

Appendix I

Glossary of Budget Terms

Appropriation is the specific authority to obligate and expend funds provided for in appropriation bills, which are prepared by the appropriation committees, passed by Congress and signed into law by the President. Appropriations are provided in line-item detail. The time over which monies may be obligated is specified, varying from one year for personnel and operation and maintenance to two years for research, development, test and evaluation and three years (normally) for procurement and construction (extended to five years for shipbuilding).

Authorization is substantive legislation that provides the authority for an agency to carry out a particular program. Authorization may be annual, for a specified number of years, or indefinite. Most national defense activities require annual authorization before Congress may appropriate funds.

Budget authority (BA) is the authority to enter into obligations that will result in the payment of government funds. Budget authority is normally provided in the form of appropriations. The defense budget as presented to Congress is expressed in terms of budget authority.

Constant dollars measure the value of purchased goods and services at price levels that are the same as the base or reference year. Constant dollars do not reflect adjustments for inflationary changes that have occurred or are forecast to occur outside the base year.

Current or “then year” dollars are the dollar figures in the budget (or in the accounting records) actually associated with the stated date (past, present or projected). When a price or cost is stated in current dollars, it contains all inflationary increases expected to occur in a program over the duration of the spendout of an appropriation. Current dollars are also called “then year” dollars or “budget” dollars.

Deficit is the amount by which outlays exceed receipts. The reverse is called “surplus.”

The Department of Defense (DoD) Budget, which carries the Federal Account Number 051, includes funding of DoD itself. The budget that comes under the jurisdiction of the Secretary of Defense, it is frequently referred to as the “Pentagon budget.”

Discretionary spending is what the President and Congress must decide to spend for the next fiscal year through 13 annual appropriation bills. Two of the annual appropriation bills (the Department of Defense Appropriation Bill and the Military Construction Appropriation Bill) pertain to the Department of Defense.

Emergency spending is spending which the President and Congress have designated as an emergency requirement. Such spending is not subject to limits established on discretionary spending or “pay-as-you-go” rules established for direct (mandatory) spending.

Entitlement authority is a provision of law that legally obligates the federal government to make specified payments to any person or government that meets the eligibility requirements established by that law. Example: Social Security.

Fiscal year (FY) is the federal government’s accounting period. It begins 1 October and ends 30 September, and is designated by the calendar year in which it ends.

Gross domestic product (GDP) measures the market value of all goods and services produced during a particular period by individuals, businesses and government in the United States, whether they are U.S. or foreign citizens or American-owned or foreign-owned firms. GDP is currently used as the most reliable indicator of U.S. economic activity.

Gross national product (GNP) measures the market value of all goods and services produced during a particular period by U.S. individuals, businesses and government, including income earned by U.S.-owned corporations overseas and by U.S. residents working abroad but excluding income earned in the United States by residents of other nations.

National Defense Budget, which carries the Federal Account Number 050 as a designator, includes not only the Department of Defense (military) budget, but also funding for defense-related activities of the Department of Energy (primarily weapons activities and related support) and miscellaneous military activities of federal agencies.

Obligations are binding agreements that will result in outlays, immediately or in the future.

Outlays are the measure of government spending. They are the payments actually made for goods and services and interest payments during a particular year. These payments (outlays) lag obligations because of the sequential cycle of congressional appropriations, contracting, placing orders, receiving goods or services and (finally) making payments.

Receipts are collections from taxes or other payments to the federal government.

Supplemental appropriation is enacted subsequent to a regular annual appropriations act when the need for funds is too urgent to be postponed until the next regular annual appropriation act.

Total Obligational Authority (TOA) is a DoD term that includes the total value of the direct program regardless of the method of financing. As a practical matter TOA totals in the aggregate do not differ significantly from budget authority (BA). TOA is used in managing the service budgets, as it is the most accurate reflection of program value. The differences are attributed principally to offsetting receipts, such as recoveries from foreign military sales, and financing adjustments. For example, application of sales receipts will increase TOA but not BA. Legislation transferring unobligated funds for which the purpose has changed are reflected in the BA with no effect on TOA.

Appendix II

The Budget Process

This appendix provides a summarized description of the budget process at the national (federal) level.

The overall process has three fundamental phases: formulation; subsequent actions by Congress and the President to provide a legally executable budget; and actual execution.

The entire cycle is a continuum. While the last approved budget is being executed, the next budget is undergoing review and approval in Congress. When passed by Congress and signed by the President, it becomes the Budget of the United States for the following fiscal year. Concurrently, formulation of the next budget for submission to Congress is taking place within the departments and agencies.

For purposes of this paper, we will focus primarily on formulation and on the review and approval aspects of the cycle.

The Budget of the United States

First is a review of the overall process at the national level, followed by a description of actions within the Department of Defense (DoD) providing the DoD part of the President's Budget.

From an overall perspective, this process has a lead time of at least nine months before formal submission to Congress and 18 months before the fiscal year actually begins. In the spring, the President establishes general budget and policy guidelines while the Office of Management and Budget (OMB), working with federal departments and agencies, establishes policy directives and levels covering the budget year plus the four following years.

The budget calendar for major budget events during the review and approval process is summarized in the figure below.

Budget Calendar

<i>Date</i>	<i>Action</i>
Between first Monday in January and first Monday in February	Transmission of the President's Budget to Congress
April 15	Action on the congressional budget resolution scheduled for completion
May 15	House consideration of annual appropriations bills may begin
June 15	Action on reconciliation scheduled for completion
June 30	Action on appropriations by the House scheduled for completion
Throughout this period	Hearings; committee reports; reconciliation by conference committees; floor votes; appropriate bills; more floor votes; more floor votes; signature or veto by the President
October 1	Fiscal year begins
Post-October 1	Continuing resolution if all appropriations bills not yet signed

Most agencies submit budget requests to OMB in the fall, followed by a review of details and resolution of issues. For the Department of Defense, the OMB review is concurrent with the review in the Office of the Secretary of Defense (OSD) during the September-to-December period. By the end of December, all decisions are complete, including issues requiring involvement by the President or other White House policy officials. The budget is then finalized and budget documents prepared. This is now the President's Budget.

Transmittal to Congress is scheduled by law on or after the first Monday in February of each year. As a practical matter, this has been an early February event, and additional delays sometimes occur in special cases such as a new President.

Congress receives the budget proposals and approves, modifies or disapproves them. Through the process of a budget resolution, it agrees on levels for total spending, receipts and other matters. This resolution provides the framework for congressional committees to prepare the required appropriations bills. In so doing, Congress votes on budget authority—the authority to incur legally binding authorizations of the government. In a separate process, Congress usually enacts legislation that authorizes agencies to carry out particular programs and may limit the amounts that can be appropriated for various programs. Normally, authorizations precede appropriations, but this is not always the case.

The Congressional Act of 1994 requires that Congress consider budget totals before completing action on the separate appropriations. To do this, the budget committees formulate a budget resolution setting levels for budget authority, both in total and by functional areas (such as national defense, energy, transportation, etc.). The budget resolution is scheduled for adoption by the whole Congress by April 15, but delays are frequent. This resolution allocates amounts to the appropriations committees that have jurisdiction over the programs, and these committees are required, in turn, to allocate amounts to their respective subcommittees. Budget resolutions are not laws and do not require presidential approval.

The appropriations committees in both the House and Senate are divided into subcommittees that hold hearings and review detailed budget justification in their jurisdictional areas. Appropriations bills are initiated in the House. After a bill has been approved by the committee and the whole House, it is forwarded to the Senate, where a similar review takes place. When disagreements occur between the two houses of Congress, a conference committee meets to resolve these differences. The report of the conference committee is returned to both houses for approval. It then goes to the President as an enrolled bill for approval or veto.

If actions on one or more appropriations bills are not completed by the beginning of the fiscal year (October 1), Congress enacts a continuing resolution to authorize continued operations at some designated level for a specified time, pending a regular appropriation. Continuing resolutions require presidential approval and signature.

So far, the actions described pertain to annual appropriations included in 13 separate appropriations bills. These apply to what is described as discretionary spending because of the need for annual budget authority by Congress. While the majority of federal programs are dependent on annual appropriations, the discretionary portion covers only about one-third of annual federal outlays. The rest of federal expenditures come from budget authority in permanent laws which do not need to be reenacted annually. This applies to the large entitlement programs and the interest on the public debt, which are funded by permanent law. Therefore, the majority of outlays in a year are not controlled through separate appropriations actions for the year. The terms used are “discretionary” for the annual appropriations and “direct spending” for those based on permanent laws.

Congress may enact new legislation or change existing legislation relating to direct spending, but need take no action on an annual basis, in which case the spending continues in accordance with existing law. Without legislative change, it is on automatic pilot.

For more information on the budget process at the federal level, see *A Citizen's Guide to the Federal Budget, Fiscal Year 2002* and *A Brief Introduction to the Federal Budget Process*, Congressional Research Report 96-912, updated October 20, 1997.

The Department of Defense Budget Process

Agencies of the U.S. government submit and justify budget packages for inclusion in the President's Budget. The Department of Defense budget is an important segment of the discretionary funding portion.

The DoD budget submitted for inclusion in the President's Budget is a product of its Planning, Programming and Budgeting System (PPBS). DoD prepares a Future Years Defense Program (FYDP) spanning six years; the FYDP is periodically updated. The first for the FYDP is the basis for the next budget requiring congressional action. Actually, a two-year budget is prepared in even-numbered years, but Congress acts on only one year at a time, and the second year's budget is updated and resubmitted the following year.

The specific calendar of events varies somewhat from year to year, but the basic cycle goes something like this:

Defense Fiscal Guidance (DFG) provided in March is followed by revised programs from the services. This is in the form of a Program Objective Memorandum (POM) each service provides to OSD in May or early June. The OSD review leads to a Program Decision Memorandum (PDM) in August/September. In the meantime, budgets for the next fiscal year are being prepared based on OSD guidance and directives. Budget Execution Submissions (BESs) are made to OSD by the beginning of October, and the DoD budget now undergoes a detailed review within OSD.

The October-to-December review is actually a joint review by OSD and OMB. Decisions are made through a series of Program Decision Memoranda under supervision of a senior review panel, the Defense Resources Board. After the Secretary of Defense makes final decisions on major issues, the budget is presented to OMB and the President for final review and incorporation into the President's Budget.

With OMB and presidential approval, the backup documentation for submission to Congress is completed and the DoD budget request (now part of the President's Budget) is delivered in early February.

Next comes the congressional justification, review and approval period, ending with the authorization and appropriations bills, passed by Congress and signed by the President. Ideally, all this is completed by the beginning of the fiscal year on October 1. If not, operations continue with an appropriate Continuing Resolution. A schematic of the basic flow is shown in the figure on page 94.

After a series of hearings, Congress provides both authorization and appropriations bills. While authorization is important for program approvals, it is the appropriations bills that provide DoD with the authority to obligate funds and make payments (Outlays) against these obligations.

Appropriations for the Department of Defense are covered by two separate bills: the Military Construction Appropriations Bill, which addresses Military Construction and Family Housing, and the Department of Defense Appropriations Bill for all other DoD appropriations. These bills incorporate a number of individual appropriations covering Military Personnel, Operation and Maintenance, Procurement, RDT&E (Research, Development, Test and Evaluation), Military Construction and Family Housing. They are identified in the appropriations bills by title and military service.

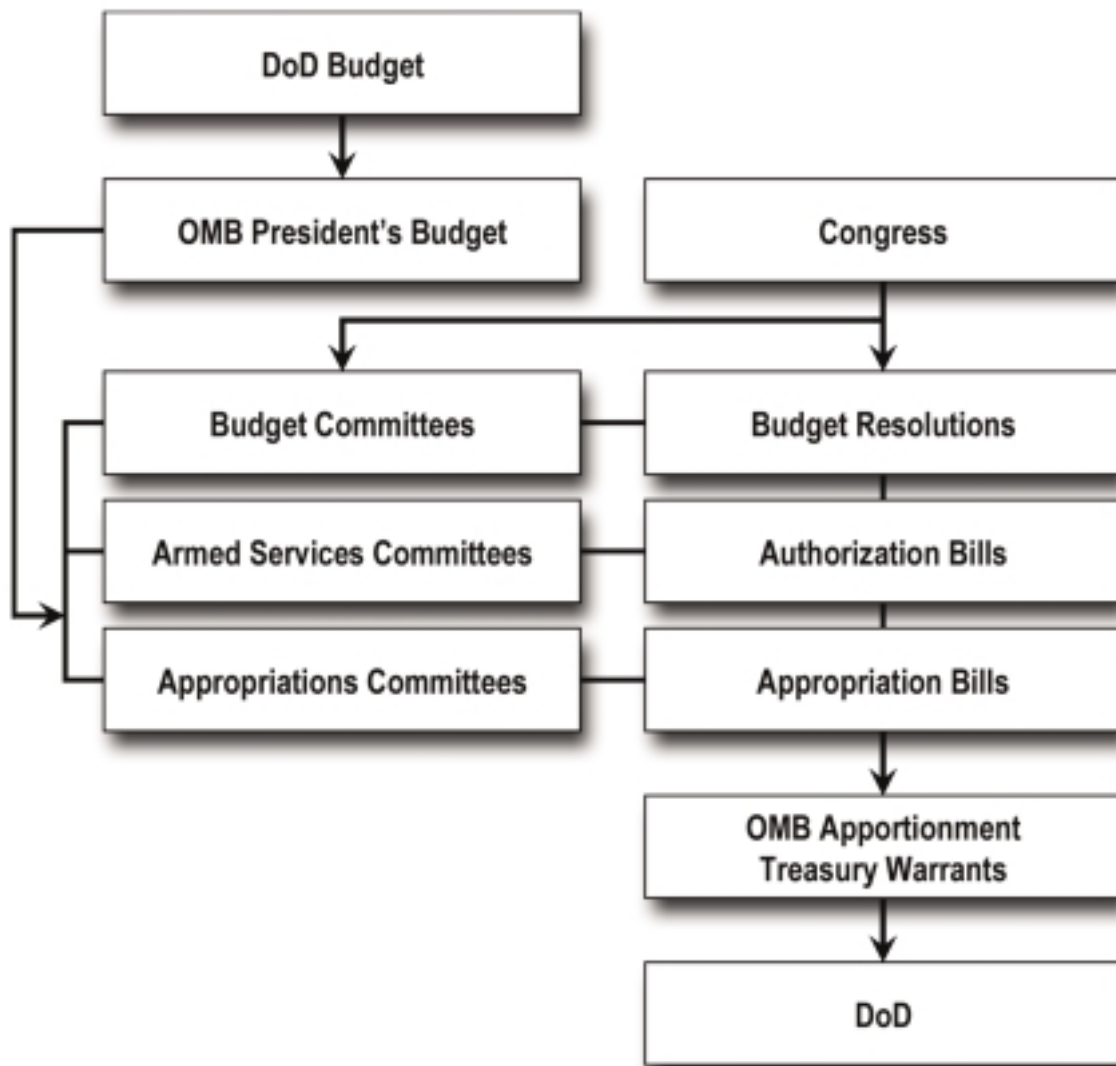
At the start of the new fiscal year, providing the bills are passed and signed by the President, the execution phase begins. Before funds can be obligated, however, OMB must apportion the funds to DoD and Treasury warrants must be issued. DoD, in turn, subapportions for further allocation to operating agencies.

The services play a subordinate role to DoD in all of this, in both the formulation and justification of their respective portions of the DoD budget. All the services conform to the same calendar and procedures with respect to the DoD budget process.

At any one time a number of concurrent actions involving different budgets are occurring. Using the Department of the Army (DA) as an example, the present budget-related actions look something like this: DA is executing the FY 2006

budget that extends through September 2006 while concurrently justifying its portion of the FY 2008 Army budget in Congress. At the same time DA is also engaged in the Pentagon in updating the program through FY 2014 and getting ready for the next Army budget proposal to DoD. This remains a dynamic, ongoing process.*

DoD Budget Process



*The POM normally includes six fiscal years and begins with an even-numbered fiscal year; the following year, the services submit an update for the second fiscal year and the out years of the prior POM. In “normal” times, the Army would have submitted its POM for FYs 2008–2013. However, we live in exceptional times. For the first time in more than 40 years, the Army did not submit a POM as requested by OSD. Apparently the Army has told OSD that the times are too unpredictable for them to prepare a year-by-year definitive POM. The Army has been discussing the situation and the financial implications with OSD and may provide some extended fiscal year data with its budget proposal for FY 2008.

Appendix III

Glossary of Acronyms

BA	Budget Authority	CSE	Chemical Stockpile Elimination
AC	Active Component	CTC	Combat Training Centers
AFH	Army Family Housing	CWC	Chemical Weapons Convention
AMF	Army Modular Force	DERP	Defense Environmental Restoration Program
APA	Aircraft Procurement, Army	DHP	Defense Health Program
APS	Army Prepositioned Stocks	DHS	Department of Homeland Security
ARFORGEN	Army Force Generation	DoD	Department of Defense
AWCF	Army Working Capital Fund	DWCF	Defense Working Capital Fund
BAG	Budget Activity Group	ER	Environmental Restoration
BAH	Basic Allowance for Housing	ERA	Environmental Restoration, Army
BCT	Brigade Combat Team	FCS	Future Combat Systems
BMD	Ballistic Missile Defense	FHIF	Family Housing Improvement Fund
BOS	Base Operations Support	FUDS	Formerly Used Defense Sites
BRAC	Base Realignment and Closure	FY	Fiscal Year
C4ISR	Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance	GDP	Gross Domestic Product
CAP	Combined Aggregate Program	GDPR	Global Defense Posture Realignment
CBO	Congressional Budget Office	GFD	Gross Federal Debt
CCTT	Close Combat Tactical Trainer	GPS	Global Positioning System
CERP	Commander's Emergency Response Program	GWOT	Global War on Terror
CN	Counter Narcotics	HMMWV	High Mobility Multipurpose Wheeled Vehicle
		HST	Home Station Training

IED	Improvised Explosive Device	OPA	Other Procurement, Army
MAC	Military Construction, Army	OPTEMPO	Operational Tempo
MCAR	Military Construction, Army Reserve	PE	Program Element
MCARNG	Military Construction, Army National Guard	PPBE	Planning, Programming, Budgeting and Execution
MDAP	Major Defense Acquisition Programs	RCI	Residential Communities Initiative
MEADS	Medium Extended Air Defense System	RCT	Regimental Combat Team
MERHCF	Medicare-Eligible Retiree Health Care Fund	RDA	Research, Development and Acquisition
MILCON	Military Construction	RDT&E	Research, Development, Test and Evaluation
MILPERS	Military Personnel	RPA	Reserve Personnel, Army
MLRS	Multiple Launch Rocket System	S&T	Science and Technology
MPA	Military Personnel, Army	SAG	Subactivity Group
NATO	North Atlantic Treaty Organization	SBIRS-H	Space-Based Infrared System—High
NAVSTAR	Navigation Signal Timing and Ranging Global Positioning System	SM-3	Standard Missile-3
NGPA	National Guard Personnel, Army	SOF	Special Operations Forces
NSCMP	Non-Stockpile Chemical Materiel Project	SRM	Sustainment, Restoration and Modernization
O&M	Operation and Maintenance	TIARA	Tactical Intelligence and Related Activities
OEF	Operation Enduring Freedom	TOE	Table of Organization and Equipment
OIF	Operation Iraqi Freedom	TSAT	Transformational Communications Satellite
OMA	Operation and Maintenance, Army	UCOFT	Unit Conduct of Fire Trainer
OMAR	Operation and Maintenance, Army Reserve	USSOCOM	U.S. Special Operations Command
OMB	Office of Management and Budget	USSTRATCOM	U.S. Strategic Command
OMNG	Operation and Maintenance, Army National Guard	WTCV	Weapons and Tracked Combat Vehicles

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[W]e must look decades into the future—it takes years to shape a 1.3 million-person organization of Soldiers and civilians. It takes decades to design, build and deploy new weapon systems. Whatever we plan and do now, we will live with for a long time. . . .

We cannot allow the demands of the present to rob the future. We must modernize the Army. The Future Combat Systems—spinning into the force now and over the next two decades—will provide our Soldiers the training, technology and tools to remain the world's preeminent land power. The future is now.

The Honorable Pete Geren, then Acting Secretary of the Army,
Statement before the Senate Armed Services Committee, 25 April 2007

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