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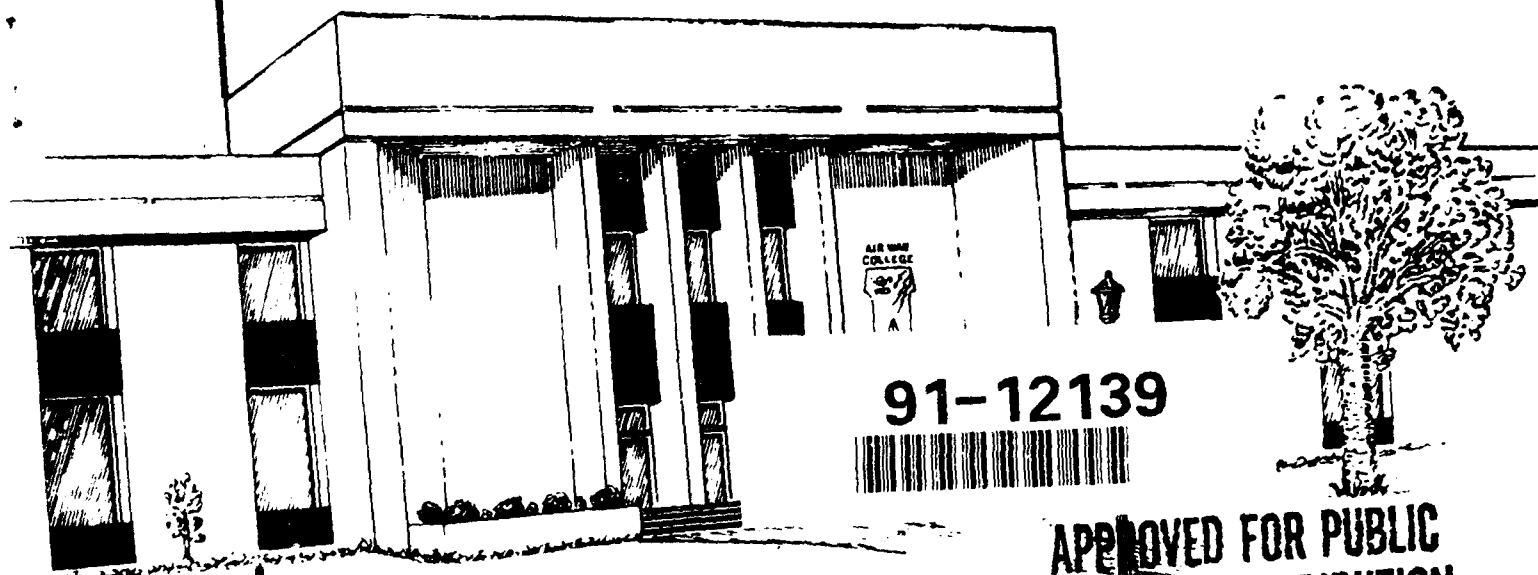
RESEARCH REPORT

BUDGET 101: A REFERENCE

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LIEUTENANT COLONEL JOSEPHINE A. KUMER

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AIR UNIVERSITY
UNITED STATES AIR FORCE
MAXWELL AIR FORCE BASE, ALABAMA

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BUDGET 101: A REFERENCE

by

Josephine A. Kumer
Lieutenant Colonel, USAF



A DEFENSE ANALYTICAL STUDY SUBMITTED TO THE FACULTY

IN

FULFILLMENT OF THE CURRICULUM

REQUIREMENT

Advisor: Colonel Richard D. Clark

MAXWELL AIR FORCE BASE, ALABAMA

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EXECUTIVE SUMMARY

TITLE: Budget 101: A Reference

AUTHOR: Josephine A. Kumer, Lieutenant Colonel, USAF

This pamphlet is designed to be used as a reference tool to assist the senior officer in quickly becoming familiar with the terms, structure, and actions a military officer will encounter when discussing or working in the area of financial management.

To become cognizant of the many factors influencing the budget process, one must understand the resource structure, how the budget is formulated, the part Congress plays, and what is involved in budget enactment and execution. The pamphlet explains how the program elements are grouped into major force programs and then appropriations to create the Department of the Air Force budget, which is then incorporated into the Department of Defense budget, which becomes one part of the President's budget.

It also addresses congressional interface, budget enactment, and budget execution (including defining such terms as commitment, obligation, outlay, budget authority, and continuing resolution authority.) Additionally, a glossary of terms and specific information about Air Force appropriations are included.

BIOGRAPHICAL SKETCH

Lieutenant Colonel Josephine A. Kumer (MBS, Central Michigan University) has worked in the comptroller career field since she was assigned to the Defense Logistics Agency in 1979 as Special Assistant to the Comptroller. Her most recent assignment was at the Pentagon in the Air Force Secretariat, Office of the Comptroller, where she completed four years working issues in the Operations and Maintenance appropriation. Additionally, she represented the USAF Comptroller on the Base Closure Team from January through July 1989. She is a 1985 graduate of the Air Command and Staff College and is a graduate of the Air War College, class of 1990.

FOREWARD

This pamphlet is a reference work about the budget process. A Biennial Planning Programming and Budget System (BPPBS) Primer is published by the Directorate of Programs and Evaluation, DCS/Programs and Resources, Department of the Air Force. It covers, in general terms, the budget process also. This document is not designed to replace the BPPBS Primer but to supplement it with more detail about the budget process and terminology.

As stated in the BPPBS Primer, all budgets were five-year defense plans (FYDP) through the Fiscal Year (FY) 90-94 Program Objective Memorandum (POM). As of the FY 92-97 POM, the FYDP will be expanded to a six-year defense plan (SYDP). This document will use the SYDP annotation.

Much credit is due to Lieutenant Colonel Rod Wood, whose briefing is used extensively throughout this pamphlet.

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CHAPTER I

INTRODUCTION

- Financial management affects everyone in the Air Force. It influences every decision. This pamphlet is designed as a reference tool to assist senior officers in becoming familiar with the terms, structure, and actions a senior military officer will encounter when discussing or working financial issues.
- As we begin the decade of the 1990s, we enter a period of declining budgets accompanied with an emphasis on jointness and support of the unified and specified commands. The budget process is designed to quantify the decisions made by the senior leadership as to how the Air Force will conduct business in the upcoming two fiscal years. (While the Six-Year Defense Program (SYDP) addresses six programming years, the budget addresses the first two years of the SYDP.)
- To realize the many factors influencing the budget process, one must understand the resource structure, how the budget is formulated, the part Congress plays, and what is involved in budget enactment and execution. This complex and dynamic function is orchestrated at the highest level of the Department of the Air Force. The following chapters should clarify these areas and provide a better understanding of what budgeting and financial management are all about.

CHAPTER II

ORGANIZATION

2.1 The Players

- The Assistant Secretary of the Air Force (Financial Management and Comptroller) (SAF/FM) is a political appointee who works for the Secretary of the Air Force.
- The Deputy Assistant Secretary (Budget) (SAF/FMB) is headed by a two-star general and is organized into three directorates. Two of these are organized by congressional appropriation.
 - The Directorate for Budget Management and Execution (SAF/FMBM) has a variety of tasks including Foreign Military Sales (Security Assistance), information management, fiscal analysis, and programs.
 - The Directorate for Budget Investment (SAF/FMBI) is responsible for the investment accounts (Procurement, RDT&E, Military Construction, and Military Family Housing).
 - The Directorate for Budget Operations (SAF/FMBO) is responsible for the Operation and Maintenance appropriations and the Military Personnel Appropriation.
- One other organization needs to be addressed. The Assistant for Budget Enactment (SAF/FM-L) (who works for the Principal Deputy Assistant Secretary (Resource Management)) provides the interface with the House and Senate Appropriation Committees.

CHAPTER III

RESOURCE STRUCTURE

3.1 Budget Hierarchy

- As in every large product, structure is important so that the whole can be broken down into manageable and understandable parts. The budget is also broken down in such a manner. The President's Budget (PB) is the total product. It is subdivided, or broken down, as follows:

- President's Budget (PB)
- Department of Defense Budget
- Department of the Air Force Budget
- Appropriations (Appn)
- Major Force Programs (MFPs)
- Program Elements (PEs)

3.1.1 President's Budget

- The President's Budget is the financial document submitted by the President to the Congress each year. It outlines the proposed programs for the federal government in the coming fiscal year. (For the Department of Defense [DOD], a fiscal year is a twelve-month period that runs from October through the following September.) It is submitted as a biennial budget; however, historically, Congress has requested an amended budget be submitted during the off year addressing fact-of-life changes.

3.1.2 DOD Budget

- The DOD Budget is that portion of the President's Budget that outlines the proposed programs for the Defense Department.

3.1.3 Air Force Budget

- The Air Force Budget is that portion of the DOD Budget that addresses the proposed programs for the Air Force.

3.1.4 Appropriations

- Appropriations are fund authorizations set up by an act of the Congress which permits a department or other governmental agency to obligate the federal government to pay for goods or services. Appropriations may be available for obligation for different periods of time. Examples are the Military Personnel (MILPERS) appropriations, the Operation and Maintenance (O&M) appropriation, and the Military Construction (MILCON) appropriation. For more specific information concerning each appropriation, see appendix A.

3.1.5 Major Force Programs

- Major Force Programs, or MFPs, as they are more commonly called, divide each appropriation into eleven general areas. These areas are divided along the same lines as missions, and each Air Force command receives the majority of its funding in the predominant MFP for its mission.
 - MFP 1 - Strategic Forces (Funding for B-52, SAC)

- MFP 2 - General Purpose Forces (Funding for F-16, TAC)
- MFP 3 - Intelligence and Communications (Funding for NFIP, AFCC)
- MFP 4 - Airlift and Sealift (Funding for C-5, MAC)
- MFP 5 - Guard and Reserve (Funding for ANG, AFRES)
- MFP 6 - Research and Development (Funding for ATF, AFSC)
- MFP 7 - Central Supply and Maintenance (Funding for Second Destination Transportation, AFLC)
- MFP 8 - Training, Medical, Other (Funding for T-37, ATC)
- MFP 9 - Administration (Funding for mail, HQ USAF)
- MFP 10 - Support of Other Nations (Funding for NATO)
- MFP 11 - Special Operations Forces (Funding for AC-130, SOF)

3.1.6 Program Element

- Program elements are numerical designators that describe a mission by the identification of the organizational entities and resources needed to perform the assigned mission. Resources consist of forces, manpower, materiel quantities, and costs, as applicable. The program element is the basic building block of the Six-Year Defense Program (SYDP). (An example is PE 27133F F-16 Squadrons. Note that the 2 at the beginning of the number is the MFP and the F at the end of the number indicates it is an Air Force PE vice Army, etc.)

CHAPTER IV

BUDGET FORMULATION

4.1 Biennial Planning, Programming and Budget System (BPPBS)

- The planning and programming cycles end when the Defense Guidance (DG) and the Program Decision Memorandum (PDM) are issued respectively. (These cycles are fully explained in the BPPBS Primer published by the Directorate of Programs and Evaluation, DCS/Programs and Resources.)
- The budget is the end product of the BPPBS.
 - It has three phases--formulation, enactment, and execution. All three phases operate concurrently and continuously.
- Budget (SAF/FMB) works very closely with the programming community (AF/PRP). It is a team effort.
- The Deputy Assistant Secretary (Budget)
 - Becomes the OPR after the Program Decision Memorandum (PDM) is issued.
 - Is responsible for the database and resources in the SYDP.
 - Runs the Budget Estimate Submission (BES) and President's Budget (PB) processes.

4.2 Summer Review

- Hearings (chaired by SAF/FMBI) are conducted in the summer to review program execution and confirm pricing in the Program Objective Memorandum (POM).

- The Operating Budget Review Committee (OBRC) and the Budget Review Committee conduct these hearings.
- Results are reported to the Budget Review Board.
- SAF/FMB and AF/PRP incorporate the FMB decisions into the database during the Budget Estimate Submission preparation.

4.3 Budget Estimate Submission (BES)

- The BES is submitted to OSD about 15 September each year. During the off-year of a biannual budget, a revision of the second year of the budget is usually submitted.
- It is a recosting of the POM and includes the changes directed by the PDM as well as fact-of-life changes and Summer Budget Review results that have occurred since the POM was submitted to OSD.
- It is a draft of the President's Budget as the Air Force would like it to be presented to Congress.
- OSD and OMB analysts then conduct a budget review.

4.4 Budget Review

(Extract from BPPBS Primer)

- The Budget Review ensures that the programs and dollars are correctly matched.
- OSD and OMB budget analysts evaluate the BES by reviewing Service pricing and identifying lesser cost alternatives which can be either pricing or fact-of-life changes; however, more and more, programmatic adjustments are also being made.

- OSD/OMB document their decisions in Program Budget Decisions (PBDs)
 - The PBD may propose one or more alternatives to the Service budget proposal.
 - SECDEF/DEPSECDEF selects an alternative and signs the PBD.
 - Several hundred PBDs are required to evaluate the total budget.
- Services may be allowed to review and comment on the PBDs. Rules change from cycle to cycle and as time constraints become more compelling. During the FY88 Budget Review, OSD rescinded the reclamation process, or "appeal train". Services can still work with PBD analysts to ensure accuracy of facts and promises. The lag between an advanced and signed PBD is only a few days, thus allowing little time to influence OSD to make changes to the PBD before it is signed.
- The Budget Review Board, similar to the Air Force Board in membership, is the corporate Air Force body that reviews each PBD. From this review, the board develops reclammas and a list of potential Major Budget Issues (MBIs) that they want the SECAF to take to OSD. In addition, the Program Review Committee (PRC) develops a list of offsets to buy back these MBIs when required.
- The potential MBIs are then reviewed by the AFB and AFC and ultimately presented to SECAF for final decision of

MBIs to be presented to SECDEF. Formal presentation is a face-to-face meeting between the SECDEF, OSD principals, and the Service Secretaries, and Service Chiefs.

Following the meeting, the SECDEF renders decisions on restoring or not restoring programs authorized in the MBIs.

- SAF/FM and AF/PR incorporate decisions into the database through the President's Budget Exercise. This ensures that the Air Force and OSD databases are identical when the President submits his budget.

4.5 The President's Budget

(Extract from BPPBS Primer)

- In November/December, the Services complete final pricing of the approved budget.
- In December, the President makes the final decisions concerning the budget he will submit to Congress in January. The DPRB prepares the SECDEF for his meeting with the President and implements any new guidance resulting from the President's final decisions on the size and composition of the Defense budget.
- OSD submits the DOD budget request for OMB final review and incorporation into the President's Budget Submission.
- SAF/FM updates the SYDP to reflect the President's Budget decisions.
- This ends the formulation phase, and the enactment phase begins.

CHAPTER V

ENACTMENT

5.1 Overview

(Extracted from BPPBS Primer)

- [Over a period of several months,] Congress reviews the federal budget and must pass both authorization and appropriation legislation before the Services have an approved DOD budget to start the new fiscal year on 1 October.
- When Congress fails to enact an appropriation bill in time for signature by the President (before 1 October) it must pass a Continuing Resolution Authority (CRA) enabling operations to legally continue.

5.2 Congressional Interface

- While many congressional committees review the budget submission, SAF/FMB interacts primarily with two budget committees in both Houses.
 - House and Senate Appropriations Committees.
 - House and Senate Budget Committees.
- Legislative Liaison (SAF/LL) works with all the other House and Senate committees to include the authorization committees.
- The budget committees prefer to deal with budget personnel because they understand the budget process, speak appropriation budget language, and are familiar with current year budget details. This interface has

been in report language since 1971 and applies to all agencies.

- Budget, working with the Assistant for Budget Enactment (SAF/FM-L), is involved in the following actions:
 - Staffer Orientations. Briefings and/or meetings with staffers (both committee and personal) to ensure they understand Air Force programs and requests.
 - Committee Hearings. Hearings conducted by the HAC and SAC to review various sections of the budget before markup of the appropriations bills.
 - Inquiries. Questions and requests from the Hill seeking information. They receive top priority. A response (even if it is an interim response) must be returned within five days.
 - Member/Staffer Visits. Visits by members and/or staffers in which Budget provides escort to visit an Air Force installation or organization to become more familiar with Air Force programs.

5.3 Authorization Bills

- The House and Senate Armed Services Committees (HASC and SASC) draft legislation that authorizes programs and approves levels of effort for which appropriations are made.

- Two authorization bills are required:
 - Defense Authorization Bill.
 - Military Construction Authorization Bill.
- The HASC holds a series of hearings to review the various portions of the budget and a hierarchy of witnesses testify.
- The subcommittees produce reports that accompany the drafted bills to the House floor.
 - The reports explain their recommendations.
 - These recommendations are referred to as the committee markup.
- The bills are voted on, amended as desired, and forwarded to the Senate for action.
- The Senate follows a course of action similar to that of the House.
 - Review by the Senate subcommittees.
 - Hearings are held.
 - Draft Senate Authorization Bills with accompanying reports to be forwarded to the full Senate for vote.
- The House and Senate bills are rarely, if ever, the same, and conference action is required (see Section 5.5 below).

5.4 Appropriation Bill

- By tradition, the House Appropriation Committee (HAC) drafts two appropriation bills and forwards them to the Senate.

- House Defense Appropriation Bill.
- House Military Construction Appropriation Bill.
- The process is very similar to that followed in producing the authorization bills.
- The budget is reviewed by the HAC Subcommittees for Defense and Military Construction.
- Hearings are held to review the various portions of the budget and a hierarchy of witnesses testify.
- The subcommittees draft legislation and produce reports that accompany the drafted bill which explains their recommendations.
- This is known as "markup" or changes.
- The appropriation bill is voted on, amended as desired by the full House, and forwarded to the Senate for action.
- The Senate follows a course of action similar to the House.
- Review by the Senate Defense and Military Construction Subcommittees of the Senate Appropriation Committee (SAC)
- Hearings are held to review documentation and hear testimony from Defense witnesses.
- Draft Senate Defense and Military Construction Appropriation bills with accompanying reports.

5.5 Conference Action

- The authorization and appropriations bills often differ between the two congressional bodies, and members from

each committee are appointed to meet in conference to resolve and reconcile the differences.

- During this period, letters and phone calls are made to the members seeking a resolution most favorable to the Air Force.
- A conference report is produced documenting the rationale for the reconciled positions, and the bills are again submitted to both Houses for vote.
- As each of the four bills is approved by both Houses, it is forwarded to the President for signature.

5.6 Continuing Resolution Authority (1:38)

- When appropriations bills are not signed into law by 1 October, Congress passes a joint resolution providing authority to permit agencies to continue to fund necessary ongoing programs.
 - It is called a continuing resolution.
 - It must be approved by both Houses.
 - Permits spending to begin in the new fiscal year at a rate not to exceed the rate of the previous year, or as specified by the resolution.
- The appropriation bills signed into law mark the end of the enactment phase and the beginning of the execution phase.

CHAPTER VI

EXECUTION

6.1 Funds Distribution

- As stated earlier, authority to obligate funds is given by enactment of the appropriation bills.
- The Comptroller receives and administers controls established by OMB, Treasury, and OSD.
- OMB distributes amounts available for obligation divided by time period and/or by activity/project/program. This is the "apportionment" control intended to prevent violation of the Antideficiency Act and achieve the most effective use of funds. For example, in the Air Force O&M funding is apportioned by quarter, and Procurement funding is apportioned by fiscal year and appropriation.
- The Treasury issues warrants for the amounts appropriated. These warrants set up, by appropriation and program year, the Air Force "checking account" balance. (Air Force Accounting and Finance officers write treasury checks against these accounts.)
- OSD issues Budget Authority (BA) by letter (and by various forms) to SAF/FM. The BA is subdivided in the same way the budget request was made.
- SAF/FM issues budget documents to the MAJCOMs/SOAs which subdivide both the OMB apportionment and the OSD budget authorizations. (The apportionment equals the Treasury warrant.)

- The MAJCOMs again subdivide the funds (using both OSD and OMB type control mechanisms) to bases and units, where obligations are incurred and payments are made.
- Both budget authorizations and apportionments limit the obligations that may be incurred. Both are legally enforceable at all subdivisions under the provisions of the Antideficiency Act.
- Throughout the year, various reports are generated that are reviewed and analyzed at each level of command to insure compliance.

6.2 Terminology

- During execution, several terms will be used when discussing issues, problems, and solutions. These terms need to be understood.
- **COMMITMENT**: The funds amount that has been administratively earmarked for something to be bought in the near future. It precedes obligation action. You must have enough quarterly authority to cover total obligations plus commitments. (4:5-19)
- **OBLIGATION**: The estimate or actual amount of the cost of services or articles ordered. This estimate is carried in official accounting records and serves as the basis for reserving funds, pending completion of the contract. This reservation of funds is required by public law.
- **OUTLAY**: This is the actual expenditure of funds, i.e., the check is issued.

6.3 Funds Flow

- The flow of funds throughout the execution phase is as follows:
 - Appropriation bill is signed into law.
 - OMB establishes apportionment controls.
 - Treasury Warrant is issued.
 - OSD issues Budget Authority.
 - SAF/FM issues budget documents to the MAJCOMs/SOAs.
 - MAJCOMs subdivide the funds to bases and units.
 - Bases and units incur commitments.
 - As contracts are written to cover commitments, obligations are incurred.
 - As checks are written to pay for the obligations, outlays occur thus drawing funds from the Treasury.

6.4 Budget Authority and Outlays

- Funds have varying periods of availability when they can be obligated. This period is referred to as the active life of an appropriation. (See appendix A for the active life of each appropriation.)
- Obligation rates vary depending on the active life of the appropriation. (See appendix A for the obligation rate by appropriation.)
- Budget Authority (BA) is the amount appropriated for a fiscal year. Total Obligational Authority (TOA) is that amount that can be obligated in a given year. TOA includes unspent authority from appropriations laws

enacted in previous years covering multiyear appropriations.

- Outlays have become increasingly important as greater emphasis is placed on decreasing the national debt.
 - The greater the outlays the larger the debt.
- Obligations ultimately become outlays.
- This becomes significant when Congress is trying to reduce government spending as the obligation rate indicates how quickly appropriated funds will be paid out.
 - For example, the Military Personnel (MILPERS) appropriation has an active life of one year with an obligation rate of 100 percent and an outlay rate of 96 percent. The Aircraft Procurement appropriation has an active life of three years with the obligation rate of 66.5 percent the first year, 22.7 percent the second year, and 10.8 percent the third year. The outlay rate is 5.9 percent the first year, 27.5 percent the second year and 35.6 percent the third year.
- Thus, if an immediate decrease in spending is needed, the MILPERS appropriation is more likely to be cut than is the Aircraft Procurement appropriation.
- Stated another way, more budget authority must be cut in the Aircraft Procurement appropriation than in the MILPERS appropriation to receive the same level of

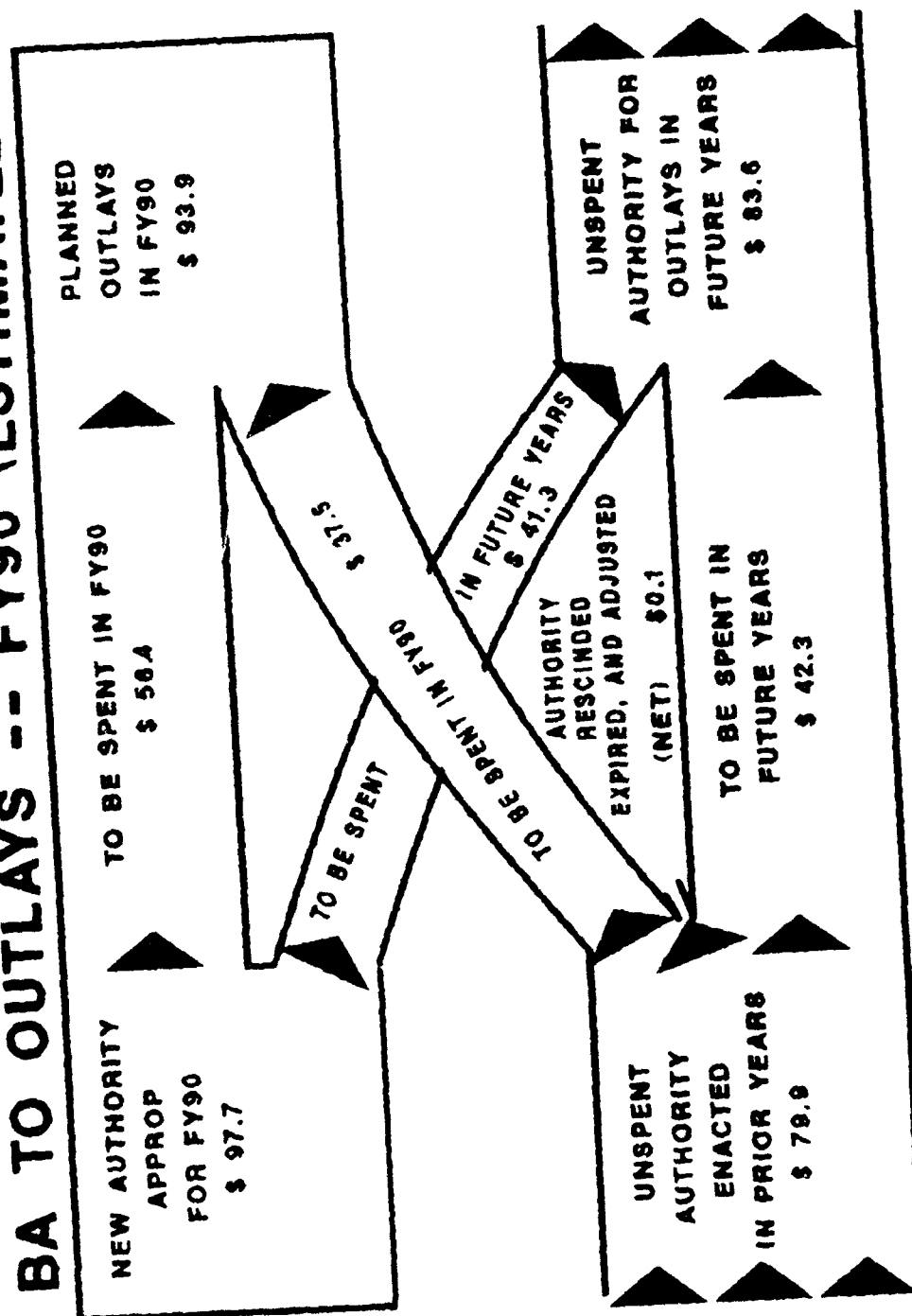
decreased spending because only 9 percent of the Aircraft Procurement appropriation is paid out in the first year.

- The obligation-outlay relationship must be considered when putting a budget together, for TOA may be placed at risk if outlays are influencing the current financial environment.
- The chart on the next page illustrates the relation of Air Force Budget Authority to outlays for FY 90.

6.5 Funds Availability

- Section 6.4 discussed varying periods of availability.
- Active accounts are those accounts against which obligations can be incurred. The number of fiscal years covered depends on the appropriation. (Some appropriations are multiyear in nature.)
- Unobligated amounts in expired accounts are available only for obligation adjustment (i.e., cannot incur new obligations). Expired funds will maintain their appropriation and fiscal year identify for two years.
- Lapsed funds are those funds remaining in an account at the end of the two-year period following appropriation expiration. At that time, they lose their fiscal year identification and are maintained at an appropriation level of detail in the "M" Account.

RELATION OF AIR FORCE BA TO OUTLAYS -- FY90 (ESTIMATED)



\$ IN BILLIONS

6.6 Reprogramming

- One last area needs to be addressed. What happens when, during execution, insufficient funds are available to cover requirements? Reprogramming.
- Reprogramming is defined as the authority to take funds from one area and place them into another. It is the action by which high priority requirements are supported at the expense of lower priority items.
- The process is unpredictable and time consuming.
- Approval may involve three executive agencies (AF, DOD, OMB) and six congressional committees (HAC, HASC, SAC, SASC, HPSCI, SSCI).
- It requires approximately 3-1/2 months for completion.
- Several forms are used in a reprogramming action.
 - Form 1414, Base for Reprogramming, indicates the initial funding profile.
 - Form 1415, Reprogramming Action, documents the funds realignment requested.
 - Form 1416, Report of Programs, indicates the new funding profile when a reprogramming action is complete and documents the new approved baseline.
- A drawback to reprogramming is that if the reprogramming request is denied, the "give up" sources are vulnerable for use by OSD and Congress.
- Reprogramming is considered only after all other options are reviewed and eliminated.

CHAPTER VII

SUMMARY

- As can be seen by this brief review, the budget process is a dynamic one. SAF/FM continuously monitors all actions influencing the process and interacts with many organizations that participate in budget formulation.
- The resource structure is established in parts to break down the whole into manageable and understandable parts. The President's Budget is made up of all the departments, including the Department of Defense; the DoD budget consists of the Service and Defense Agency budgets; and the AF budget is divided into appropriations, major force programs, and program elements.
- The budgeting phase of the BPPBS occurs between July and December, going through several exercises. The BES is submitted to OSD; OSD and OMB analysts review the submission and write PBDs recommending alternatives; MBIs are identified and decisions entered into the database; and the formulation phase is ended with the submission to Congress of the President's Budget.
- Next, Congress enacts legislation through the authorization and appropriation bills to provide revenues (obligation authority) to the various government organizations. When these bills are not passed on time, a Continuing Resolution Authority must be passed to "keep the doors open" until legislation is enacted.

- Finally, once budget authority is received, a series of documents is produced authorizing various levels of the organization to incur commitments and obligations; however, sometimes reprogramming actions are necessary. Ultimately, checks are written to pay the bills (outlays) and expenditures are tracked within active funds, expired funds, and lapsed funds.
- All of these cycles are evolving simultaneously. So one last word of caution--know what fiscal year is being discussed and in what cycle it is passing through before making any decision on a program question.
- Welcome to the wonderful world of budgeting!

APPENDIX A
APPROPRIATION SUMMARY

- This summary is designed to provide some basic information about each appropriation. It is not all inclusive nor are all the appropriations addressed. The material is extracted from AFP 172-4, Budget, the Air Force Budget Process, 1 Oct 87, Chapter 5, pp 47-52.

- Appropriation: Aircraft Procurement (3010)
 - Type: Procurement (Investment) Account
 - Legality: Defense Appropriation Law
 - Active Life of Appn: Multiyear (3 years)
 - Obligation Rate: 1st year--66.5%; 2nd year--
22.7%; 3rd year--10.8%
 - Outlay Rate: 1st year--9%; 2nd year--33%;
3rd year--32%; 4th year--15%;
5th year--7%
 - Definition: Provides for fabricating and
procuring aircraft weapon systems,
modifications, direct ground support
equipment, aircraft industrial
facilities, investment-type spares,
war consumables, miscellaneous
aircraft requirements, and technical
data.
 - Example: Purchase of weapons system, e.g., F-
15E

- Appropriation: Missile Procurement (3020)
 - Type: Procurement (Investment) Account
 - Legality: Defense Appropriation Law
 - Active Life of Appn: Multiyear (3 years)
 - Obligation Rate: 1st year--69.5%; 2nd year--15%;
3rd year--15.5%
 - Outlay Rate: 1st year--9%; 2nd year--33%;
3rd year--32%; 4th year--15%;
5th year--7%
 - Definition: Provides for fabricating and
procuring missile weapon systems,
operational space systems,
modifications, investment-type
spares, component improvements,
missile industrial facilities,
miscellaneous missile requirements,
site activation, and technical data.
 - Example: Purchase of a missile, e.g., HARM

- Appropriation: Other Procurement (3080)
 - Type: Procurement (Investment) Account
 - Legality: Defense Appropriation Law
 - Active Life of Appn: Multiyear (3 years)
 - Obligation Rate: 1st year--64.2%; 2nd year--22.4%; 3rd year--13.4%
 - Outlay Rate: 1st year--9%; 2nd year--33%; 3rd year--32%; 4th year--15%; 5th year--7%
 - Definition: Provides for procurement of direct and indirect ground weapon support materiel (munitions and associated equipment; vehicular equipment; electronic and telecommunications equipment, including cryptologic equipment; other base maintenance and support equipment), base-procured local purchase equipment, industrial preparedness measures, equipment modifications, and spares and repair

parts. Includes installation and
emplacement of equipment, testing of
production items, and technical data
and handbooks procured with end-item
equipment.

-- Example: Purchase a copier or a computer
system costing more than \$15,000.

- Appropriation: Air Force Military Construction (MILCON)
(3300)

-- Type: Investment Account

-- Legality: Military Construction Law

-- Active Life of Appn: Multiyear (5 years)

-- Obligation Rate: 1st year--70.1%; 2nd year--
19.8%; 3rd year--5.6%;
4th year--2.5%;
5th year--2%

-- Outlay Rate: 1st year--16%; 2nd year--40%;
3rd year--26%; 4th year--8%;
5th year--4%; 6th year--3%

-- Definition: Provides for acquiring, constructing,
installing, and equipping temporary
or permanent public works, military
installations, and facilities for the
regular Air Force. Includes planning
and design, major construction inside
and outside the United States, minor
construction, and support activities.

-- Example: Build a new dormitory

- Appropriation: Air Force Reserve Military Construction
(AFRES MILCON) (3730)

-- Type: Investment Account

-- Legality: Military Construction Law

-- Active Life of Appn: Multiyear (5 years)

-- Obligation Rate: 1st year--70.1%; 2nd year--
19.8%; 3rd year--5.6%;
4th year--2.5%;
5th year--2%

-- Outlay Rate: 1st year--16%; 2nd year--40%;
3rd year--26%; 4th year--8%;
5th year--4% 6th year--3%

-- Definition: Provides for the acquisition,
construction, expansion,
rehabilitation, and conversion of
facilities for the training and
administration of the Air Force
Reserve.

-- Example: Build a building at a Reserve
location

- Appropriation: Air National Guard Military Construction
(ANG MILCON) (3830)

-- Type: Investment Account

-- Legality: Military Construction Law

-- Active Life of Appn: Multiyear (5 years)

-- Obligation Rate: 1st year--70.1%;
2nd year--19.8%;
3rd year--5.6%; 4th year--2.5%;
5th year--2%

-- Outlay Rate: 1st year--16%; 2nd year--40%;
3rd year--26%; 4th year--8%;
5th year--4%; 6th year--3%

-- Definition: Provides for the acquisition,
construction, expansion,
rehabilitation, and conversion of
facilities for the training and
administration of the ANG.

-- Example: Build a new building for the ANG unit

- Appropriation: Air Force Operation and Maintenance (O&M)
(3400)

-- Type: Operating Account

-- Legality: Defense Appropriation Law

-- Active Life of Appn: Single Year (1 year)

-- Obligation Rate: 1st year--100%

-- Outlay Rate: 1st year--77%; 2nd year--18%;
3rd year--4%

-- Definition: Provides for financing day-to-day
operations and maintenance costs of
Air Force activities. These funds
include monies for civilian pay,
contract services for maintenance of
equipment and facilities, fuel,
supplies, modification kit
installation, and repair of parts for
weapon systems and equipment.

-- Example: Base electric bill; civilian pay;
TDY.

- Appropriation: AF Reserve Operation and Maintenance
(AFRES O&M) (3740)
- Type: Operating Account
- Legality: Defense Appropriation Law
- Active Life of Appn: Single Year (1 year)
- Obligation Rate: 1st year--100%
- Outlay Rate: 1st year--77%; 2nd year--18%;
3rd year--4%
- Definition: Provides for the day-to-day operating expenses of AFRES bases and units including pay of civilian personnel; aviation and ground fuels; depot maintenance; travel and transportation; purchase of services, supplies, and equipment; communications; and other expenses required to carry out the Reserve mission.
- Example: Civilian pay; TDY.

- Appropriation: Air National Guard Operation and
Maintenance (ANG O&M) (3840)

- Type: Operating Account

- Legality: Defense Appropriation Law

- Active Life of Appn: Single Year (1 year)

- Obligation Rate: 1st year--100%

- Outlay Rate: 1st year--77%; 2nd year--18%;
3rd year--4%

- Definition: Provides for the day-to-day operating
expenses of ANG bases and units
including medical and hospital
treatment; establishment,
maintenance, operation, modification,
minor construction, and repair of
facilities for the training and
administration of the ANG;
maintenance, operation, and
modification of aircraft,
transportation of miscellaneous
items; hire of passenger motor
vehicles; expenses for the
maintenance and use of supplies,

materials, and equipment,
including those issued from stocks
controlled by other DOD agencies; and
travel expenses for personnel
traveling in air technician or
inactive duty training status or for
ANG commanders inspecting units, as
specifically authorized by the chief
of the National Guard Bureau.

-- Example: Admin supplies; car rentals while on
TDY.

- Appropriation: Air Force Military Personnel
Appropriation (MILPERS) (3500)
- Type: Operating Account
- Legality: Defense Appropriation Account
- Active Life of Appn: Single year (1 year)
- Obligation Rate: 1st year--100%
- Outlay Rate: 1st year--95%; 2nd year--5%
- Definition: Provides for military personnel costs, such as pay and allowances; retired pay accrual of officers, enlisted personnel and cadets; subsistence of enlisted personnel; permanent change of station; unemployment benefits; and survivor benefits.
- Example: Military pay and allowances.

- Appropriation: Air Force Reserve Military Personnel
Appropriation (AFRES MILPERS) (3700)
- Type: Operating Account
- Legality: Defense Appropriation Law
- Active Life of Appn: Single year (1 year)
- Obligation Rate: 1st year--100%
- Outlay Rate: 1st year--95%; 2nd year--5%
- Definition: Provides for pay and allowances
(including retirement pay accrual);
bonuses; clothing; subsistence;
travel and related expenses for
personnel of the Air Force Reserve on
active duty (under 10 U.S.C. 265,
8019, and 8033) or undergoing
training, and performing drills, or
equivalent duty, and for members of
the Air Force Reserve Officers
Training Corps and the Health
Professions Scholarship Program.
- Example: TDY for AF Reserve personnel.

- Appropriation: Air National Guard Military Personnel
Appropriation (ANG MILPERS) (3850)
- Type: Operating Account
- Legality: Defense Appropriation Law
- Active Life of Appn: Single year (1 year)
- Obligation Rate: 1st year--100%
- Outlay Rate: 1st year--95%; 2nd year--5%
- Definition: Provides for pay and allowances;
clothing; subsistence; gratuities;
travel and related expenses for
personnel of the ANG on active duty
(under Sections 265, 8033, and 8496,
Title 10 or Section 708, Title 32,
U.S.C. or Section 672(d), Title 10,
or Section 502(f), Title 32, U.S.C.)
or undergoing training, performing
drills, or equivalent duty.
- Example: TDY for ANG personnel.

- Appropriation: Research, Development, Test, and
Evaluation Appropriation (RDT&E) (3600)
- Type: Research and Development Account
- Legality: Defense Appropriation Law
- Active Life of Appn: Multiyear (2 years)
- Obligation Rate: 1st year--89.5%; 2nd year--
10.9%
- Outlay Rate: 1st year--53%; 2nd year--34%;
3rd year--8%; 4th year--3%
- Definition: Provides RDT&E for advanced
technology development, strategic
programs, tactical programs,
intelligence and communications
programs, and defensewide mission
support; and for operating and
maintaining research and development
(R&D) facilities and a technology
base.
- Example: Research and development of the Advanced
Tactical Fighter.

GLOSSARY

Air Force Council (AFC)--Advisory Board to the Chief of Staff chaired by Vice Chief of Staff, and consisting of the Assistant Vice Chief of Staff, Comptroller of the Air Force, Inspector General, Surgeon General, and the Deputy Chiefs of Staff.

Air Force Board (AFB)--The AFB assists the Air Staff through recommendations to the appropriate functional manager at directorate level and expedites director-level coordination on major, urgent, and complex issues. The AFB is chaired by the Director of Programs and Evaluation and provides a Two-Star review of issues going to the AFC.

Allocation--A funding document issued by HQ USAF to a major command or separate operating agency which represents cash for commitment or obligation.

Allotment--This is similar to an allocation except that it is issued by a major command or separate operating agency to its subordinate units.

Apportionment--A "Slice" of an appropriation given to a federal department by the Office of Management and Budget. This slice may be all or only part of the dollars appropriated. An apportionment is an allocation at departmental level, and represents the amount that can be committed or obligated, regardless of the amounts shown in the appropriation or financial plan.

Appropriated Funds--This is obligational authority made available by an act of the Congress (appropriations) and distributed for use through the apportionment and allocation processes.

Appropriation--A fund authorization setup by an act of the Congress which permits a department or other governmental agency to obligate the federal government to pay for goods or services. Appropriations may last for different periods of time.

Appropriation Language--The published text of an appropriations act in which the Congress spells out the dollar amounts authorized and the purposes for which those funds can be used. The text may contain certain limitations on the use of the funds.

BPPBS--The DOD Resources Management System controlled by SECDEF and used to establish, maintain, and revise the SYDP and the DOD portion of the President's Budget.

Budget--A planned program for a fiscal period in terms of estimated costs, quantities, obligations, and expenditures.

Budget Authority (BA)--Authority provided by the Congress, mainly in the form of appropriations, which allows the federal agencies to incur obligations.

Budget Cycle--That time necessary to formulate, review, present, and secure approval of the fiscal program.

Budget Estimate Submission (BES)--The BES is a recosting of the Program Objective Memorandum (POM) as modified by the Program Decision Memorandum (PDM). Fact-of-life adjustments, including Congressional actions impacting POM and PDM positions, are made in accordance with OSD direction. The BES is developed from July--September.

Budget Year (BY)--The fiscal year covered by the budget estimate. A budget year begins 1 October and ends 30 September of the following calendar year. It is used by the federal government for accounting purposes; it also coincides with the fiscal year.

Continuing Resolution Authority (CRA)--Authorization provided by Congress to continue obligating funds after an appropriations law has expired. Usually passed by Congress when it has been unable to pass an appropriations bill to begin a new fiscal year. It does not authorize new programs;

it allows only for the "continued feeding, housing and maintaining of the troops." It is passed for a specific period of time and several CRAs may be passed before an appropriations law is enacted.

Delta Program Decision Package (Delta PDP)--A Delta PDP reflects all the Delta resources in dollars and manpower required to change a specific portion of the Air Force Program (it can be a disconnect or initiative PDP.) All actions that revise the program will first be described in Delta PDPs so the impact on the total program can be analyzed. When the decision is implemented in a program exercise, SAF/FM and AF/PR incorporate the Delta PDPs into the baseline home PDPs and the Delta PDPs will disappear.

Defense Guidance (DG)--The Department of Defense strategic plan for the development and employment of future forces. Provides SECDEF's Threat Assessment Policy, Strategy, Force Planning, Resource planning, and Fiscal Guidance to all DOD organizations.

Defense Planning Resources Board (DPRB)--The SECDEF's corporate review body. Acting as a board of directors, the DMRB helps the SECDEF manage the BPPBS by reviewing planning issues and conducting program, execution and budget reviews. The DMRB also assists the SECDEF to ensure acquisition of major systems is more closely aligned with the BPPBS.

Expenditures--Actual payment for services or goods received.

Fiscal Guidance (FG)--SECDEF issues guidance which defines the fiscal constraints on the JCS, the military departments and Defense agencies in the formulation of force structure and the SYDP.

Fiscal Year (FY)--The 12-month period which begins 1 October of one calendar year and ends 30 September of the next calendar year.

Force and Financial Plan (F&FP)--The F&FP, maintained by SAF/FM, is the database that describes the SYDP. It is a detailed compilation of the total resources programmed for the Air Force.

Force Structure Committee (FSC)--This committee develops recommendations on the force structure size and mix.

Five Year Defense Program (FYDP)--See Six-Year Defense Program.

Industrial Fund--A type of "kitty" established (with congressional authorization) by an agency as a source of funds for businesslike activities such as printing, transportation, and maintenance services. The proceeds from sales are retained in the fund to finance continuous operation. It is considered a revolving fund.

Major Budget Issue (MBI)--A disagreement between OSD and the Service of an alternative approved in a signed Program Decision Memorandum (PBD). The magnitude of the dollar difference is such that the Service cannot accept the decision. Usually, the Service is limited to the number of MBIs it can present to SECDEF.

Major Force Program (MFP)--The broadest and most structural element in an appropriation. A MFP is a broad group of smaller or specific program elements (missions) that either complement each other or are closely related. There are eleven MFPs. (Example: MFP 1 - Strategic Forces, MFP 2 - General Purpose Forces, etc.).

Military Personnel Account (MILPERS)--Congressional appropriation that provides for military personnel costs (for example, PCS funds, military pay and allowances, etc.).

Obligation(s)--The estimate or actual amount of the cost of services or articles ordered. This estimate is carried in official accounting records, and serves as the basis for reserving funds, pending completion of the contract. This reservation of funds is required by public law.

Operation and Maintenance (O&M)--Congressional appropriation that provides for expenses, not otherwise provided for, necessary for the operation, maintenance, and administration of the Air Force. (Examples: civilian pay; flying-hour

supplies; operation, maintenance, and modification of aircraft and missiles, rents and utilities, etc.)

Offset--A program or changed funding profile recommended, or offered up, as an alternative in place of another reduction.

Outlays--Checks issued, interest accrued on public debt, or other payments made, net of refunds and reimbursements.

President's Budget (PB)--The financial document submitted by the President to the Congress each year that outlines the proposed expenditures for the federal government in the coming fiscal year.

Operating Budget Review Committee (OBRC)--This committee provides recommendations concerning the operations and maintenance budget.

Program Budget Decision (PBD)--A SECDEF or DEPSECDEF Program Budget Decision authorizing changes to submitted Budget Estimate and the SYDP. Implemented PBDs result in the President's Budget (PB).

Program Decision Memorandum (PDM)--The program decision memorandum which records the SECDEF or DEPSECDEF's final decision on POM proposals and approves DOD component POMs as modified by these decisions.

Program Decision Package (PDP)--A PDP describes all the resources in dollars and manpower required to support an independent portion of the Air Force program. Sometimes called "baseline PDPs" they provide the information used by Air Force leadership when reviewing funding requirements for the Air Force program. The sum of all baseline PDPs equals the total Air Force Program. See Delta PDP above.

Program Objective Memorandum (POM)--A document each service submits to SECDEF biennially that proposes total program requirements for the next six years and includes rationale for planned changes from the approved SYDP baseline within the Fiscal Guidance.

Program Element (PE)--A combination of manpower, equipment, and facilities related to a mission capability or activity. The PE is the basic building block of the SYDP.

Program Review Committee (PRC)--The PRC reviews program proposals and makes recommendations relevant to resource allocation, as well as the impact of resource limitations on the Air Force program. PRC members (colonel level) represent various Air Staff functional offices.

Reprogramming--Changes in the application of financial resources from the purpose originally contemplated and budgeted for, testified to, and described in the justification materials.

Six-Year Defense Program--The official document and database which summarizes SECDEF approved plans and programs for the DoD. It is updated three times every two years.

Successor "M" Account--Balances available, without fiscal year limitation but identified by appropriation, for the purpose of liquidating obligations and making adjustments against any of the appropriations from which the account was derived. Funds lapse and enter the "M" account two years after they expire for new obligation.

Transfer Authority--Congressional authorization for movement of funds between treasury appropriations within ceiling.
(Simply stated, transfer authority allows the SECDEF to move a specified amount of funds between appropriations.)

Unliquidated Obligation--An obligation for which payment has not been made.

Unobligated Balance--That portion of available funds which has not been obligated.

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