

# Improving Defense Resourcing: Recommendations for the Commission on Planning, Programming, Budgeting, and Execution Reform

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## KEY TAKEAWAYS

While China and other adversaries are rapidly modernizing their militaries, inflexible and overly bureaucratic spending processes plague the U.S.

The Commission on Planning, Programming, Budgeting, and Execution Reform can help the Defense Department to adapt to the changing demands of national defense.

The commission will have a unique chance to reassess and reform how the Defense Department prioritizes its budget and resources—and should seize this opportunity.

The Department of Defense (DOD) has been consistently criticized for being unable to change its procurement and spending plans with enough agility. In many situations, the DOD simply moves too slowly in its decision-making process, leading to lost opportunities and underwhelming performance. The plodding pace becomes more of a concern when America’s adversaries, mainly China, are modernizing their militaries at a rapid pace.<sup>1</sup>

Highlighting the need for agility, former Secretary of Defense Jim Mattis stressed the importance of moving the department at the “speed of relevance” multiple times during his tenure.<sup>2</sup> Throughout the years there have been many efforts to reform how the department acquires goods and services under the broad concept of acquisition reform.<sup>3</sup> However,

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rather puzzlingly, there have not been similar efforts to address how the department builds and executes its budget.

After public discussion of the issue, Congress established the Commission on Planning, Programming, Budgeting, and Execution (PPBE) Reform in the National Defense Authorization Act (NDAA) for fiscal year (FY) 2022.<sup>4</sup> This commission will have a unique chance to reassess and reform how the DOD prioritizes its budget and resources. The commission should emphasize how to add more agility and flexibility to a system that cannot be halted to make fixes.

The commission will have to properly scope out the problems that it wants to address, publicize its efforts through the process, build a cadre of early adopters, create more transparency and agility with Congress and other stakeholders, and push for the creation of more flexible pots of money. At the end of the day, the DOD's goal is to build the least costly force possible that is capable of achieving America's national defense goals, deterring adversaries, and, if needed, defeat them on the battlefield. One of the keys to these goals is having a resourcing system that is able to respond to contemporary demands, be it from Congress or the warfighter.

## What Is PPBE?

The planning, programming, budgeting, and execution process is how the DOD determines how to allocate taxpayers' dollars among thousands of programs through the course of a fiscal year.<sup>5</sup> It was created in the 1960s under the guidance of Secretary of Defense Robert McNamara and his comptroller Charles Hitch.<sup>6</sup> The main goal of the system was to centralize more budgetary control in the Office of the Secretary of Defense (OSD), moving some of the decision-making away from the individual services. This centralization would empower the OSD to make trade-offs between different services' programs.

PPBE is developed in different consecutive phases. Air Force budget analyst Abigail Zofchak summarizes PPBE as

four distinct stages that progress sequentially: planning outlines the future security environment, programming proposes programs for investment, budgeting develops a detailed budget request according to fiscal guidance, and execution constantly reviews and realigns funds as the [d]epartment spends the resources eventually appropriated by Congress.<sup>7</sup>

The planning process determines the capabilities that will be necessary to execute the National Military Strategy, which is based on both the National Defense Strategy and the National Security Strategy. Its main product is the Defense Planning Guidance. This Guidance, in turn, informs the programming phase.

In the programming phase, the different units of the DOD develop programs and allocate proposed resourcing to meet the planned objectives in accordance with the guidance from the planning phase of the process. According to DOD directive, the programs must be based on “systematic analysis of missions and objectives to be achieved, alternative methods of accomplishing them, and the effective allocation of the resources.”<sup>8</sup>

The goal is to transform objectives and goals into results. The programming phase was designed to be the bridge between the military world of plans and the accounting world of budgets, which is why it is described as the “heart of the financial management system installed in the Department of Defense.”<sup>9</sup> The main product of the programming phase is the Program Objective Memorandum.

The budgeting phase transforms the program from each of the services into budget estimates captured in the terminology and formats specified by Congress, which are in turn reviewed and then compiled by the Office of Management and Budget into the President’s Budget Request.<sup>10</sup>

The execution phase is performed after Congress has appropriated resources and the Office of Management and Budget has apportioned them to the DOD. This phase ideally provides the feedback loop to DOD senior leadership on how the resources are being used. The goal is to provide details matching input to output, so it can then inform the next budgetary cycle within the PPBE.

By design, the PPBE system is a phased approach that has “emphasized the up-front analysis, planning and control of projects.”<sup>11</sup> However, the system is straining under contemporary demands from the DOD, a dynamic world environment, and Congress.

## Current PPBE Shortcomings

The PPBE process as currently executed lacks both speed and flexibility, in both the planning and programming portions, as well as in the execution phase. Part of this problem is inherent in the design of the system, and part of it is due to how the system operates in the real world. Implicit in the design of the system was the understanding that “[t]he management systems largely depended upon deciding in advance the particulars of what must be done, and measuring progress to that centrally approved plan.”<sup>12</sup>

The certainty described comes from the design of “the phased approach [which] implicitly rests on two key assumptions, both explicitly desired by the McNamara Revolution: first, the project goals and targets are clear and given from above; and second, the means of reaching the targets are identifiable and plannable (possibly with refinements as the phases progress).”<sup>13</sup> What were considered advantages at the time—predictability and a phased approach—today are liabilities when the Pentagon is confronted with the fast-paced dynamics of military innovation, a rapidly changing world, and the reality of congressional politics.

On the planning and programming side, it is very hard and time consuming to deviate from the future-years defense program and to change the Program Objective Memorandum, be it for good or bad reasons. If a new technology was not predicted in the requirements process, it will take years to incorporate this technology into the plan, and then budget for it, and then finally procure it. As documented by a study from the Hudson Institute, it takes between nine and 26 years to develop a needed capability into actual capability in the hands of the warfighter.<sup>14</sup> At the current technological pace, most nine-year-old technologies are long outdated. After all, very few people in America still use a nine-year-old iPhone 5.

On the execution side, it is extremely challenging for the DOD to deviate from the plans that it submitted to the President’s budget, again either for good or bad reasons. A good example is the process for reprogramming funds—moving from one account to another—which takes between three and six months to be approved in a chain of responsibility that spans from the local installation financial manager up to Congress, depending on the dollar amount requested to be reprogrammed.<sup>15</sup> Further, because of the phased approach of PPBE and its inherent time delay, any changes that took place in the year of execution will not necessarily be reflected in subsequent planning and programming processes.

These are part of the challenges that led Congress to create a commission to study ways to reform the process.

## **The Commission on Planning, Programming, Budgeting, and Execution Reform**

The NDAA for FY 2022 established a commission to reform the PPBE system that is time-bound and will terminate shortly after delivering its final report in 2023.<sup>16</sup> The goal of the commission is to examine the effectiveness of the current resource allocation methods, consider potential alternatives, and make legislative and policy recommendations on how to

it improve it.<sup>17</sup> An extremely important task emerges from both congressional and departmental recognized shortcomings of resource-allocation decision-making.

The commission will have 14 members, 12 appointed by congressional leaders and two appointed by the Secretary of Defense.<sup>18</sup> All 14 commissioners should have been appointed before February 25, 2022.<sup>19</sup> However, the work of the commission does not depend on all members having been appointed.<sup>20</sup> The commission will have the support of an independent, non-government institute, and it has the ability to request the services of a federally funded research and development center. Further, the commission will have a liaison to the DOD and can receive detailees from the DOD.

A clever element of the legislation that established the commission is the requirement that it submit two reports to Congress and three briefings to the congressional defense committees. The first briefing is due shortly after the commission sets itself up, to make sure that it is ready to begin its work. The commission is expected to deliver an interim report on February 6, 2023, and a final report on September 1, 2023.<sup>21</sup>

Further, the commission will have to brief Congress before June 25, 2022, to discuss its initial establishment and work. Then, 30 days after issuing each of the reports, the commission will have to brief the defense committees on its work.<sup>22</sup> These are important landmarks that are designed to help to raise the profile of the issues the commission brings to Congress.

Another relevant element of the commission is that it will receive authorized resources to conduct its work: The NDAA authorizes \$5 million in resources for FY 2022.<sup>23</sup> These are resources that will have to be allocated before October 1, 2022, indicating that the commission will start with sufficient resources and will have a chance to request more resources for FY 2023, when the bulk of the work is expected to be conducted.

## What Should the Commission's Focus Be?

The problem that the commission will face is enormous and it would be easy to become side-tracked trying to fix every single problem that exists in the DOD's resourcing community and its decision-making processes. In this regard, the commission can take many actions that will increase its odds of success. As such, the commission should:

- **Define the Problem Properly.** As described in an earlier paper, "optimizing one aspect of PPBE could easily undermine another."<sup>24</sup> Some functions of the defense enterprise are well-served by a predictable

and stable process, such as personnel management and health care, and which should be able to keep those aspects. Other systems, especially acquisition, constantly point to PPBE as a major obstacle to progress. The commission will have to determine the biggest PPBE flaws and tackle those, instead of attempting a comprehensive overhaul of the whole system. Even if the commission limits itself to increasing the agility and flexibility of the acquisition system, it will have to identify and limit its work to a few of the existing bottlenecks. The proper lens to adopt is one that focuses on the warfighter and walks back from there, figuring out what achieves the best warfighting capabilities in the most effective manner.

- **Look for Opportunities to Facilitate Change and Adaptation.** Today's PPBE process is a rigidly linear one that, once its products leave a participant's hands, the opportunity to make changes becomes nearly impossible. A common example of this is when a service builds a program and transmits it to the OSD, only to find a week or month later that a particular acquisition program contained within that program has failed.<sup>25</sup> Even though the service allocated hundreds of millions of dollars for that program, the service has no means to modify it. With the ability to perform a "penalty-free" change to their program, the services and the OSD might be able to reduce the length of the programming phase and make better use of their funds.
- **Collapse Lengthy Linear Timelines.** Much of the criticism concerning PPBE revolves around the lengthy timelines required for programs and budgets. Services develop programs, then translate them to budget appropriations, then transmit them to the OSD. The OSD offices then review programs under their purview and raise questions. The overall time could be reduced with more simultaneous staffing, with multiple levels conducting more collaboration. The OSD often invites representatives from the Office of Management and Budget to sit in on budget decisions in the final months of preparation. More of such collaboration could be beneficial.
- **Test New Concepts with Pilot Programs.** Some PPBE reform proposals will likely threaten stakeholders, such as congressional authorizers or appropriators and their staffs who are accustomed to exercising extraordinarily detailed oversight over individual DOD programs. Changing the system overnight to grant the DOD vastly

more flexibility with all programs would likely prove challenging. Instead, the commission should propose giving the DOD more flexibility in those portfolios and programs where turbulence and change are more common. These could include software development, artificial intelligence, and directed-energy programs. If these pilot programs are successful, future NDAA and appropriation bills could broaden the DOD's authorities to encompass more.

- **Publicize Its Work Far and Wide.** The commission will have at least three different chances to brief congressional committees. It should take full advantage of those and make them public as well. The strength of the American system resides in its resilience and ability to receive and incorporate diverse inputs. The resourcing community inside the DOD and the interested community outside the DOD is very large, and the commission should take advantage of both by publicizing its work and opening it up to comments and criticisms. This will only make its product better.
- **Include as Many Detailees as Possible.** The NDAA grants the commission the ability to receive detailees from the DOD. It needs to identify detailees that would have a dual role of both contributing to the work of the commission and championing the ideas of the commission once they return to their DOD positions. Any commission plan will take time to be implemented and is likely to face pushback from individuals that are deeply invested in the status quo. These detailees ideally would be early adopter evangelists that will advance the changes proposed by the commission and supported by Congress.<sup>26</sup>
- **Push for a Flexible Competitive Fund.** Considering that trade-offs among the military departments and services only take place at the OSD level, there needs to be some additional discretion at that level to place well-informed bets on developments, be it new weapons systems or procedures. Former DOD Comptroller and commissioner nominee Robert Hale proposed a worthwhile solution: "To generate more budget alternatives, the Office of the Secretary of Defense should withhold larger portions of the defense budget (perhaps 5%) and then let the services put forward their best ideas as they compete for added funding."<sup>27</sup> This solution would allow the DOD and each Administration to make investments that would not receive resources otherwise.

The challenge in the proposal is how to keep Congress informed and cognizant of the choices. It could serve as an excellent opportunity to increase the OSD's decision-making transparency.

- **Create an Implementation Plan.** The PPBE process will not be changed at once, nor should it be. The legislation calls for the commission to provide both legislative and policy recommendations.<sup>28</sup> These can and should be phased in to create periods of adaptation in which the DOD and Congress can judge how the changes are functioning. Because the DOD cannot take a year off from budgeting, changes have a higher chance of success if they are implemented through the system incrementally.

## Conclusion

At its core, the PPBE process is a technical approach to a political issue. While technical problems need to be addressed by the DOD's financial management community, politics will determine many of the big questions that determine the defense budget. It is impossible to avoid politics when the ultimate arbiter of the defense budget is Congress. The commission needs to accept, and work within the limitations of, that reality.

The commission on PPBE reform has a chance to improve how the DOD allocates its resources and how it plans for future developments. It needs to seize that opportunity to create lasting change that will allow the department to be more agile and more responsive to the changing demands of national defense.

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