

Top 10 Factors Impact Operations & Maintenance Budget Submission/Expenditure

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Weapons System Operations & maintenance [O&M] makes up balance of weapon system service life costs, typically making acquisition costs be not as big of driver. O&M Budgets on average account for more than 70% of expenditures. Formulation of O&M Budgets must include all costs of operating, maintaining, and supporting fielded systems, including costs of manpower, equipment, supplies & services associated with modifying, supplying, training for system.

Pay close attention to which budget you are working on and who knows what about budget “execution” which may be considered “pre-decisional” without ability to release. Always pay attention to which budget numbers you are discussing! President’s Budget numbers are different from actual executable dollars. Even veteran Program Executives can get this confused!

Though Program Executives typically spend most of their time dealing with acquisition-related costs, service life costs often play a more prominent role in shaping requirements and acquisition strategy. To use simplified example, consider Navy acquisition program to replace the anti-submarine destroyer fleet. A more conventional design based on existing technology and concepts might cost substantially less to design and procure but significantly more to operate.

Conversely, a newer design that used modern materials and advanced information technologies to reduce fuel consumption and crew size might cost the Navy substantially more to design and procure but cost significantly less to operate and maintain compared to the conventional design.

Service life cost considerations would typically steer the Navy toward new/modern design, but constraints on Research/Testing/Evaluation and procurement funds might also force Navy to make a decision that would ultimately appear “penny-wise but pound-foolish.”

When the Program Executives for this program case study is confronted with the question of “how much does it cost,” just exactly which cost to cite in answering questions should be carefully considered. For DoD acquisition Program Executives, “how much does it cost” is never a straightforward question.

Completeness and accuracy are critical to budget exhibits because congressional budget decisions will primarily be based on the content of these documents, regardless of the accuracy of information they contain. Failure to request or to document required funding for spare parts, test support, program overhead costs, long lead items, or any other less obvious aspect of a program’s total cost will not be well received by Congress when funding is under consideration.

Similarly, while increased budget requests year to year will likely lead to some back and forth, failure to

document changes attributable to new acquisition strategies, program delays, or increased costs may go unnoticed in the short term, but eventually will catch up to the program and ultimately will damage service acquisition credibility.

You must consider distinction between Understanding Versus Fixing. It's not enough that we do our best; sometimes we have to do what's required. Although an effective execution review process is essential to understanding whether a program is performing to standards, the review process itself cannot fix a program that is not obligating or expending to Office Secretary of Defense [OSD] standards. Execution review is like a map—it simply tells the Program Executives where they are. Once you recognise present situation, you must take corrective action or someone else will.

If a program is not keeping up with obligation or expenditure guidelines, the Program Executives essentially has two choices: reallocate funds or relinquish funds. By reallocation, we mean moving funds from one program or project to another. Most programs typically include smaller programs or budgets funded from a common source. The spend plan depicts how funds are distributed among these projects and how each project will execute over the course of the year.

If it becomes evident during an execution review that programs/projects are not meeting their execution forecasts, the first thing a Program Executives should do is look for opportunities to relocate those funds to other programs or projects that can use the funds more effectively. Best reallocation processes are the simplest, and if all key decision makers participate in execution review, reallocation can occur in real time.

When it becomes evident program is lagging in terms of obligations, all Program Executives needs to do is turn to Subordinate Staff and ask who can use the money and what the "payback" mechanism/timeline will be. If the two affected program or project managers can agree on the swap, and the other key participants agree that the reallocation plan is realistic, executable, and will improve performance, all that's left to do is document the agreement and reallocate the funds through their funds/tracking system.

An alternative approach is for the Program Executives to "sweep" funds determined to be either excess or under-executing, and to maintain a list of unfunded or underfunded programs or projects. Periodically, Program Executives judgement or with advisors at hand, can review available funds and reallocate them against "unfunded requirements."

Though this is a common approach, there are a couple of reasons we recommend the "real time" strategy. The first reason has to do with the underlying problem: poor execution. If a program is lagging on obligations or expenditures, time is of the essence in correcting the problem. Especially given the contracting lead times that often precede obligation and expenditure events, a good solution today is generally better than a great solution a month from now.

Beyond this, our experience has been that highly deliberative, unfunded-requirements process often

tends to break down in complex situations pervading many program offices. Requirements change over time, cost estimates become out-of-date, and opportunities that may have been great ideas at prior time no longer seem so appealing.

Keeping accurate lists of projects to quickly absorb and execute funds can be difficult, time consuming, and ultimately not worth the effort. For all these reasons, combining the funds execution review and reallocation process in a single, real-time event is often the most effective and efficient way to identify and quickly move to remedy execution shortfalls

Create Working Program Executives Smartbook for money issues defined by quality information and attention to detail; if you don't have it at your fingertips, you can't do your job. Unless you have a photographic memory, a best practice is to create a "Smartbook" that contains the critical information you will need to do good job:

1. **Budget Formulation:** Securing resources leading to better decision-making about future program activities and budget strategies
2. **Budget Approval:** All presented expenditures are approved, pending funds are available.
3. **Budget Oversight:** Align resources with strategic goals to ensure resources and expenditures are occurring in general conformity
4. **Budget Execution:** Future Year funding profile by appropriation and constrained/unconstrained budget line
5. **Apportionments of funds:** Money available to be used for any combination of specified time periods, programs activities, projects
6. **Track of funding cuts:** Authority to incur obligations and to make payments.
7. **Current appropriation:** Commitments, obligations, and expenditures as compared to Service and OSD goals
8. **Baseline history:** Original baseline and each subsequent approved baseline
9. **Expenditures:** Issuance/ disbursement of funds transfer to liquidate pay obligations
10. **Contract closeout:** Cancellation or downward adjustment of a previously recorded obligation