes/Cuts	10	4	4	4	4

(All figures are approximate and in billions of dollars.)

No attempt has been made to identify the magnitude of changes versus cuts. However, during the CPAM and POM process, the submission is within fiscal ceilings set forth in the PGM from OSD. Consequently, these adjustments are changes to the Navy programs which overall net to zero. The PBD and Congressional process normally results in the approximate cuts

depicted. (Congressional cuts of DOD budget have recently been averaging six percent a year.) It can readily be seen that the major impact on the program manager is the changes and decreases to program funding, which is experienced during the cycle and requires constant attention and program revisions of funding and schedules.

Due to the significant impact that the PPBS process may have on the program manager and the system acquisition process, it is not surprising to find references to the PPBS process in SECNAVINST 5000.1, "Systems Acquisition in the Department of the Navy." The following is a series of such references:

"Overall project management and related responsibilities will be in accordance with DOD (Department of Defense) PPBS (Planning, Programming, and Budgeting System) as delineated in the Navy Programming Manual."

"Exercise control over all resources authorized, allocated for obligation, and approved in the Budget and Five Year Defense Program" (Reference to project manager's specific authority under his charter.)

"When availability of funding to finance a wide variety of conceptual effort can be controlled internally without major reprogramming within the Navy such will be the case. Reprogramming actions which reduce available funding shall be undertaken only with the full concurrence of the Project Manager and Program Coordinator involved, in accordance with the current PPBS procedures."<sup>67</sup>

In the Navy Programming Manual, the following statement of resource assessment by the project manager appears:

"The Project Manager shall assess and document the effect of proposal to increase or decrease the resource authorized for the execution of his System/Project upon the approved cost, schedule and performance objectives. His assessment shall be

considered by the individual in the Department of the Navy having decision authority for the change proposed. Accordingly, the Program Coordinator must be consulted in order that the impact on a Project Manager's program may be determined before a final decision is made to increase or decrease the resources authorized for execution of a Weapon System Acquisition Program."68

## CHAPTER IV

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### Summary

The Navy programming process which develops and formulates the POM has four stages: (1) analysis, (2) decisions, (3) program adjustments, and (4) rationale. These stages intertwine and complement each other during the development and formulation of the POM. The key points associated with the Navy programming processes are:

- Focuses the Navy decision making process
- Addresses all significant issues and alternatives
- Seeks to develop an optimal Navy thru tradeoffs
- Develops an annual Naval posture statement
- Allocates constrained resources (manpower and money) for a five year period
- Allows decision makers to further assess the impact of today's decisions on future Naval posture
- Looks at programs rather than appropriations (budget required to support the programs)
- Results in a POM which continues a dialog with OSD and proposes changes to approved programs
- Is continuing to evolve and improve

#### Conclusions

The conclusions are:

(1) The shift of program dollars during the FY77 Navy CPAM/POM process of about three billion dollars in the POM year and twelve billion dollars in the out year indicates a major weakness in either the Navy requirements process or the cost estimating function. In addition, during the Navy budget scrub in August, it is estimated that an additional one billion dollars in the budget year will be moved between programs.

(2) POM issues to be resolved by OP-090 for program sponsors do not have a dollar threshold associated with them. Perhaps POM issue resolution by OP-090 for program sponsors should be limited to a threshold of ten million dollars or more, which is a management by exception rationale to surface only more significant issues.

(3) The establishment of a Support Issues Development Committee (SIDC) to interface with CNM and a Budget Evaluation Group (BEG) was innovative and should help to stabilize the Navy PPBS process. The addition of SIDC interface with CNM should aid in developing additional interfaces with CNM during the POM period and better coordination among Systems Commands which were problem areas that the NMARC study pointed out.

#### Recommendations

For the Navy program manager, his interface with the PPBS cycle is his Program Sponsor. Thus, for the Navy program manager to effectively interface with the PPBS cycle, the Navy program manager must keep his Program Sponsor or Program Sponsors constantly informed as to justification for program and resources, a cost estimate creditability, and revisions to the program.

During the PPBS total process, if a weakness is detected in a program manager's program, and if it is not a top CNO program, the program manager can expect his program to be cut during the CPAM/POM process or the budget scrub. Consequently, the cost estimates, justification for resources, and backup material must be the best that the program manager can compile. Even with the best justifications, the program manager can anticipate a cut in his funding in today's environment of scarce resources, be constantly ready to reclaim these cuts, and be prepared to revise and restructure the program based on decreased funding.

In light of the highly likely possibility of decreased funding, the program manager should be constantly prepared to justify his program and associated resources and should use the best possible methods to compile the required cost estimates, justification for program and resources, and backup material. During the PPBS cycle and the Congressional justification, the program manager should be prepared to answer all questions posed about his program and associated resources. Based on the controversy associated with his program, these inquiries could be quite numerous and may even require a House of Representatives or Senate appearance to testify about his program to a committee or subcommittee.

The program manager should constantly keep in mind that financial management is intertwined with program planning. Errors in initial planning are perpetrated through the POM process, budget process, and appropriation actions. The program manager should be continuously cost conscious and remember the need for superior quality in cost estimates and credibility to OSD and Congress. The program manager should remember that there

is an erosion of credibility of Navy program cost estimates and budgets with both OSD and Congress. As a program manager in today's environment, the establishment of cost estimate creditability will be an uphill battle.

The program manager will have to present numerous prebriefs and formal briefs on his program to any or the following: the CEB, NADEC, ARC, or DSARC, where decisions affecting his program may be made. The program manager must remember that changes and revisions to his program must be reflected during the CPAM/POM process by his Program Sponsor, and it is his responsibility to constantly keep his Program Sponsor advised of these changes and revisions to the program.

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DEFENSE SYSTEMS MANAGEMENT SCHOOL

STUDY TITLE: THE NAVY PROGRAMMING PROCESS: THE PROGRAM OBJECTIVE MEMORANDUM (POM).

STUDY PROJECT GOALS: To understand the Navy Program Objective Memorandum (POM) process in order to clarify the responsibilities of the program manager.

- Purpose:
- (1) Delineate the Navy POM process
  - (2) Show how fiscal constraints affect the defense resource programming process in the Navy
  - (3) Clarify how the development of the POM interacts with the responsibilities of program manager
  - (4) Examine the implications the POM has on the program manager

STUDY REPORT ABSTRACT

The Navy programming process which develops and formulates the POM has four stages: (1) analysis, (2) decisions, (3) program adjustments, and (4) rationale. These stages intertwine and complement each other during the development and formulation of the POM. The key points associated with the Navy programming processes are:

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NASON

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