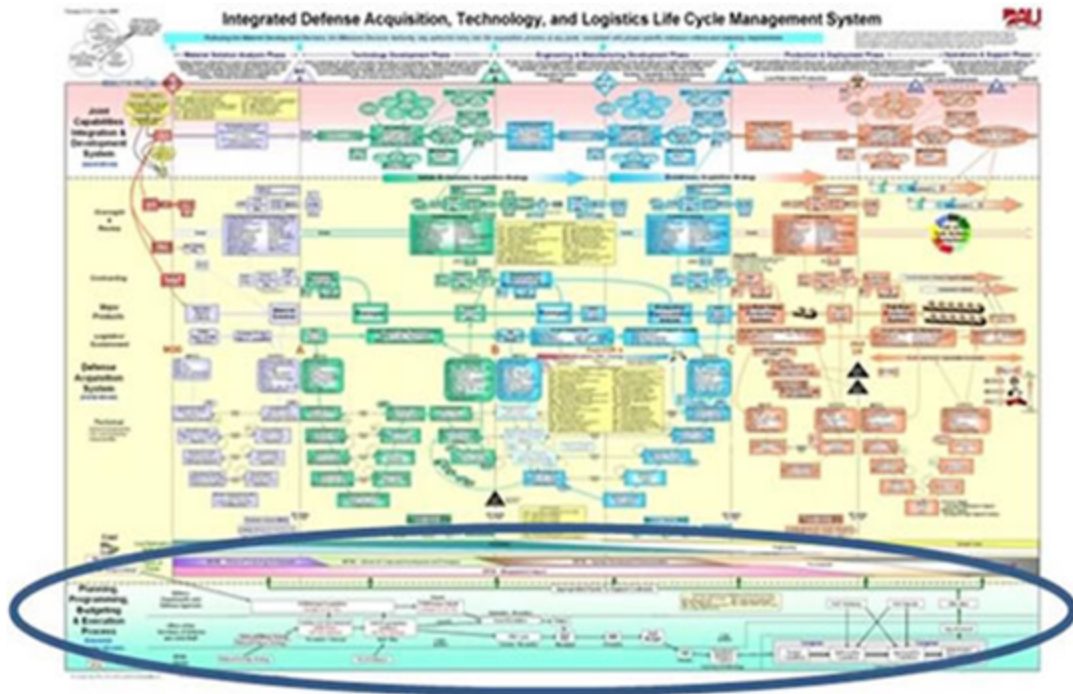**Welcome to PPBE Issues**

This lesson presents the issues that budget analysts are typically concerned with during reviews, reasons that acquisition programs may lose funding, and advice on preparing quality reclamas or impact statements.

Integrated Defense Acquisition, Technology, and Logistics Life Cycle Management System

Objectives

Upon completion of this lesson, you will be able to:

- Recognize reasons that acquisition programs may lose funding during the PPBE process.

- Recognize the significant issues that concern the OSD Budget Analyst during his/her review of budget justification documentation.

- Recall the characteristics of a good reclama or impact statement.

Four Reasons Programs Lose Funding

Programs may not receive their desired levels of funding during the PPBE process for these reasons.

- **Scarcity of financial resources.** Limits of the DoD topline may cause programs to be funded at less than desired levels. Additionally, programs may lose funding as DoD attempts to balance competing priorities (for example, readiness and modernization.) Programs whose funding profiles absorb too large a share of a Component's resources may also be vulnerable to cuts.

- **Questionable need for program.** Failure to provide detailed justification for requested funding may cause decision-makers to misjudge the importance of a program and reduce or eliminate its funds. Programs which duplicate efforts or capabilities existing elsewhere in DoD will usually be eliminated or consolidated. Programs to improve systems which will be retired in the future are also vulnerable, as these resources can be applied to more lasting effect elsewhere.

DAU

Four Reasons Programs Lose Funding, Cont.

- **Excessive risk.** Projects that involve high technological risk may be scaled back in the short term to allow technology to catch up. Programs that are being undertaken before clear needs or capability requirements have been identified are also likely to be eliminated or reduced.

- **Budget Review issues.** The four principal issue areas considered by OSD and OMB analysts during the review of the Component budget submissions are:

    - Program pricing

    - Program phasing

    - Funding policies

   - Program budget executability

Questions that are likely to be asked with respect to each of the Budget Review issues will be discussed on the following pages.

Program Pricing

The following questions examine whether a specific program has been properly priced. Some of the questions likely to be asked are:

- Is the budget based on the "most likely cost" of the work to be done?

- Is the proper escalation index applied?

- Are learning curves properly applied to production programs?

- Are inefficient production rates driving up cost?

- Are the effects of configuration changes included in the pricing?


D
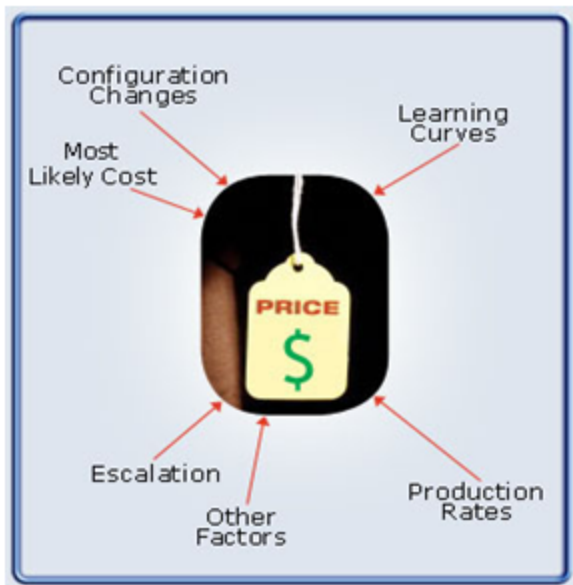
Long Description

Price tag in the middle of the graphic with a dollar sign on it, surrounded by factors to be considered: most likely cost, escalation, learning curves, production rates, configuration changes. An arrow leads from each factor to the price tag.

Program Phasing

The following questions examine the compatibility between the requirements shown in the approved acquisition strategy and the funding request, to ensure that the program is requesting funds at the proper time. Some of the questions likely to be asked under this category are:

- Is the proposed budget consistent with the timing and expected costs of major program events (for example, milestone decisions, testing, start of production, etc.)?

- Is the program attempting to finance more than 12 months worth of deliveries?

- Have non-recurring production costs and production facility ramp-up time been properly phased into the budget?

- Are any funds requested to begin an effort in the fourth quarter of the fiscal year? If so, what is the impact of slipping this into the following fiscal year?
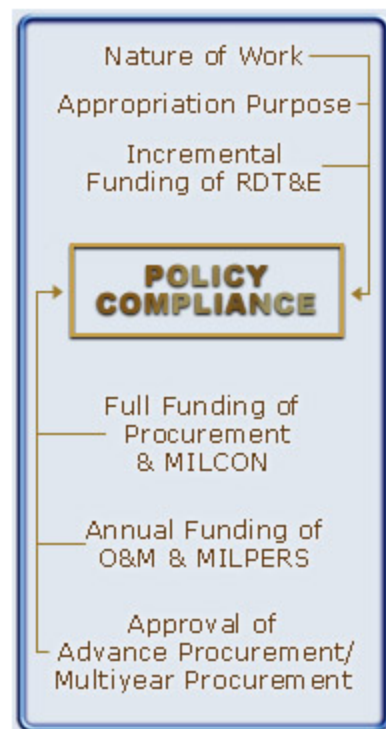

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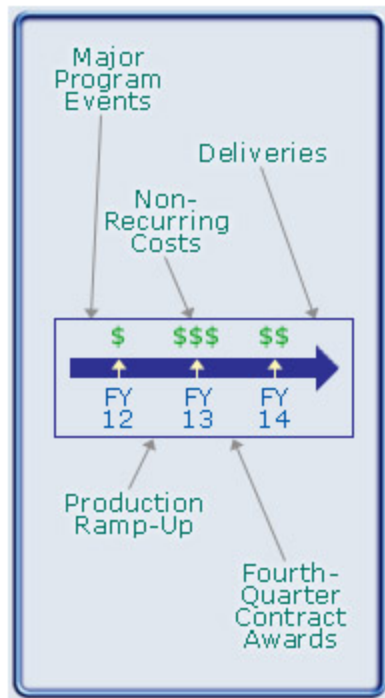
Long Description

An arrow representing the program projection marked with FY12, FY13, FY14.

The milestones represented are Major Program Events, Non-Recurring Costs, Deliveries, Production Ramp-up, Fourth-Quarter Contract Awards.

Funding Policies

The following questions examine the compliance of the budget request with the proper policy for each specific appropriation category. Some of the questions likely to be asked under this category are:

- Does the nature of the work proposed to be funded match the purpose of the appropriation?

- Are RDT&E funds budgeted on an incremental basis?

- Are Procurement and MILCON funds budgeted on a full funding basis?

- Are O&M and MILPERS funds budgeted on an annual basis?

- Has any proposed advanced procurement or multiyear procurement received the required approvals?

Nature of Work
Appropriation Purpose
Incremental Funding of RDT&E

POLICY COMPLIANCE

Full Funding of Procurement & MILCON

Annual Funding of O&M & MILPERS

Approval of Advance Procurement/ Multiyear Procurement

D

Long Description

Three phrases appear at the top of a graphic: Nature of Work, Appropriation Purpose, and Incremental Funding of RDT&E. Each phrase has a line that leads to an arrow pointing to the words Policy Compliance. There are also three phrases underneath the words Policy Compliance: Full Funding of Procurement & MILCON, Annual Funding of O&M & MILPERS, and Approval of Advance Procurement/Multiyear Procurement. These phrases have lines that lead to an arrow pointing to the words Policy Compliance above them.

Program Budget Executability

The following questions examine the efficiency with which an organization has executed (that is, obligated and expended) its funds and the likelihood that it can give up part of its requested budget without significant adverse effect. Some of the questions likely to be asked under this category are:

- Is the program currently behind its goals for obligations and expenditures? If so, what is causing this lag?

- If the current execution lag is due to a schedule slip, how does this affect the future program schedule? Will some of the effort now slated for the first budget year slip into the second budget year, freeing up some of the budgeted funds?

- Does the program's past execution performance indicate that the program consistently "pads" its budget estimates?



D

Long Description

- Picture of a Stop Watch with Efficient and Execution listed on either sides.
- Arrows pointing to Efficient lists, Obligations and Expenditures.
- Arrows pointing to Execution lists, Schedule Slip and Past Performance.

Budget Review Issues Conclusion

One of the four major issues examined during the budget review, program budget execution is the greatest concern, since "excess" funds identified during the budget scrub can be used to finance other requirements that ended up just below the "cut line" due to their priority status. This enables DoD to use its funds efficiently, stretching its limited dollars to address as many requirements as possible.

In addition to the issues above, OSD budget analysts also ensure that all decisions made during the Programming phase and issued in Program Decision Memorandums have been incorporated into the budget proposal.

Priority	Program	Funding
1	A	
2	B	Excess
3	C	
4	D	
5	E	

CUT LINE

Maximizing Efficient Use of Funds

D
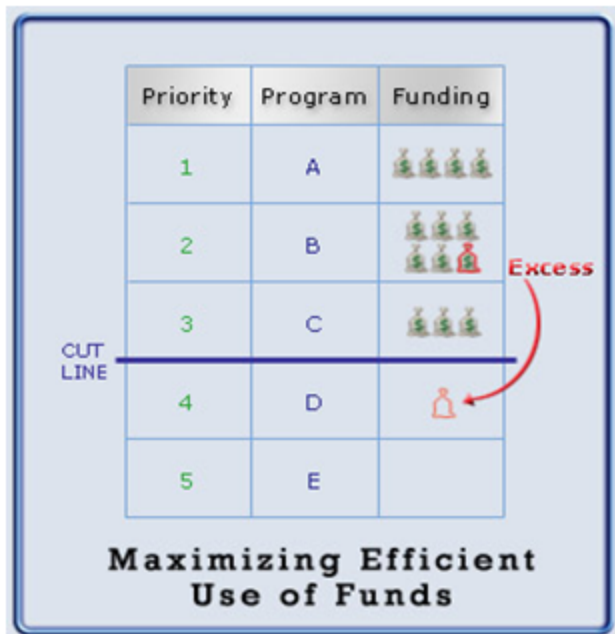
Long Description

- Table named Maximizing Efficient Use of Funds with table headers Priority, Program and Funding.
- Under column Priority, has rows 1, 2, 3, 4, 5.
- Under column Program, has rows A, B, C, D, E.
- Under column Funding, has row 2 (Program B) with excess fund, which will be used for Program D.
- The Cut Line is defined after the row with Priority 3.

Knowledge Review

Funds have been requested to finance an upgrade to the ARMADILLO system. This system is scheduled to be retired within the next three years. Which of the following reasons would most likely be used to justify reducing or eliminating the ARMADILLO funding request?

☐ Scarcity of financial resources

☑ Questionable need for program

☐ Excessive risk

☐ Budget Review issues

Check Answer

Questionable need to program would most likely be used to justify reducing or eliminating the ARMADILLO funding request.

DAU

Knowledge Review

Which principal issue area(s) might be considered by OSD and OMB analysts during the review of the Component budget submissions for the topic of Funding Policies. Select all that apply.

☐ Obligations and expenditures

☑ Matching of appropriations to proposed work

☐ Inefficient production rates

☑ Incremental budgeting of RDT&E funds

[Check Answer]

Matching of appropriations to proposed work and **Incremental budgeting of RDT&E funds** might be considered by OSD and OMB analysts during the review of the Component budget submissions for the topic of Funding Policies.

Knowledge Review

Which one of the following four major issues is usually the greatest concern during the budget scrub?

- [ ] Program Pricing

- [ ] Funding Policies

- [ ] Program Phasing

- [✓] Program Budget Execution

Check Answer

Program Budget Execution is usually the greatest concern during the budget scrub.

Impact Statements and Reclamas

An impact statement is an assessment of the effects that a budget cut will have on a program. Impacts may include work that will not be accomplished or will be slipped to a future year, cost growth due to program delays, adverse impacts on system users, etc. Such budget cuts may already have occurred or may be under consideration.

A **reclama** is an attempt to head off a proposed budget cut by explaining why the proposal should be changed or eliminated. As such, a reclama often includes an impact statement.

Well-written impact statements and reclamas clearly and succinctly state the program's position in an attempt to either avoid or minimize the effects of proposed budget cuts.

Well-written impact statements and reclamas help head off a proposed budget cut.

D

Long Description

Team of people trying to avoid proposed budget cuts by working together to create a well-written impact statement and reclama.

Writing Effective Impact Statements

Good impact statements usually address one or more of the following issues as applicable:

- **Operational Impact:** Describe what capability will not be provided to users, quantify length of delay in providing capability to users, and describe effect of delayed/non-receipt of capabilities on users.

- **Business Case:** Describe the amount and timing of projected cost increases stemming from the loss of funding. If the government might fail to meet its contractual obligations as a result of the funding loss, explain why this is the case and any resulting cost impact.

D

Long Description

Clipboard with check marks next to the issues addressed in a good Impact Statement- Operational Impact, Business Case.

Writing Effective Impact Statements, Cont.

Other issues typically addressed by good impact statements if applicable:

- **Policy Non-Compliance**: If policy or direction from Congress or senior DoD leadership might be violated as a result of the program's loss of funding, explain what policy will be violated and why this will be difficult or impossible to avoid.

- **Program Impact**: If the loss of funding will cause the program to deviate significantly from its Acquisition Program Baseline, describe why this is the case. Program impacts are usually viewed as less serious than operational impacts, therefore, trace program impacts to operational impacts whenever possible.

Impact Statement Issues

✓ ☐ Policy Non-Compliance

✓ ☐ Program Impact

D

Long Description

Clipboard with check marks next to the issues addressed in a good Impact Statement- Policy Non-Compliance, Program Impact.

Writing Effective Impact Statements, Cont.

General rules in writing impact statements:

- Use non-technical language and spell out acronyms for reviewers who may not be familiar with your program.

- Be as specific as possible in describing the impact. Avoid "motherhood and apple pie" statements that do not specifically address the impact of the cut, for example, "this reduction will reduce the quality of life of our soldiers." Select this hyperlink to access examples of weak statements improved by added specificity.

- Maintain credibility by citing believable impacts that are proportional to the funding loss. For example, a statement that the end item will experience a one-year fielding delay due to the loss of 1% of program funding will probably not be considered credible.

- Be prepared to follow through on any programmatic changes cited in the impact statement; for example, if you said that the funding loss would require a major program restructure, then do it.

General Rules for Impact Statements

- ☑ Simple language
- ☑ Acronyms spelled out
- ☑ Specific impact description
- ☑ Believable impacts
- ☑ Committment to follow through

D

Popup Text

Examples of Weak Statements Improved by Added Specificity

Example 1:

WEAK: Will lose one man-year of contractor support needed to produce ABC required item.

GOOD: Launch of XYZ satellite will be delayed 2 months because of delays in producing ABC required item; delay in satellite launch will bring global coverage down to 65%. (Make this kind of statement only if there will be a serious operational gap).

Example 2:

WEAK: Reductions in launch operations and special study support.

GOOD: Reductions in launch operations and special study support will increase risk of being unable to diagnose anomalies and keep launch of ABC on schedule. If launch of ABC is delayed by more than 3 months, this will cause a satellite coverage gap in Region X that could restrict use of certain weapon systems that depend on satellite communications.
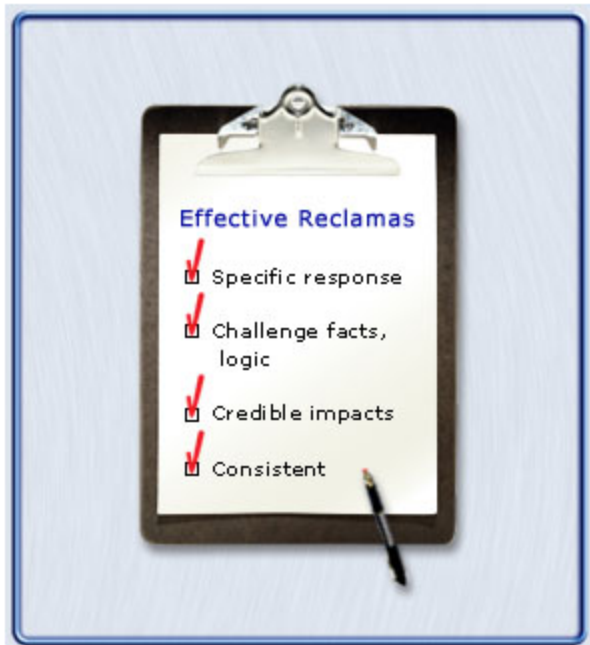

Long Description

Clipboard with check marks next to the issues addressed in an impact statement - Simple language, Acronyms spelled out, Specific impact description, Believable impacts and Commitment to follow through.

Writing Effective Reclamas

Effective reclamas seeking to avert a proposed funding cut should:

- Specifically answer the argument. Address your reclama to the reason for the proposed cut.

- Challenge the analyst's facts or reasoning if appropriate.

- Provide additional or correct information and/or point out logical flaws in the proposal. Provide specific, credible impacts of the proposed cut.

- Be consistent with other documents and statements regarding the program (for example, budget exhibits, Program and Budget Review submission, Combatant Commander, Integrated Priority List, testimony by Service leadership, etc.)

Effective Reclamas

✓ Specific response

✓ Challenge facts, logic

✓ Credible impacts

✓ Consistent

D

Long Description

Clipboard with check marks next to the issues addressed in an Effective Reclamas - Specific response, Challenge facts, Credible impacts, Consistent.

Writing Effective Reclamas, Cont.

Effective reclamas should also:

- **Be concise**. The longer the reclama, the more likely that its message will be missed.

- **Use non-technical language and spell out** acronyms for reviewers who may not be familiar with your program.

- **Avoid emotional or hyperbolic statements** that may alienate your audience, for example; "this baseless reduction."

Effective Reclamas
- ✓ Concise
- ✓ Simple language
- ✓ Acronyms spelled out
- ✓ Rational, unemotional

D

Long Description

Clipboard with check marks next to the issues addressed in an Effective Reclamas - Concise, Simple language, Acronyms spelled out and Rational, unemotional.
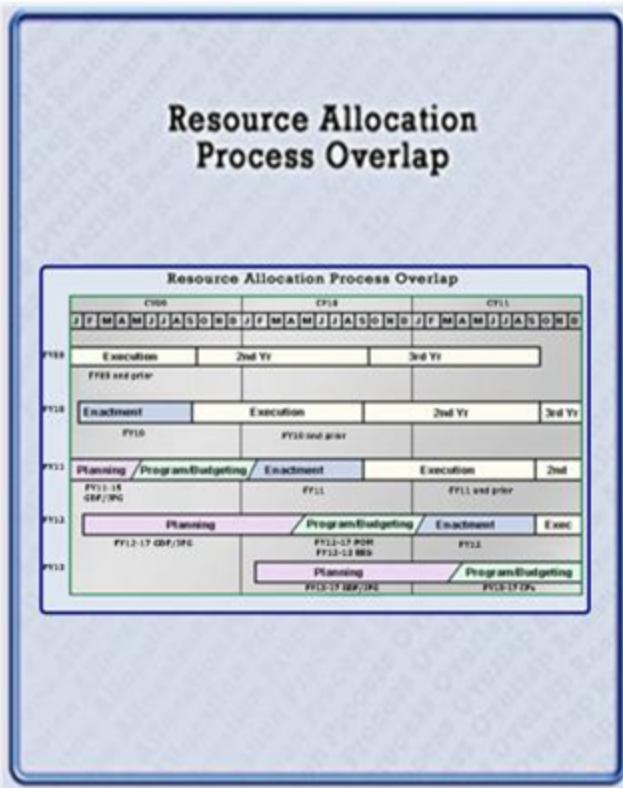
Acquisition Program Resource Management

Acquisition personnel must be aware that their programs are typically managing funds or funding requests that are in different stages of PPBE, enactment, or execution. The chart associated with this page illustrates this overlap in the management of program resources.

As shown here, in late July 2011 (FY 11), a program office using Procurement funds might be:

- Managing the execution of its FY 09, FY 10 and FY 11 funds.

- Tracking the Congressional enactment of its FY 12 funds.

- Preparing its portion of the Program and Budget Review documentation for its FY 13 funds.

Click here to view enlarged image.

Resource Allocation Process Overlap

D

Long Description

This chart is associated with the text on the main page. It illustrates the overlap in the management of program resources.

As shown here, in late July 2011 (FY11), a program office using only Procurement funds might be:

- Managing the execution of its FY09, FY10 and FY11 funds
- Tracking the Congressional enactment of its FY12 funds
- Preparing its portion of the Program and Budget Review documentation for its FY13 funds

Timing of Funding Requirements Estimates

Acquisition program personnel should realize that they must estimate their funding requirements as much as six or seven years in advance of when the funds will be needed for execution.

For example, if a program is planning to award a production contract in FY 2018, the first opportunity to request that funds be set aside for the program within the Component's topline occurs in the FY 14-18 Program and Budget Review submission, which is actually formulated during FY 12. This chart illustrates this.

Click here to view enlarged image.

PPBE and Acquisition Management

D

Long Description

Chart titled PPBE and Acquisition System. Timeline across top shows Fiscal Years 10 through 19. First row below timeline shows symbols representing program milestones and decision reviews: Milestone A is early in FY 10, Milestone B is late in FY 11, Milestone C is mid-FY 15, and Full Rate Production Decision is late FY 17. Next row shows symbols representing major program contract awards: Technology Demonstration contract award is mid-FY 10, Engineering and Manufacturing Development contract award is late FY 111, Low Rate Initial Production contract award is late FY 15, and Production contract award is early FY 18. The next row shows symbols representing the Program and Budget Review submissions for the PPBE cycles: PBR 12-16 is late FY 10, PBR 13-17 is late FY 012, PBR 14-18 is late FY 14, PBR 15-19 is late FY 16, and PBR 16-20 is late FY 18. An arrow originating at the Production contract award symbol in the second row is drawn to PBR 13-17 in the third row to denote that the first opportunity to program and budget funds for the production contract award is in PBR 13-17.

Knowledge Review

Which definition defines a Reclama?

☑ Describe what capability will not be provided to users

☐ Avoid emotional or hyperbolic statements that may alienate your audience

Check Answer

A Reclama **describes what capability will not be provided to users.**

Knowledge Review

Select all that apply.

Which of the following are general rules for writing Impact Statements?

☑ Use non-technical language and spell out acronyms

☑ Be as specific as possible in describing the impact

☑ Cite believable impacts that are proportional to the funding loss

☐ Cite programmatic changes that are unlikely to be implemented even if the funding loss occurs

[Check Answer]

Use non-technical language and spell out acronyms, be as specific as possible in describing the impact, and **cite believable impacts that are proportional to the funding loss** are all general rules for writing Impact Statements.

Knowledge Review

If a program is planning to award a production contract in FY 2020, the first opportunity to request that funds be set aside for the program within the Component's topline occurs in the _____, Program and Budget Review submission.

- ☐ FY14-19
- ✅ FY16-20
- ☐ FY20-20
- ☐ FY14-21

[Check Answer]

If a program is planning to award a production contract in FY 2020, the first opportunity to request that funds be set aside for the program within the Component's topline occurs in the **FY16-20**, Program and Budget Review submission.

PPBE Issues Summary

You have completed PPBE Issues and should now be able to:

- Recognize reasons that acquisition programs may lose funding during the PPBE process.

- Recognize the significant issues that concern the OSD Budget Analyst during his/her review of budget justification documentation.

- Recall the characteristics of a good reclama or impact statement.

Lesson Completion

You have completed the content for this lesson.

To continue, select another lesson from the Table of Contents on the left.

If you have closed or hidden the Table of Contents, click the Show TOC button at the top in the Atlas navigation bar.