



**FY 2026 President's Budget
Activities and Proposals in Support of
Planning, Programming, Budgeting, and Execution Reform
and Other Budget Execution Flexibilities**

July 2025

EXECUTIVE SUMMARY

It is a strategic imperative for the Department of Defense (DoD) to improve speed, flexibility, and execution through cutting red tape and making the best use of taxpayer dollars. This includes modernizing and making changes to the Planning, Programming, Budgeting, and Execution (PPBE) process. The rate of technological change and the national security threat posed by our adversaries demands we respond quickly and effectively to emergent requirements and opportunities to adopt innovative solutions and absorb ongoing technology refresh and insertion, all at the speed of relevance.

As part of the Fiscal Year (FY) 2026 President's Budget, the DoD is pursuing reforms to increase flexibility in resourcing and acquisition authorities, eliminate and replace antiquated and inefficient systems and processes with modern analytical ones, strengthen governance for DoD business systems that directly affect passing an audit by 2028, and improve and strengthen our communications with Congress.

This document provides an overview of those PPBE reform and other budget flexibility initiatives as well as an overview of select non-legislative reforms that will strengthen the relationship between DoD and Congress, support audit readiness, and enable execution

and acquisition agility. By streamlining congressional oversight, reducing fiscal inefficiencies, and accelerating modernization investments, these reforms ensure more effective defense resource execution, and will facilitate delivering the American warfighter the capabilities needed to remain the strongest and most lethal fighting force in the world.

Today's complex national security environment and the relentless pace of innovation requires that all our processes evolve to fill critical capability gaps with the focus, speed, and scale needed for strategic effect.

The Department is grateful to Congress for their interest and dedication to improving the Department's PPBE processes and is committed to continuous engagement and collaboration on these efforts.

We look forward to working with all stakeholders and Congress to enact these changes and build a **fiscally agile, operationally responsive** defense resourcing enterprise poised to achieve peace through strength while restoring the warrior ethos, rebuilding our military, and reestablishing deterrence.

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PPBE Reform

Appropriation Language Proposals

Two-Year Permanent Change of Station Funding

Summary: This proposal changes the period of availability from one year to two years for Military Personnel (MILPERS) funding for certain allowances and expenses related to Permanent Change of Station (PCS) to reduce inefficiencies and provide execution flexibility.

Impact: The PCS process typically crosses fiscal years because of the seasonal nature of PCS moves and the timing of orders. Projected PCS expenses are obligated when orders are issued to Service members up to six months in advance of relocating to provide families with the adequate time to prepare and plan for the move. However, only 63 percent of total expected disbursements occur during the available year. Providing two years of availability would minimize the unexpended balances in the Active Component MILPERS appropriations and align the availability of PCS funding with the execution of the program, allowing the DoD to maximize the use of congressionally appropriated funds for their intended purpose.

Changes to Existing Law: This section would modify the DoD appropriations language for each of the Active Component MILPERS appropriations.

Appropriations Language: Two-Year PCS Funding

MILITARY PERSONNEL, ARMY

For pay, allowances, individual clothing, subsistence, interest on deposits, gratuities, permanent change of station travel (including all expenses thereof for organizational movements), and expenses of temporary duty travel between permanent duty stations, for members of the Army on active duty (except members of reserve components provided for elsewhere), cadets, and aviation cadets; for members of the Reserve Officers' Training Corps; and for payments pursuant to section 156 of Public Law 97-377, as amended (42 U.S.C. 402 note), and to the Department of Defense Military Retirement Fund, \$54,862,079,000, of which \$2,130,149,000 shall remain available until September 30, 2027, for permanent change of station travel (including all expenses thereof for organizational movements) and expenses of temporary duty travel between permanent duty stations.

MILITARY PERSONNEL, NAVY

For pay, allowances, individual clothing, subsistence, interest on deposits, gratuities, permanent change of station travel (including all expenses thereof for organizational movements), and expenses of temporary duty travel between permanent duty stations, for members of the Navy on active duty (except members of the Reserve provided for elsewhere), midshipmen, and aviation cadets; for members of the Reserve Officers' Training Corps; and for payments pursuant to section 156 of Public Law 97-377, as amended (42 U.S.C. 402 note), and to the Department of Defense Military Retirement Fund, \$40,744,435,000, of which \$1,291,237,000 shall remain available until September 30, 2027, for permanent change of station travel (including all expenses thereof for organizational movements) and expenses of temporary duty travel between permanent duty stations.

MILITARY PERSONNEL, MARINE CORPS

For pay, allowances, individual clothing, subsistence, interest on deposits, gratuities, permanent change of station travel (including all expenses thereof for organizational movements), and expenses of temporary duty travel between permanent duty stations, for members of the Marine Corps on active

duty (except members of the Reserve provided for elsewhere); and for payments pursuant to section 156 of Public Law 97–377, as amended (42 U.S.C. 402 note), and to the Department of Defense Military Retirement Fund, \$17,119,947,000, of which \$621,686,000 shall remain available until September 30, 2027, for permanent change of station travel (including all expenses thereof for organizational movements) and expenses of temporary duty travel between permanent duty stations.

MILITARY PERSONNEL, AIR FORCE

For pay, allowances, individual clothing, subsistence, interest on deposits, gratuities, permanent change of station travel (including all expenses thereof for organizational movements), and expenses of temporary duty travel between permanent duty stations, for members of the Air Force on active duty (except members of reserve components provided for elsewhere), cadets, and aviation cadets; for members of the Reserve Officers' Training Corps; and for payments pursuant to section 156 of Public Law 97–377, as amended (42 U.S.C. 402 note), and to the Department of Defense Military Retirement Fund, \$39,141,538,000, of which \$2,050,947,000 shall remain available until September 30, 2027, for permanent change of station travel (including all expenses thereof for organizational movements) and expenses of temporary duty travel between permanent duty stations.

MILITARY PERSONNEL, SPACE FORCE

For pay, allowances, individual clothing, subsistence, interest on deposits, gratuities, permanent change of station travel (including all expenses thereof for organizational movements), and expenses of temporary duty travel between permanent duty stations, for members of the Space Force on duty as described in section 20108 of title 10, United States Code and cadets; for members of the Reserve Officers' Training Corps; for expenses authorized by section 16131 of title 10, United States Code; and for payments pursuant to section 156 of Public Law 97–377, as amended (42 U.S.C. 402 note), and to the Department of Defense Military Retirement Fund, \$1,496,608,000, of which \$61,706,000 shall remain available until September 30, 2027, for permanent change of station travel (including all expenses thereof for organizational movements) and expenses of temporary duty travel between permanent duty stations.

Commission on PPBE Reform: This effort directly aligns with the Commission’s recommendation **#6 – Increase Availability of Operating Funds**, which states: “The Commission believes it is necessary to address challenges associated with the current periods of appropriation availability and feels strongly that changes need to be made to make one-year appropriations available for long enough to permit effective execution. As described above, the expiration of unobligated O&M [Operation and Maintenance] and MILPERS funds at the end of a fiscal year can lead to counterproductive actions to quickly obligate funds to avoid their expiration prior to obligation of funds. This challenge is further exacerbated by the Department’s need to hold funds until the end of a fiscal year to cover late-breaking bills for items like undefined permanent change of station (PCS) moves, utility bills, military airlift costs, and FSRM [Facilities Sustainment, Restoration, and Modernization] projects to avoid Anti-Deficiency Act (ADA) violations.”

Two-Year Operation and Maintenance Funding

Summary: This proposal requests a change in the period of availability of Operation and Maintenance (O&M) appropriations from one year to two years for an amount that is five percent of the annual requested amount for each appropriation.

Impact: This change enables the Department to respond to emergent requirements like late-breaking bills and unanticipated expenses and reinforces good fiscal stewardship by giving financial managers a tool to make better year-end spending decisions. This will maximize the use of appropriated funds and result in a more productive expenditure of the funds, fewer deobligations, and greater spending power for the Department. This will facilitate the Department's ability to address unbudgeted shortfalls and other unexpected costs that often arise after the President's Budget for the subsequent fiscal year has been transmitted to the Congress.

Changes to Existing Law: This section would modify the DoD appropriations language for each of the below O&M appropriations titles.

Appropriations Language: Two-Year O&M Funding

OPERATION AND MAINTENANCE, ARMY

For expenses, not otherwise provided for, necessary for the operation and maintenance of the Army, as authorized by law, \$58,975,065,000, of which \$2,937,852,470 shall remain available until September 30, 2027: Provided, That not to exceed \$12,478,000 may be used for emergencies and extraordinary expenses, to be expended upon the approval or authority of the Secretary of the Army, and payments may be made upon the Secretary's certificate of necessity for confidential military purposes.

OPERATION AND MAINTENANCE, NAVY

For expenses, not otherwise provided for, necessary for the operation and maintenance of the Navy and the Marine Corps, as authorized by law, \$74,080,120,000, of which \$3,661,912,950 shall remain available until September 30, 2027: Provided, That not to exceed \$15,055,000 may be used for emergencies and extraordinary expenses, to be expended upon the approval or authority of the Secretary of the Navy, and payments may be made upon the Secretary's certificate of necessity for confidential military purposes.

OPERATION AND MAINTENANCE, MARINE CORPS

For expenses, not otherwise provided for, necessary for the operation and maintenance of the Marine Corps, as authorized by law, \$11,004,201,000, of which \$550,210,000 shall remain available until September 30, 2027.

OPERATION AND MAINTANANCE, AIR FORCE

For expenses, not otherwise provided for, necessary for the operation and maintenance of the Air Force, as authorized by law, \$62,429,535,000, of which \$3,121,477,000 shall remain available until September 30, 2027: Provided, That not to exceed \$8,238,000 may be used for emergencies and extraordinary expenses, to be expended upon the approval or authority of the Secretary of the Air Force, and payments may be made upon the Secretary's certificate of necessity for confidential military purposes.

OPERATION AND MAINTENANCE, SPACE FORCE

For expenses, not otherwise provided for, necessary for the operation and maintenance of the Space Force, as authorized by law, \$5,888,163,000, of which \$294,408,000 shall remain available until September 30, 2027.

OPERATION AND MAINTENANCE, DEFENSE-WIDE

For expenses, not otherwise provided for, necessary for the operation and maintenance of activities and agencies of the Department of Defense (other than the military departments), as authorized by law, \$55,935,718,000: Provided, That not more than \$2,981,000 may be used for the Combatant Commander Initiative Fund authorized under section 166a of title 10, United States Code: Provided further, That not to exceed \$36,000,000 may be used for emergencies and extraordinary expenses, to be expended upon the approval or authority of the Secretary of Defense, and payments may be made upon the Secretary's certificate of necessity for confidential military purposes: Provided further, That of the funds provided under this heading, \$27,693,000, to remain available until expended, shall be available only for expenses relating to certain classified activities, and may be transferred as necessary by the Secretary of Defense to operation and maintenance appropriations or research, development, test and evaluation appropriations, to be merged with and to be available for the same time period as the appropriations to which transferred: Provided further, That any ceiling on the investment item unit cost of items that may be purchased with operation and maintenance funds shall not apply to the funds described in the preceding proviso: Provided further, That the transfer authority provided under this heading is in addition to any other transfer authority provided elsewhere in this Act: Provided further, That of the funds provided under this heading, \$2,666,439,000 shall remain available until September 30, 2027, of which \$3,121,000 shall be available only for expenses relating to certain classified activities.

OPERATION AND MAINTENANCE, ARMY RESERVE

For expenses, not otherwise provided for, necessary for the operation and maintenance, including training, organization, and administration, of the Army Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications, \$3,314,178,000, of which \$165,709,000 shall remain available until September 30, 2027.

OPERATION AND MAINTENANCE, NAVY RESERVE

For expenses, not otherwise provided for, necessary for the operation and maintenance, including training, organization, and administration, of the Navy Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications, \$1,442,054,000, of which \$72,102,700 shall remain available until September 30, 2027.

OPERATION AND MAINTENANCE, MARINE CORPS RESERVE

For expenses, not otherwise provided for, necessary for the operation and maintenance, including training, organization, and administration, of the Marine Corps Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications, \$362,045,000, of which \$18,102,000 shall remain available until September 30, 2027.

OPERATION AND MAINTENANCE, AIR FORCE RESERVE

For expenses, not otherwise provided for, necessary for the operation and maintenance, including

training, organization, and administration, of the Air Force Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications, \$4,322,617,000, of which \$216,131,000 shall remain available until September 30, 2027.

OPERATION AND MAINTENANCE, ARMY NATIONAL GUARD

For expenses of training, organizing, and administering the Army National Guard, including medical and hospital treatment and related expenses in non-Federal hospitals; maintenance, operation, and repairs to structures and facilities; hire of passenger motor vehicles; personnel services in the National Guard Bureau; travel expenses (other than mileage), as authorized by law for Army personnel on active duty, for Army National Guard division, regimental, and battalion commanders while inspecting units in compliance with National Guard Bureau regulations when specifically authorized by the Chief, National Guard Bureau; supplying and equipping the Army National Guard as authorized by law; and expenses of repair, modification, maintenance, and issue of supplies and equipment (including aircraft), \$8,673,981,000, of which \$433,699,000 shall remain available until September 30, 2027.

OPERATION AND MAINTENANCE, AIR NATIONAL GUARD

For expenses of training, organizing, and administering the Air National Guard, including medical and hospital treatment and related expenses in non-Federal hospitals; maintenance, operation, and repairs to structures and facilities; transportation of things, hire of passenger motor vehicles; supplying and equipping the Air National Guard, as authorized by law; expenses for repair, modification, maintenance, and issue of supplies and equipment, including those furnished from stocks under the control of agencies of the Department of Defense; travel expenses (other than mileage) on the same basis as authorized by law for Air National Guard personnel on active Federal duty, for Air National Guard commanders while inspecting units in compliance with National Guard Bureau regulations when specifically authorized by the Chief, National Guard Bureau, \$7,332,599,000, of which \$366,630,000 shall remain available until September 30, 2027.

Commission on PPBE Reform: This effort directly aligns with the Commission’s recommendation #6 – **Increase Availability of Operating Funds**, which states: “The Commission believes it is necessary to address challenges associated with the current periods of appropriation availability and feels strongly that changes need to be made to make one-year appropriations available for long enough to permit effective execution. As described above, the expiration of unobligated O&M [Operation and Maintenance] and MILPERS funds at the end of a fiscal year can lead to counterproductive actions to quickly obligate funds to avoid their expiration prior to obligation of funds. This challenge is further exacerbated by the Department’s need to hold funds until the end of a fiscal year to cover late-breaking bills for items like undefined permanent change of station (PCS) moves, utility bills, military airlift costs, and FSRM [Facilities Sustainment, Restoration, and Modernization] projects to avoid Anti-Deficiency Act (ADA) violations.”

Below Threshold Reprogramming Limits

Summary: This proposal increases the Below Threshold Reprogramming (BTR) levels for the following appropriation titles from the current \$15 million threshold to amounts that are more consistent with historical percentages of inflation and the DoD budget: \$30 million for Operation and Maintenance funding, \$25 million for Research, Development, Test, and Evaluation (RDT&E), and \$40 million for Procurement. The current BTR threshold for the Military Personnel accounts is \$15 million. In addition, this proposal eliminates language for the Procurement and RDT&E appropriations that further defined and restricted BTRs for the Procurement and RDT&E appropriations to the lesser of the appropriation limit or 20 percent of the budget line item (BLI), redefining the BTR threshold solely at the BLI limitation for each appropriation. This proposal also increases the BTR threshold to \$100 million inside the DoD science and technology (S&T) accounts so the DoD can better respond to emerging threats.

Impact: Increasing the BTR thresholds and redefining the BTR limits will minimize delays in the day-to-day execution of funds, provide greater flexibility to the Services and DoD Components to address unanticipated requirements in the year of execution, and eliminate the time required to address minor reprogramming requirements for non-material changes in cost or program growth. Eliminating the “lesser of” language will also provide greater flexibility to the DoD and does not unintentionally penalize smaller BLIs when the need arises to realign funds during the year of execution. Given the rapidly changing technology environment, further increasing the BTR threshold to \$100 million inside the S&T accounts will improve the Department’s ability to more quickly address the continuously evolving threats. Providing an increased threshold of \$30 million for the O&M Readiness Activity Groups and Subactivity Groups will provide more flexibility to the Services and their Guard and Reserve Components as they respond to year of execution readiness demands.

Changes to Existing Law: This section would modify the Joint Explanatory Language on BTR limits and reprogramming guidance.

Joint Explanatory Language Change: Changes to Below Threshold Reprogramming Limits

REPROGRAMMING GUIDANCE

The Secretary of Defense is directed to continue to follow the reprogramming guidance for acquisition accounts as specified in the report accompanying the House version of the Department of Defense Appropriations bill for Fiscal Year 2008 (House Report 110-279). The dollar threshold for reprogramming funds shall be \$15,000,000 for military personnel, \$30,000,000 for operation and maintenance; \$40,000,000 for procurement; and \$25,000,000 for research, development, test, and evaluation.

Additionally, the Under Secretary of Defense (Comptroller) is directed to continue to provide the congressional defense committees annual DD Form 1416 reports for titles I and II and quarterly, spreadsheet-based DD Form 1416 reports for Service and defense-wide accounts in titles III and IV of this Act. Reports for titles III and IV shall comply with guidance specified in the explanatory statement accompanying the Department of Defense Appropriations Act, 2006. The Department shall continue to follow the limitation that prior approval reprogramming actions are set at ~~either the specified dollar threshold or 20 percent of the procurement or research, development, test and evaluation line, whichever is less.~~ These thresholds are cumulative from the base for reprogramming value as modified

by any adjustments. Therefore, if the combined value of transfers into or out of a military personnel (M-1); an operation and maintenance (O-1); a procurement (P-1); or a research, development, test, and evaluation (R-1) line exceeds the identified threshold, the Secretary of Defense must submit a prior approval reprogramming to the congressional defense committees. In addition, guidelines on the application of prior approval reprogramming procedures for congressional special interest items are established elsewhere in this statement. The dollar threshold for reprogramming of science and technology funds inside of the research, development, test, and evaluation budget activities 6.1, 6.2, and 6.3 shall be \$100,000,000. The dollar threshold for reprogramming of operation and maintenance funds shall be \$30,000,000 at the Activity Group.

Commission on PPBE Reform: This effort directly aligns with the Commission’s recommendation **#8A – Increase BTR Thresholds Based Upon the Nominal Growth of the Appropriation**, which states: “The Commission recommends, as an initial step, adjusting existing thresholds to levels more commensurate with historic authority and current needs. Retaining the existing framework for BTRs but raising BTR levels to a level consistent with historic norms will relieve pressure on the congressional reprogramming process and enable the Department to respond to emerging threats and opportunities on a timelier basis. The approach recommended by the Commission would be to calculate new BTR thresholds by adjusting 2003 BTR thresholds for each color of money by the ratio between total spending for the color of money in FY 2003 and total spending for the color of money in FY 2023. This calculation would result in new BTR thresholds of \$25 million for RDT&E, \$40 million for Procurement, \$30 million for O&M, and \$15 million for MILPERS. Because the new BTR thresholds would be consistent with historic norms, the increased execution flexibility would not come at the expense of congressional oversight and control. These increases will give the Department greater ability to adjust spending in light of changing circumstances, threats, and emerging needs without changing the overall reprogramming framework or undermining existing congressional oversight procedures and requirements.”

Army Agile Funding Pilot Reprogramming Language

Summary: This proposal changes the reprogramming thresholds for programs inside the Army Agile Funding Pilot.

Impact: As part of the FY 2026 President’s Budget, there were a number of BLI consolidations in the Army Procurement and RDT&E appropriations for the Counter-small Unmanned Aerial Systems (C-sUAS), UAS-Launched Effects, and UAS-Electronic Warfare portfolios of systems to create an Army Agile Funding Pilot program. By consolidating the BLIs and providing for a higher BTR threshold for the programs inside the pilot, the Army will be able to respond more quickly to the rapidly changing threat environment and react quickly to operational demands.

Changes to Existing Law: This proposal would add the below General Provision to the DoD Appropriations Bill.

General Provision: Army Agile Funding Pilot Reprogramming Language

SEC. 8074. Notwithstanding any other provision of this Act, amounts appropriated in titles III and IV of this Act aligned to a P-1 or R-1 program, project, or activity within a designated agile funding budget activity (as designated in the Military Departments' Congressional Justification Budget Materials) may be reprogrammed within or transferred between any other P-1 or R-1 program, project, or activity located within the same designated agile funding budget activity: Provided, That not less than 15 days prior to any transfer or reprogramming pursuant to this section, the Secretary of the Service concerned shall notify the congressional defense committees of the details of such transfer or reprogramming if such transfer or reprogramming results in a cumulative transfer or reprogramming of greater than \$50,000,000 for a procurement program, project, or activity, or \$25,000,000 for a research, development, test and evaluation program, project, or activity: Provided further, That the transfer authority provided under this section is in addition to any other transfer authority provided in this Act.

Commission on PPBE Reform: This effort directly aligns with the Commission’s recommendation **#10 – Review and Consolidate Budget Line Items (BLIs)**, which states: “The Department has taken a number of steps in recent years to review and consolidate BLIs on a select basis. The DoD should continue this effort by beginning a process to systematically review BLIs and work with the congressional defense committees to rationalize and consolidate BLIs where appropriate. Successful consolidation of BLIs requires collaboration between Congress and the DoD. Recognizing the limited bandwidth of DoD and congressional staff, the DoD should conduct reviews of portfolios of BLIs on a rolling basis over a five- to ten-year cycle. After initial consultation with the committees regarding a portfolio (for example, a Service Science and Technology portfolio, or by individual PEO portfolios), the comptrollers of the Military Departments should review and prepare further proposals to rationalize the BLI structure for the portfolio in consultation with responsible acquisition leaders and OSD leadership. The proposal should then be presented to the congressional defense committees and an agreement reached on what changes, if any, to implement.”

Software Funding Flexibility

Summary: This proposal allows for Procurement, RDT&E, or O&M funding to be available for the entire lifecycle of software.

Impact: Today, effective software acquisition takes place through a continuous cycle of development, prototyping, testing, fielding, troubleshooting, revision, and sustainment and uses different appropriations for those tasks. Given that the difference between opening the code to fix issues (traditionally O&M funding) and integrate new capabilities (traditionally RDT&E funding) is not as easily segregable with software the way it is more easily distinguishable with hardware, the requirement to use different appropriations for these tasks no longer aligns well with this cycle. The proposal would allow for each of the three appropriations (Procurement, RDT&E, and O&M) to be appropriately used for the full cycle of software activities. Substantial delay, administrative burden, and risk of potential ADA violation is associated with determining which appropriation is best used for which tasks and then ensuring the correct alignment of funds, to include any required reprogramming actions. This will reduce budget segmentation for the program, allow programs to better maintain their schedules, and enable faster reactions to required software changes in support of operational demands and evolving vulnerability and capability assessments.

Changes to Existing Law: This proposal would add the below General Provision to the DoD Appropriations Bill.

General Provision: Software Funding

SEC. 8055. Amounts appropriated under titles II, III, and IV of this Act may be used for expenses for the agile research, development, test and evaluation, procurement, production, modification, and operation and maintenance for software and digital technology programs.

Commission on PPBE Reform: This effort directly aligns with the Commission's recommendation #11A – **Allow Procurement, RDT&E, or O&M to be Used for the Full Cycle of Software Development, Acquisition, and Sustainment**, which states: “Allowing Procurement, RDT&E, or O&M to fund software reduces the risks associated with drawing new funding barriers between software and hardware within programs, while providing the budget agility appropriate for the continuous and iterative nature of software. This recommendation allows programs to iteratively deliver up to date capabilities, without having to delay due to administrative requirements. Programs will still have to ensure that software development and acquisition are justified and abide by existing laws and regulations on the legal use of funds, maintaining congressional oversight.”

PPBE Reform

Legislative Proposal

Revision to Statutory Duties of USD(C)

Summary: This proposal would add defense business systems that impact financial statement auditability to the list of areas under the purview of the USD(C) in Title 10, U.S. Code §135.

Impact: This proposal would ensure that auditability requirements are part of the DoD business systems portfolio management. Systems are such a critical element in support of business processes that they alone can keep the Department from attaining a clean audit report. Recent audits by both the General Accountability Office (GAO) and the DoD Inspector General (DoDIG) have addressed the need to enforce additional auditability guidance on business systems that impact financial reporting. Amending Section 135(c)(3)(B) would address concerns like those from GAO and DoDIG by linking system oversight to audit outcomes. As a result, Comptroller would be better positioned to accomplish Section 135(d)(2) and the attainment of a compliant auditable DoD system environment.

Changes to Existing Law: Section 135(c)(3)(B) of Title 10, U.S. Code, is amended by inserting before the semicolon the following: “, including defense business systems that support those financial business activities and impact the attainment of a clean audit opinion”.

§135. Under Secretary of Defense (Comptroller)

(a)(1) There is an Under Secretary of Defense (Comptroller), appointed from civilian life by the President, by and with the advice and consent of the Senate. A person may not be appointed as Under Secretary within seven years after relief from active duty as a commissioned officer of a regular component of an armed force.

(2) The Under Secretary of Defense (Comptroller) shall be appointed from among persons who have significant budget, financial management, or audit experience in complex organizations.

(b) The Under Secretary of Defense (Comptroller) is the agency Chief Financial Officer of the Department of Defense for the purposes of chapter 9 of title 31. The Under Secretary of Defense (Comptroller) shall perform the duties assigned to the Under Secretary in section 2222 of this title and such additional duties and exercise such powers as the Secretary of Defense may prescribe.

(c) The Under Secretary of Defense (Comptroller) shall advise and assist the Secretary of Defense—

(1) in performing such budgetary and fiscal functions and duties, and in exercising such budgetary and fiscal powers, as are needed to carry out the powers of the Secretary;

(2) in supervising and directing the preparation of budget estimates of the Department of Defense.

(3) in establishing and supervising the execution of principles, policies, and procedures to be followed in connection with organizational and administrative matters relating to—

(A) the preparation and execution of budgets;

(B) fiscal, cost, operating, and capital property accounting, including defense business systems that support those financial business activities and impact the attainment of a clean audit opinion; and

(C) progress and statistical reporting;

(4) in establishing and supervising the execution of policies and procedures relating to the expenditure and collection of funds administered by the Department of Defense; and

(5) in establishing uniform terminologies, classifications, and procedures concerning matters covered by paragraphs (1) through (4).

(d) In addition to any duties under subsection (c), the Under Secretary of Defense (Comptroller) shall, subject to the authority, direction, and control of the Secretary of Defense, do the following:

(1) Provide guidance and instruction on annual performance plans and evaluations to the following:

(A) The Assistant Secretaries of the military departments for financial management.

(B) Any other official of an agency, organization, or element of the Department of Defense with responsibility for financial management.

(2) Give directions to the military departments, Defense Agencies, and other organizations and elements of the Department of Defense regarding their financial statements and the audit and audit readiness of such financial statements.

(e) The Under Secretary of Defense (Comptroller) takes precedence in the Department of Defense after the Under Secretary of Defense for Policy.

(f) The Under Secretary of Defense (Comptroller) shall ensure that each of the congressional defense committees is informed, in a timely manner, regarding all matters relating to the budgetary, fiscal, and analytic activities of the Department of Defense that are under the supervision of the Under Secretary of Defense (Comptroller).

Commission on PPBE Reform: This effort directly aligns with the Commission's recommendation #22 – **Accelerate Progress Towards Auditable Financial Statements**, which states: “The Commission recommends that the USD(C) [Under Secretary of Defense for Comptroller], in coordination with the DoD CIO [Chief Information Officer], PIO/DA&M [Performance Improvement Officer/Director of Administration and Management], and the military Services, develop and approve policy changes to financial systems needed to support the financial statement audit.”

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PPBE Reform

Ongoing Efforts and Initiatives

Communication Enclaves for Congressional Engagement

Summary and Impact: Strengthening information exchange between the Department of Defense and Congress on resourcing matters yields mutual benefits—providing timely, accurate, and accessible data, enhances transparency, fosters stronger institutional relationships, reduces the administrative burden of information requests, and facilitates more informed legislative decision-making. To support this objective, the Department is establishing a secure, digital collaboration environment to enable streamlined communication with Congress to support the Administration’s objectives. As a key deliverable, the Department will deploy the “Dash-1” Application to the Secure Unclassified Network – Advana (SUNVANA) production environment for use by congressional staff. This application will offer access to summary-level President’s Budget data across all major DoD appropriations, including MILPERS (M-1), O&M (O-1), Revolving and Management Fund (RF-1), Procurement (P-1), Reserve Procurement (P-1R), RDT&E (R-1), and Military Construction, Family Housing, and BRAC (C-1). The Dash-1 is currently populated with PB 2025 data and will include FY 2026 data upon availability. This capability represents the first in a series of tools the Department intends to deliver via SUNVANA to support congressional engagement.

Commission on PPBE Reform: These efforts directly align with **Recommendation #19 of the Commission on PPBE Reform—Establish Classified and Unclassified Communication Enclaves**—which states: “The CDAO, in coordination with the DoD CIO, USD(C), and Assistant Secretary of Defense for Legislative Affairs (ASD(LA)), should expedite the delivery of a classified and unclassified enclave to share appropriate information with Congress and for Congress to share information with DoD.” The Commission identified potential uses for these enclaves, including the delivery of the annual President’s Budget and associated justification materials, reprogramming actions, financial execution data, and congressional reporting requirements.

Financial Management Regulation Updates

Summary and Impact: The Department is executing a comprehensive, systematic update and modernization of all chapters of the DoD Financial Management Regulation (FMR). This initiative is designed to enhance usability through improved search functionality, embedded hyperlinks to relevant U.S. Code sections and historical updates, and a full rewrite of all chapters using plain language to ensure clarity and accessibility for users at all levels. Significant progress has been made in revising 332 chapters spanning more than 7,000 pages, and the Department remains on track to complete this effort by September 30, 2026, in accordance with Section 1005 of the National Defense Authorization Act (NDAA) for FY 2025.

The Department remains committed to maintaining rigorous financial policies and standards that promote fiscal responsibility and ensure compliance with applicable legal and regulatory frameworks. In parallel, dashboards in Advana are being leveraged to inform policy decision-making, drive innovative solutions that enhance policy accessibility, and enable more agile updates to financial procedures.

Commission on PPBE Reform: These efforts directly support **Recommendation #12 of the Commission on PPBE Reform—Review and Update PPBE-Related Guidance Documents**—

which emphasizes the importance of providing clear, consistent, and current guidance to support efficient and effective decision-making at all levels. The recommendation specifically calls for systematic updates to key financial, acquisition, and program guidance, including the DoD FMR, to serve as a more timely and practical resource for Departmental managers.

Modernizing Data Analytics Systems and Processes

Summary and Impact: The complexity of the Department's PPBE process is immense. It encompasses thousands of interrelated components involving people, technology, and procedural interactions. The Department is committed to delivering modern data, analytical capabilities, and innovative solutions that view disparate data through a single lens. With the common analytics platform, Advana, the Department has a single, secure repository for PPBE data, which makes information readily available along with access to the authoritative data across functional areas.

Through close collaboration and strategic partnerships with stakeholders and data owners, the Department reached a major milestone with the creation of Consolidated Budget Execution Applications sourcing data from the General Ledger. The Minimum Viable Product is complete and sub-applications for O&M, Procurement, RDT&E, and Military Construction are approaching Initial Operational Capability. The Department has also enabled the ingestion of FY 2025 President's Budget data from the Next Generation Resource Management System (NGRMS) into ADVANA SIPR and completed the civilian pay application.

Commission on PPBE Reform: These efforts directly align with the Commission's recommendation #26 – **Streamline Processes and Improve Analytics Capabilities**, and also support recommendations #20 – **Create a Common Analytics Platform** and #23 – **Continue Rationalization of OSD Resourcing Systems**. All of these efforts and reform recommendations focus on the need for expanded and enhanced resourcing analytic capabilities through shared platforms.

Expand Training on Data Analytics

Summary and Impact: There is a relationship between data analytics and improved decision making. Data is a strategic resource, and it is critical to build and maintain battlefield advantage. As part of investing in our people, training and development opportunities in data analytics is necessary to equip them with the skills to be successful and adaptable, ready to meet the Department's evolving resource challenges. This training is a shift from finding and reconciling data to analysis of the available authoritative information that enables better analysis and decision making at all levels of the Department.

The DoD Financial Management Certification Program (DFMCP) Requirements Review Committee recommended the completion of mandatory Data Analytics (DA) courses for all three certification levels. In response, the Office of the Under Secretary of Defense (Comptroller) / Human Capital and Resource Management (OUSD(C)/HCRM) launched the first OUSD(C)-sponsored Naval Postgraduate School (NPS) DA cohort, selecting 40 competitive financial management professionals to enhance their skills and expertise in data analytics. In FY 2025,

OUSD(C)/HCRM initiated the one-year NPS DA graduate-level program and continues to facilitate virtual instructor-led DA training.

Looking ahead to FY 2026, the Department aims to sustain existing OUSD(C)/HCRM-funded training opportunities, assess the success of the NPS pilot program for potential continuation, and explore further expansion of DA training based on budget considerations. As part of this effort, OUSD(C)/HCRM is leveraging Advana, the Department's advanced analytics platform, to enhance financial management training, streamline data-driven decision-making, and reinforce the integration of analytics capabilities within DoD's financial workforce. Through these strategic initiatives, OUSD(C)/HCRM remains committed to advancing financial management expertise and ensuring personnel are equipped to navigate the evolving landscape of fiscal policy and data analytics.

Commission on PPBE Reform: These efforts directly align with the Commission's recommendation #27C – **Expand Training on Data Analytics**, which states: “the focus for personnel supporting the PPBE process needs to shift from finding and reconciling data to analysis of the available authoritative information. Understanding what is available and where to find it will further enable better analysis and presentation of that information to senior leaders.”

Foundational Data Governance and Management

Summary and Impact: The Department is strengthening its foundational data governance and management specifically targeted at the data structures that underpin the modern analytics systems and processes and in alignment with the Secretary of Defense's emphasis on institutional reform and data-driven decision-making. A key element of this effort is the creation of a PPBE Common Data Model, defining a standardized set of data elements aligned to the Standard Financial Information Structure to ensure leaders, forums, and processes in the Department have quality analytic insights to leverage for decisions and guidance. Common lookup functions ensure consistent data application across all data sources, and iterative mappings with dynamic functions simplify data element updates and maintenance. This foundation has been implemented for 12 of 20 data sources. The resulting data consistency has also improved Comptroller and Community Qlik Applications through aligned fields and filter names.

Commission on PPBE Reform: These efforts directly align with the Commission's recommendation #20 – **Create a Common Analytics Platform**, which states in part: “A common platform should provide enterprise-wide and streamlined access to best of breed analytic capabilities and authoritative data...ensuring all organizations are leveraging the same authoritative, transaction-level business and select warfighting data, which will be automated, linked, and appropriately integrated, will allow decision-makers to see the complete sight picture like never before, driving more meaningful decisions.”

Achieve a Clean Audit Opinion by 2028

Summary and Impact: Achieving an unmodified audit opinion remains a top priority for the Department of Defense and is essential to advancing the 2025 Presidential priorities of fiscal

stewardship, transparency, and public trust. A modern, disciplined business systems environment—one that reliably tracks, processes, and reports financial data—is foundational to meeting this objective. System rationalization and modernization efforts are directly tied to strengthening the integrity of the Department’s financial reporting and decision-making capabilities.

The Department is methodically addressing the most critical barriers to auditability in alignment with the Secretary of Defense’s emphasis on institutional reform and data-driven decision-making. Through formal governance processes, DoD is maintaining a comprehensive inventory of business systems that impact financial reporting, and is prioritizing those systems based on audit relevance. The Department continues to leverage the Defense Business System Annual Certification process to enforce compliance with audit readiness standards and is aggressively retiring legacy systems that no longer meet mission or audit needs.

In support of these efforts, the Department is actively reviewing governing statutes and policy authorities to remove structural barriers to audit progress. A legislative proposal was submitted to clarify the statutory responsibilities of the Under Secretary of Defense (Comptroller) regarding audit-relevant systems. The Department is also working with the Office of Management and Budget (OMB) to address audit challenges associated with the establishment of beginning balances for certain accounts and the use of the purchases method of accounting for Operating Materials and Supplies under specific conditions.

Commission on PPBE Reform: This effort directly aligns with the Commission’s recommendation #22 – **Accelerate Progress Towards Auditable Financial Statements**, which states: “The Commission recommends that the USD(C) [Under Secretary of Defense for Comptroller], in coordination with the DoD CIO [Chief Information Officer], PIO/DA&M [Performance Improvement Officer/Director of Administration and Management], and the military Services, develop and approve policy changes to financial systems needed to support the financial statement audit.”

Improve Training for Financial Management Personnel

Summary and Impact: In support of the Administration’s commitment to workforce professionalization and the Secretary of Defense’s priority of cultivating a mission-ready and data-fluent workforce, the Department is enhancing training for financial management personnel engaged in budget justification activities. Each year, the DoD produces over 60,000 pages of justification materials (“j-books”)—a critical element of the PPBE process and the Department’s engagement with Congress. These materials are complex, evolving, and often reflect a combination of statutory obligations and stakeholder expectations.

To ensure these materials are developed accurately, consistently, and persuasively, the Department is launching a standardized, structured training curriculum accessible to financial management professionals and other interested communities. Subject matter experts are actively revising core PPBE content and developing appropriation-specific training for the Procurement, RDT&E, and O&M appropriations with the Defense Acquisition University (DAU), establishing a comprehensive learning pathway. As part of this initiative, DAU’s “BFM 0030: Budget Exhibits” course was recently updated and released, and is now available to the financial management and

acquisition workforces. These enhancements ensure that budget narratives align with Departmental priorities, communicate mission needs effectively, and support congressional engagement with clarity and precision.

Commission on PPBE Reform: This effort directly aligns with the Commission’s recommendation #27A – **Improve Training for Preparation of Justification Materials (J-books)** which states in part: “The Commission recommends the creation of training courses for various types of budget justification materials, including J-books, data files, and staffer briefings. Course material for inclusion in existing courses or individual courses should be created for financial management (FM) and acquisition personnel and for other groups as needed.”

Consolidate Budget Line Items (BLI)

Summary and Impact: The BLIs are the building blocks of the annual President’s Budget that determine how DoD will request that funds be authorized and appropriated, thereby impacting how much flexibility the Department has during the year of execution. Over the past decade, the number of BLIs has increased due to the propensity to segregate program content to retain transparency for specific projects. The Department has previously been successful with efforts to consolidate BLIs, such as across multiple U.S. Special Operations Command appropriations and Army S&T programs, which highlights the collaboration between the DoD and Congress on such efforts.

The FY 2026 President’s Budget submission is expanding on that success and includes several consolidated BLIs throughout the Component’s budget justification materials. The DoD Components proposed changes to their current BLI structure to consolidate similar capability efforts into a singular line or fewer lines, enable more agile funding for rapidly changing portfolios, or to standardize the way the BLIs are structured in an appropriation. For FY 2026, the Department focused on standardization across the Military Departments, streamlining to enhance accountability, increase flexibility and ensure transparency and visibility of information. Details on all consolidated BLIs, to include a crosswalk from the former structure to the new structure, are included in the Component budget justification materials. The BLI consolidations were done in the following accounts:

- Army Procurement and RDT&E
- Navy Procurement, RDT&E, and O&M
- Air Force Procurement and RDT&E
- Army, Navy, Marine Corps, Air Force, and Space Force MILPERS
- Defense Advanced Research Projects Agency RDT&E

Commission on PPBE Reform: This effort directly aligns with the Commission’s recommendation #10 – **Review and Consolidation Budget Line Items**, which states: “The Department has taken a number of steps in recent years to review and consolidate BLIs on a select basis. The DoD should continue this effort by beginning a process to systematically review BLIs and work with the congressional defense committees to rationalize and consolidate BLIs where appropriate. Successful consolidation of BLIs requires collaboration between Congress and the DoD.”

Other Budget Flexibilities

Appropriation Language Proposals

Defense Health Program Transformational Fund

Summary: This proposal allows the Defense Health Program (DHP) to transfer unobligated balances of expired discretionary funds in any of its accounts into a Transformation Fund for the purposes of: (1) medical treatment facility infrastructure improvements, including nonrecurring maintenance; (2) military health system information technology systems improvements and sustainment; and (3) shortfalls in the Private Sector Care (PSC)/TRICARE program.

Impact: Healthcare costs are inherently volatile and unpredictable. While current carryover authority provides a modest level of flexibility for unanticipated and emerging year-of-execution challenges, this authority would target structural improvements and while also providing additional capability to address chronic PSC shortfalls. This proposal is similar to authority provided to the Department of Veteran's Affairs by Congress in the FY 2016 Consolidated Appropriations Act (Public Law 114-113).

Discretionary/Mandatory Scoring Impact: The Department does not view Section 8069 transfers into the Transformational Fund as separate or additional scoring against discretionary spending caps in FY 2026 or thereafter. In the case of Section 8069 deposits into the Transformational Fund, when funding "appropriated in this or any succeeding fiscal year" does expire, it will have already scored at the time of initial enactment—and as such Congress is not appropriating any additional budget authority. This can be contrasted with a hypothetical provision that reaches backward to funds appropriated in prior years, and which are now expired, and re-appropriates them for future use.

Changes to Existing Law: This proposal would add the below General Provision to the DoD Appropriations Bill.

General Provision: Defense Health Program Nonrecurring Expenses Transformational Fund

SEC. 8069. There is hereby established in the Treasury of the United States a fund to be known as the Defense Health Program Nonrecurring Expenses Transformational Fund (the Fund): Provided, That unobligated balances of expired discretionary funds appropriated for this or any succeeding fiscal year from the General Fund of the Treasury to the Department of Defense for the Defense Health Program account by this or any other Act may be transferred (not later than the end of the fifth fiscal year after the last fiscal year for which such funds are available for the purposes for which appropriated) into the Fund: Provided further, That amounts deposited in the Fund shall be available until expended: Provided further, That, in addition to any other funds available for such purposes, amounts in the Fund shall be available, subject to approval by the Office of Management and Budget, for facilities infrastructure improvements, including maintenance, at Department of Defense medical treatment facilities; for information technology systems improvements and sustainment of the military health system; and to offset shortfalls in the Department of Defense Private Sector Care/TRICARE program: Provided further, That amounts in the Fund may be obligated only after the Committees on Appropriations of both Houses of Congress are notified at least 15 days in advance of the planned use of such funds.

Civil Military Program Transfer Authority

Summary: This proposal modifies the existing General Provision for the Civil Military Program (CMP) and allows any excess funds not needed for a specific CMP project to be transferred back to the originating appropriation for use on another project without using General Transfer Authority (GTA).

Impact: This flexibility ensures maximum execution of the Innovative Readiness Training opportunities that will help increase deployment readiness, while simultaneously providing key services with lasting benefits for our American communities. Today, funding transferred from the CMP Operation and Maintenance, Defense-Wide (O&M, DW) account to the Services' military personnel (MILPERS) appropriations uses GTA. Any funding that is no longer required in the MILPERS accounts can be transferred back to the CMP O&M, DW account using GTA. The requested change provides Special Transfer Authority for this purpose so that funds transferred to and from the CMP account would no longer use GTA for either transfer. This proposal is equal to authorities provided to other DoD accounts executed outside of the originating account, such as the Environmental Restoration accounts and the Drug Interdiction and Counter-Drug Activities, Defense accounts.

Changes to Existing Law: This proposal would modify the existing annual General Provision to the DoD Appropriations Bill.

General Provision – O&M, DW Civil Military Transfer Authority

SEC. 8029. During the current fiscal year, no more than \$30,000,000 of appropriations made in this Act under the heading "Operation and Maintenance, Defense-Wide" may be transferred to appropriations available for the pay of military personnel, to be merged with, and to be available for the same time period as the appropriations to which transferred, to be used in support of such personnel in connection with support and services for eligible organizations and activities outside the Department of Defense pursuant to section 2012 of Title 10, United States Code: Provided, That upon a determination that all or part of the funds transferred are not necessary for the purposes provided herein, such amounts may be transferred back and merged with funds in this appropriation: Provided further, That the transfer authority provided under this provision is in addition to any other transfer authority provided in this Act.

