

**CHAPTER 1**  
**GENERAL INFORMATION**  
**Table of Contents**

<b>0101</b>	<b>GENERAL POLICIES .....</b>	<b>1</b>
010101	Purpose.....	1
010102	Organization.....	1
010103	Changes to Volume 2 .....	1
010104	Reports Control Symbol.....	1
010105	Requests for Exceptions to OMB Circular A-11 .....	1
010106	Proposed Changes in Budget Structure and Appropriation Language.....	2
010107	Budget Terminology/Definitions.....	2
010108	Security Classifications .....	8
<b>0102</b>	<b>FUNDING POLICIES .....</b>	<b>10</b>
010201	Criteria for Determining Expense and Investment Costs.....	10
010202	Full Funding of Procurement Programs .....	14
010203	Multiyear Procurement.....	15
010204	Transportation .....	17
010205	Engineering Change Orders .....	18
010206	Factory Training .....	18
010207	Interim Contractor Support .....	18
010208	Commercial Off-the-Shelf (COTS) and Non-Developmental Item (NDI) Procurement .....	19
010209	Spares and Repair Parts.....	19
010210	Direct and Reimbursable Budget Plans.....	19
010211	<i>Budgeting for Information Technology and Automated Information Systems</i> .....	21
010212	Research, Development, Test and Evaluation (RDT&E) - Definitions and Criteria .....	22
010213	RDT&E - Incremental Programming and Budgeting Basis.....	29
010214	Defense Working Capital Funds - Operating Budget.....	30
010215	Defense Working Capital Funds - Mobilization/Surge Costs.....	30
010216	Defense Working Capital Funds - War Reserve Materiel .....	31
010217	Defense Working Capital Funds - Military Personnel Costs.....	31
010218	Defense Working Capital Funds - Full Recovery of Costs/Setting Prices.....	31
010219	Defense Working Capital Funds - Capital Budgeting .....	32
010220	Defense Working Capital Funds - Base Support .....	33
010221	Defense Working Capital Funds - Dual Funded Organizations.....	34
010222	Defense Working Capital Funds - Customer Mandated Schedule.....	34
010223	Glossary of Terms – Procurement.....	35
010224	Glossary of Terms – RDT&E.....	38
<b>0103</b>	<b>BUDGET ESTIMATES SUBMISSION.....</b>	<b>40</b>
010301	General.....	40
010302	Distribution .....	41
010303	Preparation of the Biennial Budget Estimates .....	51
010304	Not Used .....	53
010305	Budget Estimates Summaries and Transmittal .....	54
010306	Supplemental Appropriations Submissions .....	55
010307	Additional Budget Submissions (ABS).....	55
010308	Major Budget Issues (MBIs).....	56
010309	Budget Review Procedures .....	56
<b>0104</b>	<b>CONGRESSIONAL JUSTIFICATION/PRESENTATION.....</b>	<b>58</b>
010401	General.....	58
010402	Supplemental and Amended Appropriations Requests.....	61
010403	Distribution/Internet Posting of Budget Material .....	62
010404	Witness Statements.....	87
010405	Transcript Processing.....	88
010406	Appeal Process on Congressional Actions .....	89

**CHAPTER 1  
GENERAL INFORMATION  
Table of Contents**

**0105 BUDGET AUTOMATION REQUIREMENTS ..... 91**  
010501 Not Used ..... 91  
010502 Automated Procurement Programs Database ..... 91  
010503 Automated RDT&E Programs Database ..... 92  
010504 Automated Construction Program Database..... 93  
010505 *CIS Automation Requirements for the Biennial Budget Estimates Submission* ..... 95  
010506 *CIS Budget Structure Listing (BSL)* ..... 97  
**0106 UNIFORM BUDGET AND FISCAL ACCOUNTING CLASSIFICATIONS..... 100**  
010601 General ..... 100  
010602 Functional Titles..... 100  
010603 Definitions of Functional Titles and Subdivisions..... 101  
**0107 AUTOMATED FUTURE YEARS DEFENSE PROGRAM (FYDP) DATABASES..... 110**  
010701 FYDP Update System (FUSE) ..... 110  
010702 FYDP Structure Management (FSM) System ..... 112  
**0108 AUTOMATED COMMUNICATIONS, COMMAND AND CONTROL,  
INTELLIGENCE, SURVEILLANCE AND RECONNAISSANCE (C<sup>3</sup>ISR) DATABASE..... 114**  
**0109 GENERAL GUIDANCE SUBMISSION FORMATS..... 115**  
010901 Purpose..... 115  
010902 Exhibits in Support of Section 0103 - Budget Estimates Submission ..... 116  
010903 Exhibits in Support of Section 0104 - Congressional Justification/Presentation..... 116  
010904 Exhibits in Support of Section 0105 – Budget Automation Requirements..... 116  
010905 Exhibits in Support of Section 0107 – Automated FYDP Databases Requirements ..... 116

## CHAPTER 1

★June 2000

## GENERAL INFORMATION

**0101 GENERAL POLICIES****010101 Purpose**

A. Volume 2 of the Financial Management Regulation (FMR) provides general guidance on the formulation and submission of the budget requests to the Office of the Secretary of Defense for the Fall budget review and the presentation and justification of the budget requests to the Congress. This volume is established under the authority of DoD Instruction 7000.14.

B. Volume 2 of the FMR is intended as a comprehensive reference book on budget matters of the Department of Defense. Budget policy memoranda issued throughout the year will provide any necessary changes or revisions to this standing document, as well as special instructions and nonrecurring requirements unique to that year's budget cycle.

C. The provisions of Volume 2 apply to all military and civil functions of the Department of Defense.

D. An introduction to the total Financial Management Regulation, DoD 7000.14-R can be found in Volume 1 of the Regulation.

**010102 Organization**

A. Volume 2 is organized into 19 chapters that provide specific guidance, required budget exhibits and formats along with instructions for their preparation, and automated submission requirements.

**010103 Changes to Volume 2**

A. Changes to Volume 2 will be issued biennially, prior to the Fall budget review of the initial biennial budget cycle. Pen and ink changes will not be used.

B. Generally, significant changes on a page will be indicated by the paragraph or section containing a change being printed in *ITALICS*.

**010104 Reports Control Symbol**

Data requirements established by this volume are exempt from the requirement for assignment of a Report Control Symbol.

**010105 Requests for Exceptions to OMB Circular A-11**

A. Each year the Office of Management and Budget (OMB) issues Circular No. A-11 which addresses the preparation and submission of budget estimates for all Federal agencies.

B. Federal agencies are allowed to request exceptions to the requirements of Circular A-11 by submitting in writing to OMB all required exceptions by August 1. Exceptions approved by OMB are valid only for 1 year.

C. Each year the USD(Comptroller) requests certain exceptions to OMB Circular A-11. Generally, these exceptions concern special situations that are unique to the Department of Defense.

1. Subsequent to the issuance of Circular A-11 by OMB each year, any DoD Component requiring an exception to the requirements of Circular A-11 should submit in writing the specific section for which

an exception is required and provide adequate rationale to justify the exception. The memorandum addressing the requested exceptions should be submitted directly to the Office of the USD(Comptroller), Program/Budget, Plans and Systems Directorate (Room 3A862, telephone (703) 697-9171) no later than July 15 of each year.

2. If the requested exception is acceptable to the USD(Comptroller), these proposals will be consolidated and forwarded to OMB for approval. Components will be advised of any exceptions approved by OMB.

3. All DoD Components are required to comply with any requested exceptions not approved and to properly reflect the information in the budget submissions.

#### **010106 Proposed Changes in Budget Structure and Appropriation Language**

A. Under the provisions of OMB Circular A-11, the following types of changes must be cleared with OMB:

1. Changes in the appropriation pattern, including proposed new accounts and changes in the titles and sequence of existing accounts.

2. Changes in the methods of funding a program.

3. Changes in program or budget activity classifications for the program and financing schedules for all appropriation accounts and funds.

B. Any proposed changes on the items listed above must be submitted by memorandum to the Office of the USD(Comptroller) that explains the proposal and the rationale for the changes. If acceptable to the USD(Comptroller), these proposals will be forwarded to OMB for approval.

C. Proposed changes in the wording of appropriation language should be submitted to the Office of the Deputy General Counsel (Fiscal) (Room 3D961, telephone (703)695-5864) as soon as possible after the passage of the current year's appropriations acts. ODGC(Fiscal) will coordinate changes with OMB.

#### **010107 Budget Terminology/Definitions**

A. Standard Government-wide definitions of budget terminology are provided in the Office of Management and Budget's issuance's, most notably Circulars A-11 (Section 20) and A-34 (Section 11).

B. For the Department of Defense, some of the more common budget concepts applicable to budget formulation follow:

1. Accrual Basis of Accounting: A method of accounting in which revenues are recognized in the period earned and costs are recognized in the period incurred, regardless of when payment is received or made. There have been many initiatives over the years to convert the Federal Budget to an accrual accounting basis. Although the budget is on a cash basis, DoD accounting is on the accrual basis.

2. Advance Procurement: Authority provided in an appropriations act to obligate and disburse during a fiscal year before that in which the related end item is procured. The funds are added to the budget authority for the fiscal year and deducted from the budget authority of the succeeding fiscal year. Used in major acquisition programs for advance procurement of components whose long-lead-times require purchase early in order to reduce the overall procurement lead-time of the major end item. Advance procurement of long lead components is an exception to the DoD "full funding" policy and must be part of the President's budget request.

3. Appeal: A request for reconsideration of an action taken to adjust, reduce, or delete funding for an item during the congressional review of the Defense budget (authorization and appropriation). This process is discussed in Section 010406.

4. Apportionment: A distribution by the Office of Management and Budget of amounts available for obligation in appropriation or fund accounts of the Executive Branch. The distribution makes amounts available on the basis of specified time periods, programs, activities, projects, or combinations thereof. The apportionment system is intended to achieve an effective and orderly use of funds. The amounts so apportioned limit the obligations that may be incurred.

5. Appropriations: A provision of legal authority by an act of the Congress that permits Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriation usually follows enactment of authorizing legislation. An appropriation act is the most common means of providing budget authority (see Budget Authority). Appropriations do not represent cash actually set aside in the Treasury for purposes specified in the appropriation act; they represent limitations of amounts which agencies may obligate during the time period specified in the respective appropriation acts.

6. Authorization (Authorizing Legislation): Basic substantive legislation enacted by the Congress which sets up or continues the legal operation of a Federal program or agency either indefinitely or for a specific period of time or sanctions a particular type of obligation or expenditure within a program. Such legislation is normally a prerequisite for subsequent appropriations or other kinds of budget authority to be contained in appropriation acts. It may limit the amount of budget authority to be provided subsequently or may authorize the appropriation of "such sums as may be necessary."

7. Biennial Budget: The FY 1986 Department of Defense Authorization Act required the submission of two-year budgets for the Department of Defense and related agencies beginning with FY 1988/FY 1989. The Department has fully institutionalized a biennial cycle for the Planning, Programming, and Budgeting System (PPBS), including the Defense Guidance (DG), the Program Objective Memorandum (POM), Volume 2 of the Financial Management Regulation (FMR) and budget formulation memoranda. A biennial budget, as currently structured, represents program budget estimates for a two-year period in which fiscal year requirements remain separate and distinct.

8. Budget Activity: Categories within each appropriation and fund account which identify the purposes, projects, or types of activities financed by the appropriation or fund.

9. Budget Amendment: A formal request submitted to the Congress by the President, after his formal budget transmittal but prior to completion of appropriation action by the Congress, that revises previous requests, such as the amount of budget authority.

10. Budget Authority: The authority becoming available during the year to enter into obligations that result in immediate or future outlays of Government funds.

11. Budget Deficit: The amount by which the Government's budget outlays exceed its budget receipts for any given period. Deficits are financed primarily by Treasury borrowing from the public.

12. Budget Receipts: Amounts received by the Federal Government from the public that arise from the exercise of governmental or sovereign power (primarily tax revenues, but also receipts from premiums of compulsory social insurance programs, court fines, license fees, etc.); premiums from voluntary participants in Federal social insurance programs; and gifts and contributions. Excluded from budget receipts are collections resulting from business-type transactions and payments between government accounts as a result of intragovernmental transactions.

13. Closed (Canceled) Appropriations: An appropriation that is no longer available for the adjustment or payment of obligations. Appropriations are closed (canceled) after being in the expired status for five

years. A Comptroller General opinion has provided the DoD with authority to make disbursement adjustments to closed appropriations to correct errors only. (See Expired Appropriation.)

14. Concurrent Resolution: A resolution passed by both Houses of Congress, but not requiring the signature of the President, setting forth, reaffirming, or revising the congressional budget for the United States Government for a fiscal year. A concurrent resolution on the budget, due by April 15, must be adopted before legislation providing new budget authority, new spending authority, new credit authority or changes in revenues or the public debt limit is considered. Other concurrent resolutions for a fiscal year may be adopted at any time following the first required concurrent resolution for that fiscal year.

15. Constant Dollars: A dollar value adjusted for changes in prices. Constant dollar series are derived by dividing current dollar estimates by appropriate price indices, a process generally known as deflating. The result is a time series as it would presumably exist if prices were the same throughout as in the base year - in other words, as if the dollar had constant purchasing power. Any changes in such a series would reflect only changes in the real (physical) volume of output. Constant dollar figures are commonly used for gross national product and its components.

16. Continuing Resolution: Legislation enacted by the Congress to provide budget authority for specific ongoing activities in cases where the regular fiscal year appropriation for such activities has not been enacted by the beginning of the fiscal year. The continuing resolution usually specifies a maximum rate at which the agency may incur obligations, based on the rate of the prior year, the President's budget request, or an appropriation bill passed by either or both Houses of the Congress.

17. Controllability: The ability under existing law to control budget authority or outlays during a given fiscal year. "Relatively uncontrollable" usually refers to spending that cannot be increased or decreased without changes in existing substantive law. At the Federal budget level, the largest part of such spending is the result of open-ended programs and fixed costs, such as social security and veterans benefits. For Defense, controllability is limited by the payments due under obligations incurred during prior years.

18. Current Services Estimates: Estimated budget authority and outlays for the upcoming fiscal year based on continuation of existing levels of service, i.e., assuming that all programs and activities will be carried on at the same level as in the fiscal year in progress and without policy changes in such programs and activities. These estimates of budget authority and outlays, accompanied by the underlying economic and programmatic assumptions upon which they are based (such as the rate of inflation, the rate of real economic growth, pay increases, etc.), are required to be transmitted by the President to the Congress.

19. Deferral of Budget Authority: Any action or inaction by any officer or employee of the United States that withholds, delays, or effectively precludes the obligation or expenditure of budgetary resources, including the establishment of reserves under the Antideficiency Act, as amended by the Impoundment and Control Act. Section 1013 of the Impoundment Control Act of 1974 requires a special message from the President to the Congress reporting a proposed deferral of budget authority. Deferrals may not extend beyond the end of the fiscal year in which the message reporting the deferral is transmitted and may be overturned by the passage of an impoundment resolution by either House of Congress.

20. Disbursements: In budgetary usage, gross disbursements represent the amount of checks issued, cash, or other payments made, less refunds received. Net disbursements represent gross disbursements less income collected and credited to the appropriation or fund account, such as amounts received for goods and services provided.

21. Emergency Appropriations: *Appropriations that have been designated by the Congress and the President as an emergency requirement under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.*

22. Expenditures/Disbursements: A term generally used interchangeably with outlays.

23. Expired Appropriation: An appropriation whose period of availability for incurring new obligations has expired but the appropriation is not closed (canceled). During this period, the appropriation is available for adjustment to, or payment of, existing obligations. Appropriations remain in an expired status for 5-years as shown in the table below. At the end of the five-year expiration period, the appropriation is closed (canceled) and is no longer available for the payment of unliquidated obligations. (See Closed (Canceled) Appropriations.)

Normal Life Cycle of Appropriations:

	<u>Years For</u>		
	<u>New</u> <u>Obliga-</u> <u>tions</u> <u>Unexpired</u>	<u>Obligation</u> <u>Adjust. &amp;</u> <u>Disburse.</u> <u>Expired</u>	<u>Closed</u> <u>End of</u> <u>Year</u> <u>Canceled</u>
<u>Approp</u>			
MilPers	1	2-6	6
O&M.	1	2-6	6
RDT&E	2	3-7	7
Proc.	3	4-8	8
SCN	5	6-10	*10
Mil. Con.	5	6-10	10

\* Extended to 15-years under certain circumstances.

24. Federal Debt: Federal debt consists of public debt and agency debt. Public debt is that portion of the Federal debt incurred when the Treasury Department or Federal Financing Bank (FFB) borrows funds directly from the public or another fund or account. Agency debt is that portion of the Federal debt incurred when a Federal agency authorized by law, other than Treasury or the Federal Financing Bank, borrows funds directly from the public or another fund or account.

25. Fiscal Year: Any yearly accounting period without regard to its relationship to a calendar year. The fiscal year for the Federal Government begins on October 1 and ends on September 30. The fiscal year is designated by the calendar year in which it ends. Fiscal years are further designated as follows:

**Past Year-1**: Also referred to as Prior Year-1, the fiscal year immediately preceding the past year.

**Past Year (PY)**: Also referred to as Prior Year, the fiscal year immediately preceding the current year; the last completed fiscal year.

**Current Year (CY)**: The fiscal year in progress. Immediately precedes the budget year.

**Budget Year (BY)**: The next fiscal year for which estimates are submitted if not a biennial budget.

**Budget Year 1 (BY1)**: In a biennial budget submission (Department of Defense), the first fiscal year of a 2-year period for which the budget is being considered.

**Budget Year 2 (BY2)**: In a biennial budget submission (Department of Defense), the second fiscal year of a 2-year period for which the budget is being considered

**Budget Year(s)+1 (BY(s)+1)**: The fiscal year immediately following the budget year(s). This format continues through Budget Year +5 (BY+5), the fifth fiscal year following the budget year(s).

26. **Full Funding Policy:** The practice of funding the total cost of major procurement and construction projects in the fiscal year in which they will be initiated. See Section 010202 for further information.
27. **Full-time Equivalent (FTE):** Reflects the total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees divided by the number of compensable hours applicable to each fiscal year. Annual leave, sick leave and compensatory time off and other approved leave categories are considered to be “hours worked” for purposes of defining full-time equivalent employment.
28. **Future Years Defense Program (FYDP):** The Future Years Defense Program is the program and financial plan for the Department of Defense as approved by the Secretary of Defense. The FYDP arrays cost data and force structure over a 6-year period (force structure for an additional 3 years), portraying this data by major force program for DoD internal review for both the Program Review and Budget Estimates Submission (BES). It is also provided to the Congress in conjunction with the President’s budget.
29. **Impoundment:** Any action or inaction by an officer or employee of the United States that precludes the obligation or expenditure of budget authority provided by the Congress.
30. **Impoundment Resolution:** A resolution of the House of Representatives or the Senate disapproving a deferral of budget authority set forth in a special message ordinarily transmitted by the President under section 1013 of the Impoundment Control Act of 1974. Passage of an impoundment resolution by either House of Congress has the effect of overturning the deferral and requires that such budget authority be made available for obligation.
31. **Incremental Funding:** The phasing of total funding of programs or projects over two or more fiscal years based upon levels and timing of obligational requirements for the funds. Differs from full funding concept where total funds for an end item, program or project are provided in the fiscal year of program or project initiation, regardless of the obligational requirement for the funds.
32. **Multiyear Procurement:** Procurement of a particular end item or system under a multiyear contract approved by specific provision of law. For the Department of Defense, multiyear procurement contracting of military hardware or systems must be specifically, and individually, approved by the Congress.
33. **Object Classification:** A uniform classification identifying the transactions of the Federal Government by the nature of the goods or services purchased without regard to the agency involved or the purpose of the programs for which they are used.
34. **Obligations:** Amounts of orders placed, contracts awarded, services received, or similar transactions made by Federal agencies during a given period, which will result in outlays during the same or some future period.
35. **Outlays:** The amount of checks issued or other payments made (including advances to others), net of refunds and reimbursements. Outlays are net of amounts that are adjustments to obligational authority. The terms “expenditure” and “net disbursement” are frequently used interchangeably with the term “outlay.” Gross outlays are disbursements and net outlays are disbursements (net of refunds) minus reimbursements collected.
36. **President’s Budget:** The budget for a particular fiscal year transmitted to the Congress by the President in accordance with the Budget and Accounting Act of 1921, as amended. Some elements of the budget, such as the estimates for the legislative branch and the judiciary, are required to be included without review by the Office of Management and Budget or approval by the President.
37. **Program Budget Decision (PBD):** A budget decision document issued during the joint review of Service budget submissions by analysts of the Office of the Secretary of Defense (OSD) and the Office of Management and Budget (OMB). PBDs reflect the decisions of the Secretary of Defense as to appropriate program



and funding to be included in the annual Defense budget request which, in turn, is included in the President's Budget.

38. Program Decision Memorandum (PDM): A document containing the decisions by the Secretary of Defense on the program and resource levels identified in the Program Objectives Memorandum.

39. Program Objectives Memorandum (POM): The final product of the programming process within the Department of Defense, the Components Program Objectives Memorandum (POM) displays the resource allocation decisions of the Military Departments in response to and in accordance with Defense Guidance.

40. Program Year: The fiscal year in which authorization was provided and in which funds were appropriated for a particular program, regardless of the fiscal year in which funds for that program might be obligated.

41. Reapportionment: A revision by the Office of Management and Budget of a previous apportionment of budgetary resources for an appropriation or fund account. A revision would ordinarily cover the same period, project, or activity covered in the original apportionment.

42. Reappropriation: Congressional action to restore the obligational availability, whether for the same or different purposes, of all or part of the unobligated portion of budget authority that has expired or would otherwise expire in an annual or multi-year account. Obligational authority in a current appropriation may also be extended by a subsequent appropriation act.

43. Reconciliation Process: A process used by the Congress to reconcile amounts determined by tax, spending, and debt legislation for a given fiscal year with the ceilings enacted in the second and required concurrent resolution on the budget for that year. Section 310 of the Congressional Budget and Impoundment Control Act of 1974 provides that the second required concurrent resolution on the budget, which sets binding totals for the budget, may direct committees to determine and recommend changes to laws, bills, and resolutions, as required to conform with the binding totals for budget authority, revenues, and the public debt.

44. Recovery of Prior Year Obligations: Amounts made available for obligation in no-year and unexpired multi-year accounts through downward adjustment of prior year obligations.

45. Reimbursements: Sums received by the Government for commodities sold or services furnished either to the public or to another Government account that are authorized by law to be credited directly to specific appropriation and fund accounts. These amounts are deducted from the total obligations incurred (and outlays) in determining net obligations (and outlays) for such accounts.

46. Reprogramming: Utilization of funds in an appropriation account for purposes other than those contemplated at the time of appropriation. Reprogramming is generally accomplished pursuant to consultation with and approval by appropriate congressional committees. Instructions are contained in Volume 3 of this regulation.

47. Rescission: The consequence of enacted legislation which cancels budgetary resources previously provided by the Congress prior to the time when the authority would otherwise lapse. Section 1012 of the Impoundment Control Act of 1974 requires a special message from the President to the Congress reporting any proposed rescission of budgetary resources. These proposals may be accepted in whole or in part through the passage of a rescission bill by both Houses of the Congress.

48. Rescission Bill: A bill or joint resolution that provides for cancellation, in whole or in part, of budgetary resources previously granted by the Congress. Under Section 1012 of the Impoundment Control Act of 1974, unless Congress approves a rescission bill within 45 days of continuous session after receipt of the proposal, the budgetary resources must be made available for obligation.

49. Revolving Fund: A fund established to finance a cycle of operations through amounts received by the fund. Within the Department of Defense, such funds include the Defense Working Capital Fund, as well as other working capital funds.

50. Sequestration: The reduction or cancellation of new budget authority; unobligated balances, new loan guarantee commitments or limitations; new direct loan obligations, commitments, or limitations; spending authority; and obligation limitations. OMB Circular A-11, section 20 provides additional guidance on sequestration rules of the Budget Enforcement Act of 1990 (BEA).

51. Supplemental Appropriation: An act appropriating funds in addition to those in an annual appropriation act. Supplemental appropriations provide additional budget authority beyond original estimates for programs or activities (including new programs authorized after the date of the original appropriation act) for which the need for funds is too urgent to be postponed until enactment of the next regular appropriation act.

52. Total Obligational Authority (TOA) Availability: The sum of (1) all budget authority granted (or requested) from the Congress in a given year, (2) amounts authorized to be credited to a specific fund, (3) budget authority transferred from another appropriation, and (4) unobligated balances of budget authority from previous years which remain available for obligation. In practice, this term is used primarily in discussing the Department of Defense budget, and most often refers to TOA as “program“ which equates to only (1) and (2) above.

53. Transfer Authority: Annual authority provided by the Congress to transfer budget authority from one appropriation or fund account to another.

54. User Fee: *A fee, charge, or assessment levied on those directly benefiting from, or subject to regulation by, a Federal government program or activity, to be utilized solely to support the program or activity. Collections from other Federal accounts are not user fees. (See OMB Circular A-11, section 20.7)*

## **010108 Security Classifications**

### **A. General**

1. Instructions concerning premature disclosure of budget information prior to presentation to the Congress are contained in OMB Circular A-11.

2. Instructions concerning security classification of the budget estimates submissions to OSD are contained in Section 010305.

3. Instructions concerning security classification of congressional justification material are contained in Section 010401.

**B. Classification of Procurement Exhibit P-1 line items, RDT&E Exhibit R-1 line items, and the Construction Programs (C-1):**

1. Procurement Exhibit P-1 line items: P-1 line items will be unclassified to the maximum extent possible. Classify only those line items for which the program’s Security Classification Guide so dictates and when conditions in paragraph C. (below) apply.

2. RDT&E Exhibit R-1 line items: R-1 line items will be unclassified to the maximum extent possible. Classify only those line items for which the program’s Security Classification Guide so dictates and when conditions in paragraph C. (below) apply.

3. The Construction Programs (C-1) is designed to be an unclassified document. See Section 010504 for instructions.

C. Security classification instructions for Intelligence Programs/Activities Resource Information are contained in Chapter 16

**0102 FUNDING POLICIES****010201 Criteria for Determining Expense and Investment Costs**

A. Appropriation accounts form the structure for the President's budget request and are the basis for congressional action. The appropriations are further organized into budget activities of appropriations with programs, projects or activities of similar purposes. To support management of the Department of Defense's programs, projects or activities, resource requirements should be organized and categorized consistently within the appropriation and budget activity structure. The following sections provide guidance for categorizing resource requirements into the various appropriations.

B. Basic Distinctions Between Expense and Investment Costs. The criteria for cost definitions consider the intrinsic or innate qualities of the item such as durability in the case of an investment cost or consumability in the case of an operating cost and the conditional circumstances under which an item is used or the way it is managed. In all cases where the definitions appear to conflict, the conditional circumstances will prevail. The following guidance is provided to determine whether a cost is either an expense or an investment. All costs are classified as either an expense or an investment.

1. Expenses are the costs incurred to operate and maintain the organization, such as personal services, supplies, and utilities.

2. Investments are the costs that result in the acquisition of, or an addition to, end items. These costs benefit future periods and generally are of a long-term character such as real property and personal property.

C. Policy for Expense and Investment Costs.

1. DoD policy requires cost definition criteria that can be used in determining the content of the programs and activities that comprise the Defense budget. The primary reasons for these distinctions are to allow for more informed resource allocation decisions and to establish criteria for determining which costs are appropriate to the various defense appropriations.

2. The cost definition criteria contained in this policy are only applicable to the determination of the appropriation to be used for budgeting and execution. Cost definitions for accounting purposes are contained in Volume I of this regulation.

3. Costs budgeted in the Operation and Maintenance (O&M) and Military Personnel appropriations are considered expenses. Costs budgeted in the Procurement and Military Construction appropriations are considered investments. Costs budgeted in the Research, Development, Test and Evaluation (RDT&E), Base Realignment and Closure (BRAC), and Family Housing appropriations include both expenses and investments. Definitions for costs within the Defense Working Capital Funds are provided in Chapter 9 and Section 010214.

4. Items procured from the Defense Working Capital Funds will be treated as expenses in all cases except when intended for use in weapon system outfitting, government furnished material (GFM) on new procurement contracts, or for installation as part of a weapon system modification, major reactivation, or major service life extension.

D. Procedures for Determining Expenses Versus Investments. The following criteria will be used to distinguish those types of costs to be classified as expenses from those to be classified as investments for budgeting purposes:

1. Expenses. Expenses are costs of resources consumed in operating and maintaining the Department of Defense. When costs generally considered as expenses are included in the production or construction

of an investment item, they shall be classified as investment costs. Military personnel costs are an exception to this rule. The following guidelines shall be used to determine expense costs:

- Labor of civilian, military, or contractor personnel.
- Rental charges for equipment and facilities.
- Food, clothing, and fuel.
- Supplies and materials designated for supply management of the Defense Working Capital Funds.
- Maintenance, repair, overhaul, rework of equipment.
- Assemblies, spares and repair parts, and other items of equipment that are not designated for centralized item management and asset control and which have a system unit cost less than the currently approved dollar threshold of \$100,000 for expense and investment determinations. This criterion is applied on the basis of the unit cost of a complete system rather than on individual items of equipment or components that, when aggregated, become a system. The concept of a system must be considered in evaluating the procurement of an individual end item. A system is comprised of a number of components that are part of and function within the context of a whole to satisfy a documented requirement. In this case, system unit cost applies to the aggregate cost of all components being acquired as a new system.
- Cost of incidental material and items that are not known until the end item is being modified are conditional requirements and are considered expenses because the material is needed to sustain or repair the end item.
- Engineering efforts to determine what a modification will ultimately be or to determine how to satisfy a deficiency are expenses.
- Real property maintenance, including facility maintenance and repair and O&M-funded minor construction projects. *Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. 2805 for minor construction projects; however, design costs are not excluded from capitalization.*

2. Investments. Investments are costs to acquire capital assets such as real property and equipment. The following criteria shall be used to determine those costs to be classified as investments:

- All items of equipment, including assemblies, ammunition and explosives, modification kits (the components of which are known at the outset of the modification), spares and repair parts not managed by the Defense Working Capital Funds, that are subject to centralized item management and asset control.
- All equipment items that are not subject to centralized item management and asset control and have a system unit cost equal to or greater than the currently approved expense and investment dollar threshold of \$100,000. The validated requirement may not be fragmented or acquired in a piecemeal fashion in order to circumvent the expense and investment criteria policy.
- Construction, including the cost of land and rights therein (other than leasehold). Construction includes real property equipment installed and made an integral part of such facilities, related site preparation, and other land improvements. (See paragraph F below for special guidance concerning real property facilities.)
- The costs of modification kits, assemblies, equipment, and material for modernization programs, ship conversions, major reactivations, major remanufacture programs, major service life extension programs, and the labor associated with incorporating these efforts into or as part of the end item are considered investments. All items included in the modification kit are considered investment even though some of the individual items may otherwise be considered as an expense. Components that were not part of the modification content at the outset and which are

subsequently needed for repair are expenses. The cost of labor for the installation of modification kits and assemblies is an investment.

- Supply management items of the Defense Working Capital Funds designated for weapon system outfitting, government-furnished material on new procurement contracts, or for installation as part of a weapon system modification or modernization, major reactivation or major service life extension.
- Also considered as investments are support elements such as data, factory training, support equipment and interim contractor support (ICS), which are required to support the procurement of a new weapon system or modification.

3. Conditional Cases. The following are conditional cases that take precedence over the criteria contained in paragraphs 1 and 2 above:

- *A major service-life extension program, financed in procurement, extends the life of a weapon system beyond its designed service life through large-scale redesign or other alteration of the weapon system.*
- *Depot and field level maintenance is the routine, recurring effort conducted to sustain the operational availability of an end item. Depot and field level maintenance includes refurbishment and overhaul of end items, removal and replacement of secondary items and components, as well as repair and remanufacturing of reparable components. The maintenance effort may be performed by a depot maintenance activity in the Defense Working Capital Fund, by a direct funded DoD activity, by another government agency, or by a contractor.*
- *Maintenance, repair, overhaul, and rework of equipment are funded in the operation and maintenance appropriations. However, maintenance of equipment used exclusively for research, development, test, and evaluation efforts will be funded by the RDT&E appropriations.*
- *Continuous technology refreshment is the intentional, incremental insertion of newer technology to improve reliability, improve maintainability, reduce cost, and/or add minor performance enhancement, typically in conjunction with depot or field level maintenance. The insertion of such technology into end items as part of maintenance is funded by the operation and maintenance appropriations. However, technology refreshment that significantly changes the performance envelope of the end item is considered a modification and, therefore, an investment (See section on "Product Improvement" 010212 C. 7.). This definition applies equally to technology insertion by commercial firms as part of contractor logistics support, prime vendor, and similar arrangements and to technology insertion that is performed internally by the Department.*
- Initial outfitting of an end item of investment equipment, such as a ship or aircraft, with the furnishings, fixtures, and equipment necessary to make it complete and ready to operate is a part of the initial investment cost. Material procured through the Defense Working Capital Funds for initial outfitting will be financed by procurement appropriations when drawn from the supply system. This concept includes changes to the allowance lists of ships, vehicles, and other equipment. Changes to allowance lists will be budgeted as investment costs.
- Initial outfitting of a facility construction project financed by a Military Construction appropriation is financed as either expense or investment based on the general criteria. Collateral equipment and furnishings are not considered construction costs since these items are movable and are not installed as an integral part of the facility.
- When family housing is initially outfitted with kitchen equipment to include refrigerator, shades, carpeting, etc., these items are considered part of the construction costs.
- Construction program costs, associated with construction management in general, as distinguished from supervision of specific construction projects, are expenses. Costs incident to the acquisition (i.e., design, direct engineering, technical specifications) and construction of a specific project are investments. The cost of administering the real property maintenance program is an expense at all levels.

- Costs of minor construction projects, not financed by Military Construction appropriations, meeting the current criterion for funding from appropriations available for operation and maintenance are considered expenses. However, this definition does not abrogate the prohibition against the planned acquisition of, or improvements to, a real property facility through a series of minor construction projects (i.e., incremental construction).
- The cost of civilian personnel compensation and other direct expenses (i.e., travel, office equipment leasing, maintenance, printing and reproduction) incurred in support of procurement and/or production programs by departmental headquarters staff, contracting offices, contract audit offices, system project offices, and acquisition managers are expenses. Procurement and/or production direct support costs such as production testing, quality assurance, production engineering, and equipment assembly, whether performed under contract or by in-house personnel funded on a reimbursable basis are investments.
- When investment equipment is to be installed in a real property facility, the costs of both the equipment and its installation are considered investments.

E. Special Guidance Concerning General Purpose Communications and Information Systems Procurement. The following is guidance to apply the expense and investment criteria to general purpose communications and information systems.

1. New Equipment and System Procurement. The aggregate cost of new equipment and systems, including peripherals and system unique software, procured to address a requirement validated in an approved requirement document will be used to determine whether it should be treated as an expense or investment cost. The determination of expense or investment cost will be applied on the basis of each system in the requirements document, if the document includes more than one system.

2. Additional or Replacement Equipment and System Procurement. When new requirements necessitate adding, replacing or modifying equipment or software that is a component of, or supports the functioning of an existing system, only the additional equipment and software procurement costs will be used to determine whether it should be treated as an expense or investment cost. Upgrades to an existing system involving multiple equipment component and software changes that are combined to address validated system deficiencies or to improve system performance will be treated as new equipment or system procurement in determining the applicability of the expense and investment criteria.

3. Software. If only software is being procured and its intended use is to replace operational software, the cost is an expense funded in O&M. If the software requires developmental testing or initial operational test and evaluation (IOT&E) by an independent test agency, the expense is funded in RDT&E. If software is required for RDT&E test purposes, the cost is funded in RDT&E. Further guidance on funding information systems is found in Section 010212, paragraph C.10., Information Systems Costs.

4. Requirements Determinations. The validated requirement for, or upgrade to, a communications or information system may not be fragmented or acquired in a piecemeal fashion in order to circumvent the expense and investment criteria policy.

F. Special Guidance Concerning Real Property Facilities

1. Construction includes real property equipment (often called installed equipment) which is affixed and built into a facility as an integral part of a facility. The cost of this equipment and its installation is part of the construction cost.

2. Items of equipment that are movable in nature and not affixed as an integral part of a facility are not normally considered construction costs, except for initial outfitting of family housing, as detailed in paragraph D3 above. This equipment includes all types of production, processing, technical, information systems, communications, training, servicing and RDT&E equipment. The cost of this equipment is an expense or an investment according to the policy criteria above. In addition, modifications to an existing facility required to support the installation of movable equipment, such as the installation of false floors or platforms, prefabricated

clean rooms, or utilities, will be considered an integral part of the equipment costs. As such, the costs are either expense or investment, as long as the modifications do not include structural changes to the building. If the modifications include structural changes, they will be considered investment costs and budgeted as construction.

G. Expense/Investment Cost Determination

Expense/Investment Cost Determination						
Is the item a	If	Then	If	Then	If	Then
Centrally Managed/Asset Controlled Item?	Yes	Is the item purchased from DWCF?	Yes	Is the item part of a full funding effort? *	Yes	Classify as Investment
			No	Classify as Investment	No	Classify as Expense
	No	Is the unit cost more than \$100,000?	Yes	Classify as Investment		
			No	Classify as Expense		
* When intended for use in weapon system outfitting, government furnished material on new procurement contracts or for installation as part of a weapon as part of a weapon system modification, major reactivation or major service life extension.						

010202 Full Funding of Procurement Programs

A. Policy for Full Funding. It is the policy of the Department of Defense to fully fund procurements that are covered within the procurement title of the annual DoD Appropriations Act. There are 2 basic policies concerning full funding.

1. The first is to provide funds at the outset for the total estimated cost of a given program so that the Congress and the public can be fully aware of the dimensions and cost when the program is first presented in the budget.

2. The second is to provide funding each fiscal year to procure a complete, usable end item. In other words, an end item budgeted in a fiscal year cannot depend upon a future year's funding to complete the procurement. However, efficient production of major defense systems has necessitated two general exceptions to this policy - advance procurement for long leadtime items and advance economic order quantity (EOQ) procurement. EOQ is normally associated with multiyear procurements but can be requested for annualized procurements on an exception basis for unusual circumstances (such as combined parts buys for a block of satellites). Both efforts must be identified in an Exhibit P-10, Advance Procurement, when the Budget Estimate Submission is submitted to OSD and when the President's budget request is submitted to the Congress.

B. Procedures for Full Funding

1. Cost Estimates. Full funding applies to an initial estimate and can exist only at a point in time because estimates change. However, the Future Years Defense Program (FYDP) shall be a consistently reliable foundation for stating the total cost of acquiring defense systems. Thus, the FYDP shall reflect a DoD Component's best estimate at completion of the program. The estimate should reflect the most likely cost of a procurement. Program estimates shall be kept current and fully financed through the Planning, Programming, and Budgeting System (PPBS) process and established reprogramming procedures.

2. Time-Phased Procurement. Within defense system acquisition programs, nonrecurring costs and costs of certain production items related to, but not integral to, the end item of equipment are considered part of the overall acquisition cost. DoD Components shall plan and budget in a manner to ensure completion of the nonrecurring effort or delivery of such production items consistent with the planned delivery of the associated end items. That is, the programming and budgeting shall be on a time-phased "leadtime away" or "need to commit" basis. The Funded Delivery Period is part of the process to determine the quantities required to be budgeted in a particular fiscal year. DoD Components may not budget funds for obligation for items such as support, trainers, or data before the design or specifications of such items are essentially complete. These items shall be budgeted on an "ability to contract" basis as well as on a "leadtime away" basis.



3. Advance Procurement (Long Leadtime Items). Advance procurement requests for long leadtime items shall be limited to the end items in major procurement appropriations. Long leadtime procurements shall be for components, parts, and material whose leadtimes are greater than the life of the appropriation (3-5 years). In some circumstances, Advance Procurement is also warranted when items have significantly longer leadtimes than other components, parts, and material of the same end item or when efforts must be funded in an advance procurement timeframe in order to maintain a planned production schedule. For new development programs, the planned production schedule should be based on a full funding basis without the use of long lead material. Planning the program content this way provides additional flexibility should development delays arise. When advance procurement is part of the program, however, the cost of components, material, parts, and effort budgeted for advance procurement shall be relatively low compared to the remaining portion of the cost of the end item. Each budget request for advance procurement shall represent, at a minimum, the termination liability associated with the total cost of the long leadtime components, material, parts, and effort for which the advance procurement request is being made. The termination liability should not cover the cost of the end item budgeted in the following fiscal year(s). The full cost of components, material, parts, and effort included in the advance procurement request should be budgeted in the FYDP consistent with full funding procedures. The budget requests will properly debit and credit advance procurement budget requests as defined in Exhibits P-1, P-5, P-10 and P-40 instructions.

4. Economic Order Quantity (EOQ) Procurement. EOQ is normally associated with multiyear procurements but can be requested for annualized procurements on an exception basis for unusual circumstances (such as combined parts buys for a block of satellites). It is the general policy of the Department of Defense not to create unfunded contract liabilities for EOQ procurements. Rather, funding for EOQ procurements shall be included in advance procurement budget requests unless an exception to the general policy is granted by the USD(Comptroller). The EOQ procurement may satisfy procurement requirements for no more than five program years. Unless it would be more effective to fully fund the EOQ, or the USD(Comptroller) has granted an exception to the general policy to allow inclusion of EOQ costs in a cancellation clause, the advance procurement funding for an EOQ procurement shall cover, at a minimum, the estimated termination liability of the EOQ procurement.

5. Relationship of Budgeting and Contracting. An end item is fully funded only when funds are budgeted, programmed and available to cover the total estimated cost of the item at the time the procurement action is begun. Contracting, on the other hand, is a part of the execution phase or acquisition process within the framework of a program. The number of contracts required to procure a defense system, the type of contract awarded, and the timing of the award have no bearing upon whether or not an item is fully funded. In executing a program, no procurement of material or equipment, or work or services therefor, shall be directed or implemented unless the full program amount is available, except for authorized economical order quantity (EOQ) and advance procurement. For multiyear contracts, the test of full funding does not include the cancellation ceiling associated with items in the FYDP to be procured in fiscal years not yet funded (that is, beyond the budget year). Multiyear contracts may not be awarded unless the contract and the multiyear program are fully funded within the approved FYDP funding.

#### **010203 Multiyear Procurement.**

A. Multiyear procurement (MYP). This is a generic term describing the process, planning, and contract under which the government may contract for the purchase of supplies or services for more than one, but not more than five, program years. Such a contract may provide that performance during the second and subsequent years of the contract is contingent upon the appropriation of funds, and may provide for a cancellation payment to be made to the contractor if such appropriations are not made. Multiyear procurements are budgeted and funded annually.

B. Statutory Requirements. Section 2306b of title 10 of the United States Code, section 806 of Public Law 105-85, the FY 1998 DoD Authorization Act, and section 8008 of Public Law 105-56, the FY 1998 DoD Appropriations Act, require that approval, initiation, and execution of a multiyear contract follow certain guidelines.

1. MYP approval is predicated on:

- Substantial Savings. The use of a multiyear contract will result in substantial savings of the total anticipated costs of carrying out the program through annual contracts.

- Stability of Requirement. The minimum need for the property to be purchased is expected to remain substantially unchanged during the contemplated contract period in terms of production rate, procurement rate, and total quantities.
- Stability of Funding. There is a reasonable expectation that throughout the contemplated contract period, the head of the agency will request funding for the contract at the level required to avoid contract cancellation.
- Stable Design. There is a stable design for the property to be acquired and the technical risks associated with such property are not excessive.
- Realistic Cost Estimates. The estimates of the cost of the contract and the anticipated cost avoidance through the use of a multiyear contract are realistic.
- National Security. Use of a multiyear contract will promote the national security of the United States.

2. In addition to the approval criteria, Congress requires that:

- MYP contracts cannot be initiated for any system or component thereof if the value of the MYP contract would exceed \$500.0 million unless specifically provided for in an Appropriations Act and an Act other than an Appropriations Act.
- Proposed legislation and funding must accompany the MYP request in the President's budget submission; or the MYP request must be formally submitted as a budget amendment; or the Secretary of Defense must request MYP approval in writing to the congressional defense committees.
- Congressional defense committees must be notified at least 30 days in advance of a proposed contract award that: employs economic order quantity procurements in excess of \$20.0 million in any one year of the contract; employs advance procurement leading to a multiyear procurement contract that employs economic order quantity procurement in excess of \$20.0 million in any one year; or includes an unfunded contingent liability in excess of \$20.0 million.
- A multiyear procurement contract cannot be initiated for which the economic order quantity advance procurement is not funded at least to the limits of the government's liability.
- A multiyear procurement contract must provide for production at not less than the minimum economic rate given the existing tooling and facilities.
- A present value analysis must be used to determine the present value, or real worth, of the multiyear savings. Comparing the multiyear contracting approach to a conventional annual-buy approach derives the savings.
- The Secretary of Defense must certify to the Congress that the support costs associated with the multiyear procurement with a value greater than \$500 million are fully funded within the Future Years Defense Program (FYDP). The Secretary of Defense in a March 23, 1998 memorandum delegated this certification to the USD Comptroller. Components must submit the certification letter to the USD Comptroller at least 30 days prior to the anticipated contract award for approval, signature, and transmittal to the congressional defense committees.
- Multiyear procurement contracts may provide for cancellation provisions to the extent that such provisions are necessary and in the best interests of the United States. The cancellation provisions may include consideration of both recurring and nonrecurring costs of the contractor associated with the production of the items to be delivered under the contract. However, the Agency Head and the USD(C) must approve the inclusion of recurring costs in a cancellation ceiling (see paragraph C below).
- Before any multiyear procurement contract that contains a clause setting forth a cancellation ceiling in excess of \$100.0 million may be awarded, the head of the agency concerned shall give written notification of the proposed

contract and of the proposed cancellation ceiling for that contract to the congressional defense committees. The contract may not be awarded until the end of a 30-day waiting period beginning on the date of such notification.

- MYP contracts cannot be terminated without a 10-day prior notification to the congressional defense committees.

C. DoD Requirements.

- The item should be technically mature, normally having completed RDT&E (including development testing, or equivalent) and Initial Operational, Test and Evaluation (IOT&E), with relatively few changes in item design anticipated. Deliveries of production items will indicate that the underlying technology is stable. This does not mean that changes will not occur but that the estimated cost of such changes is not anticipated to drive total costs beyond the proposed funding profile.
- Estimates should be based on prior cost history for the same or similar items or proven cost estimating techniques. Normally, production assets should have been delivered in order to obtain actual costs for the comparisons (exceptions include satellites and ships).
- With the exception of funding for economic order quantity (EOQ) procurement and advance procurement for long leadtime items as defined in section 010202, multiyear procurement contracts will comply with full funding.
- The inclusion of recurring costs in cancellation ceilings is an exception to normal contract financing arrangements and requires approval by the Agency Head (FAR 17.106-3(e)) and the USD Comptroller.
- An exception, to be approved by the USD Comptroller, is needed to structure a contract with an unfunded cancellation ceiling. Justification explaining why an unfunded cancellation ceiling is the chosen acquisition strategy should be provided. This justification should specify what costs comprise the unfunded cancellation ceiling and why these costs are not funded under the full funding policy.
- Funds obligated for multiyear contracts must be sufficient to cover any potential termination costs. The costs of cancellation or termination may be paid from (1) appropriations originally available for the performance of the contract concerned; (2) appropriations currently available for procurement of the type of property concerned, and not otherwise obligated; or (3) funds appropriated for those payments.

#### **010204 Transportation**

A. First Destination Transportation (FDT) is that transportation required to deliver production items from the manufacturer's plant or source of procurement to the first point of delivery where the Military Service or Defense Agency takes possession and/or ownership of that item. The procurement source, as used herein, is any supplier outside the DoD supply system or any DoD industrial activity that fabricates new materiel. The procurement source or the first point of delivery may be in the Continental United States (CONUS) or overseas. FDT is not applicable to components or items reworked by an industrial activity. In the case where the Government accepts the production item at the manufacturer's plant or source of production and legally owns the item, FDT extends to the first point of delivery for either use or storage by the Military Service or Defense Agency. For shipments destined to overseas locations that will enter the Defense Transportation System, FDT terminates at the port of embarkation (CONUS or overseas).

B. Second Destination Transportation (SDT) is any transportation other than FDT.

C. Budgeting Responsibilities for Transportation

1. Transportation of Supply Management Materiel of the Defense Working Capital Funds.

Transportation among the 50 states is financed by the supply management business area responsible for the shipment. Transportation of supply management standard items overseas is financed by the appropriation or fund ordering the materiel if within the definition of FDT, otherwise it is financed as SDT. Transportation of DWCF

nonstandard items overseas is financed in the same manner as transportation of standard items overseas except for items that are shipped on a free-on-board (FOB) destination basis. In this case, the overseas shipment transportation cost is included in the cost of the nonstandard item and no additional transportation charges should be incurred for the overseas shipment.

2. Transportation of Items Procured by Other Than Procurement and O&M Appropriations, or Defense Working Capital Funds. In general, FDT is financed by the appropriation, which financed acquisition of the item, i.e., RDT&E appropriations for RDT&E materiel and Military Construction appropriations for items that are shipped to support such construction projects. All over-ocean shipment of subsistence items financed by the Military Personnel appropriations is considered as an exception and is financed as SDT.

3. Transportation of Items Procured by Procurement Appropriations. FDT is normally financed by the Procurement appropriation that financed acquisition of the item. SDT is normally financed by the Operation & Maintenance (O&M) appropriations. The following additional guidance applies:

a. Transportation costs integral to production contract price such as FOB destination charges are considered part of the end item contract price and are financed by the procurement appropriation that financed acquisition of the item.

b. All transportation of government furnished equipment (GFE) and government furnished materiel (GFM) prior to installation into an end item is considered FDT and is financed by the procurement appropriation that financed acquisition of the item.

c. The transportation of items that are not owned by DoD - such as nuclear materials and warheads that DOE provides to DoD but DOE retains ownership - is considered FDT and is financed by the procurement appropriation that financed the acquisition of the end item into which the item will be incorporated.

4. Transportation of Items Procured by O&M Appropriations. Transportation is financed by the O&M appropriation according to the FDT and SDT definitions.

#### **010205 Engineering Change Orders**

Engineering change orders should be funded commensurate with the level of risk in the program.

#### **010206 Factory Training**

Factory training course costs for initial cadre training are considered investment costs and should be budgeted and funded in the investment appropriation and the specific program used to procure the development, acquisition, or modification of the related end item. Temporary Duty (TDY) travel costs of military or civilian personnel attending factory training courses are funded in the Operation and Maintenance appropriations. Factory training courses acquired for end items no longer in production are to be funded in the Operation and Maintenance appropriations.

#### **010207 Interim Contractor Support**

Interim contractor support (ICS) is the maintenance and support of a new weapon system provided by a commercial vendor pending transition to organic support. Because ICS is a major component of the initial logistics support of a newly fielded system and integral to program acquisition, ICS funding requirements should be budgeted in the Procurement appropriations. However, ICS is intended to provide support for the brief period between initial item deployment and the permanent organic support. All acquisition strategies should attempt to minimize ICS requirements and duration. ICS will only be funded in Procurement appropriations until the organic support date specified in the acquisition program baseline is achieved. Continued funding of ICS after the baseline support transition date will be approved on an exception basis.

**010208 Commercial Off-the-Shelf (COTS) and Non-Developmental Item (NDI) Procurement**

A. Items purchased directly from a commercial source that can be utilized without alteration or modification are classified as COTS or NDI. All COTS and NDIs, including the first article and associated first article acceptance testing should be funded in the Procurement or O&M appropriations, as determined by the Expense and Investment criteria. If an end item requires design and development in order to accept the COTS or NDI, then the entire effort is not COTS or NDI, and funding for that effort should be budgeted in RDT&E. If a COTS or NDI is required for RDT&E test purposes, the cost is funded in RDT&E.

B. Commercially available items that must be modified to satisfy user requirements are classified as "modified COTS" or "modified NDI" articles. In this instance, the first article, modification of the first article, and first article testing should be budgeted in RDT&E. Follow-on purchases should be budgeted in the Procurement or O&M appropriations, as determined by the Expense and Investment criteria. The number of first articles procured will not exceed the quantity needed to conduct the acceptance tests.

**010209 Spares and Repair Parts**

A. This Section provides instructions applicable to funding requests for spares and repair parts procured with direct appropriations in the Procurement Title.

1. Initial Spares and Repair Parts. Initial spares and repair parts will include those repairable components, assemblies, and subassemblies required as initial stockage at all levels including the pipeline to permit fielding of new end items. Whole spare engines will be classified as initial spares through the life of system. Funding will be budgeted based on a first year obligation rate of 92 percent.

2. War Reserve Spares and Repair Parts. War reserve material (WRM) spares and repair parts for initial stockage will be budgeted in replenishment except for whole spare engines in accordance with the above definitions. See Section 010215, Defense Working Capital Funds - War Reserve Materiel, for additional budgeting WRM policies.

*B. The Operation and maintenance (O&M) accounts will finance the purchase of depot level reparable (DLRs) and consumable repair parts, primarily through the Defense Working Capital Fund (DWCF), for maintenance of all Class IX equipment (excluding medical peculiar repair parts).*

C. Spares budgeting can be aggregated by weapon system except for Selected Acquisition Report (SAR) systems.

**010210 Direct and Reimbursable Budget Plans.**

A. Direct Budget Plan. This plan includes those items of materiel to be purchased for delivery to service inventory and those procurement programs that support the acquisition of materiel for US forces. Financing for the direct budget plan is derived from: new budget authority provided by the Congress, the transfer of resources from other appropriations, and reimbursements. When dealing with reimbursements involving the sale of materiel, three situations can arise:

1. Replacement-in-Kind. In this situation an item of materiel is sold and will require replacement with an item of the identical type, model, and series or modified version of the same basic model (i.e., the sale of C-130E aircraft and purchase of C-130E aircraft). In this situation the reimbursement from the sale will be included in reimbursable financing and the buy-back of the item in the reimbursable program. There will be no reflection of this transaction in the Direct Budget Plan. For an ammunition item, the replacement-in-kind policy permits replacement of a round with any round that provides the same warfighting mission capability, providing the round to be purchased has been previously approved by the Congress for procurement, and the inventory objective presented to the Congress is not exceeded.

2. Replacement. In this situation an item of materiel is sold and will require replacement to compensate DoD inventories for the resultant loss of capability or readiness. Because of one or more circumstances, the replacement item will not be identical to the item sold. It must, however, be a later series or modified version of the same basic model (e.g., sale of a C-130A aircraft and purchase of a C-130E aircraft) or an acceptable substitute item used in the requirements computations (e.g. sale of an M-48 tank and purchase of an M-60 tank). In this situation the reimbursement from the sale will be included under reimbursable financing but the buy-back of the replacement item must be shown under the Direct Budget Plan and must comply with reprogramming requirements.

- Items sold from inventory with a unit cost less than \$5,000 will be treated as a replacement-in-kind if an improved model of the same end item is being procured, it provides the same warfighting capability, and the inventory objective presented to Congress is not exceeded.
- If an item is eligible for replacement or replacement-in-kind and is not replaced, the reimbursement should be treated as a "free asset."

3. Free Assets. In this situation an item of materiel is sold and will not require replacement. All free assets from FMS transactions are required to be deposited into the Miscellaneous Receipts of the US Treasury in accordance with 10 U.S.C. 114(c)(2).

B. Reimbursable Budget Plan. This plan includes those items of materiel to be purchased for delivery to and use by customers. These items will be included on the Exhibit P-45, Reimbursable Budget Plan. Financing for the reimbursable budget plan is derived from:

- Anticipated reimbursement based upon customer orders received for items (not stocked by or purchased for procuring service use) to be purchased for direct delivery to a customer. (Direct citation of customer funds for procurement against this type of order is encouraged where common components and/or common assembly with service production of similar items are not involved.)
- Anticipated reimbursement based upon customer orders received or to be received for items common to the procuring service and customer, for direct delivery to the customer.
- Where the materiel item is to be made available from on-order quantities under an existing contract of a Military Department, the sales transactions will be reflected as reimbursable transactions. The quantities and costs of the replacement procurement will be included in the reimbursable program.
- Where the materiel item is to be made available directly from a contract awarded after the date of the sales agreement and the contract includes a particular quantity of the item to fulfill the sales agreement, the transaction will be reflected as a direct cite transaction.
- In "Replacement-in-Kind" situations, the proceeds from the sale will be included under reimbursable financing and the buy-back program will be included in the Reimbursable Budget Plan.
- In "Replacement" situations, the proceeds from the sale will be included under reimbursable financing but the buy-back program will be included under the Direct Budget Plan (not the Reimbursable Budget Plan).
- Reimbursements from customer orders for secondary items, because of the nature of such commodities and the way they must be managed, will always be treated as a generic category requiring, by definition, "replacement-in-kind." Accordingly, the proceeds from such transactions will be included under reimbursable financing and the buy-back of an equivalent value of such commodities will be included in the Reimbursable Budget Plan.

**010211 Budgeting for Information Technology and Automated Information Systems**

A. *Information Technology and Automated Information Systems that are not embedded in weapons systems and/or major end item procurements are budgeted according to the investment and expense criteria (see 010201) and the appropriation or fund's purpose.*

B. *The following guidelines are provided to help determine which appropriation to use:*

1. *RDT&E appropriations: Development, test and evaluation requirements, including designing prototypes and processes, should be budgeted in the RDT&E appropriations. The RDT&E funds should be used to develop major upgrades increasing the performance envelope of existing systems, purchase test articles, and conduct developmental testing and/or initial operational test and evaluation prior to system acceptance. In general, all developmental activities involved in bringing a program to its objective system are to be budgeted in RDT&E.*

- *Reaching the objective system, as defined in the requirements documents, is a critical determinate. Some software programs, particularly those following a spiral or incremental development pattern, may be approved for initial fielding even though the early capability is below the objective system requirements. The follow-on development and test activities required to reach the objective system performance will be budgeted in RDT&E.*
- *Commercial-off-the-shelf (COTS) systems that require engineering design, integration, test, and evaluation to achieve the objective performance will be budgeted in RDT&E.*
- *The acquisition, operation and maintenance of IT systems that are used exclusively to support RDT&E activities will be budgeted and funded within an RDT&E appropriation.*

2. *Procurement appropriations: Acquiring and deploying a complete system with a cost of \$100,000 or more is an investment and should be budgeted in a Procurement appropriation. Complete system cost is the aggregate cost of all components (e.g., equipment and software) that are part of, and function together, as a system to meet an approved documented requirement. For modification efforts, only the cost of the upgrade (e.g., new software, hardware, and labor) is counted towards the investment threshold. The total cumulative cost of the system is not considered when deciding what appropriation to use to fund modernization.*

- *Procurement of fully developed and tested modification kits and associated installation, including labor costs should be financed from Procurement appropriations. Equipment purchased after successful system testing and a favorable fielding decisions should be bought with Procurement funding.*
- *Proprietary software carries a copyright from the vendor that prohibits duplication or modification. Essentially, the purchaser is buying a license from the vendor to use the software on a particular system. Proprietary software is an investment, subject to the expense-investment criteria, unless it is financed on an "annual fee" basis. In the latter case, it is an expense item properly financed in RDT&E or O&M. Software procurements made under the Enterprise Software Initiative may be made through use of the Defense Working Capital Funds.*

3. *O&M appropriations: Expenses incurred in continuing operations and current services are budgeted in the O&M appropriations. Modernization costs under \$100,000 are considered expenses, as are one-time projects such as developing planning documents and studies.*

- *Software releases categorized as iterations on the basic release and not involving significant performance improvements or extensive testing are considered a maintenance effort. Minor improvements in software functionality which are accomplished during routine maintenance may also be O&M funded.*
- *Items purchased from a commercial source that can be used without modification (e.g., COTS and nondevelopmental items) will be funded in either the Procurement or O&M appropriations, as determined by the expense and investment criterion.*

4. *The IT systems developed and acquired through the Defense Working Capital fund will be reflected in the Capital Budget if the system is \$100,000 or more. Systems costing less than \$100,000 are funded through the Operating Budget.*

5. *Capitalization of Software Cost. For accounting purposes, the total cost of software should be capitalized when the total cost of the system exceeds the Department's capitalization threshold amount, which is currently \$100,000. Capitalization of software is not dependent on the appropriation used to fund its purchase or development. Further information on capitalization may be found in the DoD FMR, Volume 4, Chapter 6, paragraph 060210.*

#### **010212 Research, Development, Test and Evaluation (RDT&E) - Definitions and Criteria**

A. Definitions. The term "research and development (R&D)" is intended broadly to include the work performed by a government agency or by private individuals or organizations under a contractual or grant arrangement with the government. It includes R&D in all fields, including the physical sciences, engineering, etc.

1. Research is systematic study directed toward fuller scientific knowledge or understanding of the subject studied.

2. Development is systematic use of the knowledge and understanding gained from research, for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

B. General Criteria. When, after consideration of the following criteria, there is doubt as to the proper assignment of costs between appropriations, the issue should be resolved in favor of using RDT&E funding. In general, the types of costs to be financed by RDT&E and related appropriations are:

1. RDT&E Appropriations

a. RDT&E will finance research, development, test and evaluation efforts performed by contractors and government installations, including procurement of end items, weapons, equipment, components, materials and services required for development of equipment, material, or computer application software; its Development Test and Evaluation (DT&E); and its Operational Test and Evaluation (OT&E) as provided for in paragraph C.5. (Test Articles and Test Support) below.

b. The operation of R&D installations and activities engaged in the conduct of R&D programs, including direct and indirect efforts, expense and investment costs.

c. The acquisition or construction of industrial facilities costing less than \$500,000 at government owned, government operated (GOGO) facilities under the criteria of DoD Directive 4275.5 as provided for under 10 U.S.C. 2805 (unspecified minor construction). Use of RDT&E funds for acquisition and construction at contractor owned or contractor operated government facilities is authorized under 10 U.S.C. 2353, Contracts; Acquisition, Construction, or Furnishings of Test Facilities and Equipment.

2. Related Appropriations

a. All construction at R&D installations and activities other than that covered above will be funded in the Military Construction appropriations.

b. Equipment and material approved for production and intended for operational use or inventory upon delivery will be funded in the Procurement appropriations. Product improvement within the current performance envelope on systems in production, will be funded in the Procurement appropriations as long as no development or operational tests by an independent operational test agency are required.



c. Family housing construction, operation and maintenance at R&D installations and activities will be funded in the Family Housing appropriations.

d. Expenses of Headquarters R&D management, organizational management analyses, test and evaluation for system sustainment personnel and command support, and product improvement within the current performance envelope for systems out of production will be funded in the Operation and Maintenance (O&M) appropriations.

C. Specific Determinations. Additional details on the determination of proper funding for specific items or efforts are provided in the following paragraphs.

1. Organizational Funding Criteria

a. The RDT&E appropriation will finance expenses and investments for the operation and maintenance of R&D organizations, equipment (including R&D aircraft, ships and ship-type vehicles), installations and activities (including those operated by contract).

b. Expenses for the support of tenant activities will be funded in accordance with the following:

(1) Expenses for the support of tenant activities at R&D installations and activities will be RDT&E funded by the host activity, pending the establishment of reimbursable arrangements. Subsequent to the establishment of reimbursable arrangements, expenses for the support of the tenant will be funded by the tenant or as mutually agreed with the host.

(2) Where reimbursable arrangements exist, expenses for the support of R&D activities or organizations that are tenant activities at installations having a primary function other than research, development, test and evaluation will be funded by RDT&E.

(3) Expenses for the support of R&D activities or organizations which are tenant activities at installations having a primary function other than R&D will be funded by the host, pending the establishment of reimbursable arrangements.

c. Expenses of R&D management and administrative organizations at major systems commands, headquarters organizations and administrative organizations at DoD component departmental headquarters levels (except for the Defense Advanced Research Projects Agency and the Ballistic Missile Defense Organization) will be financed in the Operation and Maintenance (O&M) appropriations.

d. Expenses and investments for the operation and maintenance of major range and test facilities, as defined under DoD Directive 3200.11, that conduct developmental and operational testing as a primary mission as determined by workload, will be financed by the RDT&E appropriation. Major range and test facilities that primarily support testing after system acceptance for operational use or training exercises will be financed in the O&M appropriations.

e. Costs of evaluating organizational structure and distribution of function, administrative operating policies, procedures, methods and systems (management studies) and applications of the management sciences to improve effectiveness in carrying out assigned functions are financed in the O&M appropriations.

f. Expenses of operational military forces having a primary mission other than R&D and not specifically assigned to R&D that may, from time to time, be engaged in or support R&D activities, will be funded in the O&M appropriations.

2. Facilities Construction and Modification. When it is determined that DoD financing of real property projects is required, the projects shall be programmed, budgeted, and financed as follows:

a. Government-Owned, Government-Operated (GOGO) Facility on Government Land.

When GOGO property is to be constructed on government-owned land, such construction will normally be financed as a Military Construction project. Construction of facilities for RDT&E costing \$500,000 or less may be funded with RDT&E appropriations. Such expenditures are authorized under 10 U.S.C. 2805 (unspecified minor construction). All minor construction must result in a complete and usable facility. In no event are two or more construction projects or minor and major construction projects to be contrived to be a usable facility. Construction projects at R&D installations and activities whose costs are greater than \$500,000 will be financed by the Military Construction appropriation in accordance with Chapter 6.

b. Government-Owned, Contractor-Operated (GOCO) Facility

(1) When the GOCO facility is on a military installation (post, camp or station) the primary funding is the Military Construction appropriation. However, if the facilities are contractor-operated, and the contractor is solely responsible for the complete and total operation and maintenance of the facility complex, construction may be financed in Procurement or RDT&E in accordance with DoD Directive (DoDD) 4275.5 and 10 U.S.C. 2353 criteria. Improvements having general utility or new construction are not authorized under 10 U.S.C. 2353.

(2) When GOCO facilities are constructed on government property other than a military installation, the Procurement or RDT&E appropriation will finance the construction in accordance with DoDD 4275.5 criteria.

c. Contractor-Owned, Contractor-Operated Facility. Under 10 U.S.C. 2353, a research or development contract may provide for the acquisition, construction, or furnishing of facilities and equipment that are necessary for the performance of the contract to the contractor. Improvements having general utility or new construction are not authorized under 10 U.S.C. 2353. Facilities that would not be readily removable or separable without unreasonable expense may not be installed or constructed on property not owned by the government, unless the contract contains:

- (1) A provision to reimburse the government for the fair value of the facilities;
- (2) An option for the government to acquire the underlying land; or
- (3) An alternative provision that protects the interests of the United States in the

facilities.

d. All proposed RDT&E real property facilities will be identified to Congress in accordance with Chapter 5, Section 050402.

e. The Family Housing appropriation will provide for Family Housing construction and Family Housing O&M at R&D installations and activities.

3. Equipment. RDT&E appropriations will finance the development, design, purchase, installation, and acceptance testing of equipment or instrumentation required to support RDT&E activities. Costs of specialized equipment and instrumentation required for the support of research, development, test and evaluation contractor effort at government-owned, contractor-operated (GOCO) activities will be financed in RDT&E. DoD Directive 4275.5 applies. Installation costs include directly related foundations, shielding, environmental control, weather protection, structural adjustments, utilities and assets. Installation costs are excluded from RDT&E financing if the effort is accomplished concurrently with a military construction project, and in these instances, the military construction appropriation finances the installation cost. To the extent that the equipment installation occurs at a government activity and the cost exceeds \$500,000, no new facility or physical outer dimension expansion to an existing facility shall result from an RDT&E-funded equipment installation project.

#### 4. Establishment of Pilot Line and Tooling Requirements

a. The costs associated with establishing an initial pilot line, which are necessary to acquire a limited number of representative items for test purposes, including the test items, will be financed by RDT&E. All items and costs associated with maintaining the initial pilot line beyond the quantity sufficient to test for operational acceptability will be financed from other appropriations.

b. When an end item under development has also been approved for procurement, operational use, or included in the force structure, then hard tooling requirements common to both the development and procurement phases will be financed by Procurement appropriations. When an end item under development has not been approved for procurement, operational use, or included in the force structure, then tooling and other preliminary production facilities required to produce realistic development items for test and evaluation will be financed by RDT&E, even though such tooling and facilities might later be used for production.

#### 5. Test Articles and Test Support

a. As a general rule, the procurement of test articles and test support, including "Special Support" costs and "Command Support" costs (see Glossary), for all RDT&E tests preceding and leading to acceptance for operational use will be RDT&E funded. Test articles and components or materials to be assembled into test articles shall be budgeted in accordance with the need for them in the development and test program. Purchases of fully configured or near fully configured test articles (e.g., off-the shelf drones) should be budgeted in accordance with the need for full units to test.

(1) Development and preproduction prototypes (RDT&E financed) will be used for Developmental Test and Evaluation (DT&E), including scientific, technical and weapons effects tests. DT&E programs must provide complete and reliable data that can be used to estimate the military utility of new items as a basis for considering decisions to continue engineering development. To this end, it is essential to plan, program, budget and fund for an adequate number of R&D articles for development, test and evaluation that will be fabricated, manufactured or produced in a realistic preliminary production manner and thus provide such data.

(2) Development and preproduction prototypes (RDT&E financed) will be used for OT&E. When so used, they must be sufficiently representative of the expected production items' to provide from OT&E a valid estimate of production items operational effectiveness and suitability (including compatibility, interoperability, reliability, maintainability, and logistic and training requirements).

(3) Low Rate Initial Production (LRIP) assets. LRIP, as defined in DoD 5000.2-R, is to provide production configured or representative articles for operational test (RDT&E funded, see paragraph (2)); establish an initial production base for the system (procurement funded); and permit an orderly increase in production rate for the system (procurement funded). If the asset requires developmental or operational testing by an independent operational test agency, then it should be procured with RDT&E funds. If the asset, originally procured for testing, will subsequently be fielded, *procurement must be used*. The LRIP quantity will be determined as part of the Engineering and Manufacturing Development (EMD) approval (Milestone II). RDT&E funds will be budgeted to procure the items required for operational test to facilitate the testing of LRIP assets in the EMD phase. LRIP test articles must be specifically identified in the budget documentation. Should LRIP items beyond the test quantity be required, they would need to be included in the Milestone II decision and a determination made at that time. Ships and space systems do not have LRIP periods like other systems. Special guidance relating to the transition of ships and space systems from RDT&E to Procurement is provided in paragraph 9 of this section.

b. Conduct of testing that is not associated with RDT&E, or testing conducted after fielding or acceptance for operational use, such as the examples noted below, will be financed in the Procurement or O&M appropriations, as appropriate.

(1) Acceptance, quality control and surveillance testing of articles obtained for other than RDT&E purposes.

- (2) Routine testing in connection with logistic support.
- (3) Testing related to the operation and maintenance of equipment and material acquired for use under appropriations other than RDT&E.
- (4) Testing required to prove the capability of facilities to produce items which have been approved for production will be funded by procurement as part of the initial acquisition cost.

c. The acquisition of commercial or nondevelopmental items for testing and operational evaluation that do not require RDT&E engineering, design or integration effort will be financed by O&M or Procurement appropriations (as determined by the Expense and Investment criteria). O&M appropriations will finance personnel and command support costs for test and evaluation of commercial and nondevelopmental items by field units for doctrine, operational, or organizational purposes. If the commercially available item is modified and requires testing prior to approval for service use or inventory it is to be funded in RDT&E as are all developmental items.

d. Articles (including end items, weapons, equipment, major test vehicles such as ballistic missile boosters or upper stages, components and materials) of types regularly procured to meet established general requirements such as operational training, operational use, or inventory which are assigned or allocated on a priority basis for use in support of approved R&D programs and which are not consumed in testing, may be financed by Procurement or O&M appropriations using the expense and investment criteria. In addition, excess items that can be made available on a priority basis from existing inventory will be reassigned for use in R&D test and evaluation programs without reimbursement. However, all items, expected to be consumed in R&D test and evaluation will be financed by RDT&E appropriations.

e. Consumable rounds of ammunition or rounds of similar tactical missiles otherwise procured in quantity for inventory under existing procedures, may be issued on a priority basis for use in R&D testing without reimbursement.

f. The acquisition of test articles will be financed by O&M or Procurement appropriations (as determined by the Expense and Investment criteria), and personnel and command support costs will be financed by O&M appropriations for all test and evaluation (T&E) subsequent to acceptance for operational use and T&E to demonstrate the operational employment or develop operational tactics (i.e., subsequent to RDT&E efforts).

#### 6. Modification and Refurbishment of Test Articles.

a. Costs associated with modifying or reconfiguring an existing item for R&D test purposes will be funded in RDT&E. When an item that has been diverted from another use is not consumed in R&D testing, any costs necessary to return the item to serviceable condition or to its pre-existent configuration will be financed in RDT&E.

b. If an article initially acquired with RDT&E funds as part of an RDT&E test effort is still available at the completion of the test program, it may be reassigned for operational use or inventory. The cost to modify such an article for operational use would be borne by the Procurement and O&M appropriations, as appropriate.

#### 7. Product Improvement

a. "Product improvement" of major end items and major components of major end items currently in production or in the operational inventory, is subject to the following:

- (1) Redesign of an item to increase the current performance envelope, including related development, test and evaluation effort, will be financed in RDT&E.

(2) Engineering services or related manufacturing efforts applied to an item currently in production to extend its useful military life within the current performance envelope should be funded by Procurement appropriations as long as no developmental testing (DT) or operational test and evaluation (OT&E) by an independent operational test agency is required. If DT or OT&E by an independent operational test agency is required, RDT&E finances the improvement. The phrase "an item currently in production" implies that the item has ended item procurement funding in the year the product improvement effort is to take place.

(3) Engineering services or related manufacturing efforts applied to an out-of-production, but still operational item to extend its useful military life within the current performance envelope should be financed by O&M appropriations as long as no developmental testing (DT) or operational test and evaluation (OT&E) by an independent operational test agency is required. If DT or OT&E is required by an independent operational test agency, RDT&E finances the improvement.

b. While existing off-the-shelf equipment may be procured with Procurement funds, items that require engineering design, integration, test, or evaluation effort shall be procured with RDT&E funds in sufficient numbers to support such effort.

c. Costs of fully developed and tested modification kits and associated installation costs should be financed from Procurement appropriations. If DT or OT&E by an independent operational test agency is required, RDT&E finances the RDT&E effort and the kits required for RDT&E testing. Procurement funds would then be used to procure the follow-on kits.

d. Aircraft engine component improvement costs are budgeted in the RDT&E appropriations to provide for continuing improvements in the aircraft engines in the areas of reliability, maintainability, durability, correction of Service-revealed deficiencies, safety of flight, time-between-overhaul, etc. "Component Improvement" is established at the point in time when:

(1) There has been a Government acceptance of the first procurement funded engine, and

(2) The engine has successfully completed stringent qualification or verification testing to demonstrate initial production suitability subject to:

(a) Compliance with contractual specifications, performance guarantees and military specifications, as applicable to individual Service requirements;

(b) Completion of endurance testing representative of the anticipated Service use to include completion of specified post test inspections, certification, and penalty runs;

(c) Demonstration of prescribed performance capability; and

(d) Accomplishment of prescribed durability, reliability, and environmental testing.

#### 8. Ships and Ship-type Vehicles

a. An experimental test bed type of ship or an experimental ship will be financed by RDT&E appropriations. This will include all such experimental ships required to support an approved R&D program or for the purpose of experimenting with new or radical ship concepts or to demonstrate the military usefulness of new ship designs, configurations or fabrication techniques, when the ship-type test vehicle itself can be predicted to be consumed or expended in testing, or to have little or no operational usefulness in the force structure. Prototype ships, when designated by the Secretary of Defense, are included.

b. A ship of demonstrated, conventional concept and design having a high probability of military usefulness and inclusion in the force structure, even though first of a class, will be constructed using

procurement funds. A ship of demonstrated conventional concept and design temporarily or permanently assigned from inventory to support R&D effort will be furnished without reimbursement, but the cost of providing all R&D types of equipment or instrumentation, the cost of "nonstandard" modifications of the ship required to make the ship suitable for R&D support, as well as the cost of any related restoration to conventional or operational ship conditions upon release from assignment to R&D, will be financed by RDT&E appropriations.

c. Preliminary or contract design for new ship construction will be financed by RDT&E appropriations, including contractor and "field activity" effort costs. Detail design for ships appropriate for procurement funding will be funded by procurement accounts.

d. Land-based or sea-based combat system test installations will be financed by RDT&E appropriations.

9. Space Systems. Like shipbuilding programs, most space programs do not include dedicated test articles once they have entered the engineering and manufacturing development phase. The following guidance describes the circumstances in which RDT&E funds may be used for the acquisition of operational space systems.

a. Expendable launch vehicles. The first rocket of a new design is normally used to launch an operational satellite into orbit. This rocket may be financed with either RDT&E or Procurement appropriations. The second and subsequent expendable launch vehicles shall in all cases be financed with Procurement appropriations. The full funding policy shall apply to all expendable launch vehicles budgeted in Procurement appropriations.

b. Satellites. The first satellite of a new design is normally placed into operational use. For programs in which satellites are launched individually, the first two satellites may be financed with either RDT&E or Procurement appropriations. The third and subsequent satellites shall in all cases be financed with Procurement appropriations. For programs in which multiple satellites are launched with a single rocket, the satellites comprising the first launch may be financed with either RDT&E or Procurement appropriations depending upon which budgetary approach is most consistent with the contract structure. Satellites for the second and subsequent launches shall in all cases be financed with Procurement appropriations. The full funding policy shall apply to all satellites budgeted in Procurement appropriations. It is expected that satellite programs will make frequent use of advance procurement, combined parts buys, and multiyear contracts to efficiently use funds within the context of the full funding policy. To achieve these efficiencies, advance procurement funding may be budgeted two years (and, in rare instances, three years) prior to the year of full funding. The total advance procurement funding for a satellite should not exceed 20 percent of the unit cost of the satellite.

c. Ground Control and Ground Processing Systems. The design and implementation of ground control and ground processing systems is an integral part of the development of new satellite systems. The entire cost of the primary ground system (including off-the-shelf workstations, power supplies, etc., but not including military construction) shall normally be financed with RDT&E appropriations. The cost of backup ground systems shall be financed with Procurement appropriations, and the full funding policy shall apply.

d. User Terminals. User terminals for space systems shall transition from RDT&E to Procurement in the same manner as non-space-related communications and electronics equipment.

10. Training Devices. A training device is composed of components and software that have been designed or modified to demonstrate or illustrate a concept or simulate an operational circumstance or environment. The initial or prototype training device and all its support costs through service acceptance for operational use will be funded in RDT&E. RDT&E will not fund beyond the initial system unless more than one full system is required to demonstrate the training device performance. The initial or prototype training device that employs new or off-the-shelf computers and system components, but has training system unique software and interface components, will be developed and procured with RDT&E funds. Typically, these training devices have small quantity requirements and the initial or prototype device is used for operational training. Modifications or updates to existing training devices will normally be funded in the applicable Procurement or O&M appropriation, subject to the expense and investment criteria. Any necessary development effort for these modifications or updates will be funded in RDT&E.

### 11. Joint Test and Evaluation

a. Joint Test and Evaluation (JT&E) refers to T&E conducted jointly by two or more DoD components as directed by the Director, Strategic and Tactical Systems (OUSD/S&TS). JT&E will be conducted to test and evaluate capabilities of developmental and deployed systems in a joint environment, to evaluate joint operations concepts, and to determine requirements and interoperability of systems and forces. Testing will be accomplished in realistic operational conditions when feasible and essential to the evaluation. Testing will be in accordance with established joint doctrine and will be consistent with the assigned missions of the participating Components. Tests involving alternative concepts, organization, tactics, or procedures will be coordinated with the Components and The Joint Staff. As such, JT&E should not be construed to encompass the DT&E or OT&E efforts for weapon system acquisitions. Further, OUSD/S&TS-directed JT&E does not include that joint testing initiated by and mutually agreed to by two or more Components for their own purposes.

b. Funding for OUSD/S&TS-directed JT&E is financed in the Operational Test and Evaluation (OT&E), Defense appropriation (program element 0605804D). The costs incurred are for the direction, supervision, and performance of JT&E and will be for those areas that are unique to the needs of the JT&E. In the accomplishment of Joint Tests, the Components will be reimbursed from these funds for those unique costs as defined in the Glossary of Terms. When directed as Executive Agent for a particular JT&E, the Component will be responsible to the Secretary of Defense for ensuring that all resources necessary for the successful accomplishment of the JT&E are available to the Joint Test Director (JTD). This includes administrative management support and facilities for the JTD. The Components' support costs (O&M, Procurement, and RDT&E) are to be programmed and budgeted in accordance with established budgetary procedures.

12. Manufacturing Technology. The Department of Defense Manufacturing Technology program, which demonstrates factory application of new or improved technology in producing defense items, will be financed in the RDT&E appropriations.

13. Development Efforts Related to Future Leased Services. When the provider of a leased service that will ultimately be financed in O&M requires initial funding in order to design or develop major changes or improvements to meet the government's requirement for that service, then the costs of such development efforts will be financed in RDT&E.

14. Subsystem Integration into Weapon Systems. Research and development necessary for the integration of subsystems into weapon systems should be financed from the weapon system program. For example, the R&D cost of integrating an electronic warfare black box into an aircraft should be borne by the aircraft R&D program.

15. Engineering change orders should be funded commensurate with the level of risk in the program.

### **010213 RDT&E - Incremental Programming and Budgeting Basis**

A. Purpose This Chapter specifies the principles to be followed, and establishes the criteria and definitions to be used, in the preparation of the annual Research, Development, Test and Evaluation (RDT&E) budget estimates on an incrementally funded basis. The incremental budgeting policy provides that only those funds required for work in a given fiscal year shall be included in the RDT&E budget request for that fiscal year for most classes of effort.

B. Policy The annual budget estimates for Research, Development, Test and Evaluation (RDT&E) projects and programs, including developmental and operational test and evaluation programs, are to be prepared on an incrementally programmed basis (as opposed to the fully funded program basis used in preparing procurement budget estimates).

C. Guidance

1. The budget request for DoD projects and programs will be developed and presented in accordance with the following principles:

a. Annual estimates of initial financing needed for new major weapon systems and other development programs and projects requiring several years to complete, and which involve contracts spanning more than one year, should be formulated to cover costs expected to be incurred during each fiscal year. Generally this will represent a 9-month or lesser period for the initial, first year increment of a new start program due to the nature and timing of the congressional budget approval. The second and succeeding increments will be programmed and financed for the entire fiscal year. However, the Service or Defense Agency Comptroller must approve extensions of up to 3 months beyond the end of the fiscal year for which funds are requested. In this regard, DoD components should make every effort to align subsequent years' funding requirements on an annual basis coincident with the fiscal year, although it is recognized that there may be circumstances where this will not be feasible. The estimate of the financing required in the budget year to continue development projects must always take into account any changes (such as slippage's) that have occurred. RDT&E funding requirements should be based on forecasted obligations that consider costs and timelines for each milestone and other programmatic event.

b. There are requirements in which there is no logical way to divide the work; it is clearly unfeasible to limit the contract to a shorter period; or the planned technical effort is such that no responsible contractor can be found who will accept a contract for a less-than-completion increment. For these type efforts that take longer than 12 months but less than 18 months, the Service or Defense Agency Comptroller may approve financing the total requirement in one fiscal year.

c. While it is intended that the foregoing guidelines will be applicable to program execution as well as program formulation, there may be circumstances that could delay the start of an annual increment (such as legal, administrative, or technical problems). The 2-year availability of funds authorized for the Research, Development, Test and Evaluation appropriation provides the necessary flexibility for program execution in those circumstances.

d. Engineering change orders should be funded commensurate with the level of risk in the program.

2. *Special Termination Cost Clause (STCC). DoD FAR Parts 249.50170 and 252.249-7000 permit the use of STCC in fixed-price incentive contracts and incrementally funded cost reimbursement contracts. If contracts containing an STCC are terminated before completion, the special termination charges are covered by the unobligated balance of the applicable appropriation, subject to any congressional approval required for reprogramming. The extent to which the STCC can be used is limited to the ability of the Service or Agency to cover expected termination costs from unobligated balances. A recordable obligation under the STCC arises when the contract is actually terminated. If a proposed STCC would require an above threshold reprogramming action when a program is terminated, the approval to use the STCC shall be obtained from the USD (Comptroller) before the contract or contract modification is awarded. All STCCs, regardless of dollar amount, require prior notification of the House and Senate Appropriations Committees.*

#### **010214 Defense Working Capital Funds - Operating Budget**

The operating budget represents the annual operating costs of an Activity or Component, including depreciation and amortization expenses. Detailed requirements and guidance can be found in Chapter 9.

#### **010215 Defense Working Capital Funds - Mobilization/Surge Costs**

A. Separate funding is provided for those costs related to mobilization and wartime surge capacity that would not otherwise be incurred to meet peacetime requirements. The prices of services and products provided to peacetime customers exclude these costs, to more appropriately reflect consistent pricing between competing activities. Similarly, better visibility of surge or readiness requirements is provided to decision makers at every level. These "mobilization" costs, although funded and justified as non-Fund direct appropriation to Component



budgets, are elements of business area costs and must be fully justified on the SM-3 and Fund-8 schedule. Detailed requirements and guidance can be found in Volume 2B, Chapter 9, paragraph 090103F(2).

B. Unutilized capacity that is associated with the ability to satisfy a projected surge capability is considered a mobilization requirement that is to be funded by appropriated funds provided by the DoD Component having management responsibility for the Fund activity. Costs applicable to unutilized plant and equipment, such as depreciation, or maintenance, are not to be charged to the customers of the Fund activity.

C. The justification for costs related to mobilization and wartime surge capacity must identify the scenario assumptions or other basis for the requirement under which these costs were calculated. Additionally, a description of how these costs will be collected and accounted for in execution must be provided. *The UPC Funding Exhibit Fund-30 will be used to support the request for UPC Funding.*

D. Volume 2B, Chapter 9 provides additional guidance and instructions associated with mobilization/surge requirements.

#### **010216 Defense Working Capital Funds - War Reserve Materiel**

War reserves are procured and maintained to meet wartime requirements as determined by the Defense Guidance. These costs will be funded with direct appropriations in the Components' budgets, not through customer rates. However, since the war reserve materiel will be under the management of supply management businesses, war reserve requirements will also be described and justified on the SM-3 and Fund-8b. *In addition, a new exhibit, SM--6 War Reserve Material, will be prepared by the Components to justify WRM Requirements.* Detailed requirements and guidance can be found in Volume 2B, Chapter 9.

#### **010217 Defense Working Capital Funds - Military Personnel Costs**

A. Military personnel costs have been included in revolving funds since FY 1991. This change was made to ensure that the total costs of the business were being captured. The cost of military personnel assigned to DWCF activities will be included in the total cost of operations of DWCF activities at civilian equivalent rates and reflected in the stabilized rates charged to customers. This policy is based on the concept of total costing, which is designed to ensure that the total cost of producing products and services is being identified to both DWCF activities and customers.

B. The amount expensed for military personnel by DWCF activities and the amount reimbursed to the appropriate military personnel will be the same as the amount budgeted. The budget amount will equal the average strength multiplied by the civilian equivalency rate for each grade. The average strength for the budget year(s) will be calculated using the average fill rate for the three prior years. The fill rate is calculated by dividing actual average strength by the authorized strength for each grade. No adjustments will be made to the DWCF cost of operations to reflect the actual cost of military personnel employed by DWCF activities.

C. See Volume 2B, paragraph 090103G, for budget formulation, execution, and reimbursement procedures.

#### **010218 Defense Working Capital Funds - Full Recovery of Costs/Setting Prices**

##### *A. General Guidelines*

1. All business areas in the Fund are required to set their prices based upon full cost recovery, including all general and administrative support provided by others. Prices are established through the budget process. *Except for Depot Maintenance and Central Design Agent Activity Groups, prices remain fixed during the year of execution; actual costs are evaluated against revenue generated by workload at established prices; and the financial condition of the business assessed accordingly.* Profits or losses will be determined at the end of the year and will be employed as a basis for evaluating operating efficiency.

2. Prices for every Defense Component business activity are established for each fiscal year. Once established, these prices are held constant (stabilized) through program execution. This stabilized rate policy serves to protect customers from unforeseen inflationary increases and other cost uncertainties and better assures customers that they will not have to reduce programs to pay for potentially higher than anticipated prices. In turn, this policy allows activities to execute the budgeted program level and permits a more effective utilization of Fund resources.

3. Prices for the budget year(s) will be set to recover costs over the long run. This means that prices will be set to achieve an Accumulated Operating Result (AOR) of zero. During budget execution, business areas will have either a positive or negative Net Operating Result. Accordingly, prices in the budget year will be set to either make up actual/projected losses or to give back actual/projected gains in the budget year(s).

4. An activity group may request that AOR losses be recovered over a two year period. The request must be included in the budget submission, may recover no more than 50% of the loss in the second year, and must demonstrate that the delay in the recovery of losses will not adversely effect the cash balance of the activity group.

5. In the supply management businesses, the price setting process will be consistent with the rate changes approved during the budget review.

**B. Recovery of Unplanned Losses in Depot Maintenance and Central Design Agent Activity Groups**

1. Unbudgeted Depot Maintenance or Central Design Agent operating losses and operating gains of \$10 million or more per activity group will be recouped or returned as appropriate, in the current fiscal. This rate adjustment will increase financial discipline, encourage depot commanders to implement cost controls more rapidly, provide the right incentives to set rates correctly in the budget, eliminate the routine use of advance billing to cover execution losses, and improve operational efficiency.

2. The established procedures will impose a surcharge on customer bills to recoup losses. The amount of the losses to be recouped will be determined at the first budget execution review meeting of the fiscal year. Additional adjustments will be determined during the mid-year review and Budget Estimates Submission (BES) review, as needed. Customers will be required to absorb or finance all cost increases.

**C. Detailed requirements and guidance can be found in Chapter 9.**

**010219 Defense Working Capital Funds - Capital Budgeting**

A. Budgetary resources for capital investments will be separately identified in an approved capital budget. Any investment in equipment, other than information systems and telecommunications equipment, information systems and telecommunications resources, software development, and minor construction investments having a value of \$100,000 or more, and having a useful life of two years or greater, will be funded through the capital budget and its costs will be depreciated over a predetermined period. The \$100,000 threshold is based on congressional actions and policy. Depreciation of capital equipment will be fully reflected in the operating costs and rates of Fund businesses.

**B. Minor Construction**

1. Minor Construction projects costing \$100,000 but less than \$500,000 will be funded through the capital budget and depreciated.

2. Effective in FY 1996, 10 U.S.C. 2805(c)(1) was amended to increase the threshold for unspecified military construction projects funded by appropriations available for operations (including DWCF) and intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening from \$300,000 to \$1,000,000.

3. Effective in FY 1996, 10 U.S.C. 2805(c)(1)(B) was amended to increase the threshold for minor construction projects from \$300,000 to \$1,000,00 for activities designated under the DoD Laboratory Demonstration Program. Fund activities may be designated to participate in the DoD Laboratory Revitalization Demonstration Program. The authority for the Laboratory Revitalization Demonstration Program expires on September 30, 1998.

4. Project planning and design costs are considered a capital investment cost that is capitalized by the DWCF activity and financed in the minor construction portion of the capital budget. Planning and design costs are not included as part of the statutory threshold for minor construction projects.

5. See Volume 2B, paragraph 090103, for budget formulation and execution procedures.

### C. Depreciation

All capital assets owned by activities in the Fund will be depreciated or amortized by the individual Component business area. Depreciation will be on a straight-line basis and based on the acquisition cost, less residual value when residual value is expected to be 10 percent or more of the acquisition cost, including installation and related costs.

1. The following is the depreciation schedule assets *acquired prior to October 1, 2000*:

- Facilities construction (including minor construction) projects - 20 years
- Equipment Purchases, Other than information systems and Telecommunications Equipment - 10 years
- Information systems and Telecommunications Resources - 5 years
- General Purpose Vehicles - 5 years
- Externally Developed Software - 5 years
- Internally Developed Software – 10 years (For projects implemented beginning in FY 1998).

2. *For assets acquired on or after October 1, 2000, see FMR Volume 4, Chapter 6, paragraph 060206I*

### 010220 Defense Working Capital Funds - Base Support

Interservice and intragovernmental support, as identified in DoDI 4000.19, is reimbursable by the DWCF activity to the extent that the specified support for the DWCF activity increases the host activity's direct costs (i.e., incremental direct cost). Costs associated with common use infrastructure are non-reimbursable, except for support provided solely for the benefit of one or more tenants. Support costs that are charged to a tenant DWCF activity (i.e., reimbursable cost) must be measurable and directly attributable to the DWCF activity. Indirect costs will not be included in reimbursement charges, except those included in stabilized rates charged for DWCF mission products and services. Host activities (suppliers of base support) are permitted to waive reimbursement from tenants who use or benefit from available support without appreciably increasing the host activities' costs (i.e., revenues would be less than the anticipated expense of billing and disbursing funds).

DWCF activities that use any of the common base support functions identified in DoDI 4000.19 (Interservice and Intragovernmental Support) are to reimburse host activities for this support. Reimbursement for DWCF mission products and services (e.g., depot supply, depot maintenance, public works center services, information processing, communications, and software development) shall be based on the approved stabilized rate. Other support incidental to the DWCF activity's primary mission or purpose is to be budgeted and reimbursed based on direct costs measurable and directly attributable to the DWCF activity. Only the incremental change in cost

attributable to the DWCF activity (incremental direct cost) shall be chargeable to the DWCF activity. Indirect costs are not to be included as a cost to the DWCF activity.

Volume 2B, Chapter 9 provides budget formulation and execution procedures.

#### **010221 Defense Working Capital Funds - Dual Funded Organizations**

A dual funded organization is an organization that is funded (including reimbursable funding) by both the DWCF and other appropriations or accounts. In those instances where a function is funded with a combination of both DWCF and appropriated funds, the function initially will be funded in its entirety either by the DWCF or by appropriated funds. The determination of whether the particular function initially is to be funded by the DWCF or appropriated funds will be based on the predominance of definable units of measure for the function. Examples of definable units of measure include work load, productive hours, outputs, or ultimate use. The appropriation or account initially funding the function shall be reimbursed by the other account(s) at the same unit of measure as was used to determine the initial funding source. The amount of reimbursement shall be determined based on the relative portion of that unit of measure attributable to each part of the organization (or funding source) involved.

This policy does not change the policy for reimbursement for base support services provided by the DWCF to tenant activities. DoDI 4000.19, Volume 2A, paragraph 0102020 and Volume 2B, paragraph 090103.K provide guidance for funding base support services.

#### **010222 Defense Working Capital Funds - Customer Mandated Schedule**

When a job order is canceled or reduced in scope, after a DWCF activity has commenced work or incurred costs on the order, the costs incurred plus the applied overhead (that is indirect and other normally allocated overhead (G&A costs)) plus costs associated with the cancellation or reduction shall be charged to the customer.

Examples of directly associated cancellation or reduction costs to be charged to customers are advance planning costs, non-creditable direct material, special test equipment, necessary preservation and/or shipment effort, and any additional effort necessitated by the cancellation and/or reduction (e.g., salvaging of material). In addition, costs charged to customers should include the costs of salaries payable to employees hired specifically to work on the canceled order until the employees are or could have been separated through a reduction in force or other appropriate action (taking into account appropriate administrative lead time), or reassigned to other direct jobs. Costs which are indirectly associated with the cancellation or reduced customer orders, under-applied overhead costs that may result in a DWCF activity as a whole from a reduced work load base shall not be charged to the customer canceling or reducing their order but shall be recorded against the net operating results of the performing DWCF activity.

## 010223 Glossary of Terms – Procurement

<u>Term</u>	<u>Meaning/Funding Connotation</u>
Advance Procurement (Long Lead Items)	A pre-approved exception to the full funding policy that allows procurement of long leadtime components, material, parts, and effort in a fiscal year before that in which the related end item is to be procured.
Cancellation	Cancellation means the cancellation (within a contractually specified time) of the total requirements of all remaining program years. Cancellation results when the contracting officer notifies the contractor of nonavailability of funds for contract performance for any subsequent program year or fails to notify the contractor that funds are available for performance of the succeeding program year requirement.
Cancellation Ceiling	The maximum cancellation charge that the contractor can receive in the event of cancellation (reference Federal Acquisition Regulation (FAR) 17.103).
Cancellation Charge	The amount of unrecovered costs that would have been recouped through amortization over the full term of the contract, including the term canceled.
Contingent Liability	As a budgetary term, contingent liability represents variables that cannot be recorded as valid obligations. Such variables include: (1) outstanding fixed price contracts containing escalation, price redetermination, or incentive clause; or (2) contracts authorizing variations on quantities to be delivered; or (3) contracts where allowable interest may become payable by the U.S. government on contractor claims supported by written appeals pursuant to the DISPUTES clause contained in the contract.
Centralized Item Management and Asset Control	The management in the central supply system or a DoD-wide or Service-wide acquisition and control system in which the manager has the authority for management and procurement of items of equipment. This includes such functions as requirement determination, distribution management, procurement direction, configuration control and disposal direction. Asset control includes the authority to monitor equipment availability and take such actions as necessary to restock to approved stockage levels.
Construction	The erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; the acquisition of a facility; or the relocation of a facility from one installation to another.
Detail Design Costs	The final design effort on ships normally performed in conjunction with lead ship construction, is called "detail design." This effort is procurement funded (SCN).
Economic Order Quantity (EOQ) Procurement	An exception to the full funding policy that allows the use of advance procurement to purchase more than one fiscal year's program increment of components, materials, and parts in order to obtain the economical advantages, sustain a production line, etc.
Facility Maintenance	The recurrent, day-to-day, periodic or scheduled work required to preserve real property in such condition that it may be used for its designated purpose.
Facility Repair	The restoration of real property to such condition that it may be used for its designated purpose.

Full Funding	At the time of contract award, funds are available to cover the total estimated cost to deliver the contract quantity of complete, militarily usable end items. If a future year's appropriation is required for delivery of an end item, the end item is not fully funded.
Funded Delivery Period (FDP)	A funded delivery period encompasses a 12-month period that begins when the contractor delivers the first item of a fiscal year procurement. Confusion exists regarding this time period because, in many instances, accurate administrative and production leadtimes (ALT/PLT) have not been included in the calculation. The calculation should begin with October 1. From this point in time, the ALT and PLT should be added. This amount of time plus the next 12 months are included in the funded delivery period. When excessive leadtimes are included in the calculation, additional quantities are procured that could have been funded in the following fiscal year with no change in the delivery schedule.
Leadtimes	<u>Administrative Leadtime (ALT)</u> . This is the amount of time required to complete the administrative actions leading to contract award. In most cases, ALT actions do not require funding and can therefore be accomplished prior to October 1, at which time the next fiscal year's funding is appropriated. The ALT is used to forecast contract awards. Longer leadtimes require that a larger quantity be purchased to support yearly requirements. Leadtimes should therefore reflect an accurate assessment of the time required to process the administrative actions. <u>Production Leadtime (PLT)</u> . This is the amount of time required by a contractor to produce the first item after contract award until deliveries begin. <u>Procurement Leadtime</u> . This is the total of ALT and PLT. When used to determine quantity requirements, calculations should begin when the first ALT action begins.
Modification	The alteration, conversion, or modernization of an end item of investment equipment which changes or improves the original purpose or operational capacity in relation to effectiveness, efficiency, reliability or safety of that item.
Maintenance	The routine, recurring effort conducted to maintain an end item of investment equipment at its intended capability or designed performance level.
Nonrecurring Costs	Nonrecurring costs are generally incurred on a one-time basis. Costs may include: plant or equipment relocation; plant rearrangement; special tooling and test equipment; preproduction engineering; initial spoilage and rework; pilot runs; allocable portions of the costs of facilities acquired or established to conduct the work; costs incurred for the assembly, training, and transportation of a specialized work force to and from the job site; and unrealized labor learning.
Production Rates	<u>Minimum Sustaining Rate</u> is the production rate for each budget year that is necessary to keep production lines open while maintaining a base of responsive vendors and suppliers; the quantity that will preclude start-up costs in the case of a production break; or the quantity that the contractor is willing to accept and produce at a reasonable cost. <u>Economical Production Rate</u> is the most efficient production rate for each budget year at which the item can be produced with existing or planned plant capacity and tooling, with one shift a day running for eight hours a day and five days a week (1-8-5). <u>Maximum Production Rate</u> is the maximum capacity rate that a contractor can produce with extant or prior year funded tooling.
Recurring Costs	Production costs that vary with the quantity being produced, such as labor and materials.
Real Property Maintenance	The various functions for the maintenance and repair of facilities and the accomplishment of minor construction financed by an O&M appropriation.

System	The combination of a number of components that are functioning with the context of a whole to satisfy a documented requirement.
Termination	The right of the government to terminate the performance of work in whole or part under a contract as specified by the contract's Termination for Convenience or Default provisions. Unlike cancellation, which is effected between fiscal years and must apply to all subsequent fiscal years' quantities of items, termination may be effected at any time during the life of a contract and may apply to the total quantity or to a partial quantity of items.
Termination Liability Funding	A budgeting technique that would provide funds on a contract to cover the maximum value of outlays that could be incurred for work accomplished by the end of the budget year plus the maximum cost to the government associated with termination of the contract at the end of the budget year.

## 010224 Glossary of Terms – RDT&amp;E

<u>Term</u>	<u>Meaning/Funding Connotation</u>
Accepted for Service Use	This is the major milestone in a development program that represents the formal acceptance of an item for operational use by the Service. In some instances items are approved for Service use with qualifying restrictions or provisions pending completion of specific development deficiencies. In such instances the appropriation to fund the correction and test must be determined on a case-by-case basis, according to the expense and investment criteria. Typically, all post-Service acceptance effort will be funded in Procurement appropriations.
Command Support Costs	This term also is used in the context of the T&E programs. It refers to the "people-related" costs of the command and operational units providing collateral support to the T&E effort. These are additional costs incurred because of this test support. Examples are per diem pay, travel allowances, overtime, etc.
Contract Design Costs	The contract design phase of shipbuilding programs follows the preliminary design phase and results in a design that carries the equipment specifications necessary to meet the Navy requirements. These costs are RDT&E-funded.
Developmental Test and Evaluation (DT&E)	DT&E is that test and evaluation conducted to assist the engineering design and development process and to verify attainment of technical performance specifications and objectives.
Government Acceptance of the First Procurement-Funded Engine	This term, which is one of the two minimum requirements for initiation of engine component improvement funding, refers to the date the Government formally accepts delivery (DD Form 250) of the first engine funded under procurement appropriations.
Initial Operational Test and Evaluation (IOT&E)	It is DoD policy that there shall be conducted, before commitment of a system to production, at least an initial phase of operational test and evaluation (OT&E) adequate to provide a valid estimate of expected system operational effectiveness and suitability (including compatibility, interoperability, reliability, maintainability, and logistic and training requirements). This early phase of the normally longer, overall OT&E program is known as IOT&E.
Operational Test and Evaluation (OT&E)	OT&E is that test and evaluation conducted to estimate a system's operational suitability, identify needed modifications, and provide information on tactics, doctrine, organization, and personnel requirements.
Performance Envelop	The demonstrated capability of a system, system components, and special purpose software to perform its mission in relation to essential characteristics such as: speed, range, payload, altitude, rate of fire, etc.
Preliminary Design Costs	This term refers to those costs incurred in shipbuilding programs in the early stages of the cycle. They should result in a design that, on a performance or requirement basis, approaches the Navy's goal. These costs are RDT&E-funded.
Product Improvement	This term embraces all efforts of a research, development, design, or engineering nature that have the objective of improving major end items or major components of major end items. The improvement may involve expanding the useful life of the end item or component, or it may increase the performance capability.



Prototype	This term connotes an item from an R&D program and also connotes RDT&E financing.
R&D Installation or Activity	This term refers to those installations or activities whose support and operating costs are financed predominantly with RDT&E funds.
Special Support Costs	This term, as used in the context of test and evaluation programs, refers to those acquisition or hardware costs, other than those associated with the item that is the subject of the test, which are incurred in direct support of the T&E effort. A good example would be special range instrumentation costs.
Test Article	A system representative prototype designed to obtain, verify or provide data for the evaluation of research and development or evaluate progress in accomplishing development objectives.
Unique Joint Test and Evaluation (JT&E) Costs	This refers to costs such as: feasibility determinations of proposed joint tests; the provision for test design and planning support for joint tests selected; the development, procurement, installation, and operation of special instrumentation; transportation, travel, and per diem costs for the Test Director's staff; the modification of test articles as surrogates and to permit obtaining test data; transportation of equipment from permanent bases to the test site and return; and the provision for data collection/collectors, data reduction, analysis, and test reporting services. Transportation and per diem of participating personnel and maintenance and supply costs are not considered unique.

**0103 BUDGET ESTIMATES SUBMISSION****010301 General**

A. This section, Budget Estimates Submission, provides guidance for the development and submission of the biennial budget estimates to OSD. The USD(Comptroller) guidance memorandum, transmitted in June or July of each year will provide specialized instructions such as program basis for the estimates, key assumptions to be used, and special supporting material requirements. In addition, "supplementary instructions" memoranda issued on an "as needed" basis (usually in August) by OUSD(Comptroller) Program/Budget will be limited to specific instructions which amplify guidance included in the OUSD(Comptroller) memorandum and in this volume. The use of other memoranda to transmit budget guidance will be restricted to new or nonrecurring requirements.

B. Guidance for development of the National Foreign Intelligence Program Intelligence Budget Estimates Submission will be issued by the Director of Central Intelligence. Additional detail is found in Chapter 16.

C. The instructions for submitting certain summary schedules are provided in Section 010305. The instructions for back-up material tailored to each appropriation or fund category are provided in subsequent chapters. Materials required by OMB Circular A-11, which are not otherwise required by this manual, will be submitted in accordance with that Circular, unless specific exception is granted by the OMB. This is covered in Section 010105.

D. A budget work schedule will be forwarded by separate memorandum at the beginning of each budget formulation cycle. This schedule will show the dates to be used for planning the various phases involved in the formulation process.

E. Budget Material

1. With the exception of classified budget exhibits, the transmittal memorandum with attachments to the Secretary of Defense, and the budget overview booklets, all budget material will be posted only to an access controlled Internet site unless provided for otherwise in the annual budget call memorandum. At the time of publication of this Volume 2 update, it is expected that each submitting Component will individually post unclassified budget justification material on an OUSD(Comptroller) hosted Internet. Additional guidance on accessing this site and content guidance and restrictions will be provided separately.

2. *For classified budget material and for any occasions where the unclassified material is required in a paper format, the material required for the Budget Estimates Submission will be prepared in the formats prescribed in this section. Also, while the unclassified material is to be posted on the Internet, the format size/margins described below should be adhered to. Material submitted in accordance with OMB Circular A-11 will follow the format prescribed by that Circular. All material, with the exception of fold-in charts and tables which may be included, will be prepared on 8.5" x 11" paper. Material fulfilling Circular A-11 requirements will be bound on the left side. All exhibit books, except for Military Construction, Family Housing, Base Closure, and Information Technology, will be printed horizontally (landscape) on 11" x 8½" paper. Addressees will reduce all larger pages to the standard 11" x 8.5" size. All pages in each book are to be consistent in size. The following identifies specific requirements:*

- (1) Military Personnel - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. Use at least font size 10. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.
- (2) Operation and Maintenance (to include the Defense Health Program) - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper

printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. Use at least font size 10. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

- (3) Research, Development, Test and Evaluation - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Begin each program element on a facing page. Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.
- (4) Procurement - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.
- (5) Military Construction - The justification material for Military Construction will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.
- (6) Family Housing - The justification material for Family Housing will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.
- (7) Base Closure - The justification material for Base Closure will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.
- (8) Revolving Funds - Material submitted for the budget estimate submission for **revolving funds** is to be submitted by business area on 8.5"x 11" paper, with 3 holes punched along the 11 inch side to fit standard three-hole binders. Capital Investment Program exhibits will be prepared in landscape format. Budget submitting offices should ensure that all narrative type is consistent. Revolving funds justification books prepared by the Components are to be unclassified. Classified exhibits will be submitted under separate cover.
- (9) Information Technology – Provide justification material in accordance with Chapter 18 Section 180202.

3. Whenever revisions or correction sheets are necessary, the revised pages showing the date of the change will be inserted in each budget book by a staff member of the DoD Component submitting the change. OUSD(Comptroller) Program/Budget staff will instruct the DoD Component's staff member as to the location of the budget books. Corrections should be held to a minimum and are not necessary for minor typographical errors which make no material difference in the analysis and evaluation of the estimates.

#### **010302 Distribution**

*With the exception of classified budget exhibits, budget overview booklets, and the transmittal memorandum to the Secretary of Defense, all Budget Estimates Submission material formerly submitted in paper copy will instead be posted to an access controlled Internet site unless indicated otherwise in the annual budget call memorandum. Unclassified budget overview booklets and unclassified transmittal memoranda to the Secretary of Defense with summary exhibits will be posted to the Internet in addition to submission in paper form. At the time of*

*publication of this Volume 2 update, it is expected that each submitting Component will individually post unclassified budget justification material on an OUSD(Comptroller) hosted Internet site. Additional guidance on accessing this site will be provided separately. Distribution of classified budget estimates submission material only will be made in accordance with the charts on the following pages. All required copies will be delivered directly by each Military Department/Defense Agency to the appropriate offices at the room numbers listed on the following page:*

*DISTRIBUTION DELIVERY POINTS*

SecDef (OSD Correspondence Control)	3A948	
USD(Comptroller)		
Plans & Systems (P&S)	3A862	(703) 697-2124
Operations and Personnel (OPS)	3D868	(703) 697-9317
Investment (INV)	4B916	(703) 695-5507
Military Construction (MILCON)	3D841	(703) 697-4829
Revolving Funds (REV FUNDS)	3B866	(703) 697-1880
Program & Financial Control (P&FC)	3B872	(703) 697-0021
Office of the Deputy Chief Financial Officer	Crystal Gateway #2 Rm. 900/912	(703) 604-6350
Director, PA&E	2D309	(703) 697-0395
USD(Acquisition, Technology & Logistics) Mail Room	3D139	(703) 697-6112
USD(Policy)	4B940	(703) 697-9478
ASD(C <sup>3</sup> I) Resource Management Office	3D228	(703) 695-3937
USD(Personnel & Readiness)	3C980	(703) 697-0617
ASD(HA)	3E279	(703) 697-8979
ASD(RA)	2D528	(703) 697-4334
The Joint Staff (J-8)	1E963	(703) 695-7064
DOT&E		
Attn: Mary wells TEC		
2001 N. Beauregard St		
Alexandria, VA 22311		(703) 578-8222
Director, Defense Finance and Accounting Service,		
Code – HQ/F, 1931 Jefferson Davis Hwy,		
Arlington, VA, 22240-5291		(703) 607-5109
Executive Office of the President		
Office of Management and Budget (OMB)		(202) 395-4734
National Security Division		
Attn: Bill McLeod		
NEOB, Room 10001		
725 17 <sup>th</sup> St		
Washington, D.C. 20503		

**Because of numerous room changes during the Pentagon Renovation, call the listed office prior to delivery of budget material.**

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION  
SUMMARY DATA REQUIREMENTS**

	C H A P T E R	USD(Comptroller)										P A & E	O M B	A T & L	U S D (P)	C 3 I	P & R	H A			R A	T J S	D O T & E		S 3 E A C 9 D 4 E 8 F	T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C																			
Transmittal Memorandum to SecDef <u>with the following attachments:</u>  Summary of Budget Estimates (PB-1), <i>Fiscal Guidance Track- TOA in Millions of Dollars (PB-1A)</i> <i>Current Year</i> <i>Reprogrammings/Transfers (PB-3)</i> Schedule of Military and Civilian Personnel (PB-4), Supplemental Appropriation Requirements (PB-8)	1	1	1	1	1	1	2					1	1	1	1	1	1				1	1			6	22
Overview Booklets	1	5	5	1	1	1	1					5	4	1	1	1	5	1			1	1	1			35
Additional Budget Submission (PB-10)	1	1	2	2	1	1	6					1	2	1	1	1					1	1				22
Automation Submission Requirements	1						**																			**

\*\* See Section 0105 for the Budget Automation Submission requirements.

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

**Based on exhibit requirements, it is expected that all submissions will be unclassified, “For Official Use Only” with the exception of submissions by NIMA, NSA, and DIA**

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION  
OPERATION AND MAINTENANCE CLASSIFIED BUDGET MATERIAL ONLY**

Appropriation	C H A P T E R	USD(Comptroller)										P A & E	O M B	A T & L	U S D (P)	C 3 I	P & R	H A	R A	T J S	T O T A L	
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C															
O&M Title Appropriations Classified budget material	3/8	1	2			1						1	1	1	1	1			1	1		12
Drug Interdiction & Counterdrug Activities Classified budget material	14	1	2	1		1						1	1	1	1	1	1		1	1		12
Overseas Contingencies Operations Transfer Fund Classified budget material	17	1	2	1		1						1	1	1	1	1	1		1	1		12

**Note:** Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

Classified exhibits should be submitted only when adequate information cannot be provided in an unclassified format to support budget estimates

**Based on exhibit requirements, it is expected that all submissions will be unclassified, “For Official Use Only” with the exception of submissions for Drug Interdiction and Counterdrug Activities, Overseas Contingencies Operations Transfer Fund, and Defense Agency submissions by NIMA, NSA, and DIA.**

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION  
 PROCUREMENT ACCOUNT CLASSIFIED BUDGET MATERIAL ONLY**

Appropriation	C H A P T E R	USD(Comptroller)										P A & E	O M B	A T & L	U S D (P)	C 3 I	P & R	R A	T J S	D O T & E	T O T A L	
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C															
Procurement Title Appropriations Classified budget material	4	1		2							1	1	1	1	1	1			1	1	1	12

**Classified submissions should include all associated exhibits for an individual P-1 line item whether associated exhibit is classified or unclassified.**

Defense Agencies classified material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.



**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION  
RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNT CLASSIFIED BUDGET MATERIAL ONLY**

Appropriation	C H A P T E R	USD(Comptroller)										O M B	A T & L	U S D (P)	C 3 I	P & R	R A	T J S	D O T & E	T O T A L				
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C														P A & E			
RDT&E Appropriation Title Classified budget material	5	1		2	1	1						1	1	1	1	1				1	1	1		14

**Classified submissions should include all associated exhibits for an individual R-1 line item whether associated exhibit is classified or unclassified.**

Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION  
 REVOLVING AND MANAGEMENT FUND CLASSIFIED BUDGET MATERIAL ONLY

Appropriation	C H A P T E R	USD(Comptroller)										P A & E	O M B	A T & L	U S D (P)	C 3 I	P & R	H A			R A	T J S	D O T & E		T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C																		
Revolving Fund Title Classified budget material	9	1	1	1		2						1	1	1	1	1	1			1	1	1		15	

Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION  
MILITARY CONSTRUCTION & FAMILY HOUSING ACCOUNT CLASSIFIED BUDGET MATERIAL ONLY**

Appropriation	C H A P T E R	USD(Comptroller)												T O T A L														
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C					P A & E	O M B		A T & L	U S D (P)	C 3 I	P & R	H A			R A	T J S	D O T & E				
Military Construction/Family Housing Appropriation Title Classified budget material	6	1			2									1	1	1	1	1	1					1	1			12

**Classified submissions should include all associated exhibits for an individual C-1 line item/family Housing Projects whether associated exhibit is classified or unclassified.**

Defense Agencies material must be packaged in sets with the orginating agency clearly identified on each page of each exhibit.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION  
SPECIAL INTEREST REQUIREMENTS CLASSIFIED BUDGET MATERIAL ONLY**

PROGRAM	C H A P T E R	USD(Comptroller)										O M B	A T & L	U S D (P)	C 3 I	P & R	H A			R A	T J S	D O T & E		T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C																	
Intelligence Programs (NFIP/JMIP/TIARA) (IP-1)	16	1		1	1						1	1	1	1	1					1			10	
Special Interest Exhibits Chapter 19 Classified budget material	19	1	2	2	1	1	1				1	1	1	1	1	1			1	1	1		18	

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

**010303 Preparation of the Biennial Budget Estimates****A. General Guidance**

1. The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) will send, in June or July, a budget guidance memorandum establishing submission requirements not included in this volume. Included in this guidance will be budget material due dates and instructions for preparing estimates for the prior year (PY), current year (CY), biennial budget years (BY1 and BY2), and the outyears.

2. Estimates for the biennial budget years and outyears will be based upon the force levels, program decisions, and the TOA levels contained in the Program Objective Memorandums (POMs) as modified by the Program Decision Memorandums (PDMs).

3. At various organizational levels throughout the Department of Defense, a systematic cost-benefit analysis of proposed expenditures can be of significant value in program formulation. Investments and expenditures in each appropriation category will normally be supported by an analysis which matches estimated costs with benefits (outputs), subject to the following criteria:

a. Funding is, for the first time, shown as required in the period covered by the fiscal guidance, or

b. Previously established funding requirements in these years are significantly altered by changed program or project plans.

The criteria in DoDI 7041.3, "Economic Analysis for Decisionmaking," will apply. Budget submissions will, as a minimum, be accompanied by a statement that (1) the submission is supported by an economic analysis, or (2) an economic analysis is not required, citing the reason. Submission of detailed backup information to OSD will be on "as requested" basis.

4. *OMB Circular A-11, Part II encourages the use of performance measures in budget justification and encourages that resource allocation decisions be partially based on performance indicators. DoD Components should consider including performance information that is meaningful in assessing program performance.*

5. Transfers of functions between DoD Components will not be reflected in the September 15 submissions unless they have been approved by the Secretary of Defense and the dollar amounts and personnel spaces to be transferred in the current year are fully decided upon by all DoD Components concerned when the estimates are prepared. Under these circumstances, both the gaining and losing Components will reflect the decisions in their estimates with equal and offsetting manpower and dollar amounts. The gaining DoD Component is responsible to confirm that this is the case. If this cannot be confirmed, then neither Component will reflect the transfer in their budget estimates. The exhibit PB-14, Functional Transfers, found in Chapter 19 of this volume will identify all functional transfers included in the budget. Each Component will also notify OUSD(Comptroller) Program/Budget of the planned functional transfers not reflected in the budget.

6. Adjustments necessary to properly reflect functional transfers agreed upon by the parties, but not included in the Budget Estimates Submission (BES), may be accomplished in the budget review process. Functional transfers not submitted in the BES or incorporated during the budget review process will be financed by reimbursement in the current year and the budget year. Necessary exceptions to this general rule will be authorized on a case-by-case basis. Functional transfers during the budget review process should be kept to a minimum.

7. Material should be "Unclassified" and "For Official Use Only" unless contents otherwise require a higher classification. All Budget Estimates Submission material is subject to DoD 5400.7-R, DoD Freedom of Information Act Program, Chapter II, Exemptions and in particular exemption number 5.

**B. Pricing in the Biennial Budget Estimates**

1. It is DoD policy to reflect the most likely or expected full costs (including military and civilian personnel pay) for the current year, the biennial budget years, and outyear estimates for all appropriations.

2. Estimated price level changes will be based on data provided by OUSD (Comptroller). These indices, which will be updated as economic conditions warrant, will be used to (1) determine the amount of price escalation for a procurement line item, major RDT&E system, or construction item over a given time period, and (2) project inflation in other noncompensation areas of all other appropriations.

3. Military and civilian personnel compensation will be fully funded in the biennial budget estimates using the rates provided by the OUSD(Comptroller).

4. Biennial budget estimates for goods and services will in all cases reflect the following considerations:

a. Cost-quantity relationships as they affect unit prices -- e.g., the unit price forecast in the biennial budget estimates will be higher or lower than the unit price current when the estimates are prepared, if differences in the quantities involved are price-significant.

b. The state of development or production and the learning curve.

c. Specific price changes, to take effect at a future date -- e.g., a specific and authoritative rate or tariff schedule to take effect on a definite future date, which may involve higher or lower prices than those in effect at the time estimates are prepared.

d. Predictable cost increases due to risk.

**C. Preparation of Biennial Budget Estimates - Multiple Appropriations**

1. Section 0109 contains formats for those exhibits applicable to more than one appropriation.

2. In addition to those exhibits identified in Section 0109, there are exhibits required by other chapters and included in other appendices which require identification of budget estimates/requirements for more than one appropriation. This is particularly true of requirements discussed in Chapter 19 and personnel exhibits required in Chapter 3. Offices responsible for Budget Estimates Submissions must ensure that all such exhibits reflect total requirements for all appropriations.

**D. Preparation of Biennial Budget Estimates - Operations**

1. Separate identification and justification (including cost- benefit studies) are required for management actions such as data automation and systems engineering. The development, implementation and expansion of automated data systems will be based on an economic analysis which should show that the proposed management action will produce an early and demonstrably high return on investment or result in substantial increases in mission performance and effectiveness. Savings from previously approved investments and management actions will be separately identified.

2. The Dependents' Education Program in the budget years would be based on the best estimate of student load and planned at the current year program level in accordance with the criteria for the regular school program which will be set forth in a separate USD(P&R) memorandum.

E. Preparation of Biennial Budget Estimates - Procurement

1. In development of requirements for procurement of modern equipment to offset consumption or attrition of older items, all assets of the older items, as well as acceptable substitutes, will be applied against gross requirements in determining net procurement requirements.

2. Administrative leadtime requirements in the budget years for any principal item should not exceed the leadtime used in the development of the current year budget program.

3. Production leadtimes utilized in preparation of estimates for the budget years should be based on the latest contract experience and current conditions, and generally should not be greater than those used for the same item in the development of the current year budget program. Any increases should be clearly identified and accompanied by an explanation of the reason along with an identification of the pacing components/manufacturers causing the increase.

4. Use of long leadtime component procurement will be consistent with the full funding policy expressed in OMB Circular A-11. In this regard, long leadtime component procurement will be limited to those few critical components whose leadtimes exceed the obligation availability of the appropriation or are significantly longer than other components of the same end item.

5. For comparability purposes the P-1 Exhibit will show the prior fiscal year program in amounts to reflect reprogramming actions planned to be accomplished through the first quarter of the current year. To the extent that such reprogramming actions are not approved for budget purposes, the changes will be documented by PBD action to adjust the prior year program in the computer record.

6. Budget estimates will reflect economic production rates, unless there is strong justification (other than funding constraints) for the use of other rates.

F. Preparation of Biennial Budget Estimates - Research, Development, Test and Evaluation

1. In the development and review of RDT&E programs, special attention will be devoted to the numbers of civilian and military personnel required for support of those programs.

2. Increased emphasis will be placed on application of standards and austere limitations to housekeeping and support activities including real property maintenance, facilities operations, equipment replacement and maintenance, and supply inventory levels.

G. Preparation of Biennial Budget Estimates - Revolving and Management Funds

1. Revolving and management fund programs and biennial budget estimates will be consistent with, and justified by, related support requirements; that is, program and budget estimates will be based on anticipated customer needs for associated supplies, equipment, and services, loan purchase requirements for production guarantee accounts, scope of operations to be financed through management funds, etc. Biennial budget estimates will be consistent with the anticipated customer needs that can be financed by the related program included in the customers' budget estimates. Increased emphasis should be directed toward assuring that customers are getting maximum value for their appropriated funds.

2. Appropriations funded requirements for the Defense Working Capital Fund will be computed under the same guidance as outlined above for the specific appropriations.

**010304 Not Used**

**010305 Budget Estimates Summaries and Transmittal****A. Budget Estimates Transmittal**

1. The budget estimates will be transmitted by memorandum to the Secretary of Defense from the Secretary of each Military Department, the Director of each Defense Agency, the Under Secretary, Assistant Secretary or Deputy Assistant Secretary of Defense submitting a Defense-wide budget estimate, and the Director, The Joint Staff. While it is mandatory that the exhibits below be submitted in the precise formats specified, any explanations or highlight information that the submitting official considers appropriate may accompany the transmittal. Exhibits PB-1, PB-1A, PB-3, PB-4, and PB-8 include budget estimates summary data and will be "Unclassified", "For Official Use Only" unless the contents otherwise require a higher classification.

PB-1. Summary of FY 20PY thru 20BY2 Budget Estimates. [Section 0109]

*PB-1A. Fiscal Guidance Track – TOA in Millions of Dollars. (FY 20BY1 thru 20BY2+4) [Section 0109]*

*PB-3. Current Year Reprogramming/Transfers Between Appropriations – TOA in Thousands of Dollars.[Section 0109]*

PB-4. FY 20BY1 and 20BY2 Budget Estimates - Schedule of Civilian and Military Personnel. (FY 20PY thru 20BY2+4) [Section 0109]

PB-8. FY 20CY Supplemental Appropriation Requirements (Described in Section 010306). [Section 0109]

2. The specified exhibits, transmittal memorandum to the Secretary of Defense, and other explanatory or highlight information will be submitted as follows:

*a. Secretary of Defense transmittal memorandum, with exhibits PB-1, PB-1A, PB-3, PB-4, and PB-8 attached. Deliver six copies to OSD Correspondence Control, Room 3A948. Other copy requirements are identified in Section 010302.*

*b. Overview booklets, such as the Air Force "Highlights," Navy "Blue Book," etc. Copy requirements are identified in Section 010302.*

3. Budget estimates for the Defense portion of the National Foreign Intelligence Program will be submitted as prescribed by the Director of Central Intelligence (DCI). In addition to budget exhibits specified by the DCI, the Office of the Secretary of Defense requires certain other materials as outlined in Chapter 16.

4. Machine-readable data will be submitted to support Exhibit PB-4 (see Section 010505). A hard-copy submission, including fiscal years PY, CY, BY1 and BY2 for the PB-4, will also be required. The hard copy submission should be a computer-prepared print-out of the machine data using the exhibit format specified herein. Extreme care must be exercised to assure that the machine-readable data and the exhibits are identical in data content. As described in Section 010505, the machine data are the basis for the OSD budget review.

**B. Program and Financing (P&F) Schedules**

1. The P&F schedule consists of a budget plan, obligations by object class, and an expenditure tail. For multi-year accounts, the P&F schedule will also include an obligation plan. See Section 010505, CIS Automation Requirements for the Biennial Budget Submission, for guidance on submitting a P&F schedule.

2. Program data will be presented in the Program and Financing schedule on an obligation basis consistent with the presentation in the President's Budget of previous years, unless other directions are transmitted by separate memorandum.



3. *Components will not submit prior year data in the September submission. Components will submit an actual prior year object class and manpower data update when available in accordance with specific update instructions issued separately.*

4. *Budget subactivities will be shown on Program and Financing schedules in all cases as they appear in the CIS Budget Structure Listing referenced in Section 010506.*

5. Special care should be taken to assure that data presented in the object classification schedule (Section 010506) is consistent with information required on special exhibits. For example, object class data provided for advisory and assistance services (CIS Object Class Direct/Reimb. 25110) is the basis for Exhibit PB-15 (Chapter 19).

### **010306 Supplemental Appropriations Submissions**

#### **A. Budget Estimates Transmittal**

1. Supplemental appropriations are normally allowed to meet unforeseen contingencies of a magnitude that cannot be absorbed or accommodated through reprogrammings and transfers. Specific guidance on this will be provided on a case-by-case basis.

2. OMB Circular A-11 provides additional policy guidance on supplemental estimates.

B. Supplemental appropriation requirements will be submitted on a schedule in the format of Exhibit PB-8, provided in Section 0109. This exhibit will be transmitted in the same manner as the budget estimate summaries (see Section 010305).

#### **C. Material Included for Informational Purposes**

1. Under the 41 U.S. Code authorizations (formerly Section 3732 of the revised statute), the law provides that the President may exempt appropriations, funds, and contract authorizations which are available for military functions under the Department of Defense from the antideficiency provisions of 31 U.S. Code 1517 (formerly Section 3679 of the revised statute) whenever he deems such action necessary in the interests of national defense. Upon determination by the President that such action is necessary, the Secretary of Defense is authorized to provide for the cost as an accepted expense. For example, if the President determines that it is necessary to increase the number of military personnel on active duty beyond the number for which funds are provided in the annual appropriation act, the Secretary of Defense is authorized to provide for the cost of such increased military personnel as an accepted expense. Obligations are then authorized to be incurred in excess of amounts appropriated. After substantially all obligations have been liquidated, an appropriation is requested to liquidate any unfinanced balances.

2. The law provides essentially that, notwithstanding the balances available, revolving funds may incur obligations to provide for making issues through the production lead-time period (10 U.S.C. 2210(b)). As a technical matter, this constitutes a form of contract authorization, and is so displayed in the President's Budget.

### **010307 Additional Budget Submissions (ABS)**

A. General Guidance. Following the initial budget estimates submission (initial submit), normally on September 15, Additional Budget Submissions may be made, where warranted by specific changes in circumstances, within approved TOA control totals established by the USD(Comptroller) and under the following restrictions:

1. Additional Budget Submissions must be submitted as adjustments to, not substitutes for, the initial submit.

2. Unless otherwise directed by the USD(Comptroller), Additional Budget Submissions must be offset with equal or greater cost tradeoffs, and must clearly indicate the areas of increase and decrease consistent with the justifications submitted as part of the initial submit.

3. Proposed decreases may not consist of reductions already effected or imminently planned to be effected as part of the budget review.
4. Additional Budget Submissions may not be used to compensate for incomplete or inadequate initial submits.
5. Additional Budget Submissions may not be used to appeal budget decisions.
6. If an additional budget submission results in an impact on revolving funds, those related requirements must be incorporated in the additional budget submission.

B. Submission Requirements. In order to be considered during the budget review, all additional budget submissions must be received no later than September 30 or as specified in the annual guidance. Additional budget estimates for the current year or biennial years 1 and 2 will be accompanied by Exhibit PB-10, provided in Section 010902, plus the necessary justification material. This should take the form of a complete narrative justification and may be included on the transmittal memorandum or as an attachment to Exhibit PB-10. The applicable out-year impact of the Additional Budget Submission will also be shown on Exhibit PB-10. The additional estimates will be transmitted in two copies (plus two additional copies for each appropriation affected) by memorandum to the USD(Comptroller) and signed by the same official who submitted the initial budget estimates or his appointed deputy. All Additional Budget Submissions will be hand carried to the Office of the USD(Comptroller), Directorate for Program and Financial Control, Room 3B872, for OSD processing. The Additional Budget Submission will be addressed in subsequent budget decision document(s).

#### **010308 Major Budget Issues (MBIs)**

Near the end of the budget review process, the Secretary of Defense and the Deputy Secretary of Defense may provide for the review of Component major policy or budget issues that have not yet been resolved. Resolution of these issues may displace other programs within the fixed DoD topline. Copy requirements of Component issues will be provided if an MBI review is scheduled. A general format is provided in Section 010902.

#### **010309 Budget Review Procedures**

A. Comptroller Information System (CIS). *Effective with the FY 2002/2003 Budget Estimates Submission, the automated CIS is the official OSD record of the budget estimates as submitted by the DoD Components and adjusted by Secretary of Defense decisions known as Program Budget Decisions (PBDs).* The data contained in the CIS is the base for data required for the OMB MAX Budget System, as required by OMB Circular No. A-11. CIS data is electronically transmitted to OMB for preparation of the President's Budget. In addition, CIS is used to prepare a comprehensive set of management information summaries used to support the budget press release, statements to the Congress and other information requirements. Financial data, military end strength, and civilian full time equivalent (FTE) data are provided. Budget Estimate Submissions are entered into the system through machine readable inputs from the DoD Components. During the joint OMB/OSD Budget Review, budget decision documents are recorded into the computer system and the current status of the budget review is available on a recurring basis.

#### **B. Development of Out-year Data During the Budget Review**

1. The automated Budget Review also includes a continuing update of the out-year TOA and manpower, adjusted to reflect the extension of CY, BY1, and BY2 decisions made during the budget review.
2. TOA, military end strength and civilian FTE data for the initial out-year data base are provided by each of the DoD Components. During the budget review, as budget decision documents are approved and recorded into the automated record, the TOA and manpower out-year impact of each decision is addressed on the decision document and is also entered into the automated record. The budget decision document will contain one of the following descriptors of out-year impact:

- a. The estimated out-year impact for each year in thousands of dollars and full-time equivalents/end strength.
- b. Substantive program direction for the out-years as a basis for DoD Component determination of dollar amounts and manpower involved (to be used if out-years are not specifically addressed in a budget decision document).
- c. No known out-year impact.

3. As with the CY, BY1, and BY2 decisions, the out-year adjustments approved in the Secretary of Defense decisions are entered into the *CIS*. TOA adjustments are recorded at the appropriation account level by budget subactivity, and by Program Budget Decision number. Manpower data is recorded at the appropriation account level, and by Program Budget Decision number and by budget activity/special program code with active military manpower detailed by officer, enlisted and cadets; selected reserve manpower detailed by officer and enlisted personnel category; and civilian FTE detailed by U.S. direct hire, foreign national direct hire, and foreign national indirect hire.

4. The *CIS* produces Out-year Impact Status Reports on a recurring basis throughout the budget review. These reports, which are distributed to the applicable DoD Components, show TOA & manpower data by appropriation, budget activity/special program code and personnel category for the budget submission base and all adjustments to the base resulting from decisions made during the budget review. The final reports at the conclusion of the budget review reflect the out-year numbers (TOA and manpower) which are the control numbers for the President's Budget update of the Future Years Defense Program (FYDP). It is essential that the Out-year Impact Status Reports be reviewed by the DoD Components on a recurring basis during the budget review so the out-year numbers are under continuous scrutiny and the President's Budget update for the FYDP may proceed in a timely manner.

#### C. Printing Schedule for Budget Material

1. OMB Circular No. A-11 prescribes the requirements for materials to be included in the President's Budget document. Annually, the ODC(P/B), OUSD(Comptroller) publishes instructions on the procedures to be followed during the budget review. These instructions detail the sequence of events necessary to finalize the budget review and complete the printing phase of the budget. All actions concerning printing of budget material will be accomplished in accordance with these references and the following paragraphs.

2. OMB will provide ODC(P/B), OUSD(Comptroller) with reprinted galleys based on last year's President's Budget document. These galleys will omit all amounts in the schedules and tables. The submission of marked-up reprinted galley and new material is intended to fill technical budget preparation needs (i.e., determine that all lines, account titles, text, and appropriation language are correct and that all required schedules are in print). Additionally, by representing the best estimate of the current status of programs, the impact of any further changes, as final decisions are made, will be minimized. The reprinted galleys will be marked-up by the ODC(P/B), OUSD(Comptroller) staff, probably in mid-December, to show the current status of the budget after the prior year column has been updated and validated. In some cases, new print materials may be required after reprinted galleys, (e.g., new accounts, accounts with supplementals requiring separate schedules, rescission proposals and other material to be presented in the President's Budget document for the first time). OMB will cycle the reprinted galley and provide galley proofs to ODC(P/B), OUSD(Comptroller) once the Department has made the final submission to OMB's MAX system in early January.

**0104 CONGRESSIONAL JUSTIFICATION/PRESENTATION****010401 General****A. Purpose**

1. This section provides instructions for the preparation of justification material for presentation to congressional committees. Justification material should be developed using the guidelines established herein as the minimum requirements to be included in the Justification Books. Any exception to these minimum requirements must be cleared with OUSD(Comptroller) Program/Budget.

2. Justification of proposed supplemental appropriations and budget amendments are covered in OMB Circular A-11 and Section 010402; however, separate instructions will be issued by OUSD(Comptroller) Program/Budget as the need arises.

3. General preparation and submission instructions pertaining to individual appropriations, Intelligence Programs and Communications, Command and Control (C<sup>3</sup>) Programs are contained in Chapters 2 thru 7, 9, 10, 16 and 19.

4. All congressional budget/presentation material is subject to DoD 5400.7-R, DoD Freedom of Information Act (FOIA) Program requirements. Chapter II, Exemptions of this regulation should be reviewed carefully before denial of any FOIA request. Exemptions will generally fall into category 5.a.9 in section 3-200. Use of For Official Use Only (FOUO) must meet the requirements of DoD 5400.7-R Chapter IV.

**B. Preparation of Material**

1. Separate Justification Books will be furnished for each appropriation relating to each Military Department. Material prepared by individual Defense Agencies and Office of the Secretary of Defense organizations will be consolidated by OUSD(Comptroller) Program/Budget into a single Justification Book for each appropriation. Material for the Operation and Maintenance, Defense-wide; U.S. Court of Appeals for the Armed Forces, Defense; Environmental Restoration, Defense; Office of the Inspector General; Overseas Humanitarian Disaster and Civic Aid; and other operation and maintenance type appropriations will be consolidated into a single Justification Book. The OUSD(Comptroller) Program/Budget will also develop an O&M Overview book as well as a consolidated overview of Multiyear Procurement programs based on submissions of the Military Departments and Defense-wide components. Additionally, information technology budget material prepared by the Military Departments and other DoD Components will be consolidated by the Office of the ASD(C<sup>3</sup>I) Resource Management Directorate into a single Justification Book. Combating Terrorism budget material prepared by DoD Components will be consolidated into a single justification book by the assistant secretary of Defense for Special Operations and Low Intensity Conflict (SO/LIC). The Department of the Army will prepare a justification book for Chemical Demilitarization programs and will consolidate material for the Army Family Housing and Homeowners' Assistance Fund, Defense appropriations into a single Justification Book. Each Department will prepare a Justification Book for each Base Closure Account. In addition, separate Justification Books will be prepared for Intelligence-Related Activities and the Defense portion of the National Foreign Intelligence Program, the latter as prescribed by the Director of Central Intelligence. All other Justification Books will be annotated as appropriate to indicate items and resources supported in Intelligence Program Justification Books. Also, separate Justification Books will be prepared for JMIP and TIARA program aggregations as prescribed in Chapter 16.

2. Classified and unclassified data will be included in the single volume or set of volumes for each appropriation with the classified pages bearing the appropriate security classification, except that all materials contained in the Military Personnel and Operation and Maintenance justification books will be unclassified. Classified exhibits will be submitted separately and explanation provided for their being classified. Fiscal data pertaining to explicitly identified portions of the National Foreign Intelligence Program shall be classified in accordance with instructions in Chapter 16.

The highest security classification of data included in Justification Books will be SECRET. Information requiring a higher classification will be discussed with OUSD(Comptroller) Program/Budget on an individual situation basis. All classified data will be bracketed by pencil [ ] to permit the congressional committees to publish an unclassified version. Data not bracketed will be assumed to be unclassified. In bracketing classified columnar data, each column will be individually bracketed. Care must be taken to assure that unclassified data are not bracketed. Security classification markings should be centered at the top and bottom of applicable pages using gummed-back markings to assure clarity. The appropriate automatic downgrading notation will be used in accordance with DoD 5200.1-R "Information Security Regulation". The appropriate classification cover sheet must be utilized.

3. Military Departments will be responsible for clearing the justification material with the Washington Headquarters Services, Directorate for Freedom of Information and Security Review, prior to transmittal to the congressional committees. OUSD(Comptroller) Program/Budget will be responsible for the security clearance of the consolidated Defense-wide Justification Books, as necessary.

4. The Program and Financing, Object Classification and Personnel Summary schedules will reflect the full current year program, including those parts which require supplemental appropriation action.

5. Computer-prepared print-outs of the Program and Financing and Object Classification Schedules will be available from OUSD(Comptroller) Comptroller Information System (CIS) and will be used in the Justification and Backup Books as specified for each appropriation title in the following chapters. Computer print-outs will be reduced to the size specified herein.

6. Printing of Congressional Budget Material:

- General. Tabs will be used only where specified by OSD; McCall (edge) indexing will be used as appropriate. Justification material should be printed on both sides of the page wherever feasible. Headings for an appropriation or budget activity will appear on the initial page of the subdivision and will not be repeated on subsequent pages, except RDT&E Program Element Listings. The Components will work with DPS to determine the most appropriate and quickest method of printing and fastening each of the books subject to the guidance by appropriation title below.

- Military Personnel. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling. Font size must be at least size 10.

- Operation and Maintenance. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling. Font size must be at least size 10.

- Research, Development, Test and Evaluation. Material is to be printed horizontally (landscape) on both sides of the page on 11" x 8½" paper using a 1" margin on the side to be bound and 1/2" for other edges. Components will request DPS to reduce all larger pages to the standard 11" x 8½" size so that all of the pages in each book are consistent in size. The material will be printed head to toe with 3 holes punched across the top margin. The following is the fastening preference:: staples, screw posts, ACCO fasteners, etc.. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling. Books are to be a maximum range of about 600-650 pages where possible (300-325 sheets of paper printed both sides).

Since the justification material is printed double sided, then each PE package must begin on the front side of a new page. When the last page of a PE package does not end on the backside of the paper, then a blank page

must be inserted with the wording “This page intentionally left blank” in bold letters, centered on the page. The reason for this is so that the justification material can be easily broken apart and sorted by PE with all of the pertinent exhibits.

For those Components that have a large number of PEs and printing the material all in one volume is impractical, it is preferred that the justification material be submitted by budget activity with the Science and Technology budget activities (BA 1 through BA 3) printed in one volume and the remaining budget activities printed in a separate volume or in individual volumes. Each separate book should include an R-1 listing and a table of content indicating which volume and page the applicable program element can be found.

- Procurement. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.
- Military Construction. The justification material for Military Construction will be provided on 8.5” x 11” paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1” margins. All exhibits will be printed utilizing white paper. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.
- Family Housing. The justification material for Family Housing will be provided on 8.5” x 11” paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1” margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.
- Base Closure. The justification material for Base Closure will be provided on 8.5” x 11” paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1” margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.
- Revolving Funds. Justification books for revolving funds are to be submitted in one volume with 3 sections: Component Overview; Operating Budget and Capital Budget. Component Overview and Operating Budget sections are to be printed in portrait format (vertically) on 8.5” x 11” paper head to head on 2 sides. Capital budget exhibits are to be printed in landscape format (horizontally) on 11” x 8.5” paper head to toe on 2 sides. Budget submitting offices should ensure that all narrative type is consistent. All justification material will be punched to fit standard three-hole binders. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.
- Intelligence Programs. Instructions for these books are contained in Chapter 16.
- Information Technology. Provide material in accordance with guidance contained in Chapter 18.

7. Justification book cover inserts will be 220 index stock using the following colors: Army - green; Navy - buff; Air Force -blue; Defense-wide justification material (Agencies, Office of the Secretary of Defense, Defense Health Program, and Commander In Chiefs to include the U.S. Special Operations Command) - white. Covers will bear the appropriate security markings, title of the volume as specified herein, the phrase "Submitted to Congress February 20...", and the appropriations included.

8. The use of acronyms and abbreviations in the justification material should be held to a minimum. However, where acronyms and abbreviations are used, they must be identified on the page on which they appear.

9. The exhibit numbers used in this section are for reference purposes only and should not be used in the Justification Books.

C. Submission of Justification Books for Review

1. Before the justification material can be released to the Congress, it must be reviewed by the appropriate OUSD(Comptroller) or OASD(C<sup>3</sup>I) directorate to ensure that policies and decisions made by the President and Secretary of Defense are fully reflected. Accordingly, three advance sets of Justification Books will be forwarded to the appropriate OUSD(Comptroller) or OASD(C<sup>3</sup>I) directorate for review. The following is a list of the directorates:

Directorate for Operations and Personnel,  
3D868, 697-9317  
Directorate for Investment,  
4B916, 695-5507  
Directorate for Revolving Funds,  
3B866, 697-1880

Directorate for Military Construction,  
3D841, 697-4829  
Office of the ASD(C3I) Resource Management  
Directorate, 3D228, 695-6735  
(For IT Justification)

In addition, 1 set of the Military Personnel and Operation and Maintenance Justification Books for the Reserve Components will be delivered to OASD(RA), Room 2D528.

The Military Departments should also send two copies of advance sets of justification books to Washington Headquarters Services, Directorate for Freedom of Information and Security Review (Room 2C757, Pentagon) for clearance. Clearing material through this Directorate should be accomplished piecemeal to expedite the final review. Clearance by OUSD(Comptroller) P/B will be evidenced by an approval from the applicable Program/Budget Directorate designated official, initialed on one of the advance copies of each Justification Book and returned to the applicable service. The OUSD(Comptroller) Directorate having cognizance over the budget material will obtain any necessary clearance from the Office of Management and Budget (OMB). Upon advice from OUSD(Comptroller) P/B and Washington Headquarters Services, Directorate for Freedom of Information and Security Review that the advance sets of justification books are acceptable, the DoD components will complete preparation and assembly of Justification Books.

Under no circumstances will justification material be released to congressional committees or the public prior to receipt of these clearances.

2. Except as specified herein, submission dates will be provided in separate correspondence from OUSD(Comptroller) Program/Budget.

**010402 Supplemental and Amended Appropriations Requests**

A. Organization of Supplemental Appropriations Requests Justification Books

1. Justification Books in support of supplemental appropriations requests will be prepared by OUSD(Comptroller) P/B, based on material furnished by the DoD Components. Justification materials will be addressed in separate correspondence from OUSD(Comptroller) P/B.

2. The Justification Book will be arranged as follows:

a. Table of Contents and Summaries. These items will be prepared by OUSD(Comptroller), P/B.

b. Section 1 – Narrative Justification. *This section will contain narrative justifications, and any special exhibits in support of program supplemental requests. Supplemental appropriation requests related to all program supplementals will be supported by a narrative justification.*

c. Section 2 – Appropriation Act language. This section will contain required appropriation act language. The appropriation language will be extracted by OUSD(Comptroller) P/B from the Budget Appendix.

B. Organization of Amended Appropriations Requests Justification Books

1. A separate abbreviated Justification Book will be prepared by OUSD(Comptroller) and/or each Military Department for each affected appropriation title; e.g., Operation and Maintenance; Procurement; RDT&E; etc. (Additional justification materials required of Defense Agencies and for Defense-wide accounts will be identified in separate correspondence from OUSD(Comptroller). Related Justification Books will be prepared by OUSD(Comptroller) P/B.) Justification books will be organized by supplemental category (e.g., contingencies, natural disasters, etc.) Each Book should be stapled but must contain holes punched to fit existing Justification Book binders. (NOTE: Depending on the magnitude of a particular budget amendment; i.e., number of DoD components and appropriation accounts affected, single Justification Books may be prescribed for each DoD Component, or a single Justification Book may be prepared by OUSD(Comptroller) P/B with input from the affected DoD Components.)

2. Each Justification Book will contain the following, as a minimum:

a. A single Table of Contents

b. By individual appropriation account:

(1) Revised appropriation language (retyped from Budget Appendix to reflect revised request).

(2) Budget Amendment Summary, in the format of Exhibit PB-37R (see Sec 0109), highlighting changes to the pending request.

(3) Program and Financing Schedule (abbreviated) in the format of Exhibit PB-37S (see Section 0109). Both the Budget Plan and Obligation Plan will be shown for multi-year accounts.

(4) Narrative Justification by Budget Activity in the format of Exhibit PB-37T (see Section 0109). Narrative will discuss dollar, quantity, personnel changes, etc., at least at the level of changes indicated on the Budget Amendment Summary (Exhibit PB-37R).

(5) Existing P-1 and R-1 Exhibits will be marked up to indicate changes resulting from the proposed amendment.

(6) Procurement and RDT&E Justification material will be retyped, where applicable, to encompass changes resulting from the proposed amendment.

3. Three advance sets of materials will be forwarded to the Directorate for Plans and Systems, OUSD(Comptroller), Room 3A862. Two copies should also be submitted at that time to Washington Headquarters Services, Directorate for Freedom of Information and Security Review, Room 2C757, for security clearance. Other appropriate provisions of Section 010401 of this Volume pertain. Military Departments will make the same distribution of above Books as for regular congressional justification materials.

C. References Additional instructions are contained in OMB Circular A-11.

**010403 Distribution/Internet Posting of Budget Material**

A. Copies of OSD-generated justification materials for congressional distribution will be delivered to OUSD(Comptroller), Plans and Systems, Room 3A862 for delivery to the congressional committees.



B. Each Military Department will deliver copies of its justification material to congressional committees, GAO, Library of Congress, CBO, and OMB, etc. The OUSD(Comptroller) (P/B) will distribute copies of the consolidated Defense-wide justification material unless assigned to a Military Department. The Office of the ASD(C<sup>3</sup>I) Resource Management Directorate will distribute copies of the consolidated Information Technology Justification.

C. **Copies of classified material and other backup documentation for OSD will be delivered directly by each Military Department to the offices listed.** Total distribution including the number of copies are also provided on the following tables. Advance books (40) are required to be produced by the due dates so that immediate distribution may be made to the congressional committees. The remaining quantities will be delivered/distributed 3 to 5 days thereafter.

D. Internet Posting of Unclassified Budget Justification Material.

1. Justification material for the President's budget will have limited paper copy distribution as shown on the distribution charts. No internal DoD distribution will be made of unclassified justification material that is provided to the Congress, OMB and other non-DoD organizations. This justification material will be available solely through posting to Component Internet sites.

2. However, classified budget justification and budget backup material as identified in the distribution tables will be provided in paper copy to the organizations listed. Appropriate OUSD(Comptroller) directors should be consulted prior to distribution of material not listed.

3. Internet posting on Component Web Sites.

(a) Web pages presenting Defense budget documents must be designed to facilitate user discovery of the information. These pages will be used extensively by Congressional staffs, the media, and the public, and the presentation of material reflects upon the organization sponsoring the site. Budget documentation should be logically grouped, and link names should be clear and concise, to allow the user to rapidly navigate to the document of interest. Graphical content should be limited, to allow reasonable download times when accessed via modem. The Military Departments must ensure that established web pages meet these criteria.

(b) Defense Agencies and managers of Defense-wide accounts will be provided separate guidance for the submission of budget justification in an electronic format. OUSD(Comptroller) will consolidate Defense-wide justification and distribute/post to the Comptroller Internet site.

(c) Posting of justification material on Component web pages should occur no later than 5 working days after delivery of the paper copies to the Congress, but not prior to delivery to the Congress.

(d) As a reminder, for Freedom of Information requests received prior to posting the unclassified budget material on the Internet, it is the responsibility of the DoD component to comply with the request in accordance with DoD 5400.7-R.

E. CD-ROM Production

Upon completion of the posting of budget justification material to the Component Internet site, a CD-ROM containing all of this material will be produced and distributed in accordance with the distribution tables that follow. This CD-ROM should be distributed not later than 45 days after the Budget of the United States Government is presented to the Congress. This process will make budget material available for those that lack Internet access and for historical purposes.

*Distribution Delivery Points*

USD(Comptroller)		
Plans & Systems (P&S)	3A862	(703)697-2124
Operations and Personnel (OPS)	3D868	(703)697-9317
Investment (INV)	4B916	(703)695-5507
Military Construction (MILCON)	3D841	(703)697-4829
Revolving Funds (REV FUNDS)	3B866	(703)697-1880
Program & Financial Control (P&FC)	3B872	(703)697-0021
Office of the Deputy Chief Financial Officer	Crystal Gateway #2	
	Rm. 900/912	(703)604-6350
Director, PA&E	2D278	(703)695-7710
USD(Acquisition, Technology & Logistics) Mail Room	3D139	(703) 697-6112
USD(Policy)	4B940	(703) 697-9478
ASD(C <sup>3</sup> I) Resource Management Office	3D228	(703) 695-3937
USD(Personnel & Readiness)	3C980	(703) 697-0617
ASD(HA)	3E279	(703) 697-8979
ASD(RA)	2D528	(703) 697-4334
The Joint Staff (J-8)	1E963	(703) 695-7064
DOT&E		
Attn: Mary wells TEC		
2001 N. Beauregard St		
Alexandria, VA 22311		(703) 578-8222
Director, Defense Finance and Accounting Service		
Code – HQ/F, 1931 Jefferson Davis Hwy,		
Arlington, VA, 22240-5291		(703) 607-5109
OIG, DoD		
Attn: A&IM/FMD		(703) 614-0494
400 Army Navy Drive		
Arlington, VA 22202-2884		
DARPA		
Comptroller		(703) 696-2393
3701 North Fairfax Drive., 9th Floor		
Arlington, VA 22203-1714		
Executive Office of the President		
Office of Management and Budget (OMB)		(202) 395-4734
National Security Division		
Attn: Bill McLeod		
NEOB, Room 10001		
725 17 <sup>th</sup> St		
Washington, D.C. 20503		
Arms Control & Disarmament Agency (ACDA)		
ACDA/VI		(202) 647-8090
Room 5741		
320 21st Street, N.W.		
Washington, D.C. 20451		

GAO

U.S. General Accounting Office

NSIAD/TIC

Attn: Bill Rigazio (Unclassified Material)  
441 G Street, NW --Room 4103  
Washington, DC 20548

(202) 512-3644

NSIAD Document Control Office

Attn: Wanda Beasley (Classified Material)  
441 G Street, NW --Room 4035  
Washington, DC 20548

(202) 512-5810

Congressional Budget Office (CBO)

Ford House Office Building  
Rm. 428 (Attn: Jo Ann Vines)  
2<sup>nd</sup> and D Streets, S.W.  
Washington D.C. 20515

(202) 226-2840

(202) 225-3185 (FAX)

Library of Congress

Rm. LM-208 (202)  
Attn: Bruce Krafte  
James Madison Library Bldg.  
1st St. & Independence Ave., S.E.  
Washington, D.C. 20540

(202) 707-8831

**Because of numerous room changes during the Pentagon Renovation, call the listed office prior to delivery of budget material.**

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST  
MILITARY PERSONNEL ACCOUNTS

Appropriation	CHAPTER	USD(Comptroller)														OIG	DEFENSEL														
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C						P A & E	A T & L	P O L I C Y			C 3 I	P & R				R A	T J S							
<b>Military Personnel, Army</b> In-house Backup Exhibits (MP)	2	1	4										1	1	1	1	4												1		16
<b>Military Personnel, Navy</b> In-house Backup Exhibits (MP)	2	1	4										1	1	1	1	4												1		16
<b>Military Personnel, MC</b> In-house Backup Exhibits (MP)	2	1	4										1	1	1	1	4												1		16
<b>Military Personnel, AF</b> In-house Backup Exhibits (MP)	2	1	4										1	1	1	1	4												1		16
<b>Reserve Personnel, Army</b> In-house Backup Exhibits (MPR)	2	1	4										1	1	1	1	2											2	1		15
<b>Reserve Personnel, Navy</b> In-house Backup Exhibits (MPR)	2	1	4										1	1	1	1	2											2	1		15
<b>Reserve Personnel, MC</b> In-house Backup Exhibits (MPR)	2	1	4										1	1	1	1	2											2	1		15
<b>Reserve Personnel, AF</b> In-house Backup Exhibits (MPR)	2	1	4										1	1	1	1	2											2	1		15
<b>Natl Guard Personnel, Army</b> In-house Backup Exhibits (MPR)	2	1	4										1	1	1	1	2											2	1		15
<b>Natl Guard Personnel, AF</b> In-house Backup Exhibits (MPR)	2	1	4										1	1	1	1	2											2	1		15

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST  
MILITARY PERSONNEL ACCOUNTS**

Appropriation	C H A P T E R	O B	G A O	HAC(HNS)				SAC				H S C	A S C	H S C	I S C	H S C	B B O	C B O	C L O I N B G R R A E R S Y S					T O T A L				
				D E F S U B	D E F M I N	M C N B	M C N B	D E F U B	D E F M I N	M C N B	M C N B																	
<b>Military Personnel, Army</b> Justification Book	2	2		3	3	1			2	1			5	6	1	1	2	2	2	1								32
<b>Military Personnel, Navy</b> Justification Book	2	2		3	3	1			2	1			5	6	1	1	2	2	2	1								32
<b>Military Personnel, MC</b> Justification Book	2	2		3	3	1			2	1			5	6	1	1	2	2	2	1								32
<b>Military Personnel, AF</b> Justification Book	2	2		3	3	1			2	1			5	6	1	1	2	2	2	1								32
<b>Reserve Personnel, Army</b> Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1								31
<b>Reserve Personnel, Navy</b> Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1								31
<b>Reserve Personnel, MC</b> Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1								31
<b>Reserve Personnel, AF</b> Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1								31
<b>Natl Guard Personnel, Army</b> Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1								31
<b>Natl Guard Personnel, AF</b> Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1								31

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST  
OPERATION AND MAINTENANCE ACCOUNTS**

Appropriation	C H A P T E R	USD(Comptroller)										P A & E	A T & L	P O L I C Y	C 3 I	P & R	L A	R A	T J S	O I G	D E T F O R E T N A S L E
		P & S	O P S	I N V	M I L I T A R Y	R E V E N U E	P & F C														
<b>O&amp;M, Army</b>	3																				
In-house Exhibits		1	5								1	1	1	1	3				1		15
<b>O&amp;M, Navy</b>	3																				
In-house Exhibits		1	5								1	1	1	1	3				1		15
<b>O&amp;M, Marine Corps</b>	3																				
In-house Exhibits		1	5								1	1	1	1	3				1		15
<b>O&amp;M, Air Force</b>	3																				
In-house Exhibits		1	5								1	1	1	1	3				1		15
<b>O&amp;M, Defense-wide</b>	3																				
Classified Justification Book (Vol. 1) (Classified-DIA/NSA/DISA)**		1	3								1	1	1	1	3	1		1		1	14
In-house Backup Exhibits		1	3								1	1	1	1	3					1	12
<b>O&amp;M, Army Reserve</b>	3																				
In-house Exhibits		1	4								1	1	1	1	2			1	1		14
<b>O&amp;M, Navy Reserve</b>	3																				
In-house Exhibits		1	4								1	1	1	1	2			1	1		14
<b>O&amp;M, Marine Corps Reserve</b>	3																				
In-house Exhibits		1	4								1	1	1	1	2			1	1		14
<b>O&amp;M, Air Force Reserve</b>	3																				
In-house Exhibits		1	4								1	1	1	1	2			1	1		14
<b>O&amp;M, Army National Guard</b>	3																				
In-house Exhibits		1	4								1	1	1	1	2			1	1		14
<b>O&amp;M, Air National Guard</b>	3																				
In-house Exhibits		1	4								1	1	1	1	2			1	1		14

\*\* Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST  
OPERATION AND MAINTENANCE ACCOUNTS**

Appropriation	C H A P T E R	O M B	G A O	HAC(HNS)				SAC				H A S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O N B R R A E R S Y S				T O T A L	
				D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N													
<b>O&amp;M, Army</b>	3																							
Justification Book (Vol. 1)		2		3	3	1			2	1			10	6	1	1	2	2	2		1			37
Data Book (Vol. 2)		2		3	3	1			2	1			10	6	1	1	2	2	2		1			37
Real Property Maintenance & Minor Construction (Vol. 3)		2		3	3	1			2	1			10	6	1	1	2	2	2		1			37
<b>O&amp;M, Navy</b>	3																							
Justification Book (Vol. 1)		2		3	3	1			2	1			10	6	1	1	2	2	2		1			37
Data Book (Vol. 2)		2		3	3	1			2	1			10	6	1	1	2	2	2		1			37
Real Property Maintenance & Minor Construction (Vol. 3)		2		3	3	1			2	1			10	6	1	1	2	2	2		1			37
<b>O&amp;M, Marine Corps</b>	3																							
Justification Book (Vol. 1)		2		3	3	1			2	1			10	6	1	1	2	2	2		1			37
Data Book (Vol. 2)		2		3	3	1			2	1			10	6	1	1	2	2	2		1			37
Real Property Maintenance & Minor Construction (Vol. 3)		2		3	3	1			2	1			10	6	1	1	2	2	2		1			37
<b>O&amp;M, Air Force</b>	3																							
Justification Book (Vol. 1)		2		3	3	1			2	1			10	6	1	1	2	2	2		1			37
Data Book (Vol. 2)		2		3	3	1			2	1			10	6	1	1	2	2	2		1			37
Real Property Maintenance & Minor Construction (Vol. 3)		2		3	3	1			2	1			10	6	1	1	2	2	2		1			37

\*\* Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST  
OPERATION AND MAINTENANCE ACCOUNTS**

Appropriation	C H A P T E R	O M B	G A O	HAC(HNS)				SAC				H A S S C	S A S S C	H P S S C I	S S C I	H B C	S B C	C B O	C L O N G R R A E S S Y S				T O T A L
				D E F	D E F	M C N	M C N	D E F	D E F	M C N	M C N												
				S U B	M I N	S U B	M I N	S U B	M I N	S U B	M I N												
<b>O&amp;M, Defense-wide</b>	3																						
Justification Book (Vol. 1)- Unclassified**		2		3	3	1			2	1			5	4				2	1			24	
Justification Book (Vol. 1)- Classified**		2		3	3	1			2	1			5	4				2				23	
Data Book (Vol. 2)**		2		3	3	1			2	1			5	4				2	1			24	
Real Property Maint. & Minor Construction (Vol. 3)**		2		3	3	1			2	1			5	4				2	1			24	
<b>O&amp;M, Army Reserve</b>	3																						
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1			37
<b>O&amp;M, Navy Reserve</b>	3																						
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1			37
<b>O&amp;M, Marine Corps Reserve</b>	3																						
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1			37
<b>O&amp;M, Air Force Reserve</b>	3																						
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1			37
<b>O&amp;M, Army National Guard</b>	3																						
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1			37
<b>O&amp;M, Air National Guard</b>	3																						
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1			37
<b>Operation &amp; Maintenance Overview**</b>	3	10		3	5	1			5	1			10	10					1	2			48

\*\* Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.



JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST  
 PROCUREMENT ACCOUNTS - ARMY

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H A S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O					T O T A L
					D E F	D E F	M C N	M C N	D E F	D E F	M C N	M C N												
					S U B	M I N	S U B	M I N	S U B	M I N	S U B	M I N												
<u>Aircraft Procurement, Army</u> Committee Staff Procurement Backup Book	4		1	3	4	1			3	1			6	6			2	2	2					33
<u>Missile Procurement, Army</u> Committee Staff Procurement Backup Book	4		1	3	4	1			3	1			6	6			2	2	2					33
<u>Proc of W&amp;TCV, Army</u> Committee Staff Procurement Backup Book	4		1	3	4	1			3	1			6	6			2	2	2					33
<u>Proc of Ammunition, Army</u> Committee Staff Procurement Backup Book	4		1	3	4	1			3	1			6	6			2	2	2					33
<u>Other Procurement, Army</u> Committee Staff Procurement Backup Book	4		1	3	4	1			3	1			6	6			2	2	2					33
<u>Chemical Agents &amp; Munitions Destruction, Army</u> Committee Staff Procurement Backup Book	4		1	3	4	1			2	1			3	3			2	2	2					26

**JUSTIFICATION MATERIAL SUPPORTING  
THE PRESIDENT'S BUDGET REQUEST  
CLASSIFIED PROCUREMENT ACCOUNTS -NAVY**

Appropriation	C H A P T E R	USD(Comptroller)										A T & L	P O L I C Y	C 3 I	P & R	L A	P A *	R A	T J S				O I G	D E T F O N E T A L		
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C																		P A & E	
<b><u>Aircraft Procurement, Navy</u></b> Classified Committee Staff Proc. Backup Book	4	1		3							2	2	1	1	1		1		1	1				1		15
<b><u>Other Procurement, Navy</u></b> Classified Committee Staff Proc. Backup Book	4	1		3							2	2	1	1	1		1		1	1				1		15

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT’S BUDGET REQUEST  
 PROCUREMENT ACCOUNTS - NAVY

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H A S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O N G R R A E R S Y S						T O T A L
					D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N														
<b><u>Aircraft Procurement, Navy</u></b> Committee Staff Proc. Backup Book	4				2	1	3	4	1														33			
<b><u>Weapons Procurement, Navy</u></b> Committee Staff Proc. Backup Book	4				2	1	3	4	1														33			
<b><u>Shipbuilding &amp; Conversion, Navy</u></b> Committee Staff Proc. Backup Book	4				2	1	3	4	1														33			
<b><u>Proc of Ammunition, Navy and MC</u></b> Committee Staff Proc. Backup Book	4				2	1	3	4	1														33			
<b><u>Other Procurement, Navy</u></b> Committee Staff Proc. Backup Book	4				2	1	3	4	1														33			
<b><u>Procurement, MC</u></b> Committee Staff Proc. Backup Book	4				2	1	3	4	1														33			

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST  
 PROCUREMENT ACCOUNTS - AIR FORCE

Appropriation	C H A P T E R	USD(Comptroller)											P A & E	A T & L	P O L I C Y	C 3 I	P & R	R A	T J S	O I G	D E T E R M I N E D							
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C																					
<b><u>Aircraft Procurement, AF</u></b> Classified Committee Staff Proc. Backup Book	4	1		3								2	2	1	1	1			1	1					1			14
<b><u>Missile Procurement, AF</u></b> Classified Committee Staff Proc. Backup Book	4	1		3								2	2	1	1	1			1	1					1			14
<b><u>Proc of Ammunition, AF</u></b> Classified Committee Staff Proc. Backup Book	4	1		3								2	2	1	1	1			1	1					1			14
<b><u>Other Procurement, AF</u></b> Classified Committee Staff Proc. Backup Book	4	1		3								2	2	1	1	2			1	1					1			14

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST  
PROCUREMENT ACCOUNTS - AIR FORCE

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H A S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O I N B R R A E R S Y S					T C O U T M A L
					D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N													
<u>Aircraft Procurement, AF</u> Committee Staff Procurement Backup Book	4	2	1	3	4	1			3	1			6	6			2	2						33	
<u>Missile Procurement, AF</u> Committee Staff Procurement Backup Book	4	2	1	3	4	1			3	1			6	6			2	2						33	
<u>Missile Procurement, AF</u> Committee Staff Procurement Backup Book	4	2	1	3	4	1			3	1			6	6			2	2						33	
<u>Other Procurement, AF</u> Committee Staff Procurement Backup Book	4	2	1	3	4	1			3	1			6	6			2	2						33	

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT’S BUDGET REQUEST  
 PROCUREMENT ACCOUNTS - OTHER

Appropriation	C H A P T E R	USD(Comptroller)										A T & L	P O L I C Y	C 3 I	P & R	R A	T J S	D O T & E	O I G	D E T E R M I N E D														
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C														P A & E													
<b>Procurement, Def-wide**</b> Classified Committee Staff Proc. Backup Book	4	1		2							2	2	1	1	1		1	1		1														13
<b>Classified P-1, Procurement Programs**</b>	1	1		17	4						2	2	1	1	1		1	1	1		1											33		

\*\* Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT’S BUDGET REQUEST  
PROCUREMENT ACCOUNTS - DEFENSE-WIDE

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H A S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O N B R R A E R S Y S	T O T A L			
					D E F	D E F	M C N	M C N	D E F	D E F	M C N	M C N												
					S U B	M I N	S U B	M I N	S U B	M I N	S U B	M I N												
<b>Procurement, Def-wide</b> Committee Staff Procurement Backup Book**	4												1	1			1	1	1					13
<b>Natl Guard &amp; Reserve Eq</b> Justification Book**	4	2	1		3	1			3	1								2	1					14
<b>Defense Production Act</b> Justification Book	4	2			2	1			2	1			3	3	1	1	2	2	2	1				23
<b>Multyear Procurement</b> Justification Book**	4	2	1	3	5	1			3	1			7	5				2	1					33
<b>P-1, Procurement Programs**</b>	1	6	1	3	13	1	2	1	10	1	1	1	50	20	2	2	2	2	3	2				123
<b>P-1, Classified**</b>	1	6		3	5	1			5	1			5	5	2	2			3					38
<b>P-1R**</b>	1	6		3	3	1			3	1			10	10	2	2			3	1				45
<b>Program Acquisition Costs by Weapon System**</b>	1				13	1	2	1	10	1	1	1	50	20	2	2	2	2	3	1				112

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JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT’S BUDGET REQUEST  
RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNTS

Appropriation	C H A P T E R	USD(Comptroller)										P A & E	A T & L	P O L I C Y	C 3 I	P & R	R A	T J S	D O T & E	O I G	D A R P A	D E T F O E T N A S L E	
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C																
<b>RD&amp;E, Army</b> Classified Budget Item Justification Book Project Listing	5	1		3 2	1							2 2	2	1	1	1					1	1	16 4
<b>RD&amp;E, Navy</b> Classified Budget Item Justification Book Classified Project Listing	5	1		3 2	1							2 2	2	1	1	1					1	1	16 4
<b>RD&amp;E, AF</b> Classified Budget Item Justification Book Project Listing	5	1		3 2	1							2 2	2	1	1	1					1	1	16 4
<b>RD&amp;E, Defense Agencies</b> Classified Budget Item Justification Book** Project Listing	5	1		3 2	1							2 2	2	1	1	1					1	1	16 4
<b>Classified R-1, RD&amp;E Programs**</b>	1	1		17	4							2	2	1	1	1					1	1	33

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST  
RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNTS**

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H A S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O I N B R R A E R S Y S					T O T A L
					D E F	D E F	M C N	M C N	D E F	D E F	M C N	M C N													
					S U B	M I N	S U B	M I N	S U B	M I N	S U B	M I N													
<u>RDT&amp;E, Army</u> Budget Item Justification Book	5	3	1	3	4	1			3	1			10	6	1	1	2	2	3	1					42
<u>RDT&amp;E, Navy</u> Budget Item Justification Book	5	3	1	3	4	1			3	1			10	6	1	1	2	2	3	1					42
<u>RDT&amp;E, AF</u> Budget Item Justification Book	5	3	1	3	4	1			3	1			10	6	1	1	2	2	3	1					42
<u>RDT&amp;E, Defense Agencies</u> Budget Item Justification Book**	5	3	1	3	2	1			2	1			5	4					2	1					25
<u>R-1, RDT&amp;E Programs**</u>	1	6	1	3	13	1	2	1	10	1	1	1	50	20	2	2	2	2	3	2					123
<u>R-1, Classified</u>	1	6		3	5	1			5	1			5	5	2	2			3						38

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT’S REQUEST  
REVOLVING AND MANAGEMENT FUNDS**

Appropriation	C H A P T E R	O M B	G A O	HAC(HNS)				SAC				H A S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	L I B R A R Y  C O N G.					T O T A L
				D E F	D E F	M C N	M C N	D E F	D E F	M C N	M C N													
				S U B	M I N	S U B	M I N	S U B	M I N	S U B	M I N													
<b>Defense Working Capital Funds</b> Justification Book -Army, Navy, Air Force, Defense-wide	9	2	3	3	1			3	1			10	5				3	1					32	
<b>Public Enterprise, Management Fund, and Trust Fund</b> Justification Book	10	2	3	2	1			2	1			5	2				2	1					21	

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST  
MILITARY CONSTRUCTION & FAMILY HOUSING ACCOUNTS**

Appropriation	C H A P T E R	O M B	G A O	HAC(HNS)				SAC				H A S C	S A S C	H P S C I	S S C I	H B C	S B C	C B 0	C O N B R R E S S				T O T A L
				D E F	D E F	M C N	M C N	D E F	D E F	M C N	M C N												
				S U B	M I N	S U B	M I N	S U B	M I N	S U B	M I N												
<u>MilCon, Family Hsg. Homeowners Assist. Army</u> - Justification Book	6	2	3			1	1			1	1	7	2	1	1	2	2	2	1			27	
<u>Mil Const &amp; Family Housing, N &amp; MC</u> Justification Book	6	2	3			1	1			1	1	7	2	1	1	2	2	2	1			27	
<u>Mil Const &amp; Family Housing, AF</u> Justification Book	6	2	3			1	1			1	1	7	2	1	1	2	2	2	1			27	
<u>Mil Const &amp; Family Housing, Defense-wide</u> - Justification Book **	6	2	2			2	1			1	1	7	5				2	1				24	
<u>Military Construction, Army Reserve</u> Justification Book	6	2	2			1	1			1	1	7	2	1	1	2	2	2	1			26	
<u>Military Construction, N &amp; MC Reserve</u> - Justification Book	6	2	2			1	1			1	1	7	2	1	1	2	2	2	1			26	
<u>Military Construction, AF Reserve</u> Justification Book	6	2	2			1	1			1	1	7	2	1	1	2	2	2	1			26	
<u>Military Const. Army National Guard</u> Justification Book	6	2	2			1	1			1	1	7	2	1	1	2	2	2	1			26	
<u>Military Const. Air National Guard</u> Justification Book	6	2	2			1	1			1	1	7	2	1	1	2	2	2	1			26	
<u>NATO Security Investment Program</u> Justification Book	6					2	1			1	1							3	1			9	
<b>C-1, Construction Program</b>	1	2	3			1	5	1		1	5	1	15	7				2	1			44	

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT’S REQUEST  
BASE REALIGNMENTS AND CLOSURES (BRAC)**

Appropriation	C H A P T E R	O M B	G A O	HAC(HNS)				SAC				H A S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O S I N G R R A E S S Y S				T O T A L
				D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N												
<u>BRAC - Army</u> Justification Book	7	2		2	1	2	1	2	1	1	1	8	10				3	1				35	
<u>BRAC - Navy</u> Justification Book	7	2		2	1	2	1	2	1	1	1	8	10				3	1				35	
<u>BRAC - Air Force</u> Justification Book	7	2		2	1	2	1	2	1	1	1	8	10				3	1				35	
<u>BRAC - DLA</u> Justification Book	7	2		2	1	2	1	2	1	1	1	8	10				3	1				35	
<u>BRAC - DISA</u> Justification Book	7	2		2	1	2	1	2	1	1	1	8	10				3	1				35	

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT’S REQUEST  
SPECIAL INTEREST REQUIREMENTS**

PROGRAM	C H A P T E R	USD(Comptroller)										P A & E	A T & L	P O L I C Y	C 3 I	P & R				R A	T J S				O I G	D E T O N A L S L E		
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C																					
<b>Intelligence Programs (NFIP/JMIP/TLARA)</b> Classified Justification	16	1		1	2							1	1	1		1									1		10	
<b>Drug Interdict. &amp; Counter-drug Actvs</b> Classified Justification Book	14	1	2	1	1							1			1	1				1	1					1		11
<b>CD-ROM:</b> All unclassified budget material that has been posted to Internet site	1	1	1	1	1	1	1					1	1	1	1	1	1			1	1	1				1		16

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST  
SPECIAL INTEREST REQUIREMENTS**

PROGRAM	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H A S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O I N G R R A E R S Y S					T O T A L
					D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N													
<b>Information Technology</b> Justification Book	18	3		3	1	1			1	1			2	2					1					15	
<b>Intelligence Programs (NFIP/JMIP/TIARA)</b> (IP-1) Justification Book	16				1	1			1	1			2	2	1	1			1	1				12	
<b>Defense Health Programs</b> Justification Book	12	2			2	1			2	1								3	1				12		
<b>Drug Interdiction &amp; Counter-drug Actvs -</b> Justification Book	14	2			2	1			2	1								3	1				12		
<b>Overseas Cost Report (OP-53)</b> Report**	15	2			3	1			3	1			10	5				3	1				29		
<b>Overseas Contingency Operations</b>	17	2			2	1			2	1			2	2				3	1				16		
<b>Advisory and Assistance Services (PB-15)</b> Exhibit (incl. in O&M Data Book, Vol. II)	19																								
<b>Military Department Overview Booklets</b> Army, Navy, and Air Force	1	2			2	1	1	1	2	1	1	1	5	2	1	1	2	2	1	1			27		
<b>CD-ROM:</b> All unclassified budget material that has been posted to Internet site	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1			19		

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST  
SPECIAL INTEREST REQUIREMENTS**

PROGRAM	C H A P T E R	USD(Comptroller)										A T & L	P O L I C Y	C 3 I	P & R	L A	T J S	O I G	D E F O N A S L E	
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C													P A & E
<u>Administrative Motor Vehicle Operations (PB-41)</u> In-house Backup Exhibit	19	1	2								1	1		1			1		1	9
<u>Functional Transfers (PB-14)</u> In-house Backup Exhibit	19	1	1				3													5
<u>Legislative Proposals (PB-16)</u> In-house Backup Exhibit	19	1	2											1						4
<u>Employee Relocation Expenses (PB-17)</u> In-house Backup Exhibit	19	1	2											1						4
<u>Contract Reporting by Appropriation(PB-19)</u> In-house Backup Exhibit	19	1	3									1								4
<u>Competition and Privatization (PB-42)</u> In-house Backup Exhibit	19	1	2							1	1			2			1		1	10
<u>Host Nation Support Costs (PB-25)</u> In-house Backup Exhibit	19	1	3							1				1			1		1	8
<u>Child Dev., School Age Care, Family Centers, and Family Advocacy Programs (PB-50)</u> In-house Backup Exhibit	19	1	2							1				2			1		1	9
<u>Aeronautical &amp; Space Programs (PB-52A/B)</u> In-house Backup Exhibit	19	1		2						1	1			1			1		1	8
<u>Budgeted Mil &amp; Civilian Pay Raise (PB-53)</u> In-house Backup Exhibit	19	1	2							1				2			1		1	10
<u>Civilian Personnel Hiring Plan (PB-54)</u> In-house Backup Exhibit	19	1	2											1						4

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT’S REQUEST  
SPECIAL INTEREST REQUIREMENTS**

PROGRAM	C H A P T E R	USD(Comptroller)										A T & L	P O L I C Y	C 3 I	P & R	R A	T J S	O I G	D E T E R M I N E				
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C													P A & E			
<u>Foreign Currency Exch. Data (PB-18)</u> In-house Backup Exhibit	19	1	2								1			2				2			1		9



**010404 Witness Statements**

A. Purpose This section provides instructions for preparation of witness statements for testimony at hearings before congressional committees.

B. Preparation

1. Each witness statement should contain a cover page that includes the name, grade/rank, and position title of the witness; the full title of the congressional committee or subcommittee before which the witness is to appear; the date the witness is to testify; the subject of the hearing; and an embargo statement "Not for Publication Until Released by the Committee" (or Subcommittee, if applicable).

2. The following line-spacing guidelines should be followed in typing statements:

a. Double space statements prepared for presentation to the committees, for easy reading by the members.

b. Single space statements that will be returned with transcripts or those prepared solely for inserting into the record.

3. The various congressional committees publish instructions for preparation of witness statements for their committee. These instructions, unique to each committee, are available from the following offices:

a. House and Senate Defense and Military Construction Appropriations Subcommittees - Directorate for Plans and Systems, USD(Comptroller) and Service Budget Liaison offices.

b. House and Senate Armed Services Committees and House and Senate Budget Committees - Office of the Assistant Secretary of Defense (Legislative Affairs) and Service Legislative Affairs offices.

c. Other congressional committees - Instructions are normally included in the letter requesting the hearing.

4. In order to provide some background on the witness for a committee, a biographical sketch of the witness should be included in the witness statement following the cover page. This is normally not necessary for witnesses such as Service Secretaries unless they are appearing for the first time before the committee.

C. Security Review

1. DoD Directive 5400.4 calls for DoD witnesses to submit their prepared statements to Washington Headquarters Services, Directorate for Freedom of Information and Security Review, Room 2C757, (703)697-4325, for clearance.

2. This should be done as far in advance of the required date of transmittal to a congressional committee as possible, usually 5 or more working days prior to the date clearance is desired.

D. Number of Copies

1. Upon completion of the security review process, the originating office should ensure that 75 copies of unclassified statements are delivered to the Directorate for Defense Information, Office of the Assistant to the Secretary of Defense (Public Affairs), Room 2E765, Pentagon. This should be done at least 24 hours in advance of the scheduled appearance of the witness before the congressional committee. Be prepared to provide additional copies on short notice.

2. These procedures will allow the Office of the Assistant Secretary of Defense (Public Affairs) to meet news media requirements as soon as statements are released by the congressional committee or subcommittee.

3. A chart identifying the various oversight committees' copy requirements for witness statements and the date that the statements are due to the committee is republished periodically by the Directorate for Plans and Systems, USD(Comptroller), as committee requirements change. Be careful to use the most recent chart.

4. Special care should be exercised to ensure that specified due dates are met. The committees use the witness statement in preparing for the hearing and so suspense dates are important. Committees will routinely predicate cooperation in discussing or releasing possible hearing questions or topics on the timely delivery of these statements.

5. Offices responsible for arranging the attendance of principal and supporting witnesses at a hearing normally prepare a listing of witnesses known as the Witness List. These offices will contact all involved parties to obtain the names and positions of the witnesses for the Witness List.

#### **010405 Transcript Processing**

A. Purpose This section provides instructions for processing transcripts of witness testimony at hearings before congressional committees.

B. Initial Receipt

1. The House and Senate Appropriations subcommittees on Defense and Military Construction Appropriations provide hearing transcripts directly to Budget Liaison offices of the Services and to the Director for Plans and Systems, Under Secretary of Defense (Comptroller). All other hearing transcripts are provided directly to the Legislative Affairs office of the Services and to the Office of the Assistant Secretary of Defense (Legislative Affairs).

2. The original copy of the transcript is then provided to the office of the principal witness utilizing DD Form 1587, Record of Congressional Transcript Review, as the transmittal document. To meet committee requirements and allow time for final review by Washington Headquarters Services, Security Review, each element in the review process must give cooperative consideration to the time requirements of all elements in meeting due out dates. DoD Directive 5400.4 provides guidance in utilizing DD Form 1587. Instructions are also printed on DD Form 1587.

3. The various committees publish instructions for processing transcripts for their committee hearings. These instructions, unique to each committee, are available from the following offices:

a. House and Senate Defense and Military Construction Appropriations Subcommittees - Directorate for Plans and Systems, USD(Comptroller) and Service Budget Liaison offices.

b. House and Senate Armed Services Committees and House and Senate Budget Committees - Office of the Assistant Secretary of Defense (Legislative Affairs) and Service Legislative Affairs offices.

c. Other congressional committees - Instructions are normally included in the letter requesting the hearing.

C. Processing Procedures

1. Upon receipt of the transcript in the office of the primary witness, that office will review and edit the transcript and prepare the necessary inserts including questions for the record. At the same time, those staff offices required to provide input to the transcript should be tasked, in writing, for their specific portion. Page and line number/question number should be referenced when tasking inserts for the record.

2. Offices providing input to transcripts should clear their internal security review office prior to providing their input to the principal witness' office. After consolidation of the edit/review of the transcript and inclusion of necessary inserts, the office of the principal witness will then need to obtain the proper security clearance for the transcript and inserts from Washington Headquarters Services, Directorate for Freedom of Information and Security Review. A DD 1790, Prepared Testimony Review must be used. DoD Directive 5400.4 provides instructions to be followed in processing the transcript through the security review process.

3. Plain bond (8.5" x 11.0" with left and right margins of 1.5") Insert for the Record, will be utilized for all inserts to congressional testimony and questions/answers for the record. Formats for completing these for the four oversight committees are provided in Section 0109.

4. After completing the security review process and required coordination's, the completed transcript should be returned to the office from which the transcript was received (Transcript Action Monitor) for final review and delivery to the congressional committee.

5. Special care should be exercised to ensure that transcript processing suspense dates are met. The committees emphasize that the deadline dates imposed by them must be met. As the committees approach mark-up, the importance of meeting deadlines becomes even more critical. Transcripts should not be unduly delayed while gathering information for the record. If a delay is encountered, a note that the data will be furnished at some specified date should accompany the transcript and processing should proceed.

D. Page Proofs/Galleys Often committees allow DoD to review "page proof"/"galleys" of congressional testimony to ensure that changes have been incorporated and that classified data has been deleted from the version that will be made public. Extreme care must be exercised to ensure that all classified data have been excised.

#### **010406 Appeal Process on Congressional Actions**

A. Purpose Each year the actions taken by congressional committees during consideration of the DoD authorization and appropriation bills are reviewed by DoD components. This Section provides policy guidance and procedures for appealing such congressional actions.

##### B. Scope of Material

1. DoD appeals to congressional committees may be in the form of a letter to the appropriate committee chairman (or chairmen in the case of appeals to joint conferees), which sets forth the Department's position on the most significant programs/items impacted by congressional actions. This letter is prepared for the signature of the Secretary of Defense. Only the Secretary will provide the Department's position on appeal items.

2. DoD appeals also may be in the form of an appeal package consisting of as many as 100 or more pages, one for each action being appealed. This package is submitted to the appropriate committee by the USD(Comptroller). It is not submitted as an enclosure to an appeal letter, but may be referred to in the letter.

3. The submission of appeal material can vary each year and is primarily dependent upon the timing of each committee's actions on the budget request. The preparation of appeal items begins when the actions of the committees become known, usually with release of the committee's report. Normally, appeal material will be modified to reflect final floor action since amendments adopted on the floor can significantly change positions reported out by the committees. In most cases, the process is as follows:

a. To Authorization Conferees. This appeal is based on the actions of both the House and Senate Armed Services Committees, as modified by House and Senate floor action.

b. To Appropriations Conferees. This appeal is based on the actions of both the House and Senate Appropriations Committees, as modified by House and Senate floor actions.

C. Preparation of Appeals

1. Once the actions of an oversight committee become known, DoD components normally will be requested to provide input for incorporation into the Secretary's appeal letter or appeal package. Appeal input will be submitted in the general format of Exhibit PB-39A-1 and PB-39A-2 (provided in Section 0109) in both hard copy and by e-mail in Microsoft Word format (with no graphics). Components may be asked to assign a priority to the actions they want appealed.

2. All appeal materials must be unclassified. Verification that materials are entirely unclassified must be obtained by the DoD component from the component's security review prior to submission to OSD. USD(Comptroller) will obtain clearance of the consolidated appeal package from the Washington Headquarters Services, Directorate for Freedom of Information and Security Review, Room 2C757, the Pentagon.

D. Policy Guidance, Preparation and Coordination of Budget Appeals

1. By memorandum of May 27, 1983, Subject: "Congressional Justification of the President's Annual Defense Budget," the Secretary of Defense charged the Comptroller with the responsibility to coordinate all justification actions for his consideration that may be interpreted as reprogramming, supplementals, amendments, or appeals to the Defense budget. Therefore, in order to ensure that the Department speaks to the Congress in this area with one voice and remains consistent with the Secretary's policy direction, all appeals to congressional committees will be prepared by the USD(Comptroller).

2. The Directorate for Plans and Systems, within the Office of the USD(Comptroller) (Program/Budget), will issue instructions for submission of appeal input. Along with other Comptroller directorates, Plans and Systems will review the input and prepare a draft appeal letter and appeal package. Normally, these drafts will be sent for comments to the appropriate DoD offices. Clearance on all appeal materials will be requested from the Office of Management and Budget.

3. While responsibility for consolidation and coordination of appeal materials resides with the USD(Comptroller), all offices are responsible for ensuring that the materials they submit remain up to date. Submitting components, e.g. The Joint Staff, should provide only one position on each issue submitted.

E. Classified Appeals. Actions of congressional committees documented in classified annexes (such as by the Intelligence Committees) to reports or classified letters may be addressed in classified appeals prepared by the ASD(C<sup>3</sup>I). Further guidance is contained in Chapter 16.

**0105 BUDGET AUTOMATION REQUIREMENTS****010501 Not Used****010502 Automated Procurement Programs Database**

A. Purpose and Objectives. *The purpose of the Procurement Programs database is to provide supporting budgetary documentation to the Congress, OMB and the public with each year's President's Budget. The Procurement Programs database supports, and should be consistent with, other budgetary data in the Comptroller Information System (CIS). This section provides for the maintenance of the Procurement Programs as an automated database which is the primary structure for quantity and program cost at the line item level of detail for a number of related Procurement Program documents. The following are produced from the Procurement Programs database:*

1. *Detailed Procurement Programs (classified)*
2. *Procurement Programs (P-1) (classified)*
3. *Procurement Programs (P-1/P-1R) (unclassified)*
4. *P-1/P-1R database for the Senate Appropriations Committee, the House Appropriations Committee, the Senate Armed Services Committee, and the House Armed Services Committee*
5. *Data for USD(AT&L), Director(PA&E), The Joint Staff, OMB, and GAO.*

B. Applicability. *The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Defense Agencies, and any other DoD Component that contribute data to the Procurement Programs.*

C. Reporting Requirements. *The initial automated database was established consistent with the procurement data submitted to the Congress in support of the FY 1974 Budget. Since that time subsequent updates have been required coincident with submission of the (1) Program Objective Memoranda, (2) Budget Estimates, and (3) President's Budget. Specific guidance relative to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.*

D. General Instructions - Preparing the Detailed Procurement Programs. *The Procurement Programs provide resources in a line item level of detail with appropriation identification consistent with other budgetary data in the CIS database. A detailed description of line item entries is listed in Volume 2B, Chapter 4, Section 0402 of the DoD FMR. The minimum information required in the Procurement Programs is as follows:*

1. *A summary by appropriation account with subtotals for DOD Components.*
2. *A summary of each appropriation account by budget activity with an appropriation total.*
3. *A detailed line item listing in budget activity/special program code sequence.*
4. *Entries for the individual line items should be on the same basis as that used for budget submissions. Multiyear procurements (MYP) are identified for P-1 line items with MYP as defined in Section 010203. Advance procurement entries should be used as specified in Volume 2B, Section 040502. Initial spares listed with the procurement item (post delivery and outfitting costs for Shipbuilding and Conversion, Navy) should be shown immediately following the line as a memorandum entry--non-add to the budget activity total.*
5. *Costs of prior year programs will be adjusted annually to reflect actual obligations, including deobligations, recoveries of prior year obligations, upward obligation adjustments, transfers, and rescissions, as appropriate.*

6. The cost to complete column provides the data necessary to obtain the total procurement cost for acquisition of weapon items. It is necessary to estimate the cost of completing the approved program for major weapon systems included in the Selected Acquisition Report (SAR) reporting system and for multiyear contracts utilizing economic order quantity advance procurement. Such costs will be entered in the “cost to complete” column of the Procurement Programs. Entries in the “cost to complete” column are not required for other procurement line entries. The “cost to complete” estimate will include: (1) the portion of the “approved quantity” to be procured beyond the FYDP, and (2) costs to complete acquisition of units procured in prior years such as outfitting and post delivery requirements for ships which will not deliver during the FYDP.

7. Security classification of line items is determined by the submitting Component subject to OSD Security review. DoD Components must provide a security classification review certification to OUSD (C) P/B P&FC. Except for information published in the unclassified version of the P-1 Report, data contained in the Procurement Programs may not be released outside the DoD without the expressed written consent of the Under Secretary of Defense (Comptroller). (In the case of the Procurement Programs update for the Program Objectives Memorandum, this consent must come from the Director for Program Analysis and Evaluation.)

E. General Instructions - Preparing the Procurement Programs (P-1). The P-1 document is derived from and consistent with *other budgetary data in the CIS database*. The P-1 is provided annually to the DoD oversight committees of the Congress coincident with the transmittal of the President’s Budget. An unclassified version is provided to OASD(PA) for use by non-DoD activities. The minimum information required in the P-1 is as follows:

1. Identification codes and a detailed description of line item entries are explained in paragraph F below.
2. The line item data provided is PY, CY, BY1 (and BY2 if biennial submission).
3. The security classification will be in accordance with the criteria set forth in Section 010108.

F. Procurement Data Elements and Record Formats

1. Appropriation codes, Component codes, and budget activity codes are as specified in *the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller)*.
2. *Other Procurement Program Data Elements and Record Formats: Components must follow the guidance and use the data elements and record layouts for submission of updates to the Procurement Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).*

**010503 Automated RDT&E Programs Database**

A. Purpose and Objectives. *The purpose of the RDT&E Programs database is to provide supporting budgetary documentation to the Congress, OMB and the public with each year’s President’s Budget. The RDT&E Programs database supports, and should be consistent with, other budgetary data in the Comptroller Information System (CIS). This section provides for the maintenance of the RDT&E Programs as an automated database which will be the primary structure for program element detail for a number of related RDT&E Program documents. The following are produced from the RDT&E Programs database:*

1. *Detailed RDT&E Programs (classified)*
2. *RDT&E Programs (R-1) (classified)*
3. *RDT&E Programs (R-1) (unclassified)*
4. *R-1 database for the Senate Appropriations Committee, the House Appropriations Committee, the Senate Armed Services Committee, and the House Armed Services Committee*
5. *Data for USD (AT&L), Director(PA&E), The Joint Staff, OMB, and GAO.*

B. Applicability. *The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Defense Agencies, and any other DoD Component that contribute data to the Procurement Programs.*

C. Reporting Requirements. The initial automated database was established consistent with the RDT&E data submitted to the Congress in support of the FY 1976/1977 Budget. Since that time subsequent updates have been required coincident with submission of the (1) Program Objective Memoranda, (2) Budget Estimates, and (3) President's Budget. Specific guidance relative to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.

D. General Instructions - Preparing the Detailed RDT&E Programs. The RDT&E Programs is consistent with the program element identification of resources contained in the Future Years Defense Program Summary and Program Element Detail. Data in the RDT&E Programs is summarized by appropriation account with recaps by budget activity and FYDP programs. Security classification of line items is determined by the submitting Component subject to OSD Security review. DoD Components must provide a security classification review certification to OUSD (C) P/B P&FC. Except for information published in the unclassified version of the RDT&E Programs (R-1) report, data contained in the RDT&E Programs may not be released outside the DoD without the written consent of the Under Secretary of Defense (Comptroller). (In the case of the RDT&E Programs update for the Program Objectives Memorandum, this consent must come from the Director for Program Analysis and Evaluation.)

E. General Instructions - Preparing the RDT&E Programs (R-1). The R-1 document is derived from, and consistent with, *other budgetary data in the CIS database.* The R-1 is provided annually to the DoD Oversight Committees of the Congress coincident with the transmittal of the President's Budget. An unclassified version is provided to OASD (PA) for use by non-DoD activities. The unclassified R-1 is the only document from the RDT&E Programs database available for public distribution. The minimum information required in the R-1 is as follows:

1. The program element line item data provided is PY, CY, BY1 (and BY2 if biennial submission).
2. The security classification shall be in accordance with the criteria set forth in Section 010108.
3. A detailed program element listing in budget activity sequence.

F. RDT&E Data Elements and Record Formats

1. Appropriation codes, Component codes, and budget activity codes are as specified in *the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller).*

2. *Other RDT&E Program Data Elements and Record Formats: Components must follow the guidance and use the data elements and record layouts for submission of updates to the RDT&E Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).*

#### **010504 Automated Construction Program Database**

A. Purpose and Objectives. This section provides for the establishment of an Automated Construction Program Database to supplement the Defense Components' military construction justification materials. The Construction Program also will be used to track Program Budget Decisions at the project level, track congressional action on the President's Budget submission, and provide the baseline data required for special analysis.

B. Applicability. The provisions of this section apply to all requirements financed by the Military Construction, NATO Security Investment Program, Base Realignment and Closure, Family Housing, DoD Family Housing Improvement Fund and Homeowners Assistance appropriations of the DoD Components as applicable.

C. Responsibilities. The DoD Components will submit Construction Program data for their Active, Guard and Reserve Forces construction projects, their portions of the Family Housing, DoD Family Housing Improvement Fund and Homeowners Assistance programs. DoD Components will also submit Construction Programs data for multi-service or national level projects for which they are executive agent as described in DoD Directive 7150.5, "Responsibilities for Programming and Financing Facilities at DoD Installations Utilized by Two or More DoD Components."

D. Reporting Requirements. Update submissions will coincide with the September budget submissions and the January budget presentation. Detailed requirements not contained herein will be specified by memorandum for all update submissions.

E. Construction Data Elements and Record Formats.

1. *Appropriation codes, Component codes, and budget activity codes are as specified in the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller).*

2. *Other Construction Program Data Elements and Record Formats: Components must follow the guidance and use the data elements and record layouts for submission of updates to the Construction Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).*

F. Level of Detail

1. Data will be reported at the level specified for the justification material [(DD Form 1391) in Volume 2B, Chapters 6 and 7]. A summary of the levels required follows:

2. Military Construction 1/

- Major Construction - project detail
- Minor Construction - lump-sum for exigent minor construction
- Planning and Design - lump-sum
- Supporting Activities - project detail

3. NATO Security Investment Program - lump-sum 1/

4. Base Realignment and Closure - lump-sum 1/

5. Family Housing Construction 1/

- Construction of new housing - project detail. Under normal conditions the project title should indicate the number of units to be constructed, e.g. "NEW CONSTRUCTION (265)"
- Construction Improvements - lump-sum
- Planning - lump-sum

6. Family Housing Debt, Operation & Maintenance 1/ Lump-sum for each budget activity except Operating Expenses, which will be reported by account as shown below:

- Operating Expense
- Management Account
- Services Account



- Utilities Account
- Furnishings Account
- Miscellaneous Account
- Leasing
- Maintenance of Real Property
- Interest Payments
- Mortgage Insurance Premiums

7. Homeowners Assistance Fund 1/

- Payment to Homeowners
- Other Operating Costs
- Acquisition of Real Property
- Mortgages Assumed

8. DoD Family Housing Improvement Fund - lump sum 1/

1/ Nomenclature records for all lump-sum values will be generated by the *automated Construction Programs database* system; DoD Components should not submit nomenclature records for lump-sum values.

G. Security Classification: A project may be classified due to the nature of the project, the location of the project, or both. Since the Construction Programs (C-1) is an unclassified document generated from an unclassified database, use the conventions *provided in the instructions for submission of updates to the Construction Programs database on the SIPRNet home page of the OUSD (Comptroller)*.

**010505** *CIS Automation Requirements for the Biennial Budget Estimates Submission*

A. Purpose: *Machine readable data are the basis for the OSD budget review. Effective with the September 2000 budget estimates submissions, the Comptroller Information System (CIS) will replace the Budget Review System. Components' budget estimates submissions form the baseline from which all Program Budget Decision dollar and manpower deltas are made. The budget estimates submissions are entered into CIS by the Military Departments and Defense Agencies. This chapter prescribes the requirements for submission of the data.*

B. Requirement for the CIS Budget Structure: *DoD must comply with the budget submission requirements in OMB Circular A-11, "Preparation and Submission of Budget Estimates," which applies to all Executive Branch agencies. OMB's MAX budget system provides the structure for the data that must be submitted to OMB for each appropriation and receipt account. The data is annually published in the Budget of the United States Government, commonly referred to as the President's Budget. OMB publishes detailed account data for each Federal agency in a separate "Appendix" of the Budget. The OUSD(Comptroller)'s CIS database is designed to satisfy the annual submission of Defense Budget data to OMB's automated MAX budget system. The CIS budget structure for an account is the Program and Financing (P&F) Schedule. The P&F Schedule consists of a budget plan/obligations, object class, and expenditure tail for all accounts, except for multi-year accounts which also have an obligation plan in addition to the budget plan.*

C. Submission Requirements:

1. Submission of Budget Estimates for Current Year (CY), Budget Year (BY)1 and BY2:

a. Budget Submission (Dollars): *Military Departments and Defense Agencies, as applicable, will submit budget plan and object class machine readable data entries for all applicable appropriation and receipt accounts which are consistent with and reconcilable to hard copy submission of budget estimates exhibits required by other sections of this volume of the Financial Management Regulation. Budget plan data must be submitted for all years by period of obligational availability. Object class entries will be at the summary level, not by period of obligational availability, and exclude the outyears. Detailed data entries only will be submitted*

since subtotals and summary totals are CIS computer generated. All TOA values by Component by fiscal year will agree with budget estimates submission TOA dollars on Exhibit PB-1A.

b. Budget Submission (Personnel Data): Budget estimates submission of on-board year end personnel data entries for military end strength and civilian full-time equivalents (FTEs) will be in exact agreement with the PB-4 exhibit.

c. Budget Submission for Prior Year (PY): Components are not to submit machine readable data for the PY as part of the budget estimates submission. The Directorate for Program and Financial Control, OUSD(Comptroller)(P/B) will replicate PY from the CY column of the previous year's budget. The PY will be updated at a later date once accounting and manpower actuals are available.

d. Obligation Plan Data for Multi-Year Accounts: Components are no longer required to submit obligation plan data for multi-year accounts. Obligation plans for the budget estimates submissions will be computer generated in CIS. Obligations rates used in the previous year's Defense Budget will generate obligations for multi-year accounts as part of the baseline submission. The Directorate for Program and Financial Control will adjust obligation rates later in the budget review process once PY accounting actuals are available. Components will be asked to redistribute obligations by budget activity after the updated rates have been implemented in CIS.

e. Expenditure Tail Data: Components are no longer required to submit expenditure tail data. Expenditure tail data for the budget estimates submissions will be computer generated in CIS. Outlay rates used in the previous year's Defense Budget will generate outlays as part of the baseline submission. The Directorate for Program and Financial Control will adjust outlay rates later in the budget review process once PY accounting actuals are available.

2. Submission of Outyear Estimates:

a. Budget Submission (Dollars): The submission of TOA (Direct Program) for appropriation accounts (general fund and revolving fund) and concept obligations for trust revolving fund, trust fund, special fund, and receipt accounts for BY2+1 through BY2+4 will be made coincident with the budget submission. Input to the database for the outyears will be formatted in accordance with the CIS Budget Structure Listing at the PDM level, by appropriation account and budget activity. Budget plan outyear entries for TOA for applicable appropriation accounts and concept obligations for trust revolving fund, trust fund, special fund, and receipt accounts are the only dollar data to be submitted by Components for the outyears. TOA dollars must agree with Exhibit PB-1A.

b. Budget Submission (Personnel Data): Budget estimates for BY2+1 through BY2+4 military end strength and civilian full-time equivalents (FTEs) will be made coincident with the budget submission. Input to the database for the outyears will be formatted in accordance with the CIS Budget Structure Listing and will be in exact agreement with the PB-4 exhibit.

3. Account Data Elements and Account Structure: Budget estimates submissions will be in thousands of dollars for all data elements for each account's budget plan and object classification schedules and must be submitted in accordance with the CIS Budget Structure Listing. (Obligation plans for the in-years for multi-year accounts and expenditure tail for CY through the outyears will be computer generated in CIS.) Personnel data for applicable accounts will be submitted for all years in accordance with the detail prescribed by the CIS Budget Structure Listing. The Budget Structure Listing can be viewed on the SIPRNet home page of the OUSD (Comptroller). Questions and changes to the CIS Budget Structure Listing should be directed to the Directorate for Program and Financial Control, OUSD(Comptroller)(P/B), phone 703-697-7564.

4. Data Submission: Guidance is provided on the SIPRNET home page of the OUSD(Comptroller) on "Coding CIS Transactions for FY BY1/BY2 Budget." Components must use the record layouts and file formats prescribed in this guidance.

**010506** CIS Budget Structure Listing (BSL)

A.. Purpose: The BSL reflects the official Department of Defense budget account structure for Component submission of the budget estimates in machine readable form. The BSL contains the following sections:

1. Appropriation Account Names/Codes: This section lists all the valid and active codes in the CIS database. Appropriation accounts have four-digit numeric plus one-digit Treasury agency alpha account code. Receipt accounts have six-digit numeric plus one-digit Treasury agency alpha account code. Account coding in CIS agrees with codes used in OMB's MAX automated budget system for compatibility in the Department's electronic submission of the Defense Budget to OMB.

2. Budget Plan and Obligation Plan Name Codes: This section provides the detailed budget structure for data elements in the budget plan and obligation plan of all appropriation and receipt accounts in CIS. In this section of the BSL, the presence of a "P" and/or "\$" in the "PER/\$\$ Inputs" column indicates those budget activities/special program codes against which resources (\$ or personnel) may be entered in the CIS database. Requests to add "P" or a "\$" to an existing line may be made to the Directorate for Program and Financial Control, OUSD(Comptroller)(P/B), through the respective Program/Budget Directorate responsible for that appropriation.

3. Financing, Budget Authority, and Expenditure Tail Name/Codes: This section lists the financing (FIN), budget authority breakout (BAB), and expenditure tail (EXP) codes used in the Program and Financing Schedule for each appropriation and receipt account.

4. Object Classification Codes: OMB Circular A-11 requires agencies to report account obligations by object class for PY, CY, BY1 and BY2. This section aligns Program and Financing Schedule obligations with the object class codes in OMB Circular A-11.

5. Treasury Code P.L. and Budget Sequence Cross Reference: All accounts in CIS are assigned to a public law(P.L.) title and unique appropriation budget sequence number for sorting accounts by title (MilPers, O&M, Proc, RDT&E, etc.), similar to titles in Defense and Military Construction appropriation acts. This section aligns accounts by title to agree with OMB's MAX Budget system.

6. Directorate/Analyst Codes: This section lists individuals assigned to OUSD (Comptroller) Program/Budget by Directorate

**B. Input Requirements**

1. Input coding for all budget estimates will be entered in accordance with guidance provided on the SIPRNET OUSD(Comptroller) home page. Features which should be considered in the preparation of data are:

a. Military Personnel Accounts:

(1) The Military Departments will prepare and submit the military personnel account data on a total obligation basis, not on an operations basis (see Budget Structure Listing on the SIPRNet home page of the OUSD (Comptroller)). Input for military personnel dollars should not be submitted by Defense Agencies.

(2) The Military Departments will prepare and submit end strength data on a Component basis; i.e., Army submits data on personnel assigned to Army as well as Army personnel assigned to each Defense Agency (see Budget Structure Listing on the SIPRNet home page of the OUSD (Comptroller)). The Defense Agencies must coordinate their end strength requirements with the Military Departments prior to the Military Departments' data submissions.

(3) In addition, military personnel costs associated with intelligence programs will be entered under direct budget activity 20 (see "Budget Structure Listing"). An offsetting entry must be made against the "NFIP Offset" special program code such that the sum of these intelligence program entries net to zero.

b. Input coding for Defense Working Capital Funds must include the appropriate three position special program code assigned to each business area for operating and capital expenses, civilian full-time equivalents (FTEs), and military end strengths.

#### C. Object Classification Schedules

1. The object classification numbers which are specified in OMB Circular A-11 are augmented in CIS by a prefix code which identifies Direct Obligations (Prefix D), Reimbursable Obligations (Prefix R), Allocation Accounts (Prefix A), and Receipt Obligations (Prefix C).

2. All revolving and management accounts will be coded in the reimbursable (Prefix R) object class series followed by the appropriate object class number.

3. Object class data will be submitted for all accounts listed in the CIS Budget Structure Listing which reflect obligations (including concept obligations) in the Program and Financing data in the PY, CY, BY1 or BY2.

4. Object Class Default Major/Minor Codes: When an obligation adjustment occurs in CIS and an object class is not specified for the obligation change, CIS will automatically make an adjustment in obligations to the default object class for the account. For example, a TOA delta to an account resulting from a Program Budget Decision (PBD) will cause a corresponding object class obligation delta. If the object class obligation delta is not coded and included as part of the PBD transaction, CIS will generate an object class delta in the default object class code for the account. Components must redistribute obligations by object class for each of their accounts after PY actuals are available, and before the budget review process has been completed, to provide consistent and explainable object class amounts from PY through BY2. A chart displaying by CIS object class default Major/Minor code for each account is available on the SIPRNet home page of the OUSD (Comptroller).

#### D. CIS P&F Schedule Diagnostics Rules and Reports

1. CIS diagnostic rules for the P&F Schedule data structure are available on the SIPRNet home page of the OUSD (Comptroller).

2. Three CIS reports have been developed to provide diagnostic and balancing checks for appropriation and receipt accounts.

a. Report 22 performs a series of balancing checks between types/groups of data within an account and, in certain cases, within a defense agency. Each diagnostic displays at a minimum a message detailing the data used, the diagnostic error message, the amounts accumulated for the check and the difference(s) found.

b. Report 23 performs obligation plan tests for multi-year accounts. These checks are performed at the agency and account level for Defense Agency accounts. For each fiscal year program from the prior year through the second biennial year, if budget plan program is present (a non-zero amount), then an obligation plan program must also be present. This check is made at the account total level.

c. Report 24 performs a series of miscellaneous diagnostic tests primarily to identify incorrect sign conventions and undistributed data elements amounts. If one or more of the diagnostic tests fail for an account, an appropriate diagnostic message will be generated.

E. Update of the PY Column

1. OMB Circular A-11 requires agencies to submit PY data to OMB's MAX budget system which is based on Treasury certified accounting actuals. The update of PY dollars is accomplished using data from the SF Form 133 and the DD Comp 1002 plus AR 1307 for Revolving Funds. PY amounts must reconcile to Treasury's yearend annual report called the Treasury Annual Report.

2. Components will be requested to update object class obligations and manpower actuals once accounting data has been certified by Treasury for each Defense account. All PY actuals updates for budget plans, obligations plans and expenditure tail data will be updated electronically by the Directorate of Program and Financial Control. Business rules used by CIS for updating PY actuals for an account's budget plan, obligation plan and expenditure tail are available on the SIPRNet home page of the OUSD (Comptroller).

**0106 UNIFORM BUDGET AND FISCAL ACCOUNTING CLASSIFICATIONS****010601 General**

A. This Section establishes the functional title classifications and subdivisions by which appropriation and fund accounts of the Department of Defense are required to be arranged, grouped, or classified in budgetary and fiscal presentations. These classifications are designed to permit consolidation of budget and fiscal data for the several Components of the Department of Defense into over-all Departmental summaries.

B. These instructions cover all appropriation and receipt accounts for military functions of the Department of Defense. *Detailed DoD budget account structure used in the Comptroller Information System is displayed in the Budget Structure Listing available on the SIPRNet home page of the OUSD (Comptroller).*

**010602 Functional Titles**

The following functional titles are to be used in appropriate budgetary and fiscal presentations:

Military Personnel

Operation and Maintenance

Procurement

Research, Development, Test, and Evaluation

Military Construction

Family Housing

Revolving and Management Funds

Defense-Wide Contingencies

Offsetting Receipts

Trust and Trust Revolving Funds

Interfund Transactions

**010603 Definitions of Functional Titles and Subdivisions**

This Section lists the appropriations within each functional title. Budget activities for Procurement and RDT&E titles are also listed. *Budget activities for other appropriations are displayed in the Budget Structure Listing available on the SIPRNet home page of the OUSD (Comptroller).*

**FUNCTIONAL TITLE - MILITARY PERSONNEL**

**1. The functional title "Military Personnel" for military functions is defined as comprising the accounts listed below.**

Active Forces

21_2010	Military Personnel, Army
17_1453	Military Personnel, Navy
17_1105	Military Personnel, Marine Corps
57_3500	Military Personnel, Air Force

Reserve Forces

21_2070	Reserve Personnel, Army
17_1405	Reserve Personnel, Navy
17_1108	Reserve Personnel, Marine Corps
57_3700	Reserve Personnel, Air Force
21_2060	National Guard Personnel, Army
57_3850	National Guard Personnel, Air Force

**2. Lower level subdivisions susceptible to consolidation are available under the uniform budget and accounting structure prescribed for these appropriations in Chapter 2 of Volume 2.**

**FUNCTIONAL TITLE - OPERATION AND MAINTENANCE**

The functional title "Operation and Maintenance" for military functions is defined as comprising the accounts listed below:

21_2020	Operation and Maintenance, Army
17_1804	Operation and Maintenance, Navy
17_1106	Operation and Maintenance, Marine Corps
97_0100	Operation and Maintenance, Defense-Wide
21_2080	Operation and Maintenance, Army Reserve
17_1806	Operation and Maintenance, Navy Reserve
17_1107	Operation and Maintenance, Marine Corps Reserve
57_3740	Operation and Maintenance, Air Force Reserve
21_2065	Operation and Maintenance, Army National Guard
57_3840	Operation and Maintenance, Air National Guard
97_0104	U.S. Court of Appeals for the Armed Forces
97_0105	Drug Interdiction and Counter-Drug Activities, Defense
97_0107	Office of the Inspector General, Defense
97X0116	Summer Olympics, Defense
97X0118	Overseas Contingency Operations Transfer Fund, Defense
97/_0130	Defense Health Program, Defense
97/_0131	Real Property Maintenance, Defense
97/_0132	Claims, Mt. Pinatubo, Defense
97_0133	Payment to Coast Guard

**FUNCTIONAL TITLE - OPERATION AND MAINTENANCE (CONTINUED)**

97/\_0134 Former Soviet Union Threat Reduction, Defense  
 97/\_0135 *Military Training, Equipment and Associated Support Transfer Fund, Defense*  
 97/\_0136 *Depot Level Maintenance and Repair Transfer Fund, Defense*  
 97/\_0137 *Spares, Repairs and Associated Logistical Support Transfer Fund, Defense*  
 97/\_0138 New Horizons Exercise Transfer Fund, Defense  
 97X0801 Foreign Currency Fluctuations, Defense  
 17X0810 Environmental Restoration Fund, Navy  
 21X0810 Environmental Restoration Fund, Army  
 57X0810 Environmental Restoration Fund, Air Force  
 97X0810 Environmental Restoration Fund, Defense  
 97X0811 Environmental Restoration, Formerly Used Sites, Defense  
 97/\_0819 Overseas Humanitarian, Disaster and Civil Aid, Defense  
 97X0827 World University Games, Defense  
 97/\_0828 Defense Reinvestment for Economic Growth, Defense  
 97\_0832 1995 Special Olympics World Games, Defense  
 97X0833 Emergency Response Fund, Defense  
 97X0837 Defense Against Weapons of Mass Destruction, Defense  
 97X0838 Support for International Sporting Competitions, Defense  
 97/\_0839 Quality of Life Enhancements, Defense  
 97X0840 OPPLAN 34A - 35 P.O.W. Payments  
 97/\_0841 Pentagon Renovation Transfer Fund, Defense  
 97X0842 *Defense Vessels Transfer, Program Account*  
 97/\_0843 *Information Technology Systems and Security Transfer Account, Defense*  
 97/\_0844 *Morale, Welfare and Recreation for Contingency Deployment, Defense*  
 17X1236 Payment to Kaho'Olawe Island Fund, Navy  
 21\_1705 National Board for the Promotion of Rifle Practice, Army  
 21X5098 Restoration of the Rocky Mountain Arsenal, Army  
 17X5185 Kaho'Olawe Island Conveyance Remed Env Rest Fd, Navy  
 97X5187 Defense Cooperation Account, Defense  
 97X5188 Disposal of DoD Real Property, Defense  
 97X5189 Lease of DoD Real Property, Defense  
 97X5193 Overseas Military Facility Investment Recovery Account  
 21X5194 DoD 50<sup>th</sup> Anniversary of WW II Commemoration Account  
 97X5195 Use of Proceeds for the Transfer/Disposal of Commissary Facilities, Defense  
 21X5286 National Science Center, Army  
 97X5336 Defense Export Loan Guarantee  
 97X5441 Burdensharing Contribution, Defense  
 97X5442 *DoD Korean War Commemoration Account*

**FUNCTIONAL TITLE – PROCUREMENT**

The functional title "Procurement" for military functions is defined as comprising the following appropriations and budget activities:

21/\_2031 Aircraft Procurement, Army  
     -Aircraft  
     -Modification of Aircraft  
     -Spares and Repair Parts  
     -Support Equipment and Facilities  
  
 21/\_2032 Missile Procurement, Army  
     -Other Missiles



**FUNCTIONAL TITLE – PROCUREMENT (CONTINUED)**

- Modification of Missiles
- Spares and Repair Parts
- Support Equipment and Facilities
- 21/\_/2033 Procurement of Weapons and Tracked  
Combat Vehicles, Army
  - Tracked Combat Vehicles
  - Weapons and Other Combat Vehicles
  - Spares and Repair Parts
  
- 21/\_/2034 Procurement of Ammunition, Army
  - Ammunition
  - Ammunition Production Base Support
  
- 21/\_/2035 Other Procurement, Army
  - Tactical and Support Vehicles
  - Communications and Electronics Equipment
  - Other Support Equipment
  - Spares and Repair Parts
  
- 17/\_/1506 Aircraft Procurement, Navy
  - Combat Aircraft
  - Airlift Aircraft
  - Trainer Aircraft
  - Other Aircraft
  - Modification of Aircraft
  - Aircraft Spares and Repair Parts
  - Aircraft Support Equipment and Facilities
  
- 17/\_/1507 Weapons Procurement, Navy
  - Ballistic Missiles
  - Other Missiles
  - Torpedoes and Related Equipment
  - Other Weapons
  - Other Ordnance
  - Spares and Repair Parts
  
- 17/\_/1508 Procurement of Ammunition, Navy and Marine Corps
  - Procurement of Ammunition, Navy
  - Procurement of Ammunition, Marine Corps
  
- 17/\_/1611 Shipbuilding and Conversion, Navy
  - Other Warships
  - Amphibious Ships
  - Auxiliaries, Craft and Prior-Year Program Costs
  
- 17/\_/1810 Other Procurement, Navy
  - Ships Support Equipment
  - Communications and Electronics Equipment
  - Aviation Support Equipment
  - Ordnance Support Equipment
  - Civil Engineering Support Equipment
  - Supply Support Equipment

**FUNCTIONAL TITLE – PROCUREMENT (CONTINUED)**

- Personnel and Command Support Equipment
- Spares and Repair Parts
- 17/\_0380 Coastal Defense Augmentation
  
- 17/\_1109 Procurement, Marine Corps
  - Weapons and Combat Vehicles
  - Guided Missiles and Equipment
  - Communications and Electronics Equipment
  - Support Vehicles
  - Engineer and Other Equipment
  - Spares and Repair Parts
  
- 57/\_3010 Aircraft Procurement, Air Force
  - Combat Aircraft
  - Airlift Aircraft
  - Trainer Aircraft
  - Other Aircraft
  - Modification of In-Service Aircraft
  - Aircraft Spares and Repair Parts
  - Aircraft Support Equipment and Facilities
  
- 57/\_3011 Procurement of Ammunition, Air Force
  - Procurement of Ammunition, Air Force
  - Weapons
  
- 57/\_3020 Missile Procurement, Air Force
  - Ballistic Missiles
  - Other Missiles
  - Modification of In-Service Missiles
  - Spares and Repair Parts
  - Other Support
  
- 57/\_3080 Other Procurement, Air Force
  - Vehicular Equipment
  - Electronics and Telecommunications Equipment
  - Other Base Maintenance and Support Equipment
  - Spares and Repair Parts
  
- 97/\_0300 Procurement, Defense-Wide
  - Major Equipment
  - Special Operations Command
  - Chemical/Biological Defense
  
- 97/\_0350 National Guard and Reserve Equipment
  - Reserve Equipment
  - National Guard Equipment
  
- 97/\_0360 Defense Production Act Purchases

**FUNCTIONAL TITLE – PROCUREMENT (CONTINUED)**

21/\_0390 Chemical Agents and Munitions Destruction, *Army*  
 -Chemical Agents & Munitions Destruction, RDT&E  
 -Chemical Agents & Munitions Destruction, Procurement  
 -Chemical Agents & Munitions Destruction, O&M

**FUNCTIONAL TITLE - RESEARCH, DEVELOPMENT, TEST AND EVALUATION**

The functional title "Research, Development, Test and Evaluation" for military functions is defined as comprising the following accounts and budget activities:

21/\_2040 Research, Development, Test, and Evaluation, *Army*  
 17/\_1319 Research, Development, Test, and Evaluation, *Navy*  
 57/\_3600 Research, Development, Test, and Evaluation, *Air Force*  
 97/\_0400 Research, Development, Test, and Evaluation, *Defense-Wide*  
 97/\_0450 Developmental Test and Evaluation, *Defense*  
 97/\_0460 Operational Test and Evaluation, *Defense*  
 57\_3012 *F-22 Transfer Account, Air Force*

**Budget Activities for RDT&E Accounts**

Basic Research  
 Applied Research  
 Advanced Technology Development  
 Demonstration/Validation  
 Engineering and Manufacturing Development  
 Management Support  
 Operational System Development

**FUNCTIONAL TITLE - MILITARY CONSTRUCTION**

1. The functional title "Military Construction" for military functions is defined as comprising the accounts listed below.

21/\_2050 Military Construction, *Army*  
 17/\_1205 Military Construction, *Navy*  
 57/\_3300 Military Construction, *Air Force*  
 97/\_0500 Military Construction, *Defense-Wide*  
 97/\_0103 Base Realignment and Closure Account, Part I  
 17X0510 Base Realignment and Closure Account, *Navy*  
 21X0510 Base Realignment and Closure Account, *Army*  
 57X0510 Base Realignment and Closure Account, *Air Force*  
 97X0510 Base Realignment and Closure Account, *Defense*  
 97X0803 Foreign Currency Fluctuations, Construction, *Defense*  
 97X0804 North Atlantic Treaty Organization Security Investment Program  
 97/\_0140 Military Construction Transfer Fund, *Defense*  
 21/\_2085 Military Construction, *Army National Guard*  
 57/\_3830 Military Construction, *Air National Guard*  
 21/\_2086 Military Construction, *Army Reserve*  
 17/\_1235 Military Construction, *Naval Reserve*  
 57/\_3730 Military Construction, *Air Force Reserve*

2. Lower level subdivisions susceptible to consolidation are available under the uniform accounting classifications prescribed for these appropriations in Chapter 6, Section 0602, and Chapter 7, Section 0702.

**FUNCTIONAL TITLE - FAMILY HOUSING**

The functional title "Family Housing" for military functions is defined as comprising the accounts listed below:

97X0834	DoD Family Housing Improvement Fund
21_/_7020	Family Housing, Construction, Army
21_7025	Family Housing, Operations and Debt, Army
17_/_7030	Family Housing, Construction, Navy and Marine Corps
17_7035	Family Housing, Operations and Debt, Navy and Marine Corps
57_/_7040	Family Housing, Construction, Air Force
57_7045	Family Housing, Operations and Debt, Air Force
97_/_7060	Family Housing, Construction, Defense-Wide
97_7065	Family Housing, Operations and Debt, Defense-Wide
97X4090	Homeowners' Assistance Fund, Defense
97X4166	DoD Family Housing Improvement Fund, Direct Loan Financing Account

**FUNCTIONAL TITLE - REVOLVING AND MANAGEMENT FUNDS**

The functional title "Revolving and Management Funds" for military functions is defined as comprising the accounts listed below. Since each account, in its entirety, is classified within a single first level subdivision of the functional title, the accounts are grouped by the subdivisions.

Public Enterprise Funds

97X4555	National Defense Stockpile Transaction Fund
97X4093	William Langer Jewel Bearing Plant Fund *
97X4950	Pentagon Reservation Maintenance Fund
17X4557	National Defense Sealift Fund
97X4168	Defense Export Loan Guarantees, Financing account

Intragovernmental Funds

17X4930	Defense Working Capital Funds, Navy
21X4930	Defense Working Capital Funds, Army
57X4930	Defense Working Capital Funds, Air Force
97X4930	Defense Working Capital Funds, Defense
97X7430	Defense Working Capital Funds, Defense Commissary Agency
17X3980	Navy Management Fund
97X4179	Reserve Mobilization Income Insurance Fund
21X4528	Army Conventional Ammunition Working Capital Fund *
97X4931	Buildings Maintenance Fund

\* Closing after existing orders are completed

**FUNCTIONAL TITLE - DEFENSE-WIDE CONTINGENCIES**

The functional title "Defense-Wide Contingencies" for military functions is defined as comprising the accounts listed below:

97 9912	Other Legislation (including Management Improvements)
97 9918	General Transfer Authority Outlay Allowance

**FUNCTIONAL TITLE - OFFSETTING RECEIPTS**

The functional title "Offsetting Receipts" for military functions is defined as comprising the accounts listed below:

Proprietary General Fund Offsetting Receipts

0001A	Offsetting Receipts, Army
0002N	Offsetting Receipts, Navy
0003F	Offsetting Receipts, Air Force
0004D	Offsetting Receipts, Defense Agencies

NOTE: Above receipt accounts for Proprietary General Fund Offsetting Receipts are not valid Treasury accounts and are unique to the Comptroller Information System (CIS). The receipt dollar amounts in each account are the summation of receipt amounts that primarily include Treasury's proprietary general fund receipt accounts 1840, 2462, 2651, 3019, 3041, 3210 and proprietary general fund suspense accounts (F38xx). The above receipt accounts include all proprietary general fund receipts excepted accounts 223600D and 264400D.

Other Proprietary General Fund Offsetting Receipts

223600D	Sales of Certain Material in National Defense Stockpile
264400D	<i>Defense Vessels Transfer Receipt Account</i>

Special Fund Proprietary Offsetting Receipts

509810A	Rocky Mountain Arsenal Offsetting Receipts
518510N	Offsetting Receipts, Kaho' Olawe Island Fund
518710D	Defense Cooperation Receipts
518821D	Offsetting Receipts, Disposal of DoD Real Property, Army
518817D	Offsetting Receipts, Disposal of DoD Real Property, Navy
518857D	Offsetting Receipts, Disposal of DoD Real Property, Air Force
518897D	Offsetting Receipts, Disposal of DoD Real Property, Defense Agencies
518921D	Offsetting Receipts, Lease of DoD Real Property, Army
518917D	Offsetting Receipts, Lease of DoD Real Property, Navy
518957D	Offsetting Receipts, Lease of DoD Real Property, Air Force
518997D	Offsetting Receipts, Lease of DoD Real Property, Defense Agencies
519321D	Deposits, DoD Overseas Military Facility Investment Recovery Account, Army
519317D	Deposits, DoD Overseas Military Facility Investment Recovery Account, Navy
519357D	Deposits, DoD Overseas Military Facility Investment Recovery Acct, Air Force
519397D	Deposits, DoD Overseas Military Facility Investment Recovery Account,

***DEFENSE AGENCIES***

519410A	Royalties for Use of DoD Military Ensignia and Trademarks
519510D	Proceeds from the Transfer or Disposition of Commissary Facilities
528610A	Fees Collected for the Use of the National Science Center

533610D	Offsetting Receipts, Defense Export Loan Guarantees
542910N	Offsetting Receipts, Rossmoor Liquidating Trust Settlement
544110D	Burdensharing Contribution, Defense, Kuwait
544130D	Burdensharing Contribution, Defense, Japan
544140D	Burdensharing Contribution, Defense, South Korea
544150D	Burdensharing Contribution, Defense, Qatar
544210D	<i>Proceeds DoD Korean War Commemoration Account</i>

NOTE: Except for receipt accounts 0001A, 0002N, 0003F and 0004D, receipt accounts in CIS are seven characters (first six positions are numeric to align with OMB's receipt account numbering and the last character is A, N, F, or D for Component identification).

Trust Fund Receipts (Non-Function 051)

806310A	<i>Ainsworth Library Trust Fund Receipts</i>
806320A	<i>Earnings on Investments, Ainsworth Library Trust Fund</i>
817410A	<i>Collections for the National Science Center Gift Fund</i>
817420A	<i>Earnings on Investments, National Science Center Gift Fund</i>
892710A	<i>Deposits, Dept. of the Army General Gift Fund</i>
892720A	<i>Earnings on Investments, Dept. of the Army General Gift Fund</i>
873310N	<i>Contributions to U.S. Naval Academy General Gift Fund</i>
873320N	<i>Earnings on Investments, U.S. Academy General Gift Fund</i>
873010N	<i>Contributions to U.S. Naval Academy Museum Fund</i>
873920N	<i>Earnings on Investments, U.S. Naval Academy Museum Fund</i>
871610N	<i>Deposits, Dept. of the Navy General Gift Fund</i>
817620N	<i>Earnings on Investments, Dept. of the Navy General Gift Fund</i>
800810N	<i>Contributions to Naval Historical Center Fund</i>
800820N	<i>Earnings on Investments, Naval Historical Center Fund</i>
892810F	<i>Deposits, Dept. of Air Force General Gift Fund</i>
892820F	<i>Earnings on Investments, Dept. of Air Force General Gift Fund</i>
833710D	<i>Contributions from Kuwait, Host Nation Support for U.S. Relocation Activities</i>
833720D	<i>Earnings on Investments, Host Nation Support for U.S. Relocation Activities</i>
833730D	<i>Contributions from Japan, Host Nation Support for U.S. Relocation Activities</i>
833740D	<i>Contributions from S. Korea, Host Nation Support for U.S. Relocation Activities</i>
833750D	<i>Contributions from Qatar, Host Nation Support for U.S. Relocation Activities</i>

NOTE: Effective with the FY 2002/2003 Budget Estimates Submission, Components have the option of entering into the CIS database receipt account amounts for trust funds. Because the above trust fund receipts are non-051, they should not be included in the DoD-Military (Function 051) topline. Trust fund receipts in CIS are seven characters (first six positions are numeric to align with OMB's receipt account numbering and the last character is A, N, F, or D for Component identification).

**FUNCTIONAL TITLE - TRUST AND TRUST REVOLVING FUNDS**

The functional title "Trust Funds" for military functions is defined as comprising the accounts listed below:

21X8063	Ainsworth Library (Trust)
97X8335	Voluntary Separation Incentive Fund
21X8927	Army General Gift Fund
17X8733	USN Academy General Gift Fund
17X8730	USN Academy Museum Fund
17X8716	Navy General Gift Fund
17X8723	Ships Stores Profit, Navy
17X8008	Naval Historical Center Fund
57X8928	Air Force General Gift Fund

17X8423	Midshipmen's Store, USN Academy (Trust Revolving)
57X8418	Air Force Cadet Fund (Trust Revolving)
97X8164	Surcharge Collections, Sales of Commissary Stores, Defense (Trust Revolving)
97X8165	Foreign National Employees Separation Pay, Defense
97X8168	National Security Education Trust Fund, Defense
21X8174	National Science Center Gift Fund, Army
97X8337	Host Nation Support for U.S. Relocation Activities, Defense

**FUNCTIONAL TITLE - INTERFUND TRANSACTIONS**

**The functional title "Interfund Transactions" for military functions is defined as comprising the accounts listed below:**

872310N	Interfund Transactions, Profits from Sales of Ship Stores, Navy
816810D	Interfund Transactions, Payment from General Fund, National Security Education Trust Fund, Defense
816820D	Interfund Transactions, Earnings on Investments, National Security Education Trust Fund, Defense (Non-051)
816830D	Interfund Transactions, Recoveries, National Security Education Trust Fund, Defense
816510D	Interfund Transactions, Employing Agency Contributions, Foreign National Employee Separation Pay, Defense
833510D	Interfund Transactions, Employing Agency Contributions, Voluntary Separation Incentive, Defense
833520D	Interfund Transactions, Earnings on Investments, Voluntary Separation Incentive Trust Fund, Defense (Non-051)

*NOTE: Interfund Transaction receipt accounts listed above are for trust fund accounts. Effective with the FY 2002/2003 Budget Estimates Submission, Components have the option of entering into the CIS database all receipt account amounts for trust funds. Earnings on investments for interfund transactions are non-051, they should not be included in the DoD-Military (Function 051) topline. Interfund transaction receipts in CIS are seven characters (first six positions are numeric to align with OMB's receipt account numbering and the last character is A, N, F, or D for Component identification).*

**0107 AUTOMATED FUTURE YEARS DEFENSE PROGRAM (FYDP) DATABASES****010701 FYDP Update System (FUSE)****A. Purpose and Objectives**

This Section provides for the maintenance of the FYDP. The FYDP is a database with associated reports that records and displays resource decisions made during the biennial Planning, Programming, and Budgeting (PPB) cycle. The FYDP contains defense resources—people, forces (equipment and organizations), and dollars—categorized by programs and related to the budget’s appropriation structure. The FYDP provides a record of past decisions that assists senior leaders in deciding on future issues such as operations tempo, force structure size and composition, and investment strategies.

Data are entered into the FYDP through the FUSE system. FUSE allows all DoD organizations to submit FYDP data electronically, receiving real-time feedback on their inputs. FUSE is a web-based application hosted on the Secret Internet Protocol Router Network (SIPRNet). It allows users to update, correct, and view their organization’s portion of the FYDP.

*FUSE is an integral part of the Standard Data Collection System (SDCS). In addition to data submitted through FUSE the SDCS maintains databases consisting of Operation and Maintenance TOA data, Procurement TOA data, and RDT&E TOA data at a more detailed level than used in the FYDP. All DoD organizations will submit these appropriations through SDCS. The SDCS will rollup up these appropriations to the proper level for submission through FUSE for inclusion in the FYDP report. Formats for Procurement TOA data and RDT&E TOA data are the same as required for the Procurement and RDT&E programs, covered in sections 010502 and 010503 of this document. The format for O&M TOA data can be found in section 0109.*

**B. Applicability and Scope**

The provisions of this Section apply to the Office of the Secretary of Defense (OSD), the Military Departments, and the Defense Agencies (hereafter referred to as “DoD Components”) that contribute data to the FYDP. Updating and general management of the FYDP is administered by the OUSD(Comptroller), Office of the Director (Program Analysis and Evaluation) (hereafter referred to as “OD(PA&E)”). Access to FUSE, for the purpose of providing data, is controlled by OD(PA&E).

**C. Reporting Requirements**

Updates to the FYDP are required coincident with submission of the (1) Program Objective Memoranda (POM), (2) Budget Estimate Submission (BES), and (3) President’s Budget (PB), and (4) for major restructures of the FYDP itself when directed by the OD(PA&E). Specific guidance relative to approved changes, due dates, and special requirements is provided in a memorandum from the OUSD(Comptroller) announcing each update. In the POM and BES FYDP submissions, acceptable update years are limited to the budget years and programming years (generally six years for TOA and manpower, and nine years for forces). In the PB FYDP submission, acceptable update years include the most recent prior year of the budget cycle to the end of the programming cycle (generally eight years for TOA and manpower, and 11 years for forces). Since some appropriations—procurement, RDT&E, and military construction—are authorized for obligation over multiple years, it is periodically necessary to update historical years (the years prior to the first year of a PB FYDP update). Historical changes will be accepted once during the PPB cycle—usually during the President's Budget FYDP update. These updates enable the FYDP to reflect transfers, rescissions, supplemental appropriations, reappropriations, and other authorized adjustments to total obligational authority, which might occur in multiyear appropriations, as well as to reflect actual accounting obligations. Particular instructions for conducting historical-year updates will be issued by OUSD(Comptroller) as required.



## D. Publication of FYDP Related-Information

Section 221 of Title 10 of the United States Code (U.S.C.) requires that:

“The Secretary of Defense shall submit to Congress each year, at or about the time that the President’s budget is submitted to Congress that year under section 1105(a) of title 31, a future-years defense program (including associated annexes [now called "programs"]) reflecting the estimated expenditures and proposed appropriations included in that budget.”

In accordance with the U.S.C., OD(PA&E) will prepare the President's Budget FYDP Summary and Program Element Detail for transmission to the Congress. In addition, OD(PA&E) will provide FYDP-related information at all other updates for within DoD. Historical updates, if collected at the time of the President's Budget FYDP update, will be issued with the subsequent PPB cycle.

## E. Other Databases Related to the FYDP

Consistent with the FYDP are separate but related databases and documents constituting the Procurement Program and RDT&E Program. These databases produce the Procurement Programs Report (P-1) and the RDT&E Programs Report (R-1). Detailed information regarding these databases is provided in section 0105. The FYDP Structure Management (FSM) database maintains information about the program elements and other related attributes critical to the production of the FYDP. Detailed information regarding this database is provided in Section 010702.

F. *Instructions for Updating the FYDP on FUSE and O&M, RDT&E, and Procurement in the SDCS*

## 1. General

a. FYDP and O&M data shall be submitted by DoD Components to the Programming and Fiscal Economics Division, OD(PA&E), over the SIPRNet, as directed.

All FYDP data will be input directly into the FUSE system on the SIPRNet. *O&M, RDT&E, and Procurement data will be input into the SDCS system on the SIPRNet. For FYDP and O&M data the following file formats should be followed*

- Standard ASCII text, flat file.
- Character fixed record length
- Length of Record:

***FYDP - 28 characters for data transactions:***

<u>Field Title</u>	<u>Field Position</u>	<u>Notes</u>
<i>Program Element</i>	<i>1-10</i>	<i>Left Justify</i>
<i>RIC</i>	<i>11-14</i>	
<i>FY</i>	<i>15-18</i>	<i>Include 4 digits, e.g., 2000 for FY 2000</i>
<i>Change Value</i>	<i>19-28</i>	<i>Right Justify</i>
		<i>Use leading minus sign (-) for negative values</i>
		<i>TOA values in thousands</i>
		<i>Forces and Manpower in units</i>

***O&M Data Transactions - 36 characters for data transactions***

<u>Field Title</u>	<u>Field Position</u>
<i>Program element</i>	<i>1-10</i>
<i>RIC</i>	<i>11-14</i>
<i>SAG</i>	<i>15-18</i>
<i>Expense Aggregate</i>	<i>19-22</i>
<i>Dollar Amount</i>	<i>27-36</i>

***RD&E and Procurement*** - Data will be input into the SDCS according to guidance issued by the Office of the Director (PA&E) in advance of each update of the Future Years Defense Program.

b. All resource changes to the data file shall be on a net change basis; that is, data currently in the file shall be revised (plus or minus) by an incremental amount to reflect the new approved position.

c. Program element codes and titles, resource identification codes, and DoD Component identifier codes are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook dated March 1998 and available on DefenseLINK at <http://web7.whs.osd.mil/corres.htm>, under "Publications" or <http://web7.whs.osd.mil/pdf/dod7045.pdf>) and in approved decision documents posted to the FYDP Structure Management (FSM) web site (see Section 010702) but not yet reflected in DoD 7045.7-H.

## 2. Submission of Changes

Changes submitted for net change/add record resource data (*Data Format* as prescribed in Section 010701F1) must provide specific identification of quantitative resource information by program element, resource identification code, and fiscal year.

## 3. Military Pay Rates

Submission of each FYDP update should include average annual military pay rates and permanent change of station (PCS) data, rounded to the nearest dollar for each fiscal year for each military personal end-strength category identified in the FYDP. Pay rates are used in updating the FYDP, and are also a FYDP data end-product in their own right. It is the intent of OD(PA&E) to reflect the most accurate pay rates available in each update to the FYDP.

### **010702 FYDP Structure Management (FSM) System**

#### A. Purpose and Objectives

This section provides for the maintenance of the automated database of the FYDP's structure, and describes the procedures used for requesting changes to the FYDP's structure, such as establishing new program element codes and definitions or changing program element titles and definitions. The primary information resource in the DoD for FYDP structure is the FYDP Structure Management (FSM) web site <http://www.ra.pae.osd.mil/fsm>.

#### B. Applicability and Scope

The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments and the Defense Agencies (hereafter referred to as "DoD Components") that contribute data to the FYDP. Updating and general management of the FYDP structure is administered by OD(PA&E).

#### C. Reporting Requirements

New program elements must be created when PPB decisions shift resources among DoD Components or fund new programs. It is the responsibility of the DoD Components and the OUSD(Comptroller), Program/Budget

to recommend changes to the FYDP structure via the FSM web site as the need arises. In addition, OUSD(Comptroller), Program/Budget will work with OD(PA&E) in the establishment of new TOA Resource Identification Codes (RICs) to coincide with new Treasury Codes created by the Office of Management and Budget, or as otherwise required by PPB decisions.

D. Update and Publication of FYDP Structure Management Handbook, DoD 7045.7-H

*DoD 7045.7-H will be revised periodically (typically three times a year or with each update of the FYDP), as specified in DoDI 7045.7, Implementation of the Planning, Programming, and Budgeting System (PPBS), May 23, 1984. The FSM and DefenseLink web site will contain the most recent version to 7045.7-H, updated to reflect the POM, BES, and President's Budget phases of the PPBS. FYDP Structure Coordination Documents (which are approved and placed on the FSM web site) should be used to supplement the most recent version of DoD 7045.7-H; they should reflect the latest approved changes to the FYDP's structure.*

E. Other Databases Related to FSM

The FYDP database, which is administered by OD(PA&E) and updated by the components via the FUSE system, is referenced in Section 010701. The RDT&E Program is referenced in Section 0105.

F. Instructions for Making Changes to the FYDP Structure on FSM

Requests for changes to the FYDP's program structure, such as establishing new program element codes and definitions or changing program element titles and definitions, shall be submitted to OD(PA&E) for coordination with the DoD Components. The primary instrument for submitting change requests is the FSM web site. The FSM web site provides instructions for formatting and submitting change requests. Each DoD Component has a designated representative authorized to submit change requests. Coordination cycles run continually throughout the year. Approved changes are reported periodically in the FYDP Structure Coordination Documents. These documents are posted on the FSM web site, and the approved structure changes are incorporated in the FSM database.

**0108 AUTOMATED COMMUNICATIONS, COMMAND AND CONTROL, INTELLIGENCE,  
SURVEILLANCE AND RECONNAISSANCE (C<sup>3</sup>ISR) DATABASE**

The C<sup>3</sup>ISR database maintained by OASD (C<sup>3</sup>I) is the only complete, automated source of resource data for C<sup>3</sup>I related activities for use by the Office of the Secretary of defense and the Joint Staff. The C<sup>3</sup>ISR database is essential to the preparation of the Intelligence and C<sup>3</sup> justification books. It facilitates functional analyses for OSD and the Joint Staff, and is fully compatible with the NFIP resources database used by the Director of Central Intelligence. It is also fully consistent with data contained in the FYDP, R&D and Procurement Programs, and budget databases. The C<sup>3</sup>ISR database is electronically matched to relevant data in these databases prior to use. Specific instructions for the update of the C<sup>3</sup>ISR database is contained in Chapter 16 of this volume.

**0109 GENERAL GUIDANCE SUBMISSION FORMATS**

**010901 Purpose**

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

**010902 Exhibits in Support of Section 0103 - Budget Estimates Submission**

PB-1 Summary of FY 20BY Budget Estimates ..... 117  
*PB-1A Fiscal Guidance Track* ..... 118  
*PB-3 Reprogramming/Transfers Between Appropriations* ..... 119  
PB-4 Schedule of Civilian and Military Personnel..... 121  
PB-8 FY 20CY Supplemental Appropriation Requirements..... 124  
PB-10 Additional FY 20BY Budget Estimates ..... 125  
Major Budget Issue Format..... 127

**010903 Exhibits in Support of Section 0104 - Congressional Justification/Presentation**

PB-37A Justification of Supplemental Requirements ..... 128  
PB-37R Budget Amendment Summary..... 129  
PB-37S Program and Financing Schedule (Abbreviated) ..... 130  
PB-37T Narrative Justification ..... 131  
PB-39A-1 Format - Appeal Input (Program Adjustments)..... 132  
PB-39A-2 Format - Appeal Input (Language Items)..... 133  
DD 1587 Record of Congressional Transcript Review ..... 134  
DD 1790 Prepared Testimony Review..... 135  
HAC QFR ..... 136  
HASC QFR ..... 137  
SAC QFR ..... 138  
SASC QFR ..... 139  
Insert - All Committees ..... 140

**010904 Exhibits in Support of Section 0105 – Budget Automation Requirements**

TOA and Manpower Controls Format ..... 141  
Military Personnel Average Annual Pay/PCS Rates ..... 142  
*Funding Appendix*..... 143  
*Manpower Appendix* ..... 144  
Construction Appendix ..... 145

**010905 Exhibits in Support of Section 0107 – Automated FYDP Databases Requirements**

See Section 0107

**(Name of Component)**  
**SUMMARY OF FY 20BY BUDGET ESTIMATES**

Appropriation Account Title	Direct Budget Plan (TOA)				Budget Authority				Outlays			
<i>CIS</i> Account Title	FY 20PY <u>Actual</u>	FY 20CY <u>Estimate</u>	FY 20BY1 <u>Estimate</u>	FY 20BY2 <u>Estimate</u>	FY 20PY <u>Actual</u>	FY 20CY <u>Estimate</u>	FY 20BY1 <u>Estimate</u>	FY 20BY2 <u>Estimate</u>	FY 20PY <u>Actual</u>	FY 20CY <u>Estimate</u>	FY 20BY1 <u>Estimate</u>	FY 20BY2 <u>Estimate</u>
Mil Per, (Component)	<b>INSTRUCTIONS</b>											
.												
O&M, (Component)	This exhibit will display all accounts (MilPers, O&M, Procurement, RDT&E, Military Construction, Family Housing, Revolving/Management Funds, Trust Funds, Offsetting Receipts and Interfund Transactions) included in the Service/Defense Agency Budget Estimates Submission. Initial budget submission estimates for FY 20BY1 and FY 20BY2 and the outyears will be consistent with Service/Defense Agency funding totals as set forth in the Defense Planning Guidance (DPG) and Fiscal Guidance and as modified by Program Decision Memoranda (PDMs). <i>The USD(Comptroller) guidance memorandum on budget estimates submission, transmitted to Components in June or July of each year, provides instructions on the content of data submitted in PY and CY.</i>											
.												
Procurement, (Component)	Entries by <i>CIS</i> account title will be listed individually in the same sequence as shown in the FY 20CY Budget Document.											
.												
RDT&E, (Component)	All amounts will be shown in rounded thousands of dollars. Do not use decimals. The "Budget Plan (TOA)," the "Budget Authority" and the "Outlay" amounts for FY 20PY through 20BY2 will agree with <i>data transmitted to the Comptroller Information System.</i>											
.												
MilCon, (Component)												
.												
Fam Hsg, (Component)												
.												
Revolving Fd, (Component)												
.												
Trust Funds, (Component)												
.												
Offset Receipts, (Component)												
.												
Total, (Component)												

**Exhibit PB-1 Summary of FY 20BY Budget Estimates**

**Fiscal Guidance Track**

(See Note 4)

**DoD Component** \_\_\_\_\_

(TOA in millions of dollars)

**FY 20BY1**

**FY 20BY2**

**FY 20BY2+1**

**FY 20BY2+2**

**FY 20BY2+3**

**FY 20BY2+4**

**POM FISCAL GUIDANCE**

**PDM I ADJUSTMENTS**

**FUNCTIONAL TRANSFERS**

(See Note 1)

**OTHER**

(See Note 2)

\_\_\_\_\_

**BUDGET ESTIMATES**

**SUBMISSION**

(See Note 3)

**Notes:**

- 1. Must be identified by appropriation and totals must agree with PB-14.**
- 2. Use of this entry must be fully explained.**
- 3. Totals must agree with TOA in PB-1 Exhibit.**
- 4. This exhibit not required for President's Budget submission.**

*Exhibit PB-1A Fiscal Guidance Track*



**FY CY REPROGRAMMING/TRANSFERS BETWEEN APPROPRIATIONS  
FY BY Budget Estimates Submission**

Component: \_\_\_\_\_

**FY CY**

**PROPOSED REPROGRAMMING INCREASES\*:**

**Appropriation**

**Program** (Identify each program by P-1, R-1, O-1, M-1, C-1 line item. For Procurement programs identify the applicable quantities; for the RDT&E programs identify the applicable project; for personnel programs include military and civilian end strength, military average strength, and civilian full-time equivalents; for O&M programs include applicable force data, etc.)

**Justification for Increase:** Provide a detailed explanation as to why the increase is required and include an impact statement on the program if reprogramming is not approved.

**Program**

**Justification for Increase:**

**Total for Appropriation**

**Appropriation**

**Program**

**Justification for Increase:**

**Program**

**Justification for Increase:**

**Total for Appropriation**

**TOTAL PROPOSED REPROGRAMMING INCREASES**

*Exhibit PB-3 Reprogramming/Transfers Between Appropriations*  
(Page 1 of 2)

**FY CY REPROGRAMMING/TRANSFERS BETWEEN APPROPRIATIONS  
FY BY Budget Estimates Submission**

Component: \_\_\_\_\_  
**FY CY**

**PROPOSED REPROGRAMMING DECREASES\*\*:**

**Appropriation**

**Program** (Identify each program by P-1, R-1, O-1, M-1, C-1 line item. For Procurement programs identify the applicable quantities; for the RDT&E programs identify the applicable project; for personnel programs include military and civilian end strength, military average strength, and civilian full-time equivalents; for O&M programs include applicable force data, flying hours, etc.)

Justification for Decrease: Provide a detailed explanation as to why the reduction is possible.

**Program**

Justification for Increase:

**Total for Appropriation**

**Appropriation**

**Program**

Justification for Decrease:

**Program**

Justification for Decrease:

**Total for Appropriation**

**TOTAL PROPOSED REPROGRAMMING DECREASES**

For these proposed reprogrammings/transfers, Components must also update the OUSD(Comptroller) automated budget system database with the necessary adjustments to include financing adjustments.

\* For the gaining appropriation/account, use "F41000" (Transfer to Other DoD accounts) for your financing adjustment.

\*\* For the losing appropriation/account, use "F42000" (Transfer from Other DoD accounts) for your financing adjustment.

**Exhibit PB-3 Reprogramming/Transfers Between Appropriations**

(Page 2 of 2)

(DoD Component - Army is Illustrated)  
 FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
--	--------------	--------------	---------------	---------------	-----------------	-----------------	-----------------	-----------------

I. CIVILIAN PERSONNEL (Full-time Equivalents (FTEs))

Operation and Maintenance, Army

U.S. Direct Hire

Foreign National Direct Hire

Total Direct Hire

Foreign National Indirect Hire

Total, O&M Army

RDT&E, Army

U.S. Direct Hire

: :

: :

List appropriations/accounts in the normal budget order on the basis of where personnel are budgeted.

ARMY TOTAL

U.S. Direct Hire

Foreign National Direct Hire

Total Direct Hire

Foreign National Indirect Hire

Total Army

II. ACTIVE MILITARY PERSONNEL (End Strength)

Military Personnel, Army

Officers

Enlisted

Cadets

Total Military Personnel

**Exhibit PB-4 Schedule of Civilian and Military Personnel**

(page 1 of 3)

(DoD Component - Army is Illustrated)  
FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
III. SELECTED RESERVE PERSONNEL (End Strength)								
Reserve Personnel, Army								
Trained in Units								
Officers								
Enlisted								
Total Trained in Units								
Individual Mobilized Augmentees								
Officers								
Enlisted								
Total Individual Mobilized Augmentees								
Training Pipeline								
Officers								
Enlisted								
Total Training Pipeline								
Full-time Active Duty								
Officers								
Enlisted								
Total Full-time Active Duty								
TOTAL ARMY RESERVE PERSONNEL								
Officers								
Enlisted								
Total Reserve Personnel, Army								

(DoD Component - Army is Illustrated)  
FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
III. SELECTED RESERVE PERSONNEL (Cont'd)								
National Guard Personnel, Army								
Trained in Units								
Officers								
Enlisted								
Total Trained in Units								
Training Pipeline								
Officers								
Enlisted								
Total Training Pipeline								
Full-time Active Duty								
Officers								
Enlisted								
Total Full-time Active Duty								
TOTAL ARMY NATIONAL GUARD PERSONNEL								
Officers								
Enlisted								
Total National Guard Personnel, Army								
ARMY TOTAL SELECTED RESERVE								
Officers								
Enlisted								
Total								

(Component)  
 FY 20CY SUPPLEMENTAL APPROPRIATION REQUIREMENTS  
 (\$ Thousands)

Appropriation Account Title (1)	Existing Availability FY 20CY (2)	Supplemental Budget Authority (BA) Requirements			
		Military	Civilian	Other	Total
		Pay (3)	Pay (4)		
Mil. Pers., Army Budget Authority (\$) Outlays (\$) Military E/S					
O&M, Army Budget Authority (\$) Outlays (\$) Civilian FTE					
RDT&E, Army Budget Authority (\$) Outlays (\$) Civilian FTE					

INSTRUCTIONS

- Column (1): Stub lines will be the same as those on Exhibit PB-1 on a budget basis. Three lines of data (BA, outlays and military/civilian personnel impacts) are required for each account included in the supplemental proposal.
- Column (2): The dollar amounts in this column for BA and outlays must agree with FY 20CY amounts *submitted in the automated Comptroller Information System (CIS) database* for the Budget Estimates Submission. Likewise, civilian FTE and Military E/S data must agree with amounts reported in the Component's *automated CIS for the Budget Estimates Submission*.
- Columns (3), (4) and (5): Show supplemental requirements (BA, military E/S, and civilian FTE) by program.
- Column (6): Represents the sum of Columns (3), (4) and (5). The BA, outlay, military E/S and civilian FTE amounts in these columns represent the total supplemental request impacting FY 20CY.

TOTALS

BA (\$)  
 Outlays (\$)  
 Mil E/S  
 Civ FTE

**Exhibit PB-8 FY 20CY Supplemental Appropriation Requirements**

(Name of Component)  
**ADDITIONAL FY 20BY BUDGET ESTIMATES**

Date \_\_\_\_\_  
 Component Control No. \_\_\_\_\_  
 USD (Comptroller) Serial No. \_\_\_\_\_

Appropriation Budget Subactivity Number Line Items <u>(1)</u>	<u>Change (\$000)</u>			<u>Change Personnel</u>										
	20CY <u>(2)</u>	20BY1 <u>(3)</u>	20BY2 <u>(4)</u>	<u>20CY Change</u>			<u>20BY1 Change</u>			<u>20BY2 Change</u>				
				Category <u>(5)</u>	ES <u>(6)</u>	AS/FTE <u>(7)</u>	Rate <u>(8)</u>	ES <u>(9)</u>	AS/FTE <u>(10)</u>	Rate <u>(11)</u>	ES <u>(12)</u>	AS/FTE <u>(13)</u>	Rate <u>(14)</u>	
<b>INCREASES</b>														
Military Personnel, Army														
777 Budgeted Amounts (ES & AS)	-	XX	XX	XX	-	-	-	XX	XX	XX	XX	XX	XX	XX
540 Retired Pay Accrual (\$)	-	XX	XX											
Operation and Maintenance, Army														
350 Info Security (\$ and FTE)														
777 Budgeted Amounts (\$ and FTE)														
Total Increases														
<b>DECREASES</b>														
Other Procurement, Army														
777 Budgeted Amounts (\$)														
Maintenance Kit, MK-673														
Total Decreases														
Outyear Impact														
<b>INCREASES</b>														
Military Personnel, Army														
777 Budgeted Amounts (ES)														
540 Retired Pay Accrual (\$)														
Operation & Maintenance, Army														
350 Info Security (\$ and FTE)														
Total Increases														
<b>DECREASES</b>														
Other Procurement, Army														
777 Budgeted Amounts (\$)														
Total Decreases														

	<u>Change \$000</u>			
	20BY2+1	20BY2+2	20BY2+3	20BY2+4
Military Personnel, Army				
777 Budgeted Amounts (ES)				
540 Retired Pay Accrual (\$)				
Operation & Maintenance, Army				
350 Info Security (\$ and FTE)				
Total Increases				

Notes:  
 ES = Military end-strengths  
 FTE = Civilian full time equivalents  
 \$ = Dollars in thousands

INSTRUCTIONS FOR PREPARATION  
OF EXHIBIT PB-10

The following instructions apply to all appropriations and funds:

Indicate in the heading the name of the submitting component, subject, date, and component submission control number. Leave "USD (Comptroller) Serial No." blank.

Column (1): List the appropriation or fund and the Budget Subactivity Number. For the procurement appropriations, P-1 line items will be shown. For the RDT&E appropriations, program elements will be shown.

Columns (2), (3) and (4): List the TOA changes. If there are also changes in financing adjustments, show these separately and then show the change in budget authority. The military personnel amount to be used here will be the sum of the products of the workyears/\$ rates shown to the right, using the standard rate.

Column (5): List the military or civilian personnel categories affected by the change. Military personnel change will be in end-strength (E/S) and civilian personnel change in full time equivalent (FTE). Use the categories illustrated in Exhibit PB-4.

Columns (6), (7), (9), (10), (12) and (13): List the military end strength and workyear changes, by activity. Likewise, list civilian FTE changes by activity.

Columns (8), (11) and (14): Show the average salary at which these changes were priced.

If there are no personnel changes, Columns (5) through (14) will be left blank.

Show a total for increases and decreases.

The outyear impact of the additional budget submission will be included at the end of Exhibit PB-10. This will show the net change by appropriation budget subactivity number for each of the applicable outyears.

Narrative justification must also accompany Exhibit PB-10.



DEPARTMENT/AGENCY \_\_\_\_\_

**MAJOR BUDGET ISSUE**

PBD No. \_\_\_\_\_

Subject \_\_\_\_\_

(BA, \$ in Millions)

	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
Component Budget (As Adjusted by PDM)	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>
PBD Adjustment	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>
Amount Approved in PBD	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>
Amount Appealed (Change to amount approved in PBD)	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>

**Brief Description of Issue:**

(Limit entire issue to one page.)

**Component Recommendation:**

**Major Budget Issue Format**

Department of the \_\_\_\_\_  
Military Personnel, \_\_\_\_\_

(Dollars in Thousands)

FY CY Presently Available  
FY CY Revised Estimate  
FY CY Proposed Supplemental

Budget Activity: Subsistence of Enlisted Personnel

Justification of Supplemental Requirements.

For increased feeding costs resulting from rising food prices. Ration rates increased from \$x.xx to \$x.xx in CONUS, and from \$x.xx to \$x.xx Overseas.

**Exhibit PB-37A Justification of Supplemental Requirements**

**DEPARTMENT OF THE AIR FORCE**  
**WEAPONS PROCUREMENT, AIR FORCE**  
**BUDGET AMENDMENT SUMMARY**  
**(Dollars in Thousands)**

FY BY Pending Request

SRAM

ALCM

FY BY Revision

\_\_\_\_\_

FY BY Revised Request

**Exhibit PB-37R Budget Amendment Summary**

**DEPARTMENT OF THE AIR FORCE**  
**WEAPONS PROCUREMENT, AIR FORCE**  
**PROGRAM AND FINANCING SCHEDULE (abbreviated)**  
(Dollars in thousands)

	<u>BUDGET PLAN</u>			<u>OBLIGATION PLAN</u>		
	<u>FY BY Pending Request</u>	<u>FY BY Proposed Amendment</u>	<u>FY BY Revised Request</u>	<u>FY BY Pending Request</u>	<u>FY BY Proposed Amendment</u>	<u>FY BY Revised Request</u>
<u>Program by Activities</u>						
Direct:						
1. Ballistic Missiles						
2. Other Missiles						
3. Modification of In-Service Missiles						
4. Spares and Repair Parts						
5. Other Support						
6. Ammunition	_____	_____	_____	_____	_____	_____
TOTAL DIRECT						
Reimbursable (Total)	_____	_____	_____	_____	_____	_____
TOTAL						
Financing (Net)	_____	_____	_____	_____	_____	_____
BUDGET AUTHORITY OUTLAYS						
<u>1/</u> Object Class 31.0: Equipment						

**Exhibit PB-37S Program and Financing Schedule (Abbreviated)**

**DEPARTMENT OF AIR FORCE  
WEAPONS PROCUREMENT, AIR FORCE  
NARRATIVE JUSTIFICATION**

(Dollars in Thousands)

FY BY Pending Request

FY BY Proposed Amendment

FY BY Revised Request

Budget Activity: Other Missiles

Justification of proposed amendment.

AGM-69B SRAM. Deletes the \$xx,xxx,xxx FY BY requirement. Due to the recent evolution of the Air Launch Cruise Missile (ALCM) as an effect weapon system and the continued ability to use the B-52 bomber well into the 1980's, the President directed the B-1 production be halted. With the decision to not deploy the B-1, the Air Force requirement for the SRAM-B which was to be used on the B-1 is no longer valid.

Air Launched Cruise Missile. The Air Launched Cruise Missile (ALCM) is an aerodynamic air-to-ground strategic missile propelled by a turbo-fan engine. It has a high degree of accuracy through the combination of inertial guidance and terrain correlation update. The missile is designed to be carried internally and/or externally on the B-52. The ALCM is to be employed from a stand-off position against a wide variety of pre-selected lightly or undefended ground hard targets. This budget amendment requests an additional \$xx,xxx,xxx to accelerate the ALCM Initial Operating Capability (IOC).

**Exhibit PB-37T Narrative Justification**

(DoD Component)  
FY \_\_\_\_ Defense (Authorization or Appropriation) Bill  
Appeal

Subject: \_\_\_\_\_

Appropriation(s): \_\_\_\_\_

Summary:

Briefly describe the congressional action and the apparent reasons behind it.

<u>Item</u>	<u>Request</u>	<u>Budget Authority</u> <u>(Dollars in Millions)</u>		<u>Appeal</u>
		<u>House</u>	<u>Senate</u>	

DoD Position:

Concise description of our rationale for restoration. Continuations and supplements are not necessary and will not be used.

(DoD Component)  
\_\_\_\_\_  
*FY \_\_\_\_ Defense (Authorization or Appropriation) Bill*  
**Appeal (language/general provision item)**

Subject: \_\_\_\_\_

Language/Provision:

Briefly describe language or general provision and its apparent intent.

DoD Position:

Concise description of our rationale for revision or removal of language/general provision item as proposed.

<b>RECORD OF CONGRESSIONAL TRANSCRIPT REVIEW</b>					
TRANSCRIPT ACTION MONITOR <small>(Name, agency and telephone number)</small>		DATE RECEIVED FROM CONGRESS			
<b>To: (In turn)</b> 1. _____ 2. _____ 3. <b>DIRECTOR, FREEDOM OF INFORMATION AND SECURITY REVIEW</b>		<b>DATE ACTION MUST BE COMPLETED</b> 1. _____ 2. _____ 3. _____			
DESCRIPTION OF DOCUMENT COMMITTEE/SUBCOMMITTEE	HEARING DATE AND SUBJECT		PAGES _____ THRU _____ HEARING: CLASSIFICATION		
<p>The attached transcript of testimony is forwarded for editorial and security review in accordance with DoD Directive 5400.4. To meet committee requirements and allow time for final review by the Directorate for Freedom of Information and Security Review, OASD(PA), your action must be completed as indicated. Each element in the review process must give cooperative consideration to the time requirements of all elements in meeting due dates. An advance copy of this DD Form has been sent to DFOISR, OASD(PA).</p> <p style="text-align: center;"><b>GUIDELINES</b></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none; vertical-align: top;"> <p><b>I. SECURITY</b></p> <p>A. GENERAL. Review must be accomplished by officials competent to judge the security aspects of the subjects involved and to provide a consistent and defensible security position.</p> <p>B. MARKING</p> <ol style="list-style-type: none"> <li>1. Use black lead pencil.</li> <li>2. Enclose with brackets [ ] information to be deleted.</li> <li>3. Make deletions as limited as possible, considering whether the total context may contain clues to the information deleted.</li> </ol> </td> <td style="width: 50%; border: none; vertical-align: top;"> <p><b>II EDITORIAL</b></p> <p>A. GENERAL. Edit to correct inaccuracies.</p> <p>B. MARKING.</p> <ol style="list-style-type: none"> <li>1. Use black lead pencil.</li> <li>2. Line through all words or figures for which substitute language or figures are entered. Do <i>not</i> use brackets.</li> <li>3. Print or write all entries legibly.</li> <li>4. Use standard proofreaders markings.</li> <li>5. Do not change statements by committee members. Note inaccuracies in the margin.</li> </ol> </td> </tr> </table>				<p><b>I. SECURITY</b></p> <p>A. GENERAL. Review must be accomplished by officials competent to judge the security aspects of the subjects involved and to provide a consistent and defensible security position.</p> <p>B. MARKING</p> <ol style="list-style-type: none"> <li>1. Use black lead pencil.</li> <li>2. Enclose with brackets [ ] information to be deleted.</li> <li>3. Make deletions as limited as possible, considering whether the total context may contain clues to the information deleted.</li> </ol>	<p><b>II EDITORIAL</b></p> <p>A. GENERAL. Edit to correct inaccuracies.</p> <p>B. MARKING.</p> <ol style="list-style-type: none"> <li>1. Use black lead pencil.</li> <li>2. Line through all words or figures for which substitute language or figures are entered. Do <i>not</i> use brackets.</li> <li>3. Print or write all entries legibly.</li> <li>4. Use standard proofreaders markings.</li> <li>5. Do not change statements by committee members. Note inaccuracies in the margin.</li> </ol>
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<b>REMARKS</b>					
<b>FORWARDING</b>					
<b>TO:</b> Director, Freedom of Information and Security Review		<b>Date:</b> _____			
<p>Portions of the attached transcript which require deletion in the interests of national security before publication have been bracketed. This action represents the considered judgement of this department/agency that the information so marked warrants the protection of security classification.</p>					
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DD Form 1587, MAR 78

REPLACES DD FORM 1587, 1 APR 74, WHICH IS OBSOLETE.

DD 1587 Record of Congressional Transcript Review

**Exhibit DD 1587 Record of Congressional Transcript Review**



<b>PREPARED TESTIMONY REVIEW</b>	
<b>TO:</b> DIRECTOR, FREEDOM OF INFORMATION AND SECURITY REVIEW	<b>DATE</b>
The attached document is forwarded for review in accordance with paragraph D.2.a.(2), DoD Directive 5400.4.	
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<b>COMMITTEE/SUBCOMMITTEE</b>	
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DD Form 1790, MAR 78

REPLACES DD FORM 1790, JAN 71, WHICH IS OBSOLETE

DD 1790 Prepared Testimony Review

**Exhibit DD 1790 Prepared Testimony Review**

Committee: House Appropriations Committee

Hearing Date:

Subject:

Member:

Witness:

Question#:

Question:

Answer:

**HAC QFR**

Committee: House Armed Services Committee

Hearing Date:

Subject:

Question#:

Mr. Congressman:

Witness:

**HASC QFR**

[Hearing Date]  
[Senator]  
[Witness]  
[Question #]

[Subject]

Question.  
Answer.

[Left and right margins must be 1.5 inches on 8.5 x11.0 inch plain paper. Indent 5 spaces, capitalize the first letter of the words “Question” and “Answer” and follow with a period and then two spaces. Do not skip line between question and answer. If more than one question is included, skip 1 line between each set of questions/answers. Always type a title or heading for each question. Use a 10 or 12 pitch font, preferably “Times New Roman”. All submissions must be provided in hard copy and on diskette. The diskette must be labeled identifying the hearing, date of hearing and question numbers.]

**SAC QFR**

Committee: Senate Armed Services Committee

Hearing Date:

Subject:

Question#:

Senator:

Witness:

**SASC QFR**

Committee:  
Hearing Date:  
Subject:  
Insert (Page#, Line#):

The information follows:

[Left and right margins should be 1.5 inches]

**Insert - All Committees**

**TOTAL OBLIGATIONAL AUTHORITY/DWCF COSTS AND MANPOWER  
CONTROLS FORMAT**

**Appropriation Totals (\$000)**      **PY**   **CY**   **BY1**   **BY2**   **BY2+1**   **BY2+2**   **BY2+3**   **BY2+4**

**Military Personnel**

**Operation & Maintenance**

**RDT&E   Procurement**

**Military Construction**

**Revolving Funds**

**Total TOA**

**Manpower End Strength Totals**

**Active Military Manpower**

**Active Officer**

**Active Enlisted**

**Cadet/Midshipmen**

**National Guard/Reserve Manpower**

**National Guard**

**Officer**

**Enlisted**

**Total National Guard Manpower**

**Reserve**

**Officer**

**Enlisted**

**Total Reserve Manpower**

**Civilian Manpower**

**Direct Hire US**

**Direct Hire Foreign**

**Indirect Hire Foreign**

**Total Manpower**

**TOA and Manpower Controls Format**

**MILITARY PERSONNEL, SERVICE  
AVERAGE ANNUAL PAY/PCS RATES**

<u>Pay and Allowances</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>BY2+1</u>	<u>BY2+2</u>	<u>BY2+3</u>	<u>BY2+4</u>
Officers								
Enlisted								
Cadets/Midshipmen								
Trainees								
 <u>PCS and HHG</u>								
Officers								
Enlisted								
Cadets/Midshipmen								
Trainees								

**Military Personnel Average Annual Pay/PCS Rates**



**FOR OFFICIAL USER ONLY**

FUNDING APPENDIX (\$ in Thousands) Qty()		PBD NUMBER				Alternative	
PROGRAM/ ISSUE	Current Year	Biennial Year 1	Biennial Year 2	Biennial Year 2 + 1	Biennial Year 2 + 2	Biennial Year 2 + 3	Biennial Year 2 + 4

Note: Funding Appendix used to show Program Budget Decision changes associated with the following appropriation titles: Military Personnel, Operation and Maintenance, Procurement and RDT&E.

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*Funding Appendix*

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<b>MANPOWER APPENDIX (\$ in Thousands) Qty()</b>		<b>PBD NUMBER</b>				<b>Alternative</b>	
<b>(Military End Strength (E/S)/Full-Time Equivalents (FTEs) for Civilians)</b>							
<b>PROGRAM/ ISSUE</b>	<b>Current Year</b>	<b>Biennial Year 1</b>	<b>Biennial Year 2</b>	<b>Biennial Year 2 + 1</b>	<b>Biennial Year 2 + 2</b>	<b>Biennial Year 2 + 3</b>	<b>Biennial Year 2 + 4</b>

Note: Manpower Appendix identifies military or civilian manpower adjustments associated with the individual issues addressed in an adjustment proposed in an alternative of a Program Budget Decision. Data is provided by appropriation, type of hire, and program/issue.

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*Manpower Appendix*

UNCLASSIFIED

CONSTRUCTION APPENDIX (\$000)				NUMBER	ALTERNATIVE	
APPN	BUD ACT	FAC CAT	LOCATION AND PROJECT	FISCAL YEAR 20CY	FISCAL YEAR 20BY1	FISCAL YEAR 20BY2

UNCLASSIFIED

Construction Appendix