

# **Appropriations**

## **Introduction to Appropriations**

# Introduction to Appropriations

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Approximate Length: 1 hour

Welcome to the Appropriations Lesson. This lesson will introduce you to the general concepts of budget authority and appropriations, and the purposes of each of the specific appropriations categories: Research, Development, Test and Evaluation (RDTE); Procurement; Operations and Maintenance (O&M); Military Personnel (MILPERS); and Military Construction (MILCON). Additionally, the funding of product improvement is covered in this lesson. The following topics are part of this lesson:

- Appropriations
- Funding Product Improvement
- Lesson Summary

Located throughout and at the end of this lesson are Knowledge Reviews, which are not graded but enable you to measure your comprehension of the lesson material.

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## Learning Objectives

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By completing this lesson, you should be able to:

- Identify the purpose(s) for which each of the major appropriation categories of interest to the defense acquisition community (RDTE, Procurement, O&M, MILCON, and MILPERS) may be used.
- Identify the proper appropriation used to fund each of the three phases (development, production, and installation) of a product improvement effort.

This page completes the Lesson Introduction. Select a lesson from the Table of Contents to continue.

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# **Appropriations**

## **Appropriations**

## Appropriations (1 of 2)

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An appropriation provides limited amounts of budget authority that agencies may obligate during a specific time period for the purposes specified in the legislation that provides the appropriation (the Appropriations Act). An appropriation does not represent cash actually set aside in the Treasury.

Select the following hyperlink to access information about [Budget Authority](#).

Select the following hyperlink to view an [example of an appropriation from the Fiscal Year 2009 Defense Appropriations Act](#).

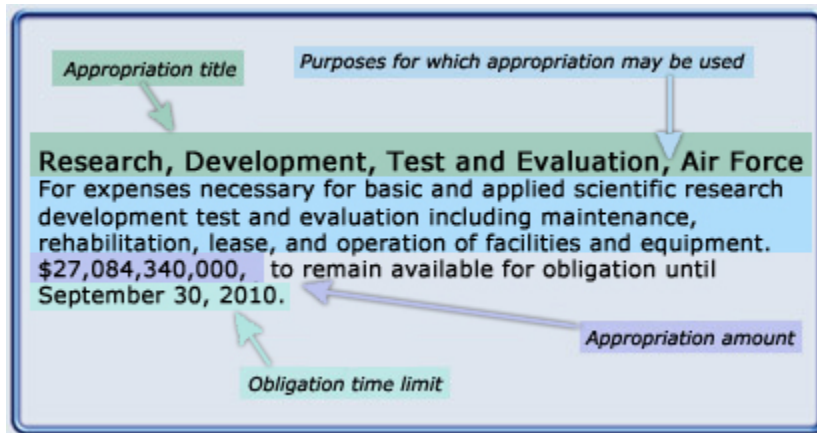
### **Budget Authority**

Budget authority is permission to engage in transactions that will result in payments of funds from the U.S. Treasury. In other words, budget authority allows federal agencies to obligate the Government to pay for goods and services required.

The U.S. Constitution, Article I, Section 9 states: "No money shall be drawn from the Treasury except in consequence of Appropriations, made by law."

Budget authority is most commonly provided by annual appropriations acts. At the beginning of a fiscal year, if any appropriations acts have not yet been enacted, budget authority for affected agencies is usually provided by continuing resolutions.

## Appropriation Example

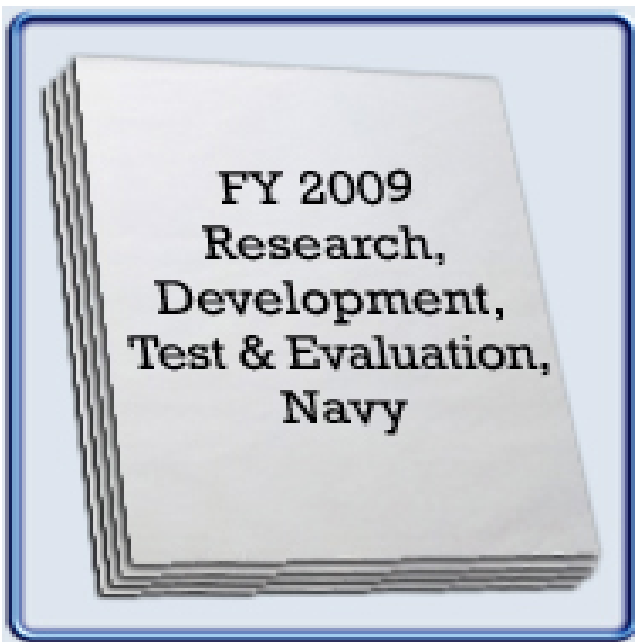


**Long Description:** Research, Development, Test, and Evaluation, Air Force (appropriation title). For expenses necessary for basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, lease, and operation of facilities and equipment (purposes for which appropriation may be used), \$27,084,340,000 (appropriation amount), to remain available for obligation until September 30, 2010 (obligation time limit).

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## Appropriations (2 of 2)

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Congress provides numerous appropriations for use by the Department of Defense. Each unique appropriation is commonly identified by its title (account) and the first fiscal year it is available for obligation, for example, "FY 2009 Research, Development, Test & Evaluation,

Navy." Another common way of referencing an appropriation is by using its title and the first and last years it is available for obligation, for example, "Research, Development, Test & Evaluation, Navy 2009/2010." This latter terminology is most often used within an appropriations act to reference an appropriation enacted by previous legislation.

The numerous individual appropriations used by DoD mainly fall into the following categories:

- Research, Development, Test and Evaluation (RDT&E)
- Procurement
- Operation and Maintenance (O&M)
- Military Personnel (MILPERS)
- Military Construction (MILCON)

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## Color of Money

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The frequently used term "color of money" refers to individual appropriation titles (accounts). For example, RDT&E, Navy funds; RDT&E, Defense-wide funds; Aircraft Procurement, Air Force funds; and Operations and Maintenance, Army funds are all considered to be different "colors."

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## Knowledge Review

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The following Knowledge Review is a multiple choice question. Only one answer is correct; select the best answer and feedback will immediately appear.

Select the phrase that is **NOT** true about an appropriation.

- a. Provides limited amounts of budget authority.
- b. Applies during a specific time period.
- c. Represents cash actually set aside in the Treasury.
- d. Applies to the purposes specified in the Appropriations Act.

*Correct!*

*An appropriation provides limited amounts of budget authority that agencies may obligate during a specific time period for the purposes specified in the legislation that provides the appropriation (the Appropriations Act). An appropriation does not represent cash actually set aside in the Treasury.*

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## Expense and Investment Criteria

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Choosing the correct appropriation to finance a particular effort often requires determination of whether the effort will constitute an expense or an investment. **Expenses** are the costs incurred to operate and maintain the organization, such as personal services, supplies, and utilities. **Investments** are the costs that result in the acquisition of, or an addition to, end



items. Investment costs benefit future periods and generally are of a long-term character such as real property and personal property.

The complete criteria for determining an expense or an investment is described at this url: [DoD Financial Management Regulation 7000.14-R, Volume 2A, Chapter 1](#), paragraph 010201.

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## Expense / Investment Threshold

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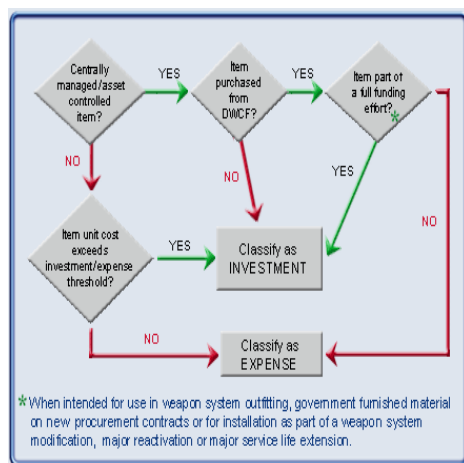


An additional determinant for expenses and investments is the expense/investment threshold. The expense/investment threshold is usually set in the Department of Defense Appropriations Act each year. The current threshold (as of February 20, 2003) for classifying an item as an investment is \$250,000. Items with a system unit cost up to this amount may be considered expenses unless other conditional criteria apply.

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## Expense and Investment Flowchart

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The flowchart depicted here illustrates the logic to follow in classifying an item as an expense or an investment. The flowchart begins with the top left diamond.

Note that the Defense Working Capital Fund (DWCF) is referred to in the graphic. The DWCF consists of five specific working capital fund accounts established to satisfy recurring DoD support requirements using a business-like customer/provider approach.

#### Long Description

A decision flowchart starting with the question "Centrally managed asset / controlled item?" Yes from that question goes to the question "Item purchased from DWCF?" and No goes to the question "Item unit cost exceeds investment / expense threshold?" Yes from the "Item purchased from DWCF?" goes to the question "Item part of a full funding effort?" while No goes to "Classify as Investment." Yes from "Item unit cost exceeds investment / expense threshold?" goes to "Classify as Investment," while No goes to "Classify as Expense." Yes from the question "Item part of a full funding effort?" goes to "Classify as Investment," while the No goes to "Classify as Expense." An asterisk with the question "Item part of a full funding effort?" refers to a bullet "When intended for use in weapon system outfitting, government furnished material on new procurement contracts or for installation as part of a weapon system modification, major reactivation or major service life extension."

## Expense / Investment Exceptions

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Although the cost classifications as expenses and investments generally hold true, sometimes costs that might normally be thought of as expenses are financed as investments, while in other cases, the opposite may be true. These conditional cases are addressed at this url: [DoD Financial Management Regulation 7000.14-R, Volume 2A, Chapter 1, paragraph 010201.](#)

Select the following hyperlink to access [examples of exceptions](#).

#### **Expense / Investment Exceptions Examples**

Expenses (for example, labor) incurred as part of the production of an investment item (for example, weapon system) are treated as investment costs.

Minor construction projects costing less than a specified threshold are considered expenses rather than investments. This threshold is established by Congress and was most recently raised to \$750,000 as of 1 October 2002.

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### **Nature of Appropriations**

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Expense	O&M MILPERS
Investment	Procurement MILCON
Expense & Investment	RDT&E

Costs budgeted in the Operation and Maintenance (O&M) and Military Personnel appropriations are considered expenses. Costs budgeted in the Procurement and Military Construction appropriations are considered investments. Costs budgeted in the Research, Development, Test and Evaluation (RDT&E), Base Realignment and Closure (BRAC), and Family Housing appropriations include both expenses and investments.

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### **Knowledge Review**

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The following Knowledge Review is a matching question. Select a letter associated with the answers at the bottom of the screen and type that letter in the space next to the best

corresponding phrase or statement. Then, select the Submit button and feedback will appear.

Match each of the following appropriations categories with the type of costs they usually fund:

**1. RDT&E**

**2. Procurement and Military Construction**

**3. O&M and Military Personnel**

a. Expenses   b. Investments   c. Both Expenses and Investments

Correct!

O&M and Military Personnel appropriations usually fund expense items. Procurement and Military Construction appropriations usually fund investment items. RDT&E appropriations fund both expense and investment items.

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## **Research, Development, Test, and Evaluation (RDT&E) Appropriations**

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Research, Development, Test and Evaluation (RDT&E) appropriations are used to finance the following efforts. Select each to learn more:

- [Research, Development, Test and Evaluation efforts](#)
- [Development Test and Evaluation \(DT&E\) and Operational Test and Evaluation \(OT&E\)](#)

- [Research and Development \(R&D\) installations and activities](#)
- [Certain industrial facilities at R&D installations](#)

RDT&E appropriations are normally available for obligation for **two years**. Further detail on the criteria for funding efforts with RDT&E appropriations can be found at this url: [DoD Financial Management Regulation 7000.14-R, Volume 2A, Chapter 1](#), paragraph 010212.

### **Research, Development, Test and Evaluation Efforts**

RDT&E finances research, development, test and evaluation efforts performed by both contractors and government installations in developing equipment, material, or computer application software. This includes services (including government civilian salaries), equipment, components, materials, end items and weapons used in such efforts.

### **Development Test and Evaluation (DT&E) and Operational Test and Evaluation (OT&E)**

RDT&E finances Development Test and Evaluation (DT&E) and Operational Test and Evaluation (OT&E) of the equipment, material or computer application software developed with RDT&E funds.

### **Research and Development (R&D) Installations and Activities**

RDT&E finances the operation of certain government research and development (R&D) installations and activities engaged in the conduct of R&D programs, for example, laboratories and test ranges. Note that Navy R&D activities are operated under the Navy Working Capital Fund. Customers purchasing goods and services from these Navy R&D activities will generally use RDT&E funds to finance these purchases.

### **Certain Industrial Facilities at R&D Installations**

RDT&E finances the acquisition or construction of certain industrial facilities costing less than \$750,000 at R&D installations.

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## **RDT&E Budget Activities**



Each RDT&E appropriation is subdivided into seven budget activities (BAs):

- BA-1 Basic Research
- BA-2 Applied Research
- BA-3 Advanced Technology Development
- BA-4 Advanced Component Development and Prototypes (ACD&P)
- BA-5 System Development and Demonstration (SDD)
- BA-6 RDT&E Management Support
- BA-7 Operational System Development

More detailed definitions for RDT&E BAs are contained in OMB Circular A-11, paragraph 84.4, and also in the DoD FMR, found at this url: [DoD Financial Management Regulation 7000.14-R, Volume 2B, Chapter 5](#), paragraph 050201.

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## Procurement Appropriations (1 of 3)

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Procurement appropriations are used to finance non-construction-related investment items. This includes:

- Equipment items not subject to centralized item management and asset control whose system unit cost meets or exceeds the expense/investment threshold. Select the following hyperlink to access an [example](#).
- Equipment items subject to centralized item management and asset control but not managed by Defense Working Capital Funds, regardless of system unit cost. Select the following hyperlink to access an [example](#).
- Initial outfitting of an end item of investment equipment, such as a ship or aircraft, to make it complete and ready to operate.

### **Procurement Appropriations Example 1**

Procurement funds should be used to finance a computer local area network (LAN) consisting of several servers, routers, and cabling whose total cost meets or exceeds the expense/investment threshold, even if the individual cost of each of the components falls below the expense/investment threshold.

### **Procurement Appropriations Example 2**

The system unit cost of a rifle is much less than the expense/investment threshold, but this item would be funded with procurement funds because it is subject to centralized item management and asset control.

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## **Procurement Appropriations (2 of 3)**

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Other non-construction investment items funded by procurement appropriations include:

- Support elements such as data, factory training, support equipment, and interim contractor support required to support procurement of a new weapon system. An example of this would be specialized maintenance equipment for a new weapon system.
- Procurement and/or production direct support costs such as production testing, quality assurance, production engineering, and equipment assembly.
- Modification kits and material for modernization programs and major service life extension programs, including the labor associated with incorporating these efforts as part of the end item.



- Items purchased from the Defense Working Capital Funds for use in initial fielding of an end item or as part of a weapon system modernization or major service life extension.
- Initial spares and repair parts for the supply system upon initial fielding of a new weapon system.

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## Procurement Appropriations (3 of 3)

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Procurement appropriations are normally available for obligation purposes for **three years**, except for the Shipbuilding and Conversion, Navy appropriation, which is available for **five years**.

Further detail on the criteria for funding efforts with Procurement appropriations can be found at this url: [DoD Financial Management Regulation 7000.14-R, Volume 2A, Chapter 1](#), primarily paragraphs 010201 and 010209.



## Procurement Budget Activities

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Each procurement appropriation is uniquely subdivided into self-explanatory budget activities (BAs). Select the following hyperlink to [access an example of procurement budget activities](#).

A complete listing of the procurement appropriations and their budget activities can be found at this url: [DoD Financial Management Regulation 7000.14-R, Volume 2A, Chapter 1](#), paragraph 010603.

### Example Procurement Budget Activities

The Aircraft Procurement, Army appropriation is subdivided into four budget activities:

- BA-1, Aircraft
  - BA-2, Modification of Aircraft
  - BA-3, Spares and Repair Parts
  - BA-4, Support Equipment and Facilities
-

## Operation and Maintenance (O&M) Appropriations

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Operation and Maintenance (O&M) appropriations are used to finance expenses not related to military personnel or RDT&E. Types of expenses funded by O&M appropriations include the following. Select those that are hyperlinks to access additional information:

- [DoD civilian salaries](#)
- [Supplies and materials](#)
- [Maintenance of equipment](#)
- [Certain equipment items](#)
- [Real property maintenance](#)
- Rental of equipment and facilities
- Food, clothing, and fuel

O&M appropriations are normally available for obligation for **one fiscal year**.

When considering O&M appropriations, remember the [expense/investment threshold](#).

### DoD Civilian Salaries

Most DoD civilian salaries, including those of personnel supporting or managing acquisition programs, are funded with O&M. Exceptions to this rule include personnel employed at R&D facilities (funded with RDT&E) and personnel involved in direct support of production activities, such as quality assurance, production engineering, equipment assembly (funded with procurement appropriations).

## **Supplies and Materials**

Supplies and materials whose unit cost falls under the expense/investment threshold are funded with O&M. Additionally, supplies & materials designated for management by the Defense Working Capital Funds are funded with O&M, regardless of system unit cost. For example, replenishment spares stocked by a Working Capital Fund (WCF) activity are purchased by the end-user from the WCF activity using O&M funds.

## **Maintenance of Equipment**

Maintenance, repair, overhaul, and rework of equipment are funded with O&M (excluding certain ship overhauls, which are funded with procurement appropriations).

## **Certain Equipment Items**

Equipment items whose system unit cost is less than the expense/investment threshold and which are not subject to centralized item management and asset control are funded with O&M.

## **Real Property Maintenance**

Real property maintenance is funded with O&M, including construction projects meeting the current O&M construction funding criteria, not otherwise financed by Military Construction appropriations.

## **Expense / Investment Threshold**

The current expense/investment threshold (as of February 20, 2003) for classifying an item as an investment is \$250 thousand. Items with a system unit cost up to this amount may be considered expenses unless other conditional criteria apply.

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## **O&M Budget Activities**

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Most O&M appropriations are subdivided into the following budget activities (BAs):

- BA-1: Operating Forces
- BA-2: Mobilization
- BA-3: Training And Recruiting
- BA-4: Administrative & Servicewide Activities

Each budget activity is further subdivided into activity groups and sub-activity groups unique to the particular appropriation. Select the following hyperlink to access an [example](#).

#### **O&M Budget Activity Example**

For the O&M, Air Force appropriation account, Budget Activity 1, Operating Forces, has three activity groups: Air Operations, Combat-Related Operations, and Space Operations. The Space Operations activity group consists of seven sub-activity groups: Launch Facilities; Launch Vehicles; Space Control Systems; Satellite Systems; Other Space Operations; Base Support; and Facilities Sustainment, Restoration & Modernization.

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## **O&M Construction Funding Criteria**

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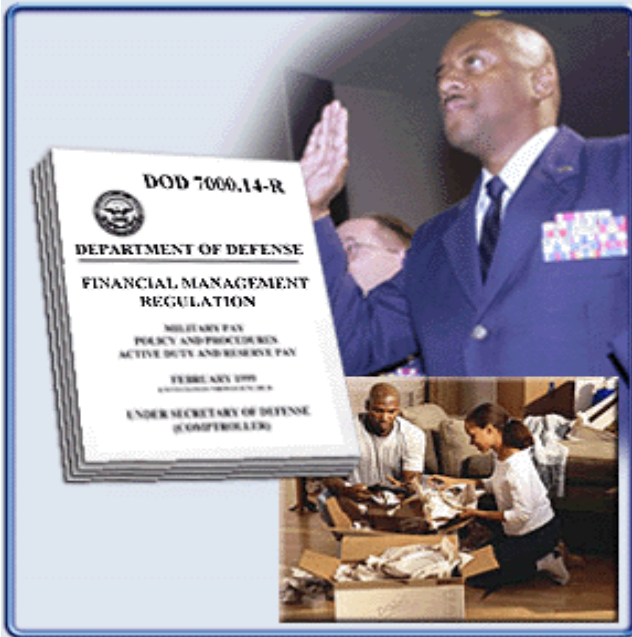


As of 1 October 2002, 10 U.S. Code 2805(c) permits minor construction projects costing less than \$750,000 to be funded with Operation & Maintenance appropriations (\$1,500,000 if the project is to resolve a condition that threatens life, health or safety).

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## Military Personnel Appropriations

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Military Personnel (MILPERS) appropriations finance expenses related to military personnel, such as:

- Basic Pay
- Allowances (for example, housing, subsistence, clothing, etc.)
- Special Pay and Bonuses (for example, flight pay, hazardous duty pay, reenlistment bonus, etc.)
- Permanent Change of Station moves
- Retired Pay Accrual

MILPERS appropriations are normally available for obligation for **one year**.

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## MILPERS Budget Activities

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Each MILPERS appropriation is subdivided into the following budget activities (BAs):

- BA-1: Pay and Allowances of Officers
- BA-2: Pay and Allowances of Enlisted Personnel
- BA-3: Pay and Allowances of Cadets and Midshipmen
- BA-4: Subsistence of Enlisted Personnel
- BA-5: Permanent Change of Station Travel
- BA-6: Other Military Personnel Costs

Each budget activity is further subdivided into budget subactivities (BSAs). Select the following hyperlink to access an [example](#).

A complete listing of the MILPERS budget activities can be found at this url: DoD Financial Management Regulation 7000.14-R, Volume 2A, Chapter 2, paragraph 020202.  
[http://www.defenselink.mil/comptroller/fmr/02a/02a\\_02.pdf](http://www.defenselink.mil/comptroller/fmr/02a/02a_02.pdf)

#### **MILPERS Budget Activity Example**

BA-4, Subsistence of Enlisted Personnel is divided into two BSAs:

4-A, Basic Allowance for Subsistence and 4-B, Subsistence in Kind.

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## **Military Construction Appropriations**

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Military Construction (MILCON) appropriations are used to fund most construction projects for military use that are considered investments, except family housing. This includes:

- Construction

- Purchase of land and rights therein
- Site preparation related to a MILCON-project
- Purchase and installation of real property equipment that is an integral part of a MILCON-financed facility
- Structural modifications to a building required for installation of non-real property (that is, movable) equipment

Construction projects meeting the current O&M construction funding criteria are considered expenses and are not normally funded with MILCON. MILCON appropriations are usually available for obligation for **five years**.

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## MILCON Subdivisions

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Unlike other appropriations, such as RDT&E and O&M, which are subdivided into budget activities, each MILCON appropriation is subdivided into the following immediate subordinate accounts:

- Major Construction
- Minor Construction
- Planning & Design
- Supporting Programs

This structure only applies to those MILCON appropriations that include "Military Construction" in their appropriation titles.

More information on MILCON subdivisions can be found at this url: [DoD Financial Management Regulation 7000.14-R, Volume 2B, Chapter 6](#), paragraph 060201.

This page completes the Appropriations topic. Select a lesson from the Table of Contents to continue.

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# **Funding Product Improvement**

**Funding Product Improvement**

## Funding Product Improvement

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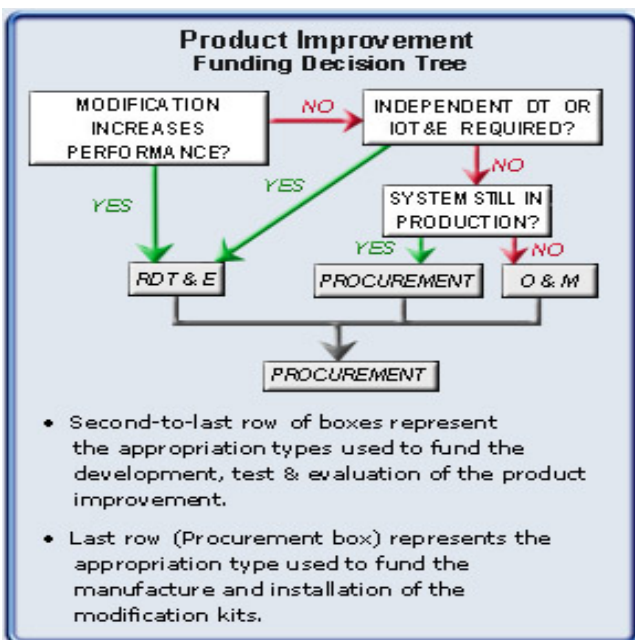


A product improvement involves a change to an existing system or component which often either extends the system's useful military life or expands the system's performance capability. Because product improvement involves existing systems rather than new systems in development, various appropriations can be used to finance the development and testing of the product improvement.

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## Product Improvement Funding Decision Tree

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The correct appropriation for funding product improvement is determined by a specific set of criteria depicted here. To determine how to fund the development and testing of the product improvement, three issues may have to be considered. Select each question in the list below to learn more.

- [Does this modification increase the performance capability?](#)
- [Does this modification require extensive developmental testing or operational testing by an independent testing agency \(for example, is it a major modification\)?](#)
- [Where is this system in the life-cycle?](#)

### **Long Description**

Product Improvement Funding Decision Tree. This flowchart describes the logic used to determine how to fund the development, testing, and evaluation of a product improvement program. Flowchart starts with the question "Modification Increases Performance?" If yes, then RDT&E funds should be used. If no, then ask the question "Independent DT or IOT&E required?" If yes, then RDT&E funds should be used. If no, then ask the question "System Still in Production?" If yes, then Procurement funds should be used. If no, then O&M funds should be used. Whatever funds are used to finance the development, testing and evaluation of the product improvement, Procurement funds are always used to fund the manufacture and installation of modification kits. Notes at the bottom state that the second-to-last row of boxes represent the appropriation types used to fund the development, test & evaluation of the product improvement, and the last row (Procurement) represents the appropriation type used to fund the manufacture and installation of the modification kits.

### **Increase in Performance Capability?**

If the modification increases performance capability, RDT&E funds should be used for the development, test and evaluation of the modification. Examples of increased performance capability include improvements in range, speed, lethality, or survivability. A modification whose primary purpose is to enhance safety is not considered to increase performance, even if that is a corollary effect.

### **Requires Extensive Testing?**

If the modification does not increase performance capability (for example, a safety modification) or merely extends the useful life of the system to its original design value, it is important to know if the modification requires extensive development testing (DT) or independent operational test and evaluation (IOT&E). Testing requirements should be verified with the DoD Test & Evaluation community.

If extensive or independent testing is required, then RDT&E dollars should again be used to pay for development, test and evaluation portions of the product improvement program.

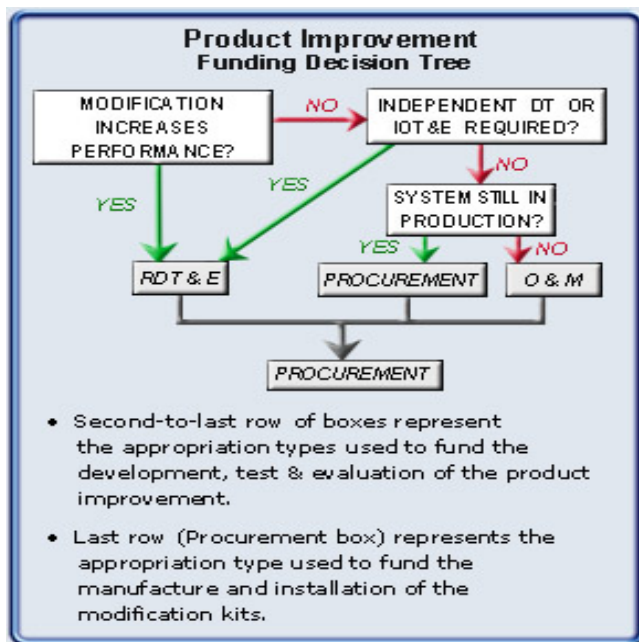
### **Where is the System in the Life Cycle?**

If extensive or independent testing is not required, the next question involves where the system is in the life-cycle.

- If the system is still in production, then the development, test and evaluation of the product improvement is financed with Procurement appropriations.
- If the system is no longer in production, the development, test and evaluation of the product improvement is financed with O&M funds.

## Funding Product Improvement (Continued)

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No matter what type of funding was used for the development and testing of the modification, the fabrication and installation of the modification kits that incorporate the product improvement into the end item should be financed with a Procurement appropriation of the same type as was used to originally procure the end item.

Aircraft engine improvements are exceptions to the general decision logic described above. Development and testing of these types of improvements are always funded with RDT&E appropriations.

The decision logic described above can also be found at this url: [DoD Financial Management Regulation 7000.14-R, Volume 2A, Chapter 1](#), paragraph 010213, subparagraph C.7.

### Long Description

Product Improvement Funding Decision Tree. This flowchart describes the logic used to determine how to fund the development, testing, and evaluation of a product improvement program. Flowchart starts with the question "Modification Increases Performance?" If yes, then RDT&E funds should be used. If

no, then ask the question "Independent DT or IOT&E required?" If yes, then RDT&E funds should be used. If no, then ask the question "System Still in Production?" If yes, then Procurement funds should be used. If no, then O&M funds should be used. Whatever funds are used to finance the development, testing and evaluation of the product improvement, Procurement funds are always used to fund the manufacture and installation of modification kits.

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## Knowledge Review

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The following Knowledge Review is a multiple choice question. Only one answer is correct; select the best answer and feedback will immediately appear.

Determine the correct appropriation to fund the research and development of the following product improvement effort. An effort is being made to develop a new component for System X to replace a component that has experienced a high failure rate, severely degrading mission performance. The new component is not expected to add any additional capability to System X and should not require extensive or independent testing. System X is still in production.

- a. RDT&E
- b. Procurement
- c. O&M
- d. MILCON

*Correct!*

*The Procurement appropriation is used to fund this product improvement effort. This is a non-performance-enhancing improvement that is not considered to be a major modification (no extensive or independent testing required), so RDT&E funding is not appropriate. The system is still in production, so O&M funds are not appropriate. MILCON is not used to fund product improvement efforts.*

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## Knowledge Review

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The following Knowledge Review is a multiple choice question. Only one answer is correct; select the best answer and feedback will immediately appear.

Determine the correct appropriation to fund the research and development of the following product improvement effort. An effort is being made to develop a new propulsion system for

System Y. This will improve the speed, range, and survivability of System Y. System Y is no longer in production.

**a. RDT&E**

**b. Procurement**

**c. O&M**

**d. MILCON**

*Correct!*

*This is a performance-enhancing improvement and thus requires funding with RDT&E. The fact that the system is no longer in production is irrelevant in this case.*

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## **Knowledge Review**

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After you have completed the following question, select another topic from the Table of Contents to continue, as this page completes the topic. The following Knowledge Review is a multiple choice question. Only one answer is correct; select the best answer and feedback will immediately appear.

Determine the correct appropriation to fund the research and development of the following product improvement effort. An effort is being made to develop a new attachment bracket for a weapons pod on System Z. The old brackets have experienced excessive corrosion. The new brackets will not add any additional capability to System Z and should not require extensive developmental or operational testing. System Z is no longer in production.

**a. RDT&E**

**b. Procurement**

**c. O&M**

**d. MILCON**

*Correct!*

*The O&M appropriation is used to fund this product improvement effort. This is a non-performance-enhancing improvement that is not considered to be a major modification (no extensive or independent testing required), so RDT&E funding is not appropriate. The system is no longer in production, so procurement funds are not appropriate. MILCON funds are not used to finance product improvements.*

# **Appropriations Summary**

**Summary**

## Knowledge Review

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The following Knowledge Review is a multiple choice question. Only one answer is correct; select the best answer then select the Submit button and feedback will appear.

Which category of appropriations should a non-R&D activity use to fund a stand-alone computer system costing \$5,000 and not subject to centralized item management?

- a. RDT&E**
- b. Procurement**
- c. O&M**
- d. MILPERS**
- e. MILCON**

*Correct!*

*The correct category is O&M. This item's system unit cost is less than the investment/expense threshold of \$250,000 and the item is not subject to centralized item management.*

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## Knowledge Review

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The following Knowledge Review is a multiple choice question. Only one answer is correct; select the best answer then select the Submit button and feedback will appear.

Which category of appropriations should be used to fund a truck costing \$45,000 and subject to centralized item management?

- a. RDT&E**
- b. Procurement**
- c. O&M**
- d. MILPERS**
- e. MILCON**



*Correct!*

*The correct category is Procurement. Although this item's system unit cost is less than the investment/expense threshold of \$250,000, the item is subject to centralized item management, so it should be purchased with Procurement funds.*

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## Knowledge Review

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The following Knowledge Review is a multiple choice question. Only one answer is correct; select the best answer then select the Submit button and feedback will appear.

Which category of appropriations should be used to fund construction of a vehicle repair facility costing \$1,250,000?

- a. RDT&E**
- b. Procurement**
- c. O&M**
- d. MILPERS**
- e. MILCON**

*Correct!*

*The correct category is MILCON. This item exceeds the current O&M construction funding criteria of \$750,000.*

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## Knowledge Review

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The following Knowledge Review is a multiple choice question. Only one answer is correct; select the best answer then select the Submit button and feedback will appear.

Which category of appropriations should be used to fund special duty assignment pay for enlisted members of the armed forces?

- a. RDT&E**
- b. Procurement**
- c. O&M**

**d. MILPERS**

**e. MILCON**

*Correct!*

*The correct category is MILPERS. This item is clearly related to military personnel.*

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## Knowledge Review

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The following Knowledge Review is a multiple choice question. Only one answer is correct; select the best answer then select the Submit button and feedback will appear.

Which category of appropriations should be used to fund a project studying how to further apply laser technology in combat weapon systems?

**a. RDT&E**

**b. Procurement**

**c. O&M**

**d. MILPERS**

**e. MILCON**

*Correct.*

*The correct category is RDT&E. This item clearly is related to research leading to the development of a weapon system.*

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## Lesson Summary (1 of 3)

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**Congratulations!** You have completed the Appropriations Lesson. The following topics were presented:

- Appropriations. These provide limited amounts of budget authority that may be obligated during a specific time period for purposes specified in the Appropriations Act. Appropriations used by DoD primarily fall into the following categories:
  - Research, Development, Test & Evaluation (RDT&E)
  - Procurement
  - Operation and Maintenance (O&M)
  - Military Personnel (MILPERS)

- Military Construction (MILCON)
- Expense/Investment Criteria. One characteristic of an appropriation category is whether it finances expenses or investments. Expenses are costs incurred to operate and maintain an organization, while investments are costs that result in the acquisition of, or addition to, long-lived assets. The current expense/investment threshold is \$250,000.
  - O&M and MILPERS appropriations finance expenses.
  - Procurement and MILCON appropriations finance investments.
  - RDT&E appropriations may finance both expenses and investments.

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## Lesson Summary (2 of 3)

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Other topics presented include:

- Efforts funded by the various appropriation types.
  - RDT&E appropriations finance efforts related to research, development, testing, and operational evaluation of weapon and information systems, and are normally available for obligation for two years.
  - Procurement appropriations are used to finance non-construction-related investment items. Procurement appropriations are normally available for obligation purposes for three years (five years for Shipbuilding and Conversion, Navy).
  - O&M appropriations are used to finance expenses not related to military personnel or RDT&E, as well as minor construction projects costing less than \$750,000. O&M appropriations are normally available for obligation for one fiscal year.
  - MILPERS appropriations finance expenses related to military personnel, and are normally available for obligation for one year.
  - MILCON appropriations are used to fund most construction projects for military use that are considered investments, except family housing. MILCON appropriations are usually available for obligation for five years.

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## Lesson Summary (3 of 3)

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Finally, additional information on topics discussed includes:

- Funding development and testing of product improvements. Various appropriations are used to fund the development and testing of product improvement efforts, depending on the particular circumstances.
  - RDT&E funds should be used: 1) if the redesign increases performance capability or extends the useful life of a system, 2) if a modification requires extensive or independent testing, or 3) if the modification is being made to an aircraft engine.
  - Procurement funds should be used if the modification neither increases performance capability nor requires testing, and the system is still in production.
  - O&M funds should be used if the modification neither increases performance capability nor requires testing, and the system is no longer in production.
- Funding fabrication and installation of modification kits. Whatever appropriation was used to fund the development and testing of the product improvement, the production and installation of the resulting modification kits are financed with procurement funds.

This page completes the lesson. Select a lesson from the Table of Contents to continue.