

Appendix

Programming, Planning, and Budgeting

1.1 Overview

The budget system of the United States government provides the means for the president and Congress to decide how much money to spend, what to spend it on, and how to raise the money needed. The allocation of resources among federal agencies is determined through the budget system. While the system focuses primarily on dollars, it also allocates other resources, such as federal employment positions.

Within the federal budget system, the acquisition and funding of nuclear weapons systems and activities and technologies related to countering nuclear threats (CNT) are complex processes involving many organizations in the executive and legislative branches of the federal government. Each organization performs specific activities and uses particular processes for the acquisition and funding of nuclear weapons, the CNT mission, and their associated systems and supporting infrastructure.

1.2 The Federal Budget

The process for creating the federal budget is set forth in the Budget and Accounting Act of 1921 and the Congressional Budget and Impoundment Control Act of 1974. The

acts have been amended several times, but the legislation remains the basic blueprint for budget procedures.

The federal budget is divided into 20 functional and subfunctional categories so that all budget authority¹ and outlays² can be categorized according to the national needs being addressed. National needs are grouped in 17 broad areas to provide a coherent and comprehensive basis for analyzing and understanding the budget. Three additional categories do not address specific national needs but are included to cover the entire budget. Each functional and subfunctional category is assigned a numerical identification code. The National Defense budget function is identified by the numerical identification code “050.” This account is divided into sub-accounts: 051 for Department of Defense (DoD) national security funding; 052 for classified budgeting for certain specific national security activities; 053 for the National Nuclear Security Administration (NNSA) defense programs; and 054 for defense-related activities in other departments. Figure I.1 illustrates the breakdown of the 050 National Defense Account.

The federal budget provides a plan to prioritize and fund government activities. The president, the Office of Management and Budget (OMB), and various federal departments and agencies have major roles in developing the *Budget of the United States Government*, which is often called the “president’s budget.”

1.2.1 The President’s Budget

The OMB is the principal executive branch oversight agency for the federal budget. It consolidates the budget proposal for the president after consulting with senior advisors, cabinet officials, and agency heads. The OMB also apportions funds to federal agencies after Congress completes the budget process and the president signs the various appropriations bills into law.

Initial development of the president’s budget begins with preliminary discussions between the OMB and the departments (including the DoD and the DOE); these discussions are held in the spring, about 17 months prior to the start of the fiscal year. The OMB issues policy directions and planning guidance to the agencies for the upcoming budget request.

The DoD, the DOE, and other agencies submit their budget requests to the OMB on the first Monday after Labor Day of the year before the start of the fiscal year covered by the

¹ *Budget authority* refers to the authority to incur legally binding obligations of the Government.

² *Outlays* refer to the liquidation of the Government’s obligations; outlays generally represent cash payments.

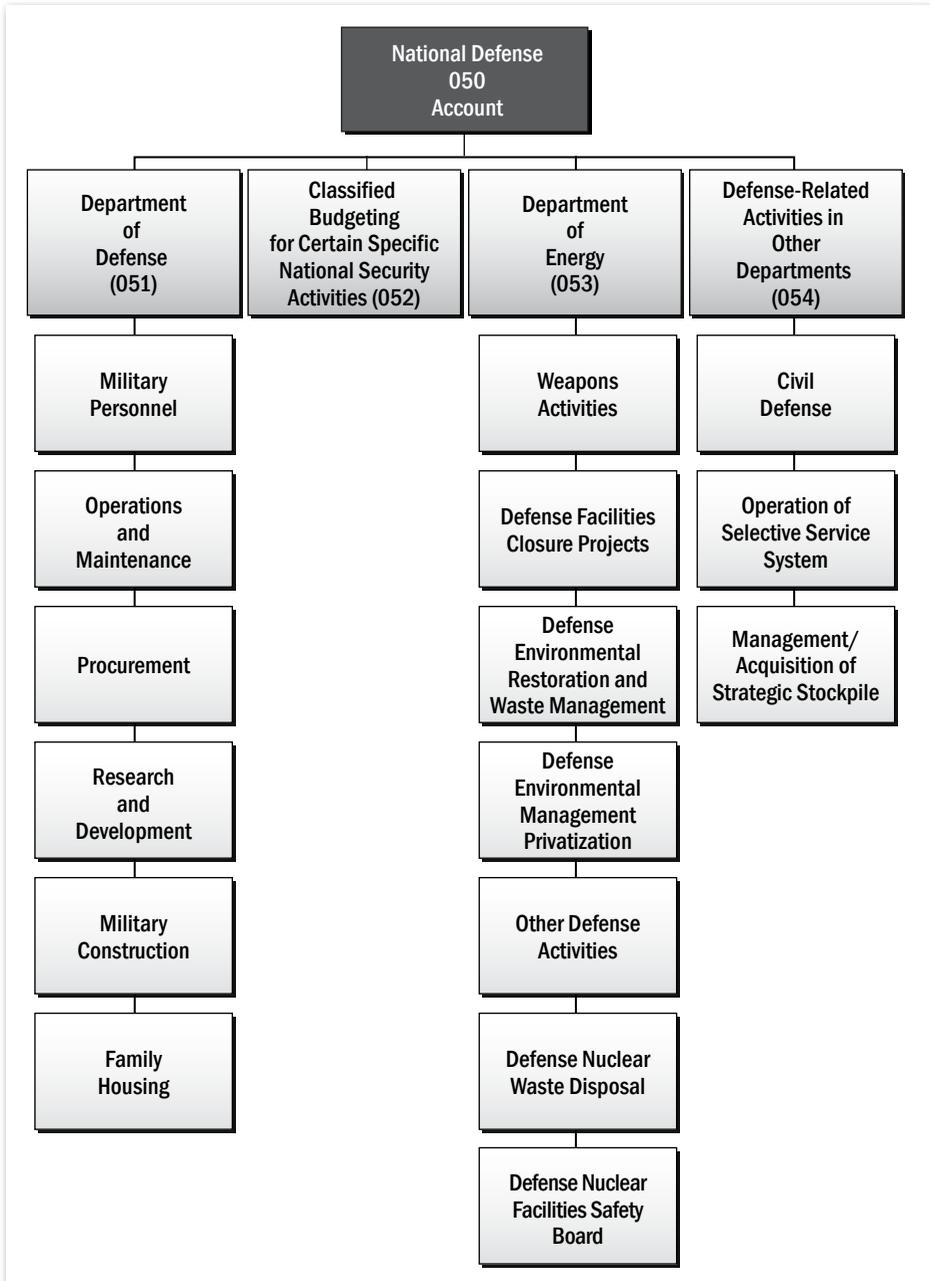


Figure I.1 The 050 Account

budget request; this submission occurs about 13 months before the start of the fiscal year in question. In the fall, OMB staff representatives review the agencies' budget proposals, hold hearings with the agencies, and review the economic outlook and revenue estimates to prepare issues for the OMB director's review. The director briefs the president and senior advisors on proposed budget policies and revenue estimates and recommends a complete set of budget proposals based on a review of all agency requests.

The president makes decisions on broad policies so that, in late November (about 10 months prior to the start of the fiscal year), OMB passes back budget decisions to the departments and agencies on their budget requests in a process called "passback." The passback includes decisions concerning funding levels, program policy changes, and personnel ceilings; the agencies may appeal any decisions with which they disagree. If OMB and an agency cannot reach agreement, the issue may be taken to the secretaries of the departments and to the president.

The president submits the budget request to Congress by the first Monday in February, nine months prior to the start of the fiscal year. The president's budget consists of several volumes delineating the president's financial proposals with recommended priorities for the allocation of resources by the federal government. The president also submits a mid-session review of his budget to Congress by July 15 each year. Also called a *supplementary budget summary*, the document includes updated presidential policy budget estimates, summary updates to the information in the budget submission, and budget-year baseline estimates. The president may revise his recommendations any time during the year.

1.2.2 Congressional Budget Resolution

Congress considers the president's budget proposals and either approves, modifies, or rejects them. Congress can change funding levels, eliminate programs, or add programs not requested by the president. Congress can add or eliminate taxes and other sources of receipts, or it can make other changes that affect the amount of receipts collected.

Initial House and Senate Budget Committee hearings are held during the month of January leading up to the submission of the president's budget during the first week of February. During February, the Congressional Budget Office publishes its annual report on the president's budget, and the House and Senate Budget Committees develop their versions of a budget resolution. Ideally, these resolutions are brought to the House and Senate floors for markup³ at the end of February and adopted by early April. Leading

³ *Markup* refers to the process by which congressional committees and subcommittees debate, amend, and rewrite proposed legislation—in this case, authorization and appropriations bills.

Budget Committee members from both chambers then develop a conference report on the budget representing a consensus agreement on the legislation between House and Senate negotiators. This conference report is the blueprint for broad spending and tax decisions that will be made during the remainder of the year. Ideally, the conference report on the budget resolution is adopted by April 15, just less than six months from the start of the fiscal year.

The budget resolution is not formally a law. It is a concurrent resolution, which does not require the president's signature. The aggregate levels of revenues, budget authority, outlays, and the committee allocations in the budget resolution are guidelines and targets against which subsequent fiscal legislation such as appropriation acts and authorizing legislation is measured.

1.2.3 Authorization

Authorization Acts provide the legislative authority to establish or maintain a federal government program or agency. Authorizations define the scope and provide the recommended maximum funding levels to the Appropriations Committees for the various programs.

Authorizing Committees have discretion regarding the legislative changes they recommend. These committees, moreover, are not bound by program changes that are recommended or assumed by the Budget Committees. They are required, however, to recommend legislation addressing budget authority and outlays for each fiscal year.

Authorizing legislation may originate in either chamber and may be considered at any time during the year. The Authorizing Committees and Subcommittees hold hearings to review agency programs and policies. It is possible, though rare, for an agency to operate without an authorization, but it cannot function without an appropriation.

The House and Senate Armed Services Committees provide annual legislative authorization for the federal government programs associated with national defense. The House and Senate Armed Services Committee and the seven standing subcommittees are responsible for the development of the annual National Defense Authorization Act (NDAA).⁴ Between January and April, the House and Senate Armed Services Committees hold hearings to

⁴ The NDAA serves two purposes: it establishes, continues, or modifies existing defense programs, and it provides guidance for defense appropriators, all of which allows Congress to appropriate funds for defense programs. The NDAA also authorizes funding for defense-related activities at the NNSA and other agencies.

determine the defense authorization levels. The Subcommittees on Strategic Forces have jurisdiction over strategic forces and the Department of Energy (DOE) national security programs. House markup of the authorization act occurs between April and May; the Senate markup follows. The two houses meet in conference after completion of their markup; the authorization bill is then finalized and forwarded to the president for signature so that it can be passed into public law by the new fiscal year.

1.2.4 Appropriations

Appropriation acts set the terms and conditions for the use of federal funds. The congressional Appropriations Committees provide budget authority and outlays through 13 general appropriations areas. The Appropriations Subcommittees, which correspond to each of the 13 general appropriations areas, initially recommend the level at which programs within their jurisdiction will receive appropriations. The House and Senate Energy and Water Development Subcommittees have jurisdiction over nuclear weapons funding (nuclear warheads and supporting activities) at the DOE, and the House and Senate Defense Subcommittees have jurisdiction over DoD nuclear weapons funding (delivery systems).

The House and Senate Appropriations Committees and Subcommittees hold hearings from the end of January through mid-May each year. If the Budget Committees have not finalized a budget resolution on the budget before May 15, the Appropriations Committee may begin their markup of appropriations legislation. All Appropriations Subcommittees are required to pass their respective appropriations bills on or before June 10 each year and then forward them to the full Appropriations Committees for further consideration before sending the bill to the full House and Senate for consideration. The House targets June 30 as a completion date for appropriations bills, but in practice, debate can continue within the legislative bodies until the July/August timeframe. After the chambers pass their respective appropriations bills, House and Senate representatives meet in conference and develop a conference report on appropriations.

After the House and Senate approve the final conference report it is forwarded to the president. The president has ten days to approve or veto the bill. If the bill is signed, the bill and the conference report form the legal basis for an agency's use of funds. If the bill is vetoed, Congress may either override the veto with a two-thirds affirmative vote in each chamber, or it may modify the bill and send it back to the president for signature or veto. Figure 1.2 illustrates the congressional budget process for nuclear weapons- and CNT-related programs.

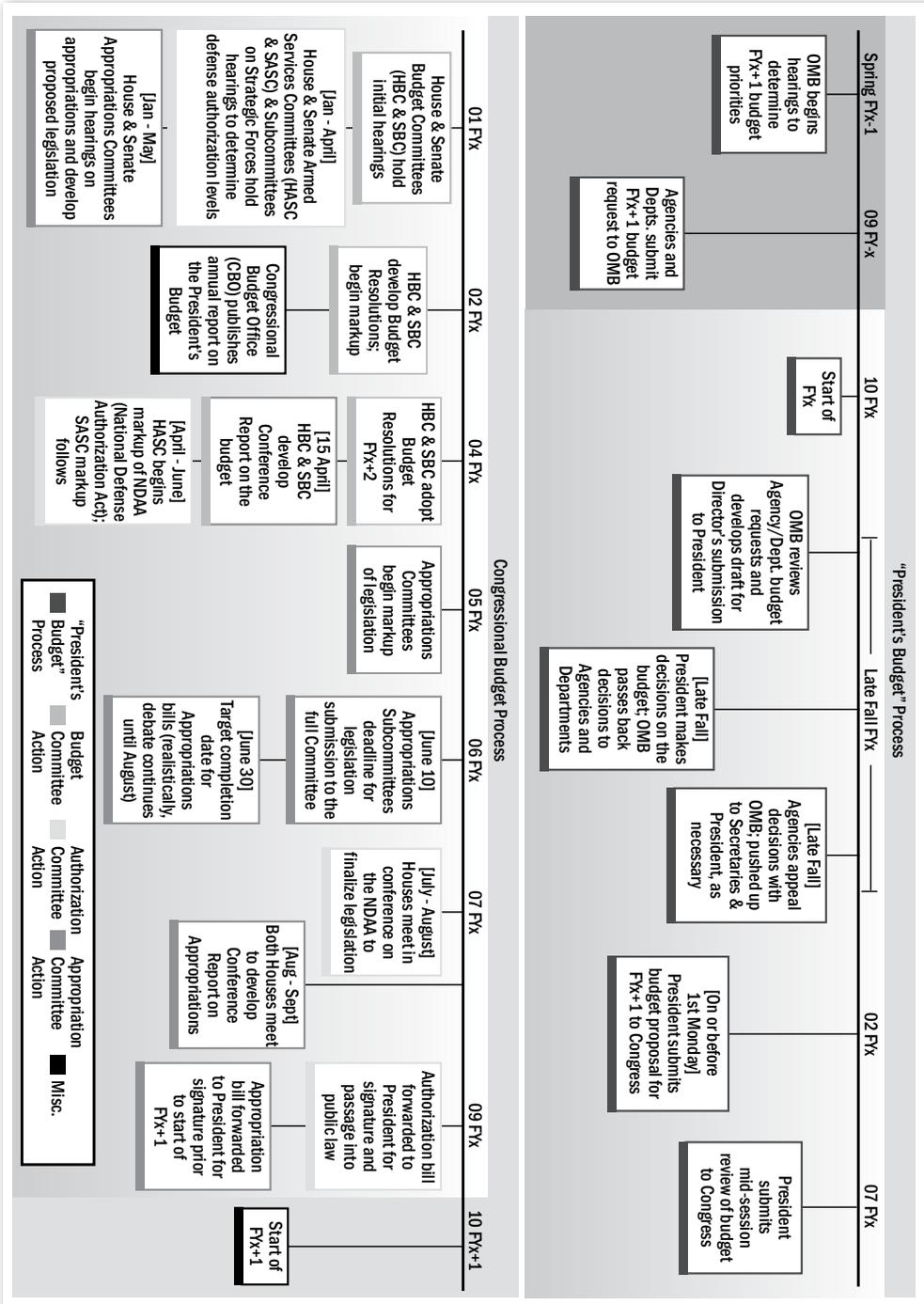


Figure I.2 Congressional Budget Process for Nuclear Weapons-Related Programs

1.2.5 Continuing Resolution

If Congress and the president have not completed action on the regular appropriation acts by the start of the fiscal year (October 1), action must be taken to ensure that federal agencies and programs continue to function. Enacted as a joint resolution, a continuing resolution (CR) is an interim appropriation act that sets forth a specified level of funding for an agency for the full year, up to a specified date, or until regular appropriations are enacted. Spending may be set at any level, but if it is enacted to cover the entire fiscal year, the resolution will usually specify amounts provided for each appropriation account. In recent years OMB has automatically apportioned funds based on the number of days included in the continuing resolution. CRs are, however, difficult for those operating under them. In addition to the inherent uncertainty associated with them, continuing resolutions allow funding only at the lower levels approved by the House and the Senate, prevent new starts, and preclude significant funding increases over the previous year.

A CR has an expiration date at which time it must be extended by additional congressional action if no appropriation bill has been enacted. Unlike the congressional budget resolution, the president must sign all CRs into law.

1.3 **The DoD and the NNSA Role in the Budget Process**

The DoD and the NNSA have processes in place to plan, program, and budget resources for inclusion in the president's budget. The DoD process is known as the Planning, Programming, Budgeting, and Execution (PPBE) system; and the NNSA process is called the Planning, Programming, Budgeting, and Evaluation (PPBE) process.

1.3.1 Department of Defense PPBE

For the DoD, planning includes the definition and examination of alternate strategies as well as various analyses of conditions, threats and technologies, and economic assessments. The Defense Planning Guidance (DPG) forms the basis of the planning portion of the DoD Planning, Programming, Budgeting, and Execution system. The DPG contains guidance concerning the key planning and programming priorities to execute the *National Military Strategy* and other documents produced by the Joint Staff. The DPG provides guidance and fiscal constraints to the Military departments, U.S. Special Operations Command (USSOCOM), and the defense agencies for the development of the DoD Program Objective Memorandum (POM).

Programming includes the definition and analysis of alternative forces, weapons, and support systems, as well as their multi-year resource implications and option evaluations.

The Program Objective Memorandum is the DoD document that expresses the fiscally constrained, total program requirements for the years covered in the DPG. It describes the rationale for proposed changes to U.S. forces as included in the Future-Years Defense Program (FYDP), which is the official database of all major force programs established by the military. The POM is sent to the Office of the Secretary of Defense (OSD) in August of even-numbered years. The composite POM is reviewed by the Joint Staff, the OSD, and the OMB, and issues are discussed and alternatives are developed. Some issues are elevated to the Defense Resources Board (DRB) where decisions are finalized and recorded in Program Decision Memoranda (PDM) in the late fall.

Budgeting includes the formulation, justification, execution, and control of the funds necessary to support the DoD and its missions. Each Military Department and Defense Agency and USSOCOM develops its own budget estimate submission. The budget estimate submissions include data from the prior year, the current year, and two additional budget years.

Historically, Program Budget Decisions (PBDs) were used to document approval of the estimates for inclusion in the president's budget. Each PBD consists of a discussion of the subject area, issues, and a series of alternatives. The deputy secretary of defense selects an alternative or directs a new one, and the signed PBD is then released. An appeal can be made to the PBD through a reclama process that follows the same channels as the PBD. The deputy secretary of defense makes all final decisions. Resource Management Decisions (RMDs) were first issued to the Military Services in the spring of 2009 to promulgate budget changes directed by the Obama Administration. They have replaced both PDMs and PBDs.

Once final budget decisions are made, the DoD budget becomes part of the president's budget that is submitted to Congress. After Congress approves the budget and the president signs the appropriations acts, the OMB apportions the funds to the DoD for execution.

DoD Distribution of Funds

Appropriations are the most common method of providing budget authority to the DoD, which results in immediate or future outlays. Most defense budget authority is provided by Congress in the form of enacted appropriations, or appropriations bills in which a definite amount of money is set aside to pay incurred or anticipated expenditures.

After funds, or budget authority, are appropriated to the DoD by Congress, the OMB apportions budget authority to the DoD Comptroller. The DoD Comptroller distributes the funds to the Military Service and agency comptrollers. In turn, Military Service and agency

comptrollers distribute budget authority to combatant command or agency comptrollers who then distribute it to program management offices. As the budget authority flows through the comptrollers, a small percentage of the funds may be withheld for contingency purposes; these funds are unofficially referred to as “taxes” or “withholds.”

The DoD budget is organized into separate budget titles that include approximately 75 appropriations. Each budget title is unique because resources are requested and applied for different purposes under different legal and regulatory constraints and for different time periods. Major DoD appropriations categories include: Research, Development, Test, and Evaluation (RDT&E); Procurement; Shipbuilding and Conversion (SCN); Operations and Maintenance (O&M); Military Personnel (MILPERS); Military Construction (MILCON); and other related agencies. Each appropriation has a legal time limit, or “life,” within which funds can be obligated, or legally reserved to make a future payment of money.

Four appropriations categories directly relevant to nuclear weapons funding are O&M, Procurement, RDT&E, and other related agencies:

- O&M funding finances the cost of operating and maintaining the Armed Forces with the exception of military personnel pay, allowances, and travel costs. Included in the funding are amounts for training and operation costs, civilian pay, contract services to maintain equipment and facilities, fuel supplies, and repair parts. O&M funding has a life of one year.
- Procurement funds support the acquisition of aircraft, ships, combat vehicles, and all capital equipment. The Procurement budget resources contribute to achieving DoD goals of maintaining readiness and sustainability, transforming the force for new missions, and reforming processes and organizations. Procurement funds have a life of three years; an exception to this is Navy SCN, whose procurement funding life is extended to five years.
- RDT&E funds support modernization through basic and applied research, fabrication of technology-demonstrated devices, and development and testing of prototypes and full-scale preproduction hardware. RDT&E work is performed by government laboratories and facilities, contractors, universities, and nonprofit organizations. RDT&E funds have a life of two years.
- The DoD also supports several other national agencies (such as the NNSA) and includes their requirements in the president’s budget submission to Congress. The amount of funding for these efforts is negotiated with the other agencies and the OMB.

As discussed above, appropriations have life-cycles during which they can incur new obligations. An appropriation whose period of availability for incurring new obligations has expired is not closed; instead it is in an “expired account.” For five years after the time the appropriation expires, both the obligated and unobligated balances of that appropriation are available to make expenditures on existing obligations and adjustments to existing obligations. At the end of the five-year expiration period, the appropriation is closed and the funds can no longer be used. Figure I.3 illustrates obligations and outlays periods.

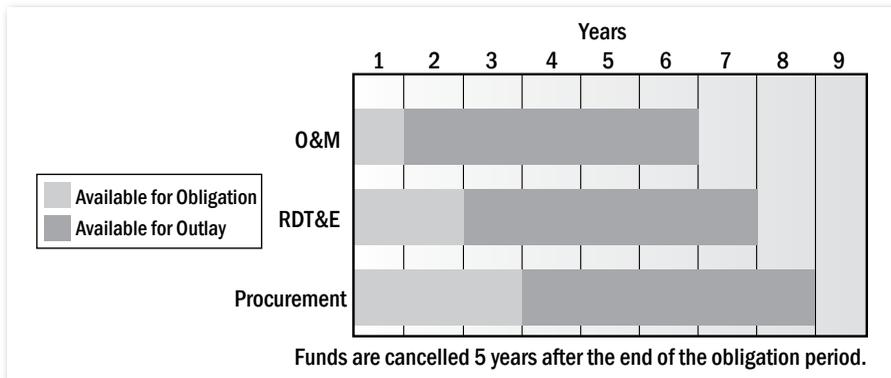


Figure I.3 Obligation and Outlay Periods

1.3.2 National Nuclear Security Administration PPBE

The NNSA manages the government’s nuclear weapons activities and CNT programs, supports the Naval nuclear propulsion program, and is the primary responder to any nuclear or radiological incident. These programs are carried out at a nationwide complex of Government-Owned, Contractor-Operated (GOCO) laboratories, production plants, and testing sites, which employ about 3,000 federal employees and 30,000 management and operating contractors. The annual funding for these activities in FY 2009 was just over \$9 billion.

The NNSA Planning, Programming, Budgeting, and Evaluation process is a continuous cycle for: establishing goals; developing, prioritizing, funding, and executing programs; and evaluating performance results to provide feedback for future planning. At the NNSA, planning and programming are primarily a headquarters function. Execution and evaluation of the programs are accomplished by the field elements.

The NNSA Strategic Plan provides the foundation for all NNSA planning. It also establishes the mission, vision, and issues in addition to providing the goals, strategies, and strategic

indicators for the five NNSA program elements. Each of the five program elements has a single goal in the Strategic Plan. These program elements are: Defense Programs, Defense Nuclear Nonproliferation, Naval Reactors, Infrastructure and Security, and Management and Administration. Multi-year plans are developed between headquarters program managers and the field elements. The program plans are the primary documents used to make key programming decisions and to develop the NNSA budget. Strategic guidance is provided yearly to start the annual planning and programming processes.

Programming is a headquarters-driven process to develop, prioritize, and integrate the five NNSA Programs. The process begins with the strategic guidance, the current Future-Years Nuclear Security Program (FYNSP), and a program and fiscal guidance document. These enable the headquarters elements to update baseline programs and projects as well as to explore and prioritize excursions from the baseline. Programming is conducted with fiscal awareness and concludes with a Program Decision Memorandum that records decisions for presentation to the DOE and the OMB. In the budgeting phase, planning and programming are brought into a fiscally constrained environment.

Budget execution and evaluation is carried out by the management and operating contractors at the NNSA sites with oversight from federal program and site managers.

Nuclear weapons acquisition in the NNSA complex is part of a highly integrated workload for the science-based stewardship of the nuclear weapons stockpile. Planning and budget information for weapons system acquisition is contained in selected acquisition reports that are included in all phases of the PPBE process and available to decision makers.