Department of Defense Management of Unobligated Funds for Acquisition Programs

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Report Documentation Page

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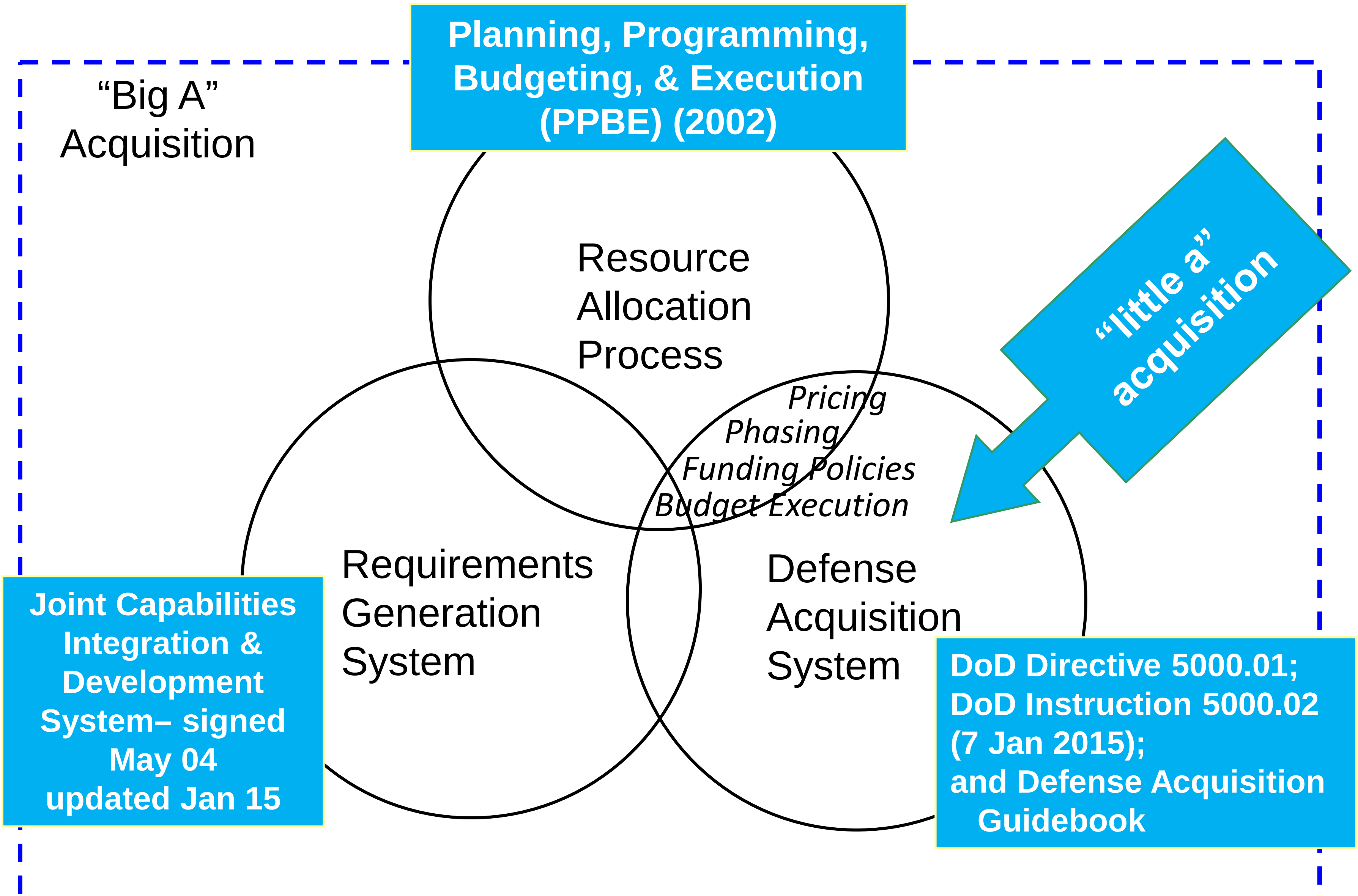
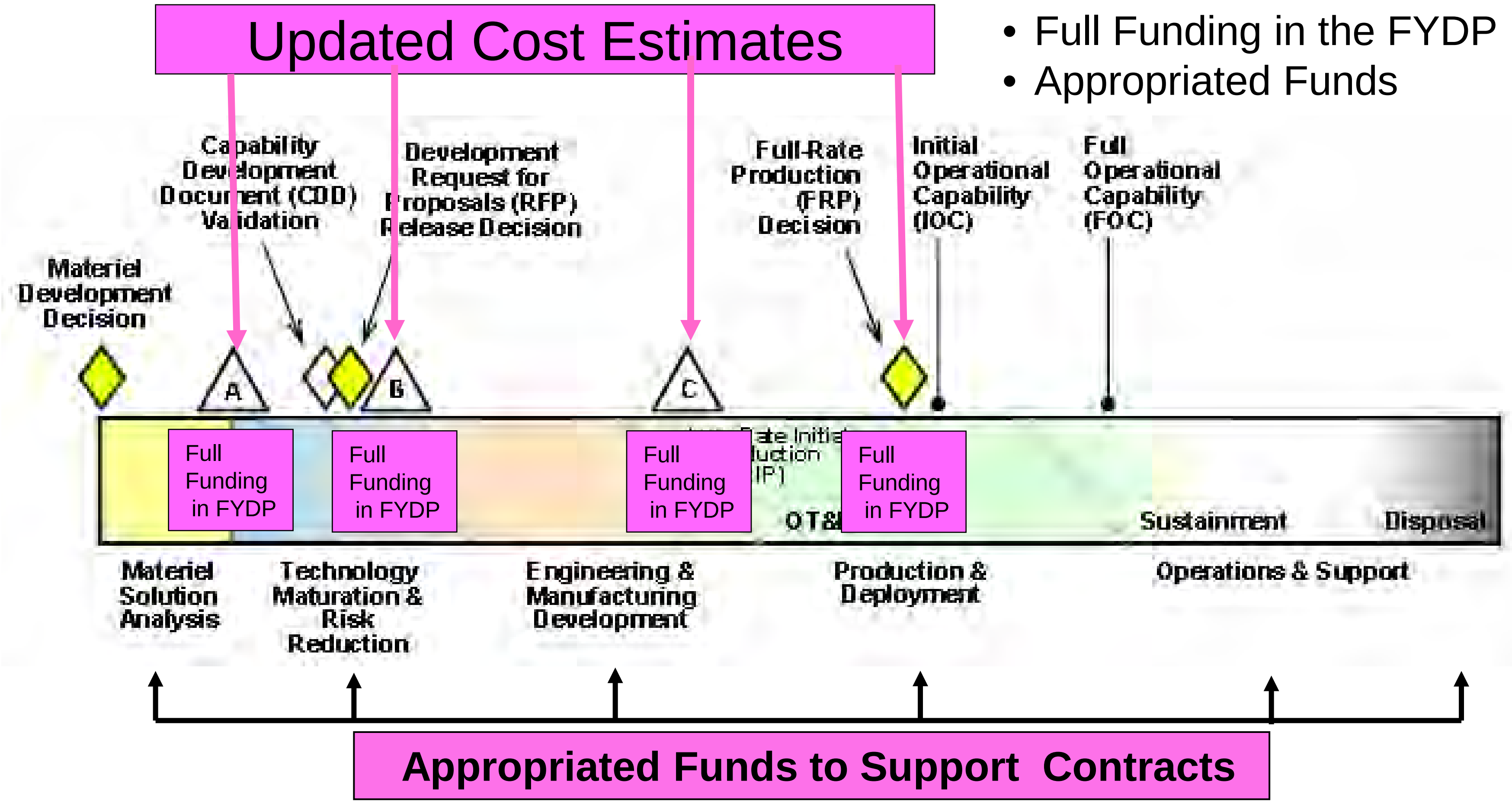
Decision Support Systems



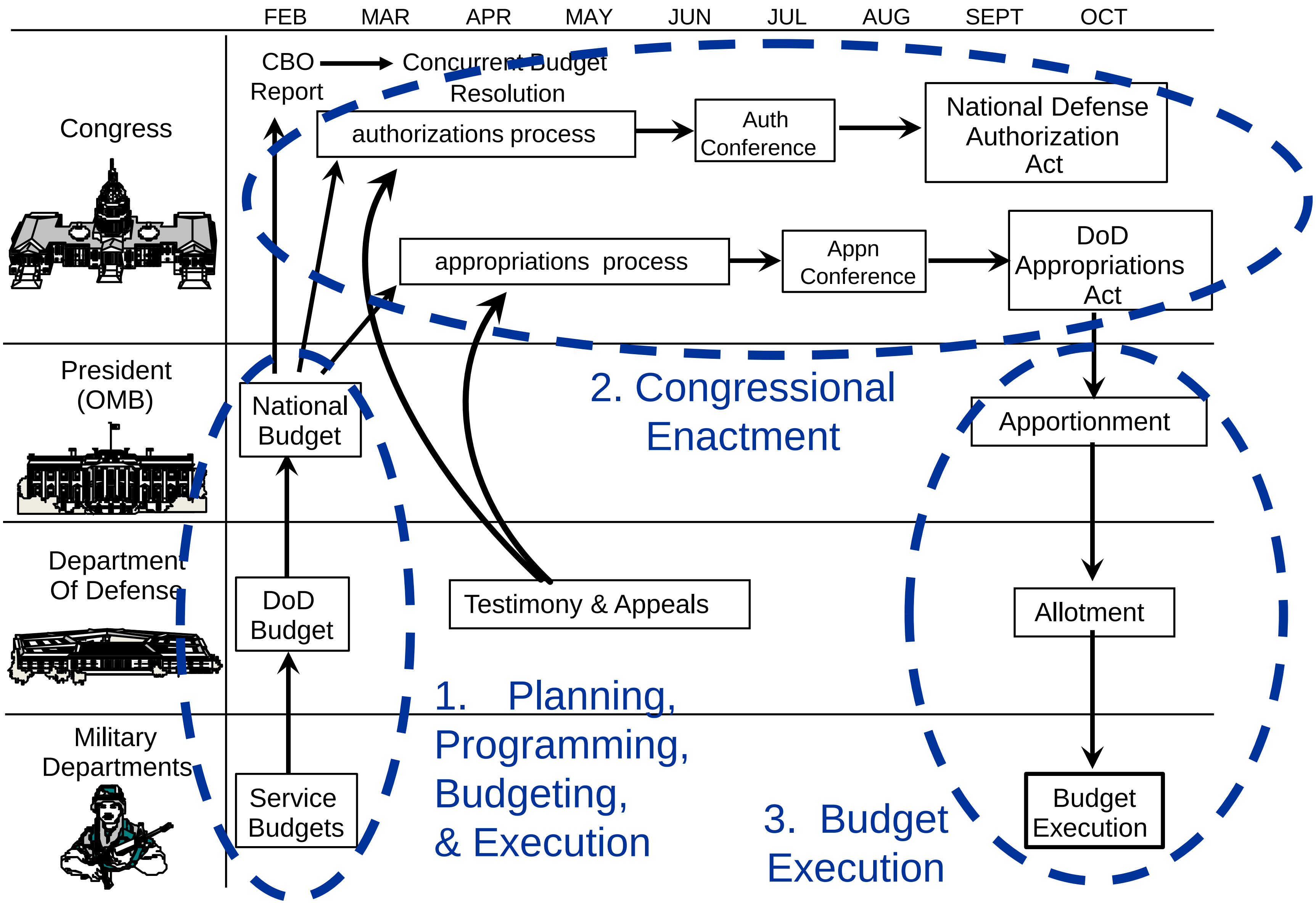
The Defense Acquisition Management System

(DoD Instruction 5000.02, Figure 3)

- Realistic Cost Estimates
- Full Funding in the FYDP
- Appropriated Funds



DoD Budget Processes

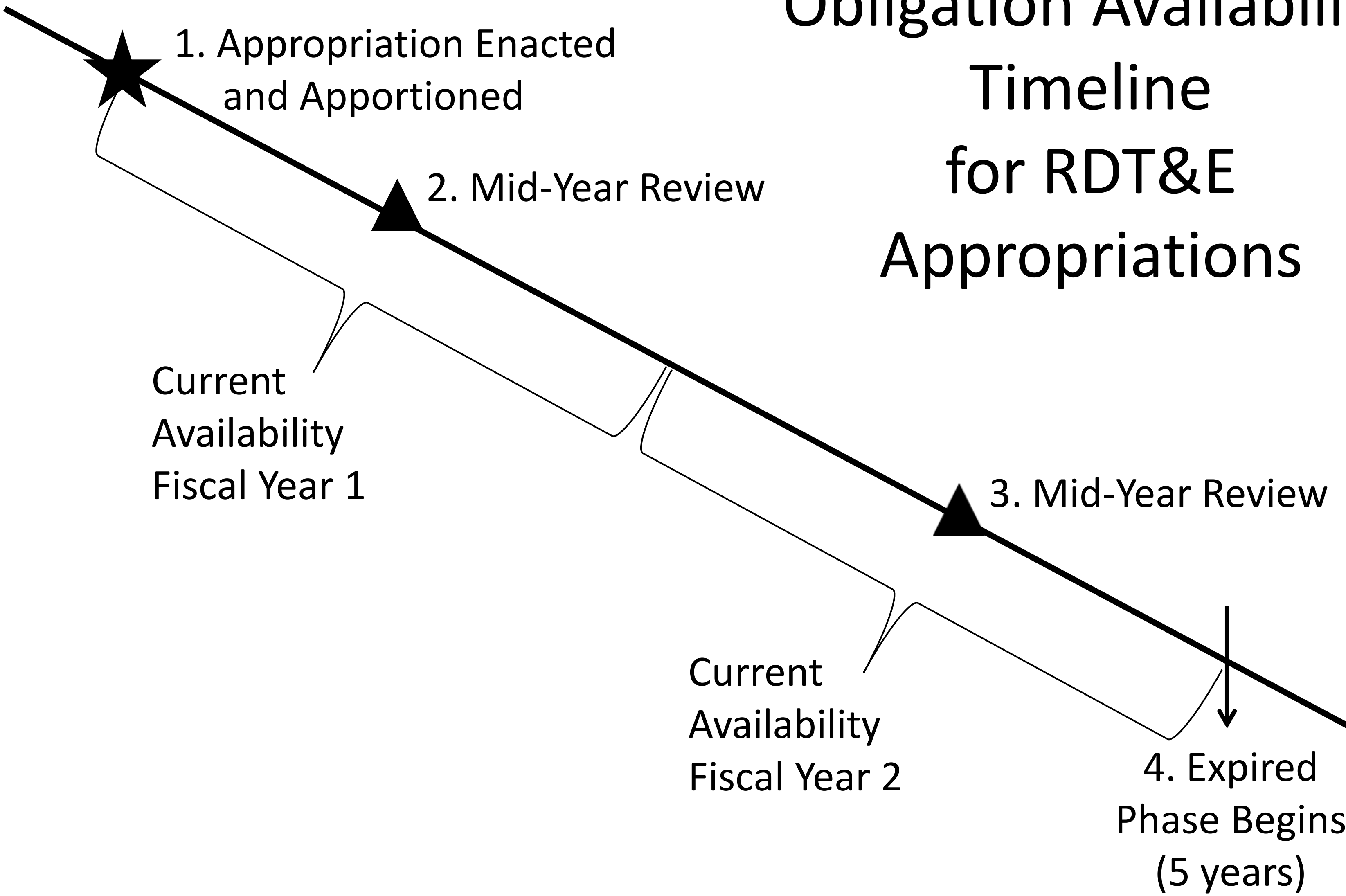


Major Appropriation Categories

APPN CAT*	SCOPE	FUNDING POLICIES	*YEARS AVAILABLE FOR NEW OBLIGATIONS*
RDT & E Inv/Exp	RDT&E Activities & Exp, AIS Equip & SW, R&D Facilities, Minor Constr	INCREMENTAL	*2 YEARS*
PROC (SCN) Inv	Prod. Labor/H/W, Initial Spares, AIS Equip & SW, non-centrally managed items >=$250K	FULL	*3 YEARS* *(5 FOR SCN)*
O & M Exp	Replenishment Spares, Civilian Salaries, Minor Constr < $750K, Travel, AIS Equip & SW<$250K, SW Dev/Mod/Purchase/Lease	ANNUAL	*1 YEAR*
MILPERS Exp	Military Pay & Allowances, PCS Moves, Retired Pay Accrual	ANNUAL	*1 YEAR*
MILCON Inv	Major Construction Projects >=$750K	FULL	*5 YEARS*

*AIS = Automated Information Systems, SW = Software, HW = Hardware, RDT& E = Research, Development, Test & Evaluation, PROC = Procurement, O&M = Operation and Maintenance, MILPERS = Military Personnel, MILCON = Military Construction, SCN = Ship Building & Conversion Navy

Obligation Availability Timeline for RDT&E Appropriations



Tenets for Dealing with Unobligated Funds During Budget Reviews

1. Taxpayer funds should be obligated and ultimately expended only in the taxpayers' interest and if best value is received for the money in support of the Warfighter.

2. While they can be useful indicators, obligation rates slower than established benchmarks should not be the determinative measuring stick for program execution and must not be regarded as a failure.

3. Late obligation of funds should not be presumed to imply that the funds are not needed or that future budgets should be reduced unless there is other evidence to support that conclusion.

Source: USD (Comptroller) and USD (AT&L) Memo, September 10, 2012, SUBJ: DOD Management of Unobligated Funds; Obligation Rate Tenets

Tenets for Dealing with Unobligated Funds During Budget Reviews (continued)

4. Providing savings to the organization, military service, or DOD component as early in the fiscal year as possible should be encouraged and rewarded, professionally and visibly.

5. Savings will not be reallocated at any higher DOD level than necessary to fulfill shortfalls in priority requirements.

6. Managers who release unobligated funds to higher priorities will not automatically be penalized in their next year's budget with a lower allocation and may be candidates for additional funding to offset prior year reductions.

Source: USD (Comptroller) and USD (AT&L) Memo, September 10, 2012, SUBJ: DOD Management of Unobligated Funds; Obligation Rate Tenets

Research Questions

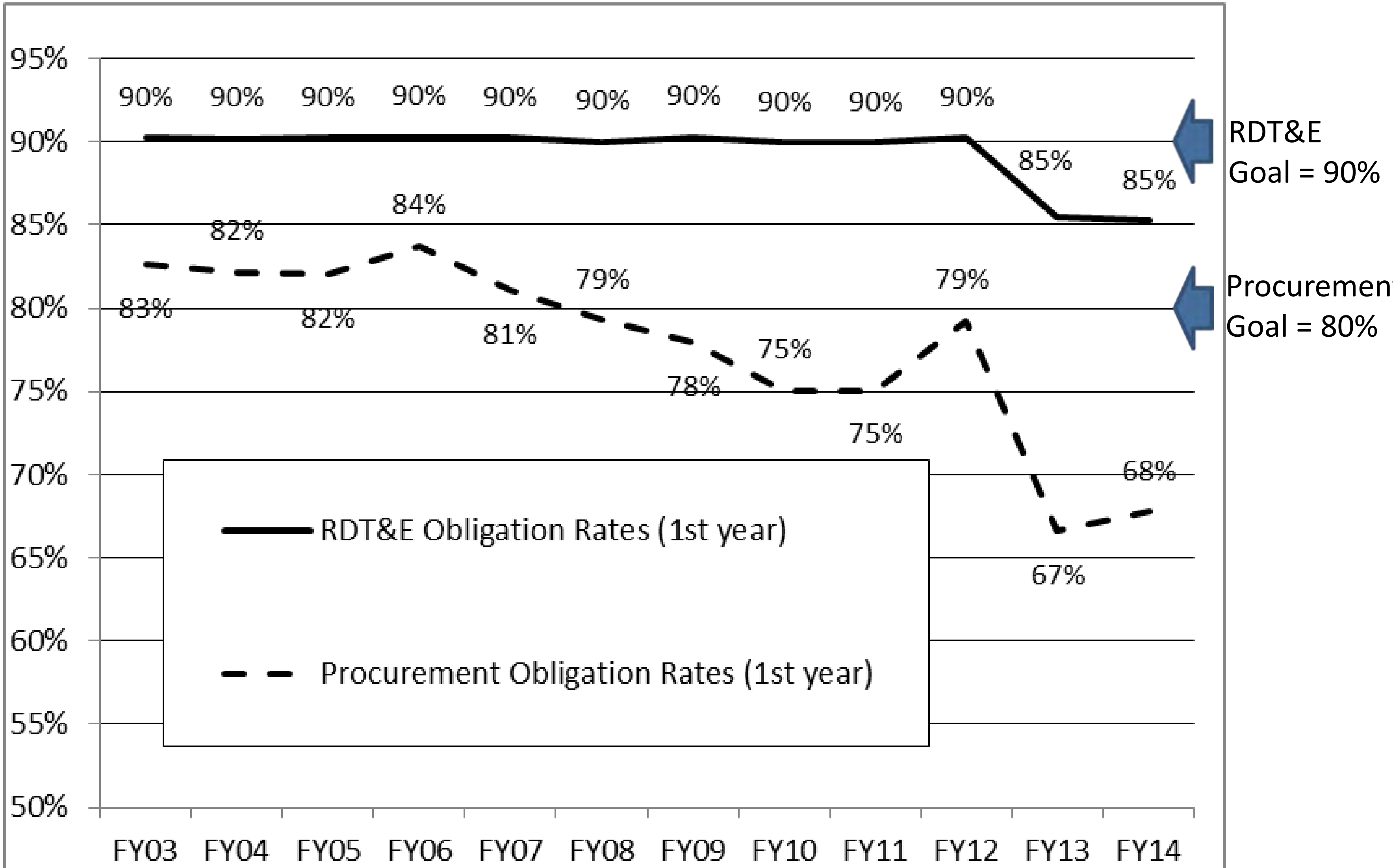
1. What are the recent obligation rates and how big are unobligated balances in the RDT&E and procurement accounts?

2. What is happening to unobligated balances at the end of obligation availability? Are PMs rushing into poor contracts just to prevent funds from being taken away, or to prevent reductions to future budgets?

3. What recent legislation has been introduced and/or enacted by the Congress on the subject of unobligated balances and meeting obligation benchmarks?

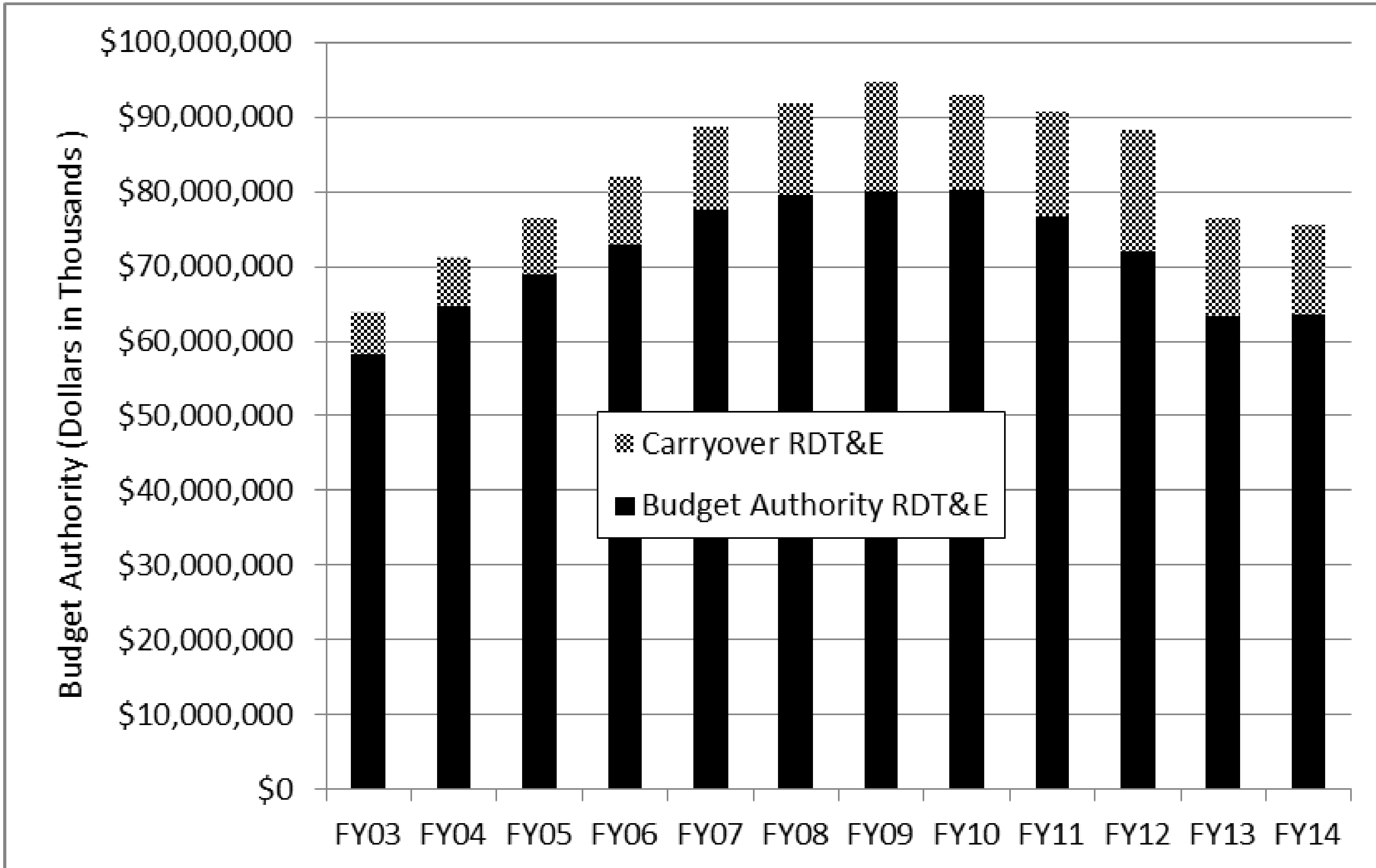
Answer to Question 1

DOD Composite Obligation Rates, End of First Year of Obligation Availability, for RDT&E and Procurement Appropriations



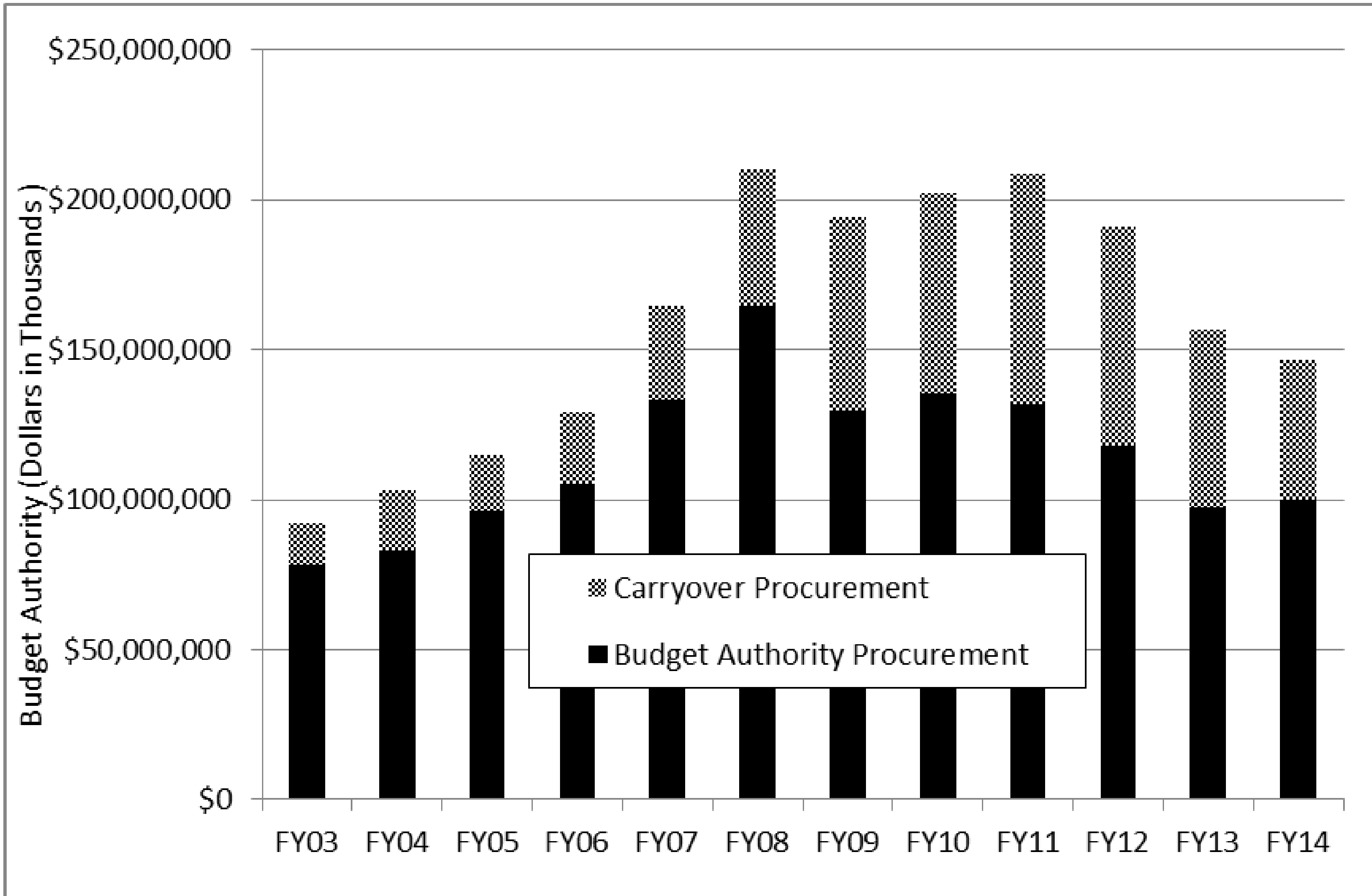
Answer to Question 1

Unobligated RDT&E Appropriation Balances (Carryover) from Previous Fiscal Year



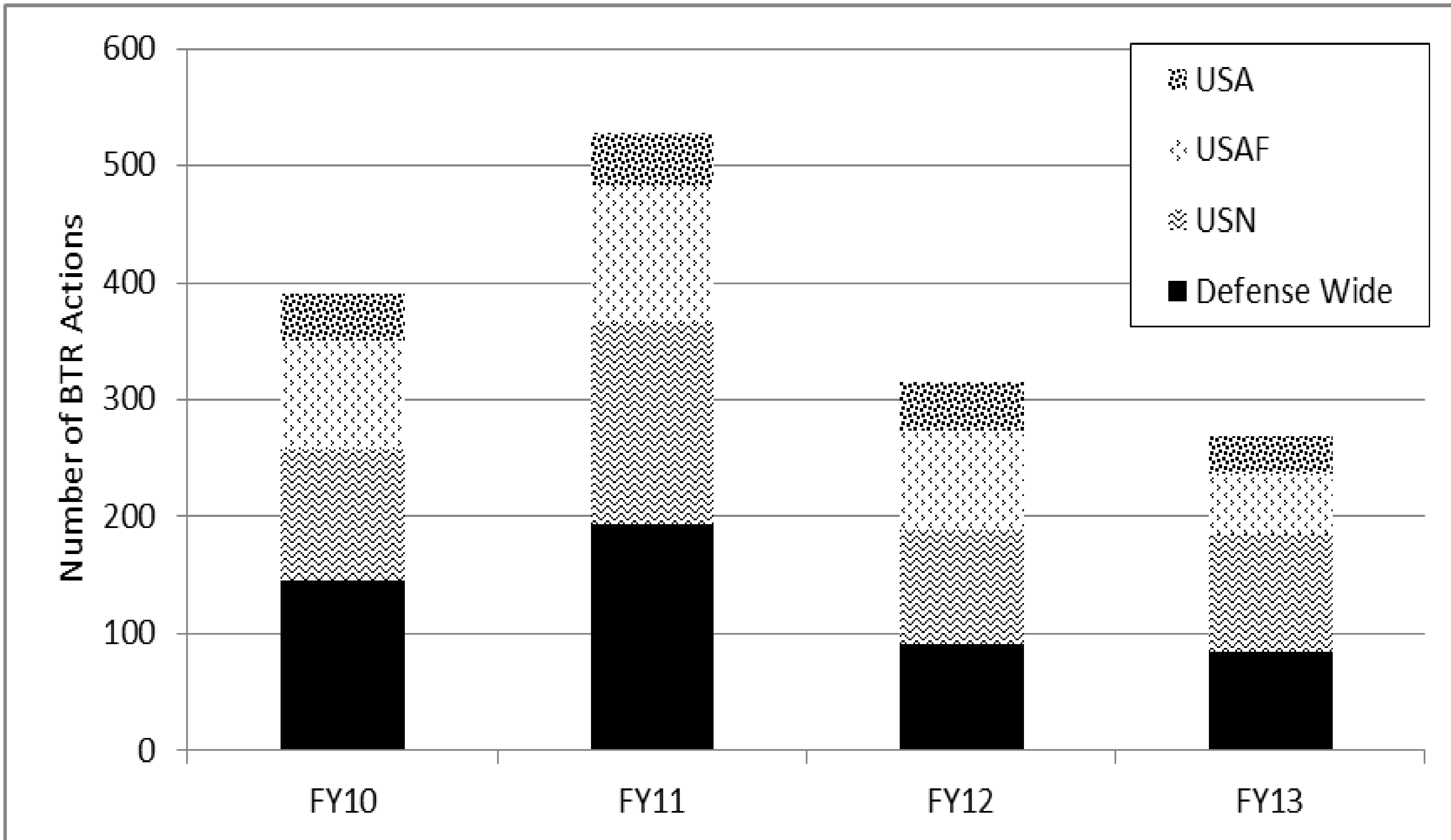
Answer to Question 1

Unobligated Procurement Appropriation Balances (Carryover) from Previous Fiscal Year



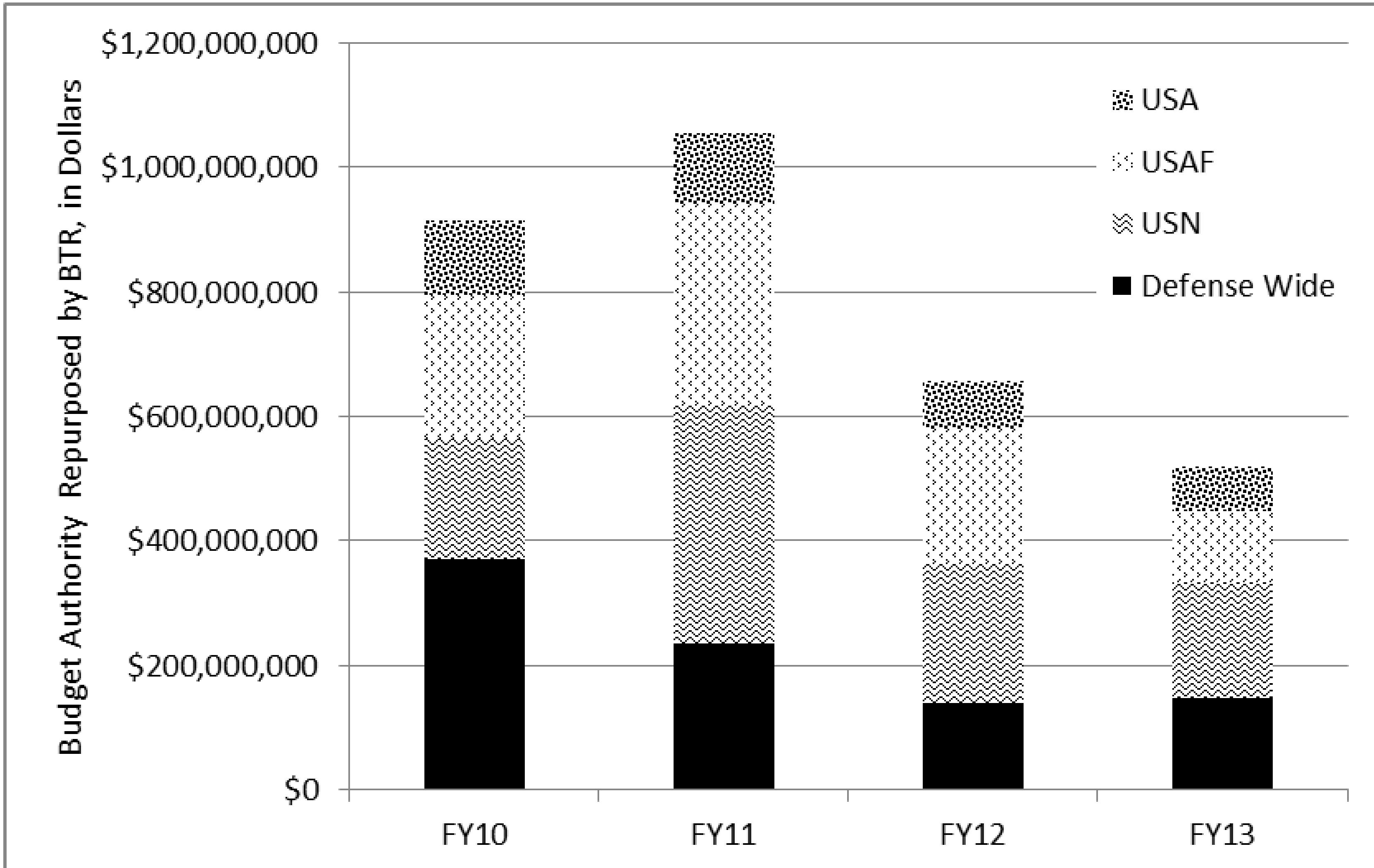
Answer to Question 2

Number of Below-Threshold Reprogramming Actions, RDT&E Appropriation Accounts



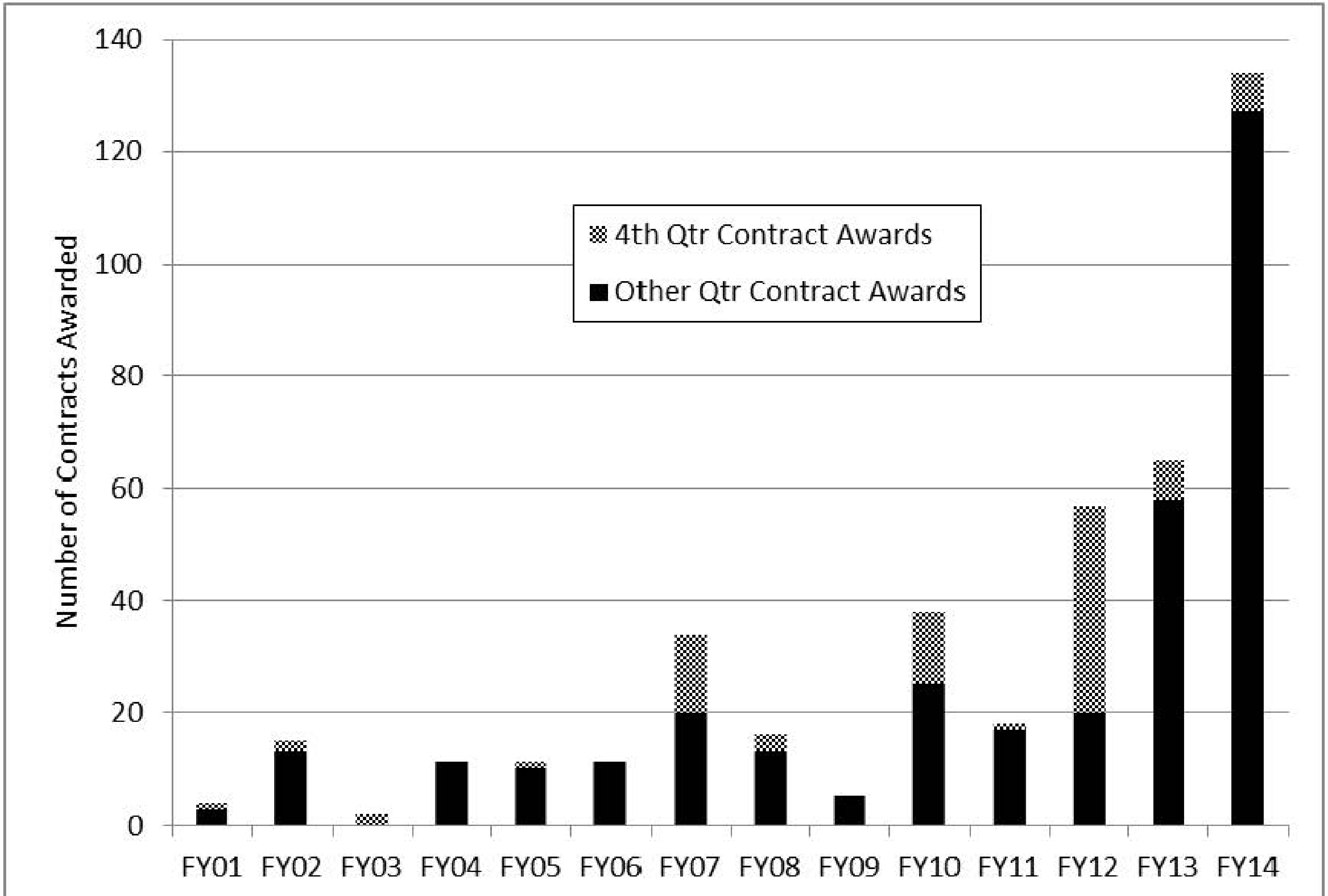
Answer to Question 2

Total Budget Authority Repurposed by Below-Threshold Reprogramming Actions, RDT&E Appropriation Accounts



Answer to Question 2

4th Quarter Contract Awards Compared to Contracts Awarded in Other Quarters



Answer to Question 3

Recent Legislation

- Defense Appropriations Acts
  - No more than 20 % of obligations in last 2 months
  - Reductions to DOD portion of President's Budget based upon carryover
- Sequestration

Conclusions

- Recent obligation rates (at end of first year of availability) have dropped below historical norms
- A greater percentage of funds are being carried-over each fiscal year
- Congress continues to reduce budget requests because of large carryover amounts
- Large numbers of 4th quarter contract awards and below threshold reprogramming actions *may* indicate a rush to obligate funds

Recommendations

- DOD 7000.14-R Financial Management Regulation
- Performance of the Defense Acquisition System Annual Report
- Better Buying Power 4.0