



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

AUG 10 2007

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
COMMANDERS OF THE COMBATANT COMMANDS
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DEFENSE FIELD ACTIVITIES

SUBJECT: Update to Department of Defense (DoD) Financial Management Regulation (FMR) in Volume 3 Chapter 6 Section 060201

The attached change updates subsections in the DoD FMR for use in preparing the Operation and Maintenance Rebaselining report. This codifies the Rebaselining report requirements for users in the FMR.

This guidance is effective immediately. The Office of the Under Secretary of Defense (Comptroller) point of contact for this change is Mr. John Cewe at (703) 697-2560, john.cewe@osd.mil.


Tina W. Jonas

Attachment:
As stated



UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

PMR Changes

The following sentences need to be added to the end of the paragraph at Vol 3 Section 060201; after final sentence ending in "agreed to by the committees.")

Base for Reprogramming Actions for active Operation and Maintenance appropriations is inclusive of rebaselining. Detailed instructions for rebaselining are included in the appendix to this chapter.

Attachment



COMPTROLLER

INSTRUCTIONS FOR PREPARATION OF O&M REBASELINE REPORT

1. Congress requires written notification 30 days prior to executing procedures to rebaseline active Operation and Maintenance Accounts. The Rebaseline Report provides this notification. Rebaselining is a one time exception for adjusting the active Operation and Maintenance Accounts after budget submission to account for unforeseeable fact-of-life adjustments.
2. Guidance will be released each year to provide additional detail, point of contact, and submission dates to the Under Secretary of Defense, Comptroller (Program/Budget) by the Services for each active Operation and Maintenance Account. Submissions will be made in both hard copy and electronic version.
3. Submission to USD(C) (Program/Budget) will include a signed transmittal memorandum, a funding track by O-1 line item from the original President's Budget request to the current estimate, and narrative explanations for the various rebaselining adjustments reflected in the O-1 line item track. These narrative explanations must include the from/to subactivity group (SAG) for each adjustment. All subactivity groups must be spelled out and clearly relate to the specific SAG, i.e., if more than one SAG has the same name, the alphanumeric identifier must also be included. All acronyms must be spelled out the first time they are used.
4. The signed transmittal memorandum will summarize the fact-of-life adjustments and explain the methodology used in developing the rebaseline specifically explaining the fact-of-life elements' methodologies. The memorandum should be suitable for inclusion in the final rebaseline package forwarded to the Appropriation committees.
5. Fact-of-life adjustments must be consistent with the formal definition as set forward in Vol 2A Chapter 3 Section 30402 (pages: 3-21,3-22). All in-year appropriation program adjustments must be explained in detail using two categories of fact-of-life adjustments: functional transfers and emergency requirements. The explanation of each fact-of-life adjustment is key to a favorable review by the congressional committees. Focus must be on the budget requirements that have occurred since the President's Budget was submitted in February. For example, the budget impact of force structure changes, updated cost factors, training schedule changes, and revisions in maintenance schedules are easily justified. Changes without a discrete cause (e.g., realignments to reflect commander's priorities or to meet higher priority requirements) will be difficult to defend. Avoid characterizing changes as "commander's discretion" or other phrases that fail to provide a substantive cause. Reversal of approved budget decisions identified during the budget review process may not qualify for rebaseline; however, they may be considered for reprogramming.
6. General recommendations
 - a. Rebaseline adjustments should not be more than 15% of SAG.
 - b. Default assumption should be adherence to budget document versus intangible causes for rebaseline.
 - c. Functional transfer may include centralizing funds into a SAG for increased efficiency.

UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON
WASHINGTON, DC 20301

**Narrative to Accompany
Operation and Maintenance, (OM Service: A/N/MC/AF)
FY 2XXX Rebaseline Report**
(\$\$ In Millions)

(Identify your specific Appropriation in the Page Header)

Sections	Please spell out acronyms at their first appearance and use O-1 line item names in addition to codes/line numbers. The format highlighted in Section Two below should be followed for each category of adjustment where SAG and BA line item is required (Sections 2, 3 and 4). For each applicable section include totals for the SAGs, BAs and Total Appropriation.	
One	Undistributed Congressional Adjustments: [Explain how undistributed congressional adjustments were applied to the individual programs.]	
Program:	Adjustment/Transfer: Use same nomenclature as the FY 2007 DoD Appropriations Act (P.L. 109-504).	Methodology: Example: Based on percentage of civilian personnel funding included.
Two	Realignments to Meet Congressional Intent: [Describe technical adjustments necessary to accurately reflect congressional intent. Be sure to identify the sources from which funds were transferred into that activity and identify the recipients of the funds transferred out of that activity at the subactivity group level.]	
Program:	Budget Activity	Explanation:
	O-1 Line Item	(\$ in Millions) Adjustment
	Example: Divisions (SAG 111) Total: BY SAG (All):	-5.6 -5.6
	Corps Combat Forces (SAG 112) Total: BY SAG (All):	-4.6 -4.6
	Total: BY BA (All):	-10.2
	Specialized Skill Tng (SAG 321) Total: BY SAG (All):	-3.2 -3.2
	Total: BY BA (All):	-3.2
	Grand Total (Equals 0)	

Use a separate Excel worksheet for each Narrative section.
Label each worksheet as follows:
Sh1_Narrative UCA
Sh2_Narrative TMCi
Sh3_Narrative GPs
Sh4a_FOL Fun Trans
Sh4b_Tech Adjust
Sh4c_ERs

Exclude the "Section" column on this display. It is for illustration purposes here only.
Retain consistent headers and footers for each Report Summary and Narrative worksheet.
All Adjustment headings should indicate \$\$ in Millions.

**Narrative to Accompany
Operation and Maintenance, (OM Service: A/N/MC/AF)
FY 2XXX Rebaseline Report**
((\$ in Millions)

(Identify your specific Appropriation in the Page Header)

Three		<u>General Provisions:</u> [Explain how the General Provisions in the FY 2007 DoD Appropriations Act were applied to the individual programs.]			
	<u>Program:</u>	<u>Adjustment:</u> [Provide General Provision number and Brief Descriptive Title]	<u>Methodology:</u> Example: Applied to SAGs with more than \$100K of travel costs.		
	Section XXXX				
Four		<u>Fact-of-Life Changes:</u> [Describe Fact-of-Life changes using the following subcategories. Be specific but concise; explanations should focus on programmatic changes that have occurred since the FY 2007 President's budget was submitted in February 2006. Changes with a generic/boilerplate explanation may be difficult to defend and may raise questions from the congressional committees. Also, be sure to identify the sources from which funds were transferred into that activity and identify the recipients of the funds transferred out of that activity at the subactivity group level.]			
Four-A		a) <u>Functional Transfers (\$Net to Zero)</u> [Explain each funding realignment from one subactivity group to another that reflects transfer of function, responsibility, or duty. These adjustments do not change the purpose for which the funds were appropriated. For each transfer, be sure to identify the sources from which funds were transferred into that activity and identify the recipients of the funds transferred out of that activity at the subactivity group level. Then provide PROGRAMMATIC reason for the transfer and EXPLAIN WHY each transfer is necessary.]			
	<u>Program:</u>	<u>Budget Activity</u>		(\$ in Millions) <u>Adjustment</u>	<u>Explanation:</u>
Four-B		b) <u>Technical Adjustments (\$Net to Zero)</u> [Explain each accounting adjustment made to properly align funding with the appropriate O&M subactivity group where costs are actually accrued and executed. These adjustments do not change the purpose for which the funds were appropriated. For each adjustment, be sure to identify the sources from which funds were transferred into that activity and identify the recipients of the funds transferred out of that activity at the subactivity group level. Then EXPLAIN WHY each adjustment is necessary.] Please be concise but specific.			
	<u>Program:</u>	<u>Budget Activity</u>		(\$ in Millions) <u>Adjustment</u>	<u>Explanation:</u>
Four-C		c) <u>Emergent Requirements (\$Net to Zero)</u> [Explain each fact-of-life funding adjustment resulting from changes in policy, legal direction, or other unforeseen (e.g., operational readiness, health, or safety, etc.) related events. For each adjustment, be sure to identify the sources from which funds were transferred into that activity and identify the recipients of the funds transferred out of that activity at the subactivity group level. Then provide specific, PROGRAMMATIC reasons for the changes, and EXPLAIN WHY each adjustment is necessary. Changes without a discrete cause (e.g., realignments to reflect commander's priorities or to meet high priority requirements; to finance critical shortfalls for the XYZ Command, etc.) will be difficult to defend and may raise questions from the Committees.] Please be concise but specific.			
	<u>Program:</u>	<u>Budget Activity</u>		(\$ in Millions) <u>Adjustment</u>	<u>Explanation:</u>
		All Fact of life adjustments should net to zero. If they do not, then please provide a footnote explanation for each applicable section.			
		Service FY 2006 Rebaseline Reports will be provided to use as the template for the FY 2007 report. Please do not change the headers or footer settings other than to relabel the header as FY 2007 vice FY 2006.			