

**SUMMARY OF MAJOR CHANGES TO
DOD 7000.14-R, VOLUME 2A, CHAPTER 1
“GENERAL INFORMATION”**

Substantive revisions are denoted by a ★ preceding the section, paragraph, table
or figure that includes the revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
★ 010212.B.5	Correction to reflect the Department’s current capitalization threshold for software, which is currently \$100,000.	Correction

CHAPTER 1
GENERAL INFORMATION
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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 program and budget review submission 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 specified 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 program and budget review of the initial biennial budget cycle. Pen and ink changes will not be issued.

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 issuances, most notably Circular A-11 (Section 20).

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, Budgeting and Execution (PPBE) System, including the Strategic Planning Guidance (SPG), 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 Change Proposal. *Components use this mechanism and format to revise the approved budget in the second year of the 2-year budget cycle in lieu of submitting a budget with complete documentation. See "Two-year Program and Budget Cycle." While subject to change, a format is included in this chapter.*

12. 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.

13. 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.

14. 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.)

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. 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.

22. Discretionary Authority: Budgetary resources (except those provided to fund mandatory spending) provided in appropriations acts.

23. 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.

24. End Strength: *In general, strength at the end of a fiscal year. Single point strengths for other points in time must be specified, such as end first-quarter strength.*

25. Expenditures/Disbursements: A term generally used interchangeably with outlays (See outlays).

26. 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>Approp</u>	<u>Years For</u>		
	<u>New Obligations</u>	<u>Obligation Adjust. & Disburse.</u>	<u>Closed End of Year</u>
	<u>Unexpired</u>	<u>Expired</u>	<u>Canceled</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.

27. 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.

28. 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).

29. 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.

30. 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.

31. 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 the program and budget review submission. It is also provided to the Congress in conjunction with the President's budget.

32. 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.

33. 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.

34. 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.

35. Mandatory Authority: (Also known as Entitlement Authority) Authority controlled by laws other than appropriations.

36. Management Initiative Decision (MID). *A decision document similar to a Program Budget Decision, but designed to institutionalize management reform decisions. A MID may be issued at any time during the year. The Comptroller will incorporate any funding adjustments into the next President's Budget.*

37. 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.

38. 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.

39. 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.
40. Outlays: The amount of checks issued or other payments made (including advances to others), net of refunds and reimbursements collected. 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.
41. 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.
42. 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.
43. Program Change Proposal. *Components use this mechanism to revise in the second year of the 2-year program and budget cycle the programs approved by a Program Decision Memorandum in lieu of submitting a Program Objectives Memorandum(POM). See “Two-year Program and Budget Cycle.”*
44. 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.
45. 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 Strategic Planning Guidance (SPG).
46. 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.
47. 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.
48. 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.
49. 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.

50. 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.
51. 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.
52. 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.
53. 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.
54. 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.
55. 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.
56. 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 information on sequestration rules of the Budget Enforcement Act of 1990 (BEA).
57. 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.
58. 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 “direct program” which equates to only (1) and (2) above.
59. Transfer Authority: Annual authority provided by the Congress to transfer budget authority from one appropriation or fund account to another.
60. Two-year Program and Budget Cycle. *For the budget review, this cycle coincides with the biennial budget process required by law. It is part of the Department’s internal 2-year Planning, Programming, Budgeting, and Execution (PPBE) process. The first year of the cycle includes a full review of the budget for the following two years. Full budget documentation is required. The end result is a budget baseline for the next two years. The second year of the cycle limits changes to the baseline program. It focuses on fact-of-life changes to include congressional action and program execution. Components will request adjustments to the baseline through*

Budget Change Proposals (BCP). However, while the second year of the process will require only limited budget documentation for the internal review, full budget documentation is still required for the President's budget submission.

61. 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 program and budget review submissions to OSD are contained in Section 010305.

3. Paper copies of the P-1 and R-1 exhibits must be submitted by DoD Components with a certification signed by the Security Office confirming that all line items are classified properly.

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

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

1. *The Military Personnel Programs (M-1) is designed to be an unclassified document. See Section 010501 for instructions.*

2. *The Operation and Maintenance Exhibit O-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 or when conditions in paragraph C. (below) apply.*

3. 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 or when conditions in paragraph C. (below) apply.

4. 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 or when conditions in paragraph C. (below) apply.

5. 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.

010109 Budget and Performance Metrics Integration

A. The President's Management Agenda (PMA) targets the most apparent deficiencies in the government where the opportunity to improve performance is the greatest. The Office of Management and Budget (OMB) developed standards for success in the government-wide Budget and Performance Integration Initiative of the PMA. As a result, the OMB requires federal agencies to use performance metrics in managing and justifying program resources.

B. Components will use performance measures to justify resources requested in the Budget Year. The Program Assessment Rating Tool (PART) is a diagnostic tool that formalizes performance evaluation. PARTs are to be included in congressional budget justification materials, press releases, and testimony. OMB Circular A-11, section 85 – Performance Metrics (Schedule V), provides additional information about the PART. Absent a PART, the Components may use existing, or create new, performance measures.

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 in 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 \$250,000* 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.
- Facilities sustainment, O&M-funded restoration and modernization 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 \$250,000*. 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 facilities sustainment program is an expense at all levels.
- Costs of facilities restoration and modernization 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 *costs* (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 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.

F. 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 \$250,000?	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 lead-time 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, Budgeting and Execution (PPBE) System 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 "lead-time 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 "lead-time away" basis.

3. Advance Procurement (Long Lead-time Items). Advance procurement requests for long lead-time items shall be limited to the end items in major procurement appropriations. Long lead-time procurements shall be for components, parts, and material whose lead-times are greater than the life of the appropriation (3-5 years). In some circumstances, Advance Procurement is also warranted when items have significantly longer lead-times 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 lead-time 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, therefore, shall be directed or implemented unless the full program amount is available, except for authorized economical order quantity (EOQ) and advance procurement. Similarly, the value of existing contracts for the procurement of material or equipment shall not be increased (through contract modifications) unless the funds are available to fully fund the new contract price. Limitations of funds clauses shall not be used as a mean of avoiding the requirement to fully fund procurement programs. (Note that this guidance does not affect the proper use of limitations of funds clauses in incrementally funded development contracts.) 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 and section 8008 of *Public Law 108-87, the FY 2004 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.

- *Funds appropriated for the purchase of an end item under a multiyear contract may only be used for a complete and usable end item.*
- *Funds appropriated for advanced procurement under a multiyear contract may only be used to fund the long lead items necessary for a complete and usable end item planned and budgeted for a subsequent fiscal year. Advanced procurement funds may also be used for economic order quantity procurements when authorized by law.*
- 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 lead-time items as defined in section 010202, multiyear procurement contracts will comply with full funding. The full funding policy shall apply to each individual year of the multiyear contract. Multiyear contracts shall not be used as a vehicle for incrementally funding the items across the fiscal years covered by the contract. The production lots on the contract shall be the same as those described in the budget and advance procurement shall not be used to achieve a higher production rate for the end item. Funds shall not be “borrowed” from the amounts budgeted for items in the early fiscal years of a multiyear contract to begin work on items not budgeted until later fiscal years of the contract.
- 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.
- In keeping with the DoD policy of not relying upon industry to finance the cost of Defense programs, even on a temporary basis, the use of unfunded cancellation ceilings on multiyear contracts shall be rare and *shall not be unreasonably large relative to the total budget for any individual fiscal year*.
- 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 *Buy-to-Budget for Acquisition of End Items*

A. In accordance with United States Code Title 10, Section 2308, the head of an agency making the acquisition may acquire a higher quantity of the end item than the quantity specified in applicable Appropriations Acts if the following conditions are met:

(1) The agency has an established requirement for the end item that is expected to remain substantially unchanged throughout the period of the acquisition.

(2) It is possible to acquire the higher quantity of the end item without additional funding because of production efficiencies or other cost reductions.

(3) The amount of the funds used for the acquisition of the higher quantity of the end item will not exceed the amount provided under that law for the acquisition of the end item.

(4) The amount provided is sufficient to ensure that each unit of the end item acquired within the higher quantity is fully funded as a complete end item.

B. For noncompetitive acquisitions, the acquisition of additional quantities is limited to not more than 10 percent of the quantity approved in the justification and approval prepared in accordance with United States Code Title 10, Section 2304, and Federal Acquisition Regulation Part 6.

C. The agency head must notify the congressional defense committees of a decision to buy more items than specified in an Appropriations Act not later than 30 days after the date of the decision.

010205 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.

010206 Engineering Change Orders

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

010207 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.

010208 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.

010209 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.

010210 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.

010211 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. 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.

010212 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 correct appropriation for budgeting an IT effort is dependent on the activity and the underlying tasks that make up the IT effort. RDT&E activities and Working Capital Fund activities follow unique procedures as noted in the following paragraphs. All other activities budget for IT efforts based solely on the underlying purpose for the IT effort.*

An IT effort may require funding for more than one appropriation. The underlying purpose for each discrete task within an IT effort determines the correct appropriation for budgeting of that task. An effort that is so broadly defined that it contains separate tasks appropriate to budgeting in different appropriations should be separated into discrete tasks, each of which is budgeted in the correct appropriation.

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 \$250,000 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, integration, engineering support* 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 *technical assistance*) 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 *technical assistance* is financed from Procurement appropriations. Equipment purchased after successful system testing and a favorable fielding decisions *is funded with procurement dollars*.
- 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 \$250,000 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.

010213 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 \$750,000 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 Missile Defense Agency) 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 \$750,000 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 \$750,000 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. *New construction or improvements* having general utility 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 will be used for developmental or operational testing by an independent operational test agency, then it should be procured with RDT&E funds. The LRIP quantity will be determined as part of the Production and Deployment approval (Milestone C). RDT&E funds will be budgeted to procure the items required for operational test to facilitate the testing of LRIP assets. 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 C 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 end 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. 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. *The Joint Test and Evaluation (JT&E) program provides quantitative information used for analyses of joint military capabilities and to develop potential options for increasing military effectiveness. The program is complimentary to, rather than part of the acquisition process. A JT&E project brings two or more Military Services or other Components together to: assess Service system interoperability in joint operations; evaluate joint technical and operational concepts, and recommend improvements; increase joint mission capability, using quantitative data for analysis; validate testing methodologies that have joint applications; improve modeling and simulation validity with field exercise data; provide feedback to the acquisition and joint operations communities; and improve joint tactics, techniques, and procedures. JT&E projects focus on improving the warfighter's capability to conduct joint military operations with existing equipment. DOT&E manages the JT&E program and coordinates with Combatant Commanders, the Joint Staff, and the Services to ensure warfighter involvement.*

b. *The JT&E program is financed in the Operational Test and Evaluation (OT&E), Defense appropriation (program element 0605804D). DOT&E funds the costs incurred for the direction, supervision, and performance of activities that are unique to the needs of the JT&E projects. When directed as Executive Agent for a particular JT&E project, the Component, Service or COCOM is responsible for ensuring that all resources necessary for the successful accomplishment of the JT&E project are available to the Joint Test Director (JTD). This includes administrative, management and facilities support for the JTD. The Executive Agent support costs (O&M, Procurement, and RDT&E) are to be programmed and budgeted in accordance with established 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.

010214 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. Budgeting for Termination Liability on Incrementally Funded RDT&E Contracts. The legal requirements of the Anti-Deficiency Act and the long-standing policy of not committing a successor Congress to a course of action both make it necessary that the unliquidated obligation for an incrementally-funded, multiple-year contract be sufficient at all times to cover the cost of terminating that contract for the convenience of the Government. Budgeting to cover termination liability will not increase the total amount budgeted for the program. It will require that the distribution of funds by fiscal year be shifted more towards the earlier years of the contract than if funds had been budgeted only to cover the actual bill to be paid in each year. The distribution of funds by fiscal year shall be such that, if a contract is terminated at any point during the fiscal year, all termination costs can be financed from the unliquidated obligation on the contract without recourse to reprogramming of funds, supplemental appropriations, or awaiting the appropriation of funds for the succeeding fiscal year's funding increment. All programs shall adhere to this policy with the following two exceptions, both of which are to be used rarely.

a. 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.

b. Statutory Waivers. If a program is exempted by Public Law from the requirement to budget for termination liability, the fiscal year increments may be budgeted on a pay-as-you-go basis, providing only sufficient funds to cover the disbursements expected to be made in that fiscal year. When this situation arises, however, the budget exhibits for the program shall clearly indicate the value of the unfunded termination liability by year for the current year, budget year, and the outyears covered by the FYDP.

010215 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.

010216 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 direct appropriations to Component budgets, are elements of business area costs and must be fully justified on the SM-3 and/or Fund-30 schedules. Detailed requirements and guidance can be found in Chapter 9, section 090103.

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. Chapter 9 provides additional guidance and instructions associated with mobilization/surge requirements.

010217 Defense Working Capital Funds - War Reserve Materiel

War reserves are procured and maintained to meet wartime requirements as determined by the Strategic Planning Guidance (SPG). 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, exhibit SM--6 War Reserve Materiel, will be prepared by the Components to justify WRM Requirements.* Detailed requirements and guidance can be found in Chapter 9.

010218 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 Chapter 9, section 090103G, for budget formulation, execution, and reimbursement procedures.

010219 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. *Volume 2B, Chapter 9, paragraph 090105, specifies pricing guidance for sales by DoD depot maintenance activities to private sector entities as part of depot maintenance public-private partnership agreements. Subparagraph C. below summarizes that guidance.* 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 affect 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 Program and budget review submission review, as needed. Customers will be required to absorb or finance all cost increases.

C. *Public-Private Partnerships at Defense Working Capital Fund Depot Maintenance Activities*

1. *Pricing guidance for sales of goods and services by DoD depot maintenance activities to private entities engaged in public-private partnerships is set forth in Volume 2B, Chapter 9, paragraph 090105. In general, such prices are subject to the requirements of Chapter 9, with the exception that the prices may be based upon the most recent actual and projected costs applicable to the workload, rather than upon approved stabilized billing rates. Rates and prices to private entity partners may also be tailored to include only those direct and indirect production overhead costs that contribute to the finished product or service. However, full General and Administrative (G&A) costs shall continue to be allocated on the same basis as for DoD customers.*

2. *Fixed pricing of sales to private party entity partners, including multiyear fixed price agreements, is authorized when production costs can be reasonably predicted and the risk of future operating losses is not significant. Such fixed prices may include provisions for adjustments to accommodate the effect of scope-of-work changes, annual inflation, and specified contingencies. When future production costs or risks cannot be reasonably predicted, cost reimbursable pricing is more appropriate.*

D. Detailed requirements and guidance can be found in Chapter 9.

010220 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 \$750,000 will be funded through the capital budget and depreciated.

2. Effective in FY 2002, 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 \$1,000,000 to \$1,500,000.

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 \$1,000,000 for activities designated under the DoD Laboratory Demonstration Program. Fund activities may be designated to participate in the DoD Laboratory Demonstration Program. The authority for the Laboratory Revitalization Program expires on September 30, 2003.

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 Chapter 9, section 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. Depreciation schedules may be found in DoD FMR, Volume 4, Chapter 6, paragraph 060206I.

010221 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.

Chapter 9 provides budget formulation and execution procedures.

010222 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. The DoDI 4000.19 and sections 0102021 and 090103K of this volume provide guidance for funding base support services.

010223 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.

010224 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 lead-time 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 Modernization	The alteration or replacement of facilities solely to implement new or higher standards, to accommodate new functions, or to replace building components that typically last more than 50 years (such as the framework or foundation).
Facility Restoration	The restoration of real property to such a condition that it may be used for its designated purpose. Restoration includes repair or replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire accident, or other causes

Facility Sustainment	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.
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 lead-times (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 lead-times 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.
Lead-times	<u>Administrative Lead-time (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 lead-times require that a larger quantity be purchased to support yearly requirements. Lead-times should therefore reflect an accurate assessment of the time required to process the administrative actions. <u>Production Lead-time (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 Lead-time</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.

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.

010225 Glossary of Terms – RDT&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 PROGRAM AND BUDGET REVIEW SUBMISSION**010301 General**

A. This section provides guidance for the development and submission of the biennial budget estimates to OSD as part of the program and budget review process. *The internal 2-year Planning, Programming, Budgeting, and Execution (PPBE) process will guide the Department's strategy development, identification of needs for military capabilities, program planning, resource estimation and allocation, acquisition, and other decision processes. The Quadrennial Defense Review (QDR) will continue to serve as the department's major statement of defense strategy and business policy. It also will continue to be the single link throughout DoD that integrates and influences all internal decision processes.*

1. *The first year of the 2-year cycle will include the Strategic Planning Guidance (SPG), a Joint programming Guidance (JPG), a Program Objective Memorandum (POM), and a Budget Estimate Submission (BES). Program Decision Memoranda (PDMs) will implement POM decisions; Program Budget Decisions (PBDs) will implement BES decisions.*

2. *The second year of the internal Defense Department 2-year cycle, or the off-year, will include an SPG, if the Secretary of Defense decides an SPG is necessary. If an off-year SPG is issued, it will not introduce major changes to the defense program, except as specifically directed by the Secretary or Deputy Secretary of Defense. Rather than a POM during the off-year, the Components will submit Program Change Proposals to accommodate real world changes, and as part of the continuing need to align the defense program with the defense strategy. The Components will submit Budget Change Proposals (BCPs) instead of a BES during the off-year. BCPs will accommodate fact-of-life changes (e.g., cost increases, schedule delays, management reform savings, workload changes, etc.) as well as changes resulting from congressional actions. The off-year also includes execution reviews that will provide the opportunity to make assessments concerning current and previous resource allocations and whether the Department achieved its planned performance goals. Performance metrics will be the analytical underpinning to ascertain whether an appropriate allocation of resources exists in current budgets.*

B. The USD(Comptroller) guidance memorandum, transmitted in June 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 July/August) 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 program and budget guidance will be restricted to new or nonrecurring requirements.

C. Guidance for development of the National Foreign Intelligence Program and budget review submission will be issued by the Director of Central Intelligence. Additional detail is found in Chapter 16.

D. 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.

E. A budget work schedule will be forwarded by a 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.

F. Common Program and Budget Review Exhibits – a number of exhibits will be identified subsequent chapters and in the annual call memorandum that will be common to both the program and budget review. In most cases this will involve Web based input through the Select and Native Programming (SNaP) data Input System. The process is addressed in section 0109.

G. Budget Material

1. As stated in section 010302, limited paper copies of unclassified budget documents will be provided to the primary OUSD(Comptroller) reviewing Directorate and to OMB. This section also provides detailed distribution guidance on classified material as well as certain summary material

2. All budget material required in a paper format for the budget 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.

H. Second Year of the Department's Two-year Budget Review Cycle - Budget Material. Budget documentation will be limited in the second year of the 2-year cycle. The primary budget document is the Budget Change Proposal (BCP). Other budget exhibit requirements will be determined as this review process evolves. They will be identified in the annual budget call memorandum.

010302 Distribution

Limited paper copies of unclassified budget documents will be provided to the primary OUSD(Comptroller) reviewing Directorate and to OMB. Additionally, classified budget exhibits, the transmittal memorandum with attachments to the Secretary of Defense, and the budget overview booklets, will be provided in paper format. Submitting Components will also post all unclassified budget material to an access controlled Internet site unless provided for otherwise in the annual budget call memorandum. This will allow all OSD staff offices access to Component budgets while minimizing the need for hard copies of the submissions. Under current procedures, each submitting Component will individually post unclassified budget justification material on an OUSD(Comptroller) hosted NIPRNET site. Additional guidance on accessing this site and content guidance and restrictions will be provided annually. Paper copy distribution of classified/unclassified program and budget review submission material will be made in accordance with the charts on the following pages for the first year of the 2-year budget cycle. Guidance for distribution of paper copies of Component BCPs in the second year of the 2-year budget review cycle will be provided in the annual call memorandum. 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 unless guidance elsewhere in this volume or in the annual call memorandum indicates otherwise. However, because of numerous room changes during the Pentagon Renovation and building access changes at non-Pentagon locations, call the listed office prior to delivery of budget material:

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	3E843	(703) 695-3078
Director, PA&E	2D309	(703) 697-0395
USD(Acquisition, Technology & Logistics) Mail Room	3C136	(703) 695-4060
USD(Policy)	4B940	(703) 697-9478
<i>ASD(NII) Resource Program Budget Office</i>	<i>3D228</i>	<i>(703) 695-3937</i>
<i>USD(Intelligence) Requirements and Resources</i>	<i>1A875</i>	<i>(703) 693-5330</i>
USD(Personnel & Readiness)	3D258	(703) 614-5133
ASD(Health Affairs)	3E1082	(703) 697-2111
ASD(Reserve Affairs)	2E195	(703) 693-7495
The Joint Staff (J-8)	1E963	(703) 614-6489
DOT&E		
Attn: Mary Wells – Business Manager		
4850 Mark Center Dr		
Suite 1000		
Alexandria, VA 22301		
		(703) 681-4012/13
Executive Office of the President		
Office of Management and Budget (OMB)		
		(202) 395-3777
National Security Division		
Attn: Chauncey Goss		
NEOB, Room 10001		
725 17 th St		
Washington, D.C. 20503		

Because of numerous room changes during the Pentagon Renovation and building access changes at non-Pentagon locations, call the listed office prior to delivery of budget material.

Because of mail handling procedures, many offices require courier delivery/pickup in lieu of U.S. Postal Service delivery. Please call offices prior to mailing any material to the above organizations.

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

	C H A P T E R	USD(Comptroller)																				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					P A & E	O M B	A T & L	U S D (P)	N I I	P & R	H A	U S D (I)		R A			T J S	D O T & E	
Transmittal Memorandum to SecDef <u>with each of the following attachments:</u> Summary of Budget Estimates (PB-1), Fiscal Guidance Track- TOA in Millions of Dollars (PB-1A) Current Year Reprogrammings/Transfers (PB-3) Schedule of Military and Civilian Personnel (PB-4), Supplemental Appropriation Requirements (PB-8)	1	1	1	1	1	1					1	1	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	1			36
Additional Budget Submission (PB-10)	1	1	2	2	1	1	1				1	2	1	1	1	1		1			1	1				18
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 CIFA, NGA, NSA, and DIA

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
OPERATION AND MAINTENANCE, AND MILITARY PERSONNEL BUDGET MATERIAL**

Appropriation	C H A P T E R	USD(Comptroller)										P A & E	O M B	A T & L	U S D (P)	N I I	P & R	H A	U S D (I)	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															
<i>MilPers Title Appropriations</i>	2																					
Classified budget material		1	2			1						1	1	1	1	1		1		1	1	13
Unclassified budget material			2										1									3
<i>O&M Title Appropriations</i>	3/8																					
Classified budget material		1	2			1						1	1	1	1	1		1		1		13
Unclassified budget material			2										1									3
<i>Drug Interdiction & Counterdrug Activities</i>	14																					
Classified budget material		1	2	1		1						1	1	1	1	1		1		1		15
Unclassified budget material			2										1									3
<i>Overseas Contingencies Operations Transfer Fund</i>	17																					
Classified budget material		1	2	1		1						1	1	1	1	1		1		1		15
Unclassified budget material			2										1									3

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 CIFA, NGA, NSA, and DIA.

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

Appropriation	C H A P T E R	USD(Comptroller)										P A & E	O M B	A T & L	U S D (P)	N I I	P & R	U S D (I)			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	4																							
Classified budget material		1		2								1	1	1	1	1	1			1	1	1	13	
Unclassified budget material				2									1										3	

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 BUDGET MATERIAL**

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)	N I I	P & R	U S D (I)					R A	T J S	D O T & E	
RDT&E Appropriation Title Classified budget material <i>Unclassified budget material</i>	5	1		2 3	1	1						1	1 1	1	1	1	1	1				1	1	1		15 4

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 BUDGET MATERIAL

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)	N I I	P & R	H A	U S D (I)		R A		T J S	D O T & E		
Revolving Fund Title	9																									
Classified budget material		1	1	1		2							1	1	1	1	1	1	1			1	1	1		16
Unclassified budget material						2								1												3

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 BUDGET MATERIAL**

Appropriation	C H A P T E R	USD(Comptroller)										P A & E	O M B	A T & L	U S D (P)	N I I	P & R	H A	U S D (I)	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																
Military Construction/Family Housing Appropriation Title	6																						
Classified budget material		1			2							1	1	1	1	1	1			1	1		13
Unclassified budget material					2							1											3

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 originating agency clearly identified on each page of each exhibit.

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

PROGRAM	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	P & F C					P A & E	O M B	A T & L	U S D (P)	N I I	P & R	H A	U S D (I)		R A		T J S	D O T & E		
Intelligence Programs (NFIP/JMIP/TIARA) (IP-1)	16	1		1	1							1	1	1	1		1		1			1				10
Special Interest Exhibits Chapter 19	19																									
Classified budget material		1	2	2	1	1						1	1	1	1	1	1	1	1		1	1	1			19
Unclassified budget material			1	1	1	1							1													5

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), budget years BY1, and BY2 (in the biennial budget year), 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). The current review schedule provides for concurrent program and budget reviews. If the program review ever precedes the budget review, the TOA levels should reflect the POM levels as modified by any 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. Transfers of functions between DoD Components will not be reflected in the program and budget review submissions unless they have been approved by the Component Head 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.

5. Adjustments necessary to properly reflect functional transfers agreed upon by the parties, but not included in the Program and budget review submission, may be accomplished in the budget review process. Functional transfers not submitted in the program and budget review submission or incorporated during the budget review process will be financed by transfer 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.

6. Material should be "Unclassified" and "For Official Use Only" unless contents otherwise require a higher classification. All Program and budget review submission material is subject to DoD 5400.7-R, DoD Freedom of Information Act Program, Chapter II, Exemptions and in particular exemption number 5. Hard copy revised Procurement (P-1 exhibit) and RDT&E Program (R-1 exhibit) must be submitted by the DoD Components with a certification, signed by the Security Officer, confirming that all line items are classified properly.

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 0110 contains formats for those exhibits applicable to more than one appropriation.

2. In addition to those exhibits identified in Section 0110, there are exhibits required by other chapters 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 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) is 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 established by USD(P&R).

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 lead-time requirements in the budget years for any principal item should not exceed the lead-time used in the development of the current year budget program.

3. Production lead-times 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 pricing components/manufacturers used causing the increase.

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

5. 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 facilities sustainment, facilities operations, equipment replacement and maintenance, and supply inventory levels.

G. Preparation of Biennial Budget Estimates - Revolving Funds

1. Revolving 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 *Second Year of the Department's Two-year Budget Review Cycle - Budget Material.*

Budget documentation will be limited in the second year of the 2-year cycle. The primary budget document is the Budget Change Proposal (BCP). Other budget exhibit requirements will be determined as this review process evolves. They will be identified in the annual budget call memorandum.

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 0110]

PB-1A. Fiscal Guidance Track – TOA in Millions of Dollars. (FY 20BY1 thru 20BY2+4) [Section 0110]

PB-3. Current Year Reprogramming/Transfers Between Appropriations – TOA in Thousands of Dollars.[Section 0110]

PB-4. FY 20BY1 and 20BY2 Budget Estimates - Schedule of Civilian and Military Personnel. (FY 20PY thru 20BY2+4) [Section 0110]

PB-8. FY 20CY Supplemental Appropriation Requirements (Described in Section 010306). [Section 0110]

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. *Electronic* data will be submitted to support Exhibit PB-4 (see Section 010505). Extreme care must be exercised to assure that the submission and the exhibits are identical in data content. As described in Section 010505, the *electronic* data submissions 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 program and budget review 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. Special Program Categories 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 0110. 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 authority, and is so displayed in the President's Budget.

010307 Additional Budget Submissions (ABS)

A. General Guidance. Following the initial program and budget review submission (initial submit), 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 the date specified in the annual guidance. Additional budget estimates for the biennial years 1 and 2 will be accompanied by Exhibit PB-10, provided in Section 011002, 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 011002.

010309 Budget Review Procedures

A. Comptroller Information System (CIS). 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 Decision Memorandums (PDMs) and 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 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. Program and Budget Review Submissions are entered into the system through electronic submissions from the DoD Components or through on-line interaction with the system. During the joint OMB/OSD Program and Budget Review, program and budget decision documents are recorded into CIS and the current status of the program and budget review is readily available soon after the data are processed.

B. Development of Out-year Data During the Program and Budget Review

1. Throughout the Program and Budget Review a continuing update of the out-year TOA and manpower is performed 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 database are provided by each of the DoD Components. During the program and budget review, as program and budget decision

documents are approved and recorded into CIS, the TOA and manpower out-year impact of each decision is addressed on the decision document and is also entered into CIS. The program and 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, Budget Activity/Special Program Category, and by Program Budget Decision number. Manpower data is recorded at the appropriation account level, and by Program Budget Decision number and 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 (*direct and reimbursable*), foreign national direct hire (*direct and reimbursable*), and foreign national indirect hire (*direct and reimbursable*).

4. The CIS produces Out-year Impact Status Reports on a recurring basis throughout the *program and budget review*. These reports, which are *available* to the applicable DoD Components, show TOA & manpower data by appropriation, 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. *Electronic galleys.*

a. *The OMB will provide OUSD (Comptroller) and Office of the Deputy General Counsel (Fiscal) within the OSD, General Counsel with an electronic copy of the galleys based on the previous year's President's Budget document. The OMB electronic galley version is divided into two parts, Appropriation Language and Narrative Language. The OSD, General Counsel is responsible for all Appropriation Language galleys (except for the dollar amounts); the OUSD(Comptroller) is responsible for all Narrative Language galleys. The Narrative Language galleys include any "text tables" such as Active/Reserve End Strength Forces tables and Defense Health Program Eligible Beneficiary Category tables.*

b. *The dollar amounts contained in the Appropriation Language galleys such as the amount to be appropriated are the responsibility of the OUSD(Comptroller), Program and Financial Control Directorate. In most cases, these dollar amounts are generated electronically from the Comptroller Information System (CIS) and loaded directly into OMB budget system. However, amounts for Emergencies and Extraordinary Expenses need to be posted to the electronic galleys. The Program and Financial Control Directorate (P&FC) will identify*

these items, coordinate with other OUSD(Comptroller) Directorates, and ensure that accurate dollar amounts are reflected in the OSD, General Counsel version submitted to OMB.

c. Both Appropriation Language and Narrative Language galleys are updated and submitted electronically to OMB. The Appropriation Language galleys will be electronically updated by the OSD, General Counsel and coordinated with the OUSD(Comptroller) around mid-December. The Narrative Language galleys are updated within OUSD(Comptroller) in the same timeframe. New accounts, accounts with supplementals requiring separate schedules, rescission proposals and other material to be presented in the President's Budget document will also be accomplished electronically. The submission of electronic galleys 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). The OMB will post the electronic submission along with OMB-initiated changes for OSD, General Counsel, and OUSD(Comptroller) review until 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 (C³) Programs are contained in Chapters 2 thru 7, 9, 10, 12, 13, 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 3, Exemptions, of this regulation should be reviewed carefully before denial of any FOIA request. Exemptions will generally fall into exemption 5. Use of For Official Use Only (FOUO) must meet the requirements of DoD 5400.7-R, Chapter 4.

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(NII) 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 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 OMB and 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 current year program supplemental appropriation requirements as directed by OMB.

5. Reports 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.

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 Defense Automation and Production Service (DAPS) 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 8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. Components will request DAPS to reduce all larger pages to the standard 11" x 8.5" 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(NII) 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) Directorate for review or for Information Technology exhibits as directed by OASD(NII). 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(NII) Resource Management
Directorate, 3D228, 695-6735
(For IT Justification)

In addition, one set of the Military Personnel and Operation and Maintenance Justification Books for the Reserve Components will be delivered to OASD(RA), Room 2E195.

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 generally 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 0110), highlighting changes to the pending request.

(3) Program and Financing Schedule (abbreviated) in the format of Exhibit PB-37S (see Section 0110). 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 0110). 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. When prepared by a Military department, 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(NII) 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 is 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

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	3E843	(703) 695-3078
Director, PA&E	2D309	(703) 697-0395
USD(Acquisition, Technology & Logistics) Mail Room	3C136	(703) 695-4060
USD(Policy)	4B940	(703) 697-9478
<i>ASD(NII) Resource Program Budget Office</i>	<i>3D228</i>	<i>(703) 695-3937</i>
<i>USD(Intelligence) Requirements and Resources</i>	<i>1A875</i>	<i>(703) 693-5330</i>
USD(Personnel & Readiness)	<i>3D258</i>	<i>(703) 614-5133</i>
ASD(Health Affairs)	<i>3E1082</i>	<i>(703) 697-2111</i>
ASD(Reserve Affairs)	2E195	(703) 693-7495
The Joint Staff (J-8)	1E963	(703) 614-6489
DOT&E		
Attn: Mary Wells – Business Manager		
4850 Mark Center Dr		
Suite 1000		
Alexandria, VA 22301		(703) 681-4012/13
OIG, DoD		
Attn: Comptroller Room 470		(703) 604-9762
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) 395-3777
National Security Division		
Attn: Chauncey Goss		
NEOB, Room 10001		
725 17 th St		
Washington, D.C. 20503		

GAO

U.S. General Accounting Office

NSIAD/TIC

Attn: Robert B. Brown (DCM) (Unclassified Material)

(202) 512-8606

US GAO

441 G Street, NW --Room 4A12

Washington, DC 20548

NSIAD Document Control Office

Attn: Wanda Beasley (Classified Material)

(202) 512-5810

441 G Street, NW --Room 4035

Washington, DC 20548

Congressional Budget Office (CBO)

Ford House Office Building

Rm. 428 (Attn: Jo Ann Vines)

(202) 226-2840

2nd and D Streets, S.W.

(202) 225-3185 (FAX)

Washington D.C. 20515

Library of Congress

Rm. LM-208 (stop 7500)

(202) 707-8845

Attn: Bruce Krafte

James Madison Library Bldg.

101 Independence Ave., S.E.

Washington, D.C. 20540

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

Because of mail handling procedures, many offices require courier delivery/pickup in lieu of U.S. Postal Service delivery. Please call offices prior to mailing any material to the above organizations.

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

Appropriation	C H A P T E R	USD(Comptroller)																				D E T F O R E T S A E 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	A T & L	P O L I C Y	N I I	P & R	U S D (I)						R A	T J S					O I G
<u>Military Personnel, Active, Guard and Reserve</u> In-house Backup Exhibits (MP/MPR) <i>Justification Book</i>	2	1	4 2								1	1	1	1	4	1					1	1					1		17 2

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				SAC				H A S C	S A C	H P C I	S S C I	H B C	S B C	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 S B	D E S B	M C N	M C N	D E S B	D E S B	M C N	M C N													
<u>Military Personnel, Army</u> Justification Book	2	2	3	3	1			2	1			5	6	1	1	2	2	2	1					32
<u>Military Personnel, Navy</u> Justification Book	2	2	3	3	1			2	1			5	6	1	1	2	2	2	1					32
<u>Military Personnel, MC</u> Justification Book	2	2	3	3	1			2	1			5	6	1	1	2	2	2	1					32
<u>Military Personnel, AF</u> Justification Book	2	2	3	3	1			2	1			5	6	1	1	2	2	2	1					32
<u>Reserve Personnel, Army</u> Justification Book	2	2	2	3	1			2	1			5	6	1	1	2	2	2	1					31
<u>Reserve Personnel, Navy</u> Justification Book	2	2	2	3	1			2	1			5	6	1	1	2	2	2	1					31
<u>Reserve Personnel, MC</u> Justification Book	2	2	2	3	1			2	1			5	6	1	1	2	2	2	1					31
<u>Reserve Personnel, AF</u> Justification Book	2	2	2	3	1			2	1			5	6	1	1	2	2	2	1					31
<u>Nat'l Guard Personnel, Army</u> Justification Book	2	2	2	3	1			2	1			5	6	1	1	2	2	2	1					31
<u>Nat'l Guard Personnel, AF</u> 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)																D E T F O R E T 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					P A & E	A T & L	P O L I C Y	N I I	P & R	U S D (I)		L A		R A	T J S					O I G	
O&M, Active, Guard & Reserve In-house Exhibits <i>All Justification Book Volumes (Volumes 1, 2, and 3)</i>	3	1	5 2								1	1	1	1	3	1					1						1	16 2
O&M, Defense-wide In-house Exhibits <i>Classified Justification Book Volumes 1 (Classified DIA/NSA/DISA)**</i>	3	1 1	3 3								1 1	1 1	1 1	1 1	3 3	1 1	1			1							1 1	13 14

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**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				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												
<u>O&M, Army</u>	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
Facilities Sustainment, Restoration and Modernization (Vol. 3)		2		3	3	1			2	1			10	6	1	1	2	2	2	1			37
<u>O&M, Navy</u>	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
Facilities Sustainment, Restoration and Modernization (Vol. 3)		2		3	3	1			2	1			10	6	1	1	2	2	2	1			37
<u>O&M, Marine Corps</u>	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
Facilities Sustainment, Restoration and Modernization (Vol. 3)		2		3	3	1			2	1			10	6	1	1	2	2	2	1			37
<u>O&M, Air Force</u>	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
Facilities Sustainment, Restoration and Modernization (Vol. 3)		2		3	3	1			2	1			10	6	1	1	2	2	2	1			37

**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				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 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												
O&M, Defense-wide	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	
Facilities Sustainment, Restoration and Modernization (Vol. 3)**		2		3	3	1			2	1			5	4				2	1			24	
O&M, Army Reserve	3																						
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1			37
O&M, Navy Reserve	3																						
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1			37
O&M, Marine Corps Reserve	3																						
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1			37
O&M, Air Force Reserve	3																						
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1			37
O&M, Army National Guard	3																						
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1			37
O&M, Air National Guard	3																						
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1			37
Operation & Maintenance Overview**	3	10		3	5	1			5	1			10	10					1	2			48

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

Appropriation	C H A P T E R	USD(Comptroller)										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	A T & L	P O L I C Y	N I I	P & R	U S D (I)	L A	P A *	R A	T J S				O I G			
<u>Aircraft Procurement, Navy</u> Classified Committee Staff Proc. Backup Book	4	1		3								2	2	1	1	1	1	1		1	1						1		16
<u>Other Procurement, Navy</u> Classified Committee Staff Proc. Backup Book	4	1		3								2	2	1	1	1	1	1		1	1					1		16	

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

Appropriation	C H A P T E R	O M B	G A O	HAC				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	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													
Aircraft Procurement, Navy Committee Staff Proc. Backup Book	4	2	3	4	1			3	1			6	6			2	2	2					32	
Weapons Procurement, Navy Committee Staff Proc. Backup Book	4	2	3	4	1			3	1			6	6			2	2	2					32	
Shipbuilding & Conversion, Navy Committee Staff Proc. Backup Book	4	2	3	4	1			3	1			6	6			2	2	2					32	
Proc of Ammunition, Navv and MC Committee Staff Proc. Backup Book	4	2	3	4	1			3	1			6	6			2	2	2					32	
Other Procurement, Navy Committee Staff Proc. Backup Book	4	2	3	4	1			3	1			6	6			2	2	2					32	
Procurement, MC Committee Staff Proc. Backup Book	4	2	3	4	1			3	1			6	6			2	2	2					32	
National Defense Sealift Fund Committee Staff Proc. Backup Book	4	2	3	4	1			3	1			6	6			2	2	2					32	

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

Appropriation	C H A P T E R	USD(Comptroller)																				D E T F O R 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					P A & E	A T & L	P O L I C Y	N I I	P & R	U S D (I)						R A	T J S					O I G	
Aircraft Procurement, AF Classified Committee Staff Proc. Backup Book	4	1		3							2	2	1	1	1	1												1		15
Missile Procurement, AF Classified Committee Staff Proc. Backup Book	4	1		3							2	2	1	1	1	1											1		15	
Proc of Ammunition, AF Classified Committee Staff Proc. Backup Book	4	1		3							2	2	1	1	1	1											1		15	
Other Procurement, AF Classified Committee Staff Proc. Backup Book	4	1		3							2	2	1	1	2	1											1		15	

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

Appropriation	C H A P T E R	O M B	G A O	HAC				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 S					T C O U T M 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, AF</u>																								
Committee Staff Procurement Backup Book	4	2		3	4	1			3	1			6	6				2	2	2				32
<u>Missile Procurement, AF</u>																								
Committee Staff Procurement Backup Book	4	2		3	4	1			3	1			6	6				2	2	2				32
<u>Proc of Ammunition, AF</u>																								
Committee Staff Procurement Backup Book	4	2		3	4	1			3	1			6	6				2	2	2				32
<u>Other Procurement, AF</u>																								
Committee Staff Procurement Backup Book	4	2		3	4	1			3	1			6	6				2	2	2				32

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

Appropriation	C H A P T E R	O M B	G A O	HAC				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&E, Army</u> Budget Item Justification Book	5	3	3	4	1			3	1			10	6	1	1	2	2	3	1					41
<u>RDT&E, Navy</u> Budget Item Justification Book	5	3	3	4	1			3	1			10	6	1	1	2	2	3	1					41
<u>RDT&E, AF</u> Budget Item Justification Book	5	3	3	4	1			3	1			10	6	1	1	2	2	3	1					41
<u>RDT&E, Defense Agencies</u> Budget Item Justification Book**	5	3	3	2	1			2	1			5	4					2	1					24
<u>R-1, RDT&E Programs**</u>	1	6	3	13	1	2	1	10	1	1	1	50	20	2	2	2	2	3	2					122
<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				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													
Defense Working Capital Funds Justification Book -Army, Navy, Air Force, Defense-wide	9	2	3	3	1			3	1			10	5					3	1					32
Public Enterprise, Management Fund, and Trust Fund Justification Book	10	2	3	2	1			2	1			5	2					2	1					21

★June 2004

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
ALL MILITARY DEPARTMENT MILITARY CONSTRUCTION, FAMILY HOUSING AND BRAC ACCOUNTS**

Appropriation	C H A P T E R	USD(Comptroller)											A T & L	P O L I C Y	N I I	P & R	U S D (I)	R A	T J S	O I G	D E T F O R E T S A E 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									
<u>Military Construction/Family Housing/BRAC</u> <i>Justification Book -Army, Navy, Air Force</i>	6				2															2	

**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				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 A 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>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 & Family Housing, N & MC</u> Justification Book	6	2	3			1	1			1	1	7	2	1	1	2	2	2	1				27
<u>Mil Const & 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 & 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 & 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>Chemical Demilitarization Construction, Defense</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
<u>C-1, Construction Program</u>	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				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 E A 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												
<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
OTHER ACCOUNT REQUIREMENTS**

PROGRAM	C H A P T E R	USD(Comptroller)																D E F O R 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						P A & E	A T & L	P O L I C Y	N I I	P & R		U S D (I)			R A	T J S				O I G		
Intelligence Programs (NFIP/JMIP/TIARA) Classified Justification	16	1		1	2							1	1	1		1	1				1						1		11
Drug Interdict. & Counter-drug Actys Classified Justification Book	14	1	2	1	1							1			1	1	1				1	1					1		12
CD-ROM: 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		15

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

PROGRAM	C H A P T E R	O M B	G A O	HAC				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	D E F	M C N	M C N	D E F	D E F	M C N	M C N													
				S U B	S U B	S U B	S U B	S U B	S U B	S U B	S U B													
<u>Information Technology Distribution made by NII</u> Justification Book	18	3	3	1	1			1	1			2	2					1				15		
<u>Intelligence Programs (NFIP/JMIP/TIARA)</u> (IP-1) Justification Book	16			1	1			1	1			2	2	1	1		1	1				12		
<u>Defense Health Programs</u> Justification Book	12	2		2	1			2	1							3	1					12		
<u>Drug Interdiction & Counter-drug Actvs -</u> Justification Book	14	2		2	1			2	1							3	1					12		
<u>Overseas Cost Report (OP-53)</u> Report**	15	2		3	1			3	1			10	5			3	1					29		
<u>Overseas Contingency Operations</u>	17	2		2	1			2	1			2	2			3	1					16		
<u>Advisory and Assistance Services (PB-15)</u> Exhibit (incl. in O&M Data Book, Vol. II)	19																							
<u>Military Department Overview Booklets</u> Army, Navy, and Air Force	1	2		2	1	1	1	2	1	1	1	5	2	1	1	2	2	1	1			27		
<u>Combating terrorism</u> Justification Book	19	2		2	1	1	1	2	1	1	1	2	2	1	1	2	2	1				23		
<u>CD-ROM:</u> 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				18		

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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	N I I	P & R	U S D (I)	L A	T J S	O I G	D E F O R 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														
Functional Transfers (PB-14) In-house Backup Exhibit	19	1	1				1														3
Advisory and Assistance Services (PB-15) In-house Backup Exhibit	19	1	1																		2
Legislative Proposals (PB-16) In-house Backup Exhibit	19	1	2											1							4
Employee Relocation Expenses (PB-17) In-house Backup Exhibit	19	1	2											1							4
Foreign Currency Exch. Data (PB-18) In-house Backup Exhibit	19	1	2							1				2				2		1	9
Combatant Command Direct Funding (PB-58) In-house Backup Exhibit	19	1	1	1						1				1							5
Major DoD HQ Activities (PB-22) In-house Backup Exhibit	19	1	1							1	1			1							5
AT&L Workforce Transformation Prg. (PB-23) In-house Backup Exhibit	19	1	1							1	1			1							5
Professional Military Education (PB-24) In-house Backup Exhibit	19	1	1							1	1			1							5
Host Nation Support Costs (PB-25) In-house Backup Exhibit	19	1	3							1				1				1		1	8
Environmental Quality/Security/Mgt (PB-28/28A/28B) In-house Backup Exhibit	19	1	1	1						1	1										5
Competition and Privatization (PB-42) In-house Backup Exhibit	19	1	2							1	1			2				1		1	10
Administrative Motor Vehicle Operations (PB-41)	19	1	2							1	1			1				1		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 0110.

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. Congressional Hearings and Reporting Requirements Tracking System (CHARRTS). CHARRTS is a new OUSD(Comptroller) web based application for tasking Hearing transcripts, inserts for the record, and questions for the record. Components that are tasked will be notified by email for each tasking for which they are responsible to complete. CHARRTS is a controlled site accessed through <http://140.185.44.52/> and requires an access password for each user. Components will input all responses to both inserts and questions for the record directly into CHARRTS. Formats have been established within CHARRTS for each Committee for these responses and must be used. Input that does not follow the established standards will be rejected by the system. Contact the OUSD(Comptroller), Plans and Systems Directorate at (703) 697-1101 for all questions related to CHARRTS.

E. 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 one page 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 on high priority items 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 0110) 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 OUSD(I). Further guidance is contained in Chapter 16.

0105 BUDGET AUTOMATION REQUIREMENTS**010501 Automated Military Personnel Programs Database**

A. Purpose and Objectives. The purpose of the Military Personnel Programs database is to provide supporting budgetary documentation to the Congress, OMB and the public with each year's President's Budget. Data submission is through the Program Resources Collection Process (PRCP) System. The Military Personnel Programs database supports, and must be consistent with, other budgetary data in the Comptroller Information System (CIS). This section provides for the maintenance of the Military Personnel Programs as an automated database that is the primary structure for budget activity and budget subactivity level of detail. The Military Personnel Programs (M-1) (unclassified) is produced from the Military Personnel Programs database.

B. Applicability. The provisions of this section apply to the Office of the Secretary of Defense (OSD) and the Military Departments.

C. Reporting Requirements. The automated database was established for the FY 2005 President's budget. Subsequent updates will be required coincident with the (1) Program and Budget Review and (2) the 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 Military Personnel Programs. The Military Personnel Programs provide resources in a budget activity and budget subactivity 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 2 of the DoD FMR. The minimum information required in the Military Personnel 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/budget subactivity with budget activity subtotals and an appropriation total.
3. Entries for the individual line items should be on the same basis as that used for program and budget submissions.
4. 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, and must match prior year values in the Comptroller Information System.
5. The OUSD(C) P/B OPS will obtain the Security classification review certification.

E. General Instructions - Preparing the Military Personnel Programs (M-1). The M-1 document is derived from and consistent with other budgetary data in the CIS database. The M-1 is provided annually to the DoD oversight committees of the Congress coincident with the transmittal of the President's Budget. The minimum information required in the M-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. Military Personnel 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 Military Personnel Data Elements and Record Formats: Components must follow the guidance and use the data elements and record layouts for submission of updates to the Military Personnel Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).*

010502 Automated Operation and Maintenance Programs Databases

A. Purpose and Objectives. *The purpose of the Operation and Maintenance Programs databases are to provide supporting budgetary documentation to the Congress, OMB and the public with each year's President's Budget. Data submission is through the Program Resources Collection Process (PRCP) System. The Operation and Maintenance Programs databases support, and must be consistent with, other budgetary data in the Comptroller Information System (CIS). This section provides for the maintenance of the Operation and Maintenance Programs as an automated database that is the primary structure for budget activity and activity group cost at the Program Element and expense aggregate level of detail. The O-1 reports are produced from the Operation and Maintenance Programs database. Operation and Maintenance Programs data extracts are provided to the Office of the Director, Program Analysis and Evaluation (hereafter referred to as "OD,PA&E") to update the Future Years Defense Program database. In addition, the Civilian Personnel Costs and O&M Summary of Price and Program Changes automated exhibits are processed through this system. Updates and documents produced include:*

1. *Operation and Maintenance Programs (O-1) (classified)*
2. *Operation and Maintenance Programs (O-1) (unclassified)*
3. *Future Years Defense Program Update Data for OD,PA&E*
4. *Civilian Personnel Costs (OP-8) (classified)*
5. *Civilian Personnel Costs (OP-8) (unclassified)*
6. *Summary of Price and Program Changes (OP-32) (classified)*
7. *Summary of Price and Program Changes (OP-32) (unclassified)*

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 Operation and Maintenance Programs.*

C. Reporting Requirements. *The initial Operation and Maintenance Programs automated database was established for the FY 2005 President's budget. Subsequent updates will be required coincident with the (1) Program and Budget Review and (2) the 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 Operation and Maintenance Programs. *The Operation and Maintenance Programs provide resources in a budget activity and activity group 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 3, Section 030402 of the DoD FMR. The minimum information required in the Operation and Maintenance 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/activity group/sub-activity group with budget activity/activity group subtotals and an appropriation total.*
3. *A detailed sub-activity group by program element and expense aggregate listing in budget activity/activity group sequence.*

4. Entries for the individual line items should be on the same basis as that used for program and budget submissions.

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, and must match prior year values in the Comptroller Information System.

6. 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 O-1 Report, data contained in the Operation and Maintenance Programs may not be released outside the DoD without the expressed written consent of the Under Secretary of Defense (Comptroller).

E. General Instructions - Preparing the Operation and Maintenance Programs (O-1). The O-1 document is derived from and consistent with other budgetary data in the CIS database. The O-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 O-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) for the O-1 production, and outyears for the FYDP update.

3. The security classification will be in accordance with the criteria set forth in Section 010108.

F. Operation and Maintenance 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. Program element codes and titles are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook. This publication is available at <http://www.dtic.mil/whs/directives> under "Publications," 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. A listing of expense aggregate codes is available at the SIPRNET home pages of the OUSD (Comptroller) and OD, PA&E.

3. *Other Operation and Maintenance 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 Operation and Maintenance Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).

G. Instructions on OP-32 and OP-8 are at Section 030201.G. Automated Submission and 0304 Operation and Maintenance Appropriation Submission Formats. Detailed guidance on the automated submission is provided on the OUSD(Comptroller) home page of the SIPRNET at <http://cisweb.ousdc.osd.smil.mil>.

010503 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. Data submission is through the Program Resources Collection Process (PRCP) System. The Procurement Programs database supports, and *must* 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 that is the primary structure for quantity and program cost at the line item and Program Element 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. Program Acquisition Costs by Weapon System (unclassified)
5. 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
6. *Future Years Defense Program Update Data for OD, PA&E*
7. Data for USD(AT&L), USD(I), ASD(NII), 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 and Budget Review and (2) the 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/budget subactivity 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).

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. *Program element codes and titles are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook. This publication is available at <http://www.dtic.mil/whs/directives> under "Publications," 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.*

3. 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).

010504 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. *Data submission is through the Program Resources Collection Process (PRCP) System.* The RDT&E Programs database supports, and *must* 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 that will be the primary structure for program element and project level 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. *Future Years Defense Program Update Data for OD, PA&E*
6. Data for USD (AT&L), USD(I), ASD (NII) 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 and Budget Review, and (2) 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.

E. General Instructions - Preparing the R-1 Document. 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).

010505 Automated Construction Program Database

A. Purpose and Objectives. This section provides guidelines for the Automated Construction Program Database to supplement the Defense Components' military construction justification materials. *Data submission is through the Program Resources Collection Process (PRCP) System.* 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 such as the facilities recapitalization metric.

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 the executive agent as described in Volume 2, Chapter 6, Section 060301.

D. Reporting Requirements. Update submissions will coincide with the *Program and Budget Review* submissions and the January budget presentation. Detailed requirements not contained herein will be specified by memorandum for all update submissions. *Data will be consistent with budgetary data in the CIS database.*

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. *Program element codes and titles are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook. This publication is available at <http://www.dtic.mil/whs/directives> under "Publications," 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.*

3. 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
- Program Element

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. A separate data element will be used to identify the number of units being constructed for each project.
- - Construction Improvements - lump-sum.
- Planning and Design - lump-sum

6. Family Housing, Operation & Maintenance 1/ Lump-sum for each budget activity except the Operating Expenses budget activity will be reported by subaccount. The Family Housing Operation and Maintenance entries are shown below:

- Management Account
- Services Account
- Furnishings Account
- Miscellaneous Account
- Utilities Account
- Leasing

- Maintenance of Real Property
- Interest Payments
- Mortgage Insurance Premiums
- *Housing Privatization Support*

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).

010506 CIS Automation Requirements for the Biennial Program and Budget Review Submission

A. Purpose: *Electronic* data are the basis for the OSD budget review. Components' program and budget review submission form the baseline from which all Program Budget Decision dollar and manpower deltas are made. The program and budget review submission is entered into Comptroller Information System (CIS) by the Military Departments and Defense Agencies. This chapter outlines 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 published annually 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, object class, and expenditure tail for all accounts, except for multi-year accounts that also have a separate obligation plan in addition to the budget plan.

C. Submission Requirements:

1. Submission of Budget Estimates for Budget Years (BY1) and BY2:

a. Budget Submission (Dollars): Military Departments and Defense Agencies, as applicable, will submit budget plan, obligation plan (for multi-year accounts), 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 submission TOA dollars on Exhibit PB-1A.

b. Budget Submission (Personnel Data): Budget 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 electronic data for the PY as part of the program and budget review 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 actual are available.

d. Obligation Plan Data for Multi-Year Accounts: Obligation plans for the program and budget review submissions will be computer generated in CIS once PY accounting actuals are input and as budget adjustments are recorded in CIS. Components will be asked to review obligations by budget activity after the updated rates have been implemented in CIS.

e. Expenditure Tail Data: Components are not required to submit expenditure tail data. Expenditure tail data for the program and budget review 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 at the same time as the budget submission. Input to the database for the outyears will be formatted in accordance with the CIS Budget Structure, by appropriation account at the budget activity/special program category level. 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: Program and budget review submissions will be in thousands of dollars for all data elements for each account's budget plan, obligation plan, and object classification schedules and must be submitted in accordance with the CIS Budget Structure Listing. (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.

010507 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 to six-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.

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 that 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 (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) In addition, military personnel costs associated with intelligence programs, Special Operations Command (SOCOM), and the Defense Health Program (DHP) will be entered *in the appropriate budget activity with correct special program code* (see "Budget Structure Listing"). An offsetting entry must be made against the "Offset" special program code such that the sum of these entries net to zero.

(3) 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.

b. Input coding for Working Capital Fund 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. *Object class definitions are provided in OMB Circular A-11, Section 83. The major object class categories are:*

- 10 *Personal compensation and benefits*
- 20 *Contractual services and supplies*
- 30 *Acquisition of assets*
- 40 *Grants and fixed charges*
- 90 *Other*

2. *DoD-unique object class major/minor codes include:*

- 12.210 *Military – accrued retirement benefits*
- 12.220 *Military – other personnel benefits*
- 12.230 *Military – accrued health care*

Military benefit categorization guidance for the three above is provided in Chapter 2, Section 020202.

- 25.320 *Payments to foreign national indirect hire*
- 25.330 *Purchases from revolving funds. Obligations for purchases from Defense Working Capital Funds and other DoD revolving and management accounts. Differentiate from object class 25.310 purchases of goods and services from other government agencies (examples include non-revolving fund support agreement obligations)*

3. The object classification codes specified in OMB Circular A-11 are augmented in CIS by type that identifies Direct Obligations (type = “1”), Reimbursable Obligations (type = “2”), Allocation Accounts (type = “3”), and Receipt Obligations (type = “4”).

4. All revolving and management accounts will be coded in the reimbursable (type = “2”) object class series followed by the appropriate object class number.

5. Object class data will be submitted for all accounts (including concept obligations) in the Program and Financing schedules in the PY, CY, BY1 or BY2.

6. 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 the amount of the obligation 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 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 Report

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

2. CIS Report 22 has been developed to provide diagnostic and balancing checks for appropriation and receipt accounts. Report 22 provides a listing of balance diagnostic errors and warnings for each appropriation account and supplemental account as well as for each defense agency within a defense-wide account where appropriate. An example of a balancing requirement checked in this report is: Total Direct Program (Total Obligational Authority (TOA)) in the P&F section must equal total Direct Obligations in the Object Classification section for each year within a defense agency or appropriation account (for annual accounts).

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 in CIS 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 *validate budget activity data* and 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 – *Military Functions*

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 - Military

This Section lists currently active 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 and Guard 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
57_3400	Operation and Maintenance, Air Force
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
97X0118	Overseas Contingency Operations Transfer Fund, Defense
97/_0130	Defense Health Program, Defense

FUNCTIONAL TITLE - OPERATION AND MAINTENANCE (CONTINUED)

97/_0134 Former Soviet Union Threat Reduction, Defense
 97_0141 *Iraq Freedom Fund, Defense*
 97X0801 Foreign Currency Fluctuations, Defense
 21X0810 Environmental Restoration Fund, Army
 17X0810 Environmental Restoration Fund, Navy
 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
 97/_0828 Defense Reinvestment for Economic Growth, Defense
 97X0833 Emergency Response Fund, Defense
 97X0838 Support for International Sporting Competitions, Defense
 97/_0839 Quality of Life Enhancements, Defense
 97X0840 OPPLAN 34A - 35 P.O.W. Payments
 97X0842 Defense Vessels Transfer, Program Account
 17X1236 Payment to Kaho'Olawe Island Fund, Navy
 97X4965 Emergency Response Fund, Defense
 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 50th 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

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
 -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

FUNCTIONAL TITLE – PROCUREMENT (CONTINUED)

- 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
 - Fleet Ballistic Missile Ships
 - Other Warships
 - Amphibious Ships
 - Mine Warfare and Patrol 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
 - Personnel and Command Support Equipment
 - Spares and Repair Parts

- 17/_0380 Coastal Defense Augmentation
 - Coast Guard Support

FUNCTIONAL TITLE – PROCUREMENT (CONTINUED)

- 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
 - Munitions and Related Equipment

- 57/_3080 Other Procurement, Air Force
 - Munitions and Associated Equipment
 - 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

- 97/_0390 Chemical Agents and Munitions Destruction, Defense
 - Operation and Maintenance
 - Research, Development, Test , and Evaluation
 - Procurement (*Note: Effective as of FY 2005, appropriations will be to the 97/_0390 rather than 21/_0390*)

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/_/0460 Operational Test and Evaluation, Defense

Budget Activities for RDT&E Accounts

01 - Basic Research
02 - Applied Research
03 - Advanced Technology Development
04 - Advanced Component Development and Prototypes
05 - System Development and Demonstration
06 - RDT&E Management Support
07 - 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
97X0510 Base Realignment and Closure Account, Part II, Defense
051001 Base Realignment and Closure Account, Army
051002 Base Realignment and Closure Account, Navy
051003 Base Realignment and Closure Account, Air Force
051004 Base Realignment and Closure Account, Defense
97X0803 Foreign Currency Fluctuations, Construction, Defense
97X0804 North Atlantic Treaty Organization Security Investment Program
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
97/_/0391 *Chemical Demilitarization Construction, Defense*

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/_/0720 Family Housing, Construction, Army

21_0725	Family Housing, Operation and Maintenance, Army
17/_0730	Family Housing, Construction, Navy and Marine Corps
17_0735	Family Housing, Operation and Maintenance, Navy and Marine Corps
57/_0740	Family Housing, Construction, Air Force
57_0745	Family Housing, Operation and Maintenance, Air Force
97/_0760	Family Housing, Construction, Defense-Wide
97_0765	Family Housing, Operation and Maintenance, Defense-Wide
97X4090	Homeowners' Assistance Fund, Defense
97X4166	DoD Family Housing Improvement Fund, Direct Loan Financing Account
97X4167	DoD Family Housing Improvement Fund, Guaranteed 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
97X4950	Pentagon Reservation Maintenance Fund
17X4557	National Defense Sealift Fund
97X4168	Defense Export Loan Guarantees, Financing account

Intragovernmental Funds

97X493001	Defense Working Capital Fund, Army
97X493002	Defense Working Capital Fund, Navy
97X493003	Defense Working Capital Fund, Air Force
97X493004	Defense Working Capital Fund, Defense Agencies
97X493005	Defense Working Capital Fund, Defense Commissary Agency
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:

General Fund Proprietary Offsetting Receipts

184000A	Offsetting Receipts, Rent of Equipment and Other Personal Property, Army
184000N	Offsetting Receipts, Rent of Equipment and Other Personal Property, Navy
184000F	Offsetting Receipts, Rent of Equipment and Other Personal Property, Air Force
184000D	Offsetting Receipts, Rent of Equipment and Other Personal Property, Defense

246200A	Offsetting Receipts, Deposits for Survivors Annuity Benefits, Army
246200N	Offsetting Receipts, Deposits for Survivors Annuity Benefits, Navy
246200F	Offsetting Receipts, Deposits for Survivors Annuity Benefits, Air Force
246200D	Offsetting Receipts, Deposits for Survivors Annuity Benefits, Defense
223600D	Sales of Certain Material in National Defense Stockpile
264400D	Defense Vessels Transfer Receipt Account
265100D	Sale of Scrap and Salvaged Materials, Defense
262100D	Sale of Lands, Etc., Mil Post Construction Fund
301900A	Offsetting Receipts, Recoveries for Government Property Lost or Damaged, Army
301900N	Offsetting Receipts, Recoveries for Government Property Lost or Damaged, Navy
301900F	Offsetting Receipts, Recoveries for Government Property Lost or Damaged, Air Force
301900D	Offsetting Receipts, Recoveries for Government Property Lost or Damaged, Defense
304100A	Offsetting Receipts, Recoveries Under FMS Program, Army
304100N	Offsetting Receipts, Recoveries Under FMS Program, Navy
304100F	Offsetting Receipts, Recoveries Under FMS Program, Air Force
304100D	Offsetting Receipts, Recoveries Under FMS Program, Defense
321000A	Offsetting Receipts, General Fund Propriety Receipts, Army
321000N	Offsetting Receipts, General Fund Propriety Receipts, Navy
321000F	Offsetting Receipts, General Fund Propriety Receipts, Air Force
321000D	Offsetting Receipts, General Fund Propriety Receipts, Defense

Special Fund Proprietary Offsetting Receipts

509810A	Rocky Mountain Arsenal Offsetting Receipts
518510N	Offsetting Receipts, Kaho' Olawe Island Fund
518710D	Defense Cooperation Receipts
518720D	Earnings on Investments, Defense Cooperation Account (Non-051)
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
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
544110D	Burdensharing Contribution, Defense, Kuwait
544130D	Burdensharing Contribution, Defense, Japan
544140D	Burdensharing Contribution, Defense, South Korea
544150D	Burdensharing Contribution, Defense, Qatar
544210D	Proceeds DoD Korean War Commemoration Account
556210N	<i>Ford Island Improvement Account, Net Sale of Assets</i>

Trust Fund Receipts (Non-Function 051)

806310A	Bequest of Major General Fred C. Ainsworth, Library, Walter Reed General Hospital Trust Fund
806320A	Earnings on Investments, Ainsworth Library Trust Fund
817410A	Collections for the National Science Center Gift Fund
892710A	Deposits, Dept. of the Army General Gift Fund
892720A	Earnings on Investments, Dept. of the Army General Gift Fund
873310N	Contributions to U.S. Naval Academy Gift and Museum Fund
873320N	Earnings on Investments, U.S. Naval Academy Gift and Museum Fund
871610N	Deposits, Dept. of the Navy General Gift Fund
871620N	Earnings on Investments, Dept. of the Navy General Gift Fund
892810F	Deposits, Dept. of Air Force General Gift Fund
892820F	Earnings on Investments, Dept. of Air Force General Gift Fund
833710D	Contributions from Kuwait, Host Nation Support for U.S. Relocation Activities
833720D	Earnings on Investments, Host Nation Support for U.S. Relocation Activities
833730D	Contributions from Japan, Host Nation Support for U.S. Relocation Activities
833740D	Contributions from S. Korea, Host Nation Support for U.S. Relocation Activities
833750D	Contributions from Qatar, Host Nation Support for U.S. Relocation Activities

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 Gift and Museum Fund
17X8716	Navy General Gift Fund
17X8723	Ships Stores Profit, Navy
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)

010604 Functional Titles and Definitions – Other Defense Civil Programs***FUNCTIONAL TITLE – OTHER DEFENSE CIVIL PROGRAMS***

The function title "Other Defense Civil Programs" is defined as comprising the accounts listed below:

97X8097	<i>Military Retirement Fund</i>
97 0040	<i>Payments to Military Retirement Fund, Defense</i>
97 0041	<i>Concurrent Receipt Accrual Payments to the Military Retirement Fund</i>
97X8098	<i>Education Benefits Fund</i>
97X5472	<i>Uniformed Services Retiree Health Care Fund</i>
97 0850	<i>Payment to DoD Medicare Eligible</i>
21X5095	<i>Wildlife Conservation, etc., Military Reservation, Army</i>
17X5095	<i>Wildlife Conservation, etc., Military Reservation, Navy</i>
57X5095	<i>Wildlife Conservation, etc., Military Reservation, Air Force</i>
21X5285	<i>Department of Defense, Forest Products Program, Army</i>

Trust Fund Receipts and Special Fund Offsetting Receipts include:

809710D	<i>Employing Agency Contributions, DoD Military Retirement Fund</i>
809720D	<i>Earnings on Investments, DoD Military Retirement Fund</i>
809730D	<i>Federal Contribution, DoD Military Retirement Fund</i>
809740D	<i>Offsetting Receipts, Payment to Military Retirement Fund</i>
809810D	<i>Employing Agency Contribution, DoD Education Benefits Fund</i>
809820D	<i>Earnings on Investments, DoD Education Benefits Fund</i>
547210D	<i>Employing Agency Contributions, DoD Retiree Health Care Fund</i>
547220D	<i>Earnings on Investment, DoD Retiree Health Care Fund</i>
547230D	<i>Federal Contribution, DoD Retiree Health Care Fund</i>
509510A	<i>Sale of Hunting and Fishing Permits, Military Reservations, Army</i>
509510N	<i>Sale of Hunting and Fishing Permits, Military Reservations, Navy</i>
509510F	<i>Sale of Hunting and Fishing Permits, Military Reservations, Air Force</i>
528510A	<i>Reserve Account, Department of Defense, Forest Products Program, Army</i>

0107 AUTOMATED FUTURE YEARS DEFENSE PROGRAM (FYDP) DATABASES**010701 Standard Data Collection System (SDCS)****A. Purpose and Objectives**

This Section provides for the maintenance of the FYDP. *The FYDP is a series of reports that record and display resource decisions made during the biennial Planning, Programming, Budgeting and Execution (PPBE) 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 SDCS system. SDCS allows all DoD organizations to submit FYDP data electronically, receiving real-time feedback on their inputs. SDCS 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.

The OUSD(Comptroller) maintains databases consisting of Operation and Maintenance TOA data, Procurement TOA data, RDT&E TOA data and Military Construction TOA data at a more detailed level than used in the FYDP. All DoD organizations reporting FYDP data will submit these appropriations through the OUSD(Comptroller) automated programs databases as outlined in sections 010502, 010503, 010504, and 010505. The SDCS will rollup up these appropriations to the proper level for inclusion in the FYDP report. Formats for Operation and Maintenance TOA, Procurement TOA data, RDT&E TOA data and Military Construction TOA data are the same as required for the automated programs databases, covered in sections 010502, 010503, 010504, and 010505 of this document.

B. Applicability and Scope

The provisions of this Section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Combatant Commands and the Defense Agencies/Field Activities (hereafter referred to as “DoD Components”) that contribute data to the FYDP. The Office of the Director, Program Analysis and Evaluation (hereafter referred to as “OD, PA&E”) administers updating and general management of the FYDP. OD, PA&E controls access to SDCS, for the purpose of providing data.

C. Reporting Requirements

Updates to the FYDP are required coincident with the (1) *Program and Budget Review* and (2) the President’s Budget (PB), and (3) 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 OD, PA&E announcing each update. In the Program and Budget Review FYDP submissions, acceptable update years are *normally* 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 PPBE cycle—usually during the President’s Budget FYDP update—*but only when explicitly directed by OD, PA&E.* 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 data. Particular instructions for conducting historical-year updates will be issued by OD, PA&E 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 PPBE cycle.

E. Other Databases Related to the FYDP

Consistent with the FYDP are separate but related databases and documents constituting the Operation and Maintenance Program, the Procurement Program, the RDT&E Program and the Military Construction Program. These databases produce the Operation and Maintenance programs Report (O-1), the Procurement Programs Report (P-1), the RDT&E Programs Report (R-1) and the Military Construction Programs report (C-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

1. General

a. FYDP *Forces*, Manpower, Military Pay Rates, and remaining appropriations data not elsewhere submitted shall be submitted by DoD Components to the Programming and Fiscal Economics Division, OD, PA&E, over the SIPRNet, as directed.

Operation and Maintenance, Procurement, RDT&E, and Military Construction appropriations data included in the FYDP will be submitted to OUSD(Comptroller) and forwarded to OD, PA&E for inclusion in the FYDP. Reference section 0105 of this document for further instructions.

All FYDP data provided directly to OD, PA&E will be input into the SDCS system on the SIPRNet. The following file formats may be used to submit data to SDCS. Specific information and examples of these formats may be found on the SDCS web page located on the SIPRNet at <https://dps.pae.osd.smil.mil>.

- Standard ASCII text file, fixed record length, with either single year per row or multiple years per row
- Excel spreadsheet file with either single year per row or multiple years per row

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). This publication is available at <http://www.dtic.mil/whs/directives> under “Publications,” 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 <https://fsm.ra.pae.osd.mil/FSM/index>.

B. Applicability and Scope

The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, *the Combatant Commands* and the Defense Agencies/*Field Activities* (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 PPBE 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 PPBE decisions.

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

DoD 7045.7-H will be revised periodically (typically *two* 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 Program and Budget Review, and President's Budget phases of the PPBE. 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 reflect the latest approved changes to the FYDP's structure.

E. Other Databases Related to FSM

The FYDP report, which is managed by OD, PA&E and updated by the components via the SDCS system, is referenced in Section 010701. The Operation and Maintenance Program, the Procurement Program, the RDT&E Program and the Military Construction Program are 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 *clarifying* 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 (C³ISR) DATABASE**

The C³ISR database maintained by OUSD (I) is the most complete, automated source of resource data for C³ISR related activities for use by the Office of the Secretary of Defense and the Joint Staff. The C³ISR database is essential to the preparation of the Intelligence 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 C³ISR database is electronically matched to relevant data in these databases prior to use. Specific instructions for the update of the C³ISR database are contained in Chapter 16 of this volume.

0109 SELECT AND NATIVE PROGRAMMING (SNaP) DATA INPUT SYSTEM – BASIC GUIDANCE FOR INPUT THROUGH SNaP OF PROGRAMMING DETAIL DATA AND SELECTED BUDGET EXHIBITS FOR JOINT USE OF THE PROGRAM AND BUDGET REVIEW**010901 Select and Native Programming (SNaP) Data Collection System.****A. Purpose**

This section provides the instructions for electronic submission of all programming detail data; and certain budget data requirements that have been combined with the corollary programming requirement. The combined program/budget requirements are identified in the FMR issued by the OUSD(Comptroller), and the Programming Data Requirements (PDR) instruction issued by the Office of the Director, Program Analysis and Evaluation, (OD, PA&E). SNaP is a web based data collection and review system designed to collect and validate designated data for the combined Program and Budget review, and in some cases it will be used to update the program and budget detail for the President's Budget. SNaP is available on the SIPRNet at <https://SNaP.pae.osd.smil.mil>; and the unclassified NIPRNet at <https://SNaP.pae.osd.mil>.

B. Applicability and Scope

The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Combatant Commands, and the Defense Agencies/Field Activities (here after referred to as "DoD Components") that provide either a POM or a Budget to OSD. Updating and general management of the data collected through SNaP is administered by the OD, PA&E. OD, PA&E, Programming and Fiscal Economics Division controls access to SNaP, for the purpose of submitting data.

C. Reporting Requirements

Updates to SNaP are required coincident with the Program and Budget Review, and for some requirements the President's Budget (PB). Specific guidance relative to approved changes, due dates, and special requirements is provided in a memorandum announcing each update. In all submissions, acceptable update years may include the two most recent prior years of the budget cycle to the end of the programming cycle (generally nine years for TOA and manpower, and 12 years for forces).

D. Instructions for submitting designated programming and budgeting data in SNaP

System and Software Requirements: To interface with SNaP, users must have access to the NIPRNet and the SIPRNet (If the DoD Components' submission is classified). Windows 95 or higher, and either the Microsoft Internet Explorer 4.x or Netscape Communicator 4.x or higher browser. All narrative files must be in Microsoft Word format. Any supporting files such as the cover letter or executive summary must be in Microsoft Word, Excel, or PowerPoint.

Submission: SNaP will be available through password and user id to all those designated by the Primary Point of Contact (POC) from your organization. You may submit, edit, and share your data with other members of your organization for a set period of time prior to the Program/Budget due date. Once your data requirements are complete, (or by the due date) the Primary POC for your organization is responsible for making the submission official. This action is completed on-line.

Your work-in-progress is only available to your organization. Programming and Budgeting Data requiring edits after the official due date will occur through permission granted by the system administrator.

Preparing Data Structure and Format: SNaP provides pre-formatted Microsoft Excel data files and on-line standard formats to assist you in building your data submission. Wherever possible you are given a standard option menu to describe the data you are providing. Each SNaP data requirement outlined in the PDR and FMR identifies the data elements, and provides data definitions, instructions and business rules that will assist you in

filling out the data tables accurately. All required narrative is submitted as Microsoft Word documents, unless an alternative is specified in the specific data requirement

Each of the data requirements collected in SNaP has specific formats that will be used throughout this information management process. Use of the pre-formatted data tables and on-line upload will minimize error. Data ownership is created as soon as you log in and upload a file or submit data on-line.

Review & Edit: SNaP validates and verifies the information and rejects incorrect records. A transaction summary is available for each batch upload submitted and an instant message is provided for each on-line transaction. Once data is submitted it is instantly available for review in the format in which it will be displayed. This may include any necessary data calculations or regroupings. Users can go back and edit any part of their submission prior to official submission, and other members of the organization can also review it.

Final Displays: Official Program/Budget submissions through SNaP are available for the Program and Budget Review in the password protected Defense Programming Database Warehouse (DPD DW).

0110 GENERAL GUIDANCE SUBMISSION FORMATS

011001 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.

011002 Exhibits in Support of Section 0103 – Program and Budget Review Submission

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011004 Exhibits in Support of Section 0105 – Budget Automation Requirements

See Section 0105

011005 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			
CIS 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)	<u>INSTRUCTIONS</u>											
. .	<p>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 Program and budget review 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). The USD(Comptroller) guidance memorandum on program and budget review submission, transmitted to Components in June or July of each year, provides instructions on the content of data submitted in PY and CY.</p> <p>Entries by CIS account title will be listed individually in the same sequence as shown in the FY 20CY Budget Document.</p> <p>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 data transmitted to the Comptroller Information System.</p>											
O&M, (Component)												
. .												
Procurement, (Component)												
. .												
RDT&E, (Component)												
. .												
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

FUNCTIONAL TRANSFERS
 (See Note 1)

OTHER
 (See Note 2)

TOTAL PROGRAM AND BUDGET REVIEW
SUBMISSION
 (See Note 3)

APPROPRIATION TITLE

- Mil Pers
- Operation and Maintenance
- Procurement
- RDT&E
- Military Construction
- Family Housing
- Revolving Funds
- Total by Appropriation**

Notes:

1. Must be identified by appropriation and totals must agree with PB-14.
2. Use of this entry must be fully explained. Use "Other" to identify Military Personnel Appropriations
3. Totals must agree with TOA in PB-1 Exhibit. Totals should be separately displayed by Appropriation.
4. This exhibit not required for President's Budget submission.

Exhibit PB-1A Fiscal Guidance Track

**FY CY REPROGRAMMING/TRANSFERS BETWEEN APPROPRIATIONS
FY BY Program and Budget Review 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

* Use financing code 42000 for proposed budget authority transfer to an appropriation (increase)

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

**FY CY REPROGRAMMING/TRANSFERS BETWEEN APPROPRIATIONS
FY BY Program and Budget Review 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.

**** Use financing code 41000 for proposed budget authority transfers from an appropriation (decrease)**

**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								
<i>Direct Funded</i>								
<i>U.S. Direct Hire</i>								
<i>Foreign National Direct Hire</i>								
<i>Total Direct Hire</i>								
<i>Foreign National Indirect Hire</i>								
<i>Total, Direct O&M Army</i>								
<i>Reimbursable</i>								
<i>U.S. Direct Hire</i>								
<i>Foreign National Direct Hire</i>								
<i>Total Direct Hire</i>								
<i>Foreign National Indirect Hire</i>								
<i>Total, Reimbursable O&M Army</i>								
O&M Total								
U.S. Direct Hire								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								
Total, O&M Army								
RDT&E, Army								
<i>Direct Funded</i>								
<i>U.S. Direct Hire</i>								
<i>Foreign National Direct Hire</i>								
<i>Total Direct Hire</i>								

(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 FTEs (Cont'd)								
Foreign National Indirect Hire								
Total, Direct RDT&E Army								
<i>Reimbursable</i>								
U.S. Direct Hire								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								
Total, Reimbursable RDT&E, Army								
RDT&E Total								
U.S. Direct Hire								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								
Total, RDT&E Army								
	List appropriations/accounts in the normal budget order on the basis of where personnel are budgeted.							
ARMY TOTAL CIVILIAN PERSONNEL FTEs								
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								

(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 Program and budget review submission. Likewise, civilian FTE and Military E/S data must agree with amounts reported in the Component's automated CIS for the Program and budget review 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>	
INCREASES														
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														
DECREASES														
Other Procurement, Army														
777 Budgeted Amounts (\$)														
Maintenance Kit, MK-673														
Total Decreases														
Outyear Impact														
INCREASES														
Military Personnel, Army														
777 Budgeted Amounts (ES)														
540 Retired Pay Accrual (\$)														
Operation & Maintenance, Army														
350 Info Security (\$ and FTE)														
Total Increases														
DECREASES														
Other Procurement, Army														
777 Budgeted Amounts (\$)														
Total Decreases														

<u>Change \$000</u>			
20BY2+1	20BY2+2	20BY2+3	20BY2+4

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

Budget Change Proposal Format

CLASSIFICATION

Budget Change Proposal Title (U)
 (Identify the program/issue that needs to be solved)
Budget Change Proposal No. (i.e., Army 001)

(U) **Short Description of Proposal.** Briefly summarize the proposal.

(U) **Funding Summary**

	TOA (Current \$M)						
	<u>FY 05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>
APPN/BUDGET ACTIVITY/LINE ITEM							
FY 2006 President's Budget	300	300	300	300	300	300	300
Proposed Change	--	--	+50	+50	+50	+50	+50

APPN/BUDGET ACTIVITY/LINE ITEM

FY 2006 President's Budget	200	200	200	200	200	200	200
Proposed Change	--	--	+50	+50	+50	+50	+50

APPN/BUDGET ACTIVITY/LINE ITEM

FY 2006 President's Budget	400	400	400	400	400	400	400
Proposed Change	--	--	-100	-100	-100	-100	-100

Net Change --

(U) **Manpower Summary**

	Military or Civilian Manyears						
	<u>FY 05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>
APPN/MANPOWER TYPE/SPECIAL PROGRAM							
FY 2006 President's Budget	300	300	300	300	300	300	300
Proposed Change	--	--	+50	+50	+50	+50	+50

APPN/MANPOWER TYPE/SPECIAL PROGRAM

FY 2006 President's Budget	200	200	200	200	200	200	200
Proposed Change	--	--	+50	+50	+50	+50	+50

APPN/MANPOWER TYPE/SPECIAL PROGRAM

FY 2006 President's Budget	400	400	400	400	400	400	400
Proposed Change	--	--	-100	-100	-100	-100	-100

Net Change --

(U) **Detailed Justification**

- (U) Provide a more detailed justification for the proposed budgetary change. Address the overall rationale for the change and the detailed impact of the change upon each of the affected programs. Address performance and execution metrics. As metrics evolve, we will provide further instructions.
- (U) Although each individual proposal need not net to zero, each organization's BCPs must net to zero in the aggregate.
- (U) Identify the funding and manpower changes in budget quality detail (i.e., by appropriation, by budget activity, and by program element, budget line item, or major activity).
- (U) Provide appropriate budget exhibits that identify the impact of the proposed changes in enough detail to make an analytical judgment for each of the affected programs or major activities. In the case of across the board adjustments such as inflation or Working Capital Fund rate changes, budget exhibits need not be provided for each individual program or major activity.
- (U) For Defense Working Capital Fund business areas, the Components will submit one BCP for all TOA changes associated with each business area. In addition, the Components will submit summary level information that provides prior year estimates and current/budget year updates for workload/sales, operating results, and any rate adjustments. For any proposed rate adjustments in the budget year, the Components will submit a BCP that re-prices the budget year program to fully fund the pricing adjustment.

(page 2 of 2)

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>		
	FY BY Pending Request	FY BY Proposed Amendment	FY BY Revised Request	FY BY Pending Request	FY BY Proposed Amendment	FY BY Revised Request
<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/ Object Class 31.0: Equipment</u>						

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

Department of Defense Appeal
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:

The Department urges...

Concise description of our rationale for restoration.
Continuations and supplements are not necessary and will not be used.

Comptroller Internal Control Notes

Submitter:

Page/Section References:

Reviewing Directorate/Analyst:

Director's Recommendation:

Exhibit PB-39A-1 Format - Appeal Input (Program Adjustments)

Department of Defense Appeal
FY ____ Defense (Authorization or Appropriation) Bill

Subject:

Language/Provision:

Briefly describe language or general provision and its apparent intent.

DoD Position:

The Department opposes...

The Department urges the exclusion of this provision.

Concise description of our rationale for revision or removal of language/general provision item as proposed.

Comptroller Internal Control Notes

Submitter:

Page/Section References:

Reviewing Directorate/Analyst:

Director's Recommendation:

Exhibit PB-39A-2 Format - Appeal Input (Language Items)

RECORD OF CONGRESSIONAL TRANSCRIPT REVIEW			
TRANSCRIPT ACTION MONITOR (Name, agency and telephone number)		DATE RECEIVED FROM CONGRESS	
To: (In turn) 1. _____ 2. _____ 3. DIRECTOR, FREEDOM OF INFORMATION AND SECURITY REVIEW		DATE ACTION MUST BE COMPLETED 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>			
GUIDELINES			
I. SECURITY 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. B. MARKING 1. Use black lead pencil. 2. Enclose with brackets [] information to be deleted. 3. Make deletions as limited as possible, considering whether the total context may contain clues to the information deleted.		II EDITORIAL A. GENERAL. Edit to correct inaccuracies. B. MARKING. 1. Use black lead pencil. 2. Line through all words or figures for which substitute language or figures are entered. Do <i>not</i> use brackets. 3. Print or write all entries legibly. 4. Use standard proofreaders markings. 5. Do not change statements by committee members. Note inaccuracies in the margin.	
REMARKS			
FORWARDING			
TO: Director, Freedom of Information and Security Review		Date: _____	
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.			
SIGNATURE		OFFICE	

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

PREPARED TESTIMONY REVIEW	
TO: DIRECTOR, FREEDOM OF INFORMATION AND SECURITY REVIEW	DATE
The attached document is forwarded for review in accordance with paragraph D.2.a.(2), DoD Directive 5400.4.	
DESCRIPTION OF DOCUMENT	
WITNESS	
COMMITTEE/SUBCOMMITTEE	
HEARING DATE AND SUBJECT	
PAGE COUNT	THIS DOCUMENT IS FOR <input type="checkbox"/> CLASSIFIED <input type="checkbox"/> UNCLASSIFIED PRESENTATION <i>(Check applicable term)</i>
UPON COMPLETION NOTIFY <i>(Name, agency and telephone number)</i>	
DIRECT QUESTIONS TO <i>(Name, agency and telephone number)</i>	
REQUEST CLEARANCE NLT <i>(Date)</i>	
The attached material has department/agency approval for the purpose specified. Any portions requiring security protection have been appropriately marked.	
ATTACHMENT	SIGNATURE

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: HAC Defense Subcommittee

Hearing Date:

Hearing:

Member:

Witness:

Question #:

Subtitle

Question:

Answer:

All input is via CHARRTS

HAC QFR

Committee: House Armed Services
Hearing Date:
Subject:
Member:
Witness
Question #:

Question:

Answer:

**All input is via CHARRTS
when tasked by OUSD(Comptroller)**

HASC QFR

Committee: SAC, Defense Subcommittee

Hearing Date:

Hearing:

Member:

Witness:

Question #

[Subject]

Question.

Answer.

All input is via CHARRTS

SAC QFR

Committee: Senate Armed Services
Hearing Date:
Subject:
Question #:

Senator:
Witness:

**All input is via CHARRTS
when tasked by OUSD(Comptroller)**

SASC QFR

Committee:
Hearing Date:
Hearing:
Member:
Witness:
Insert (Page#, Line#):

The information follows:

All input is via CHARRTS

Insert - All Committees