

Analysis of the Scale of Annual Operation & Maintenance Appropriation Returned to the US Treasury



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Abstract

This thesis examines the PPBE process and the key contributors to passing a budget. Comptroller funding data were extracted and analyzed for the years 2015-2019. The analysis investigated the Appropriation approval date and the percentages of unobligated Operation and Maintenance funds for the DOD, USN, and the Navy. The most extensive range in un-obligated funds occurred in 2017, where the DON and USN combined returned 0.16%, and the DOD topline was 32.25%. The data from FY2017 indicates the longer the CR, the more likely returned funds will occur at the conclusion of the FY.

Continuing resolutions played a key role in funding profiles, resulting in high obligation rates in week 52. Additionally, delayed Defense Appropriations have negative consequences on funding and execution. The inability to provide reliable, consistent funding for National Defense also influences the strategic planning efforts that play a significant role in developing the National Defense Strategy (NDS) and the National Security Strategy (NSS). A stable budgetary environment has only existed in approximately 10% of the previous 40-year budget periods. Unobligated funding is indicative of the rigid spending within the current PPBE process, delayed congressional budget approval, and lengthy CRs.

Future research could investigate the COVID-19 impacts due to restricted movement, remote work, and hindrances to the supply chain to identify additional areas of improvement within the PPBE process.

Service	Appropriation Bill Passed	PresBud	Enacted (Post Realignments)	Obligated	Un-Obligated	% U-Ob
DON	16-Dec-14	\$53,646,084,000	\$54,048,055,077	\$53,877,513,000	\$170,542,077	0.32%
USN		\$44,916,725,000	\$45,208,479,077	\$45,068,219,000	\$140,260,077	0.31%
DOD (Pentagon)		\$37,369,657,000	\$38,091,188,342	\$36,926,538,856	\$1,164,649,486	3.15%
DON	18-Dec-15	\$55,827,552,000	\$55,402,927,840	\$55,285,055,000	\$117,872,840	0.21%
USN		\$47,332,344,000	\$47,004,887,640	\$46,910,723,000	\$94,164,640	0.20%
DOD (Pentagon)		\$38,246,476,000	\$39,359,191,111	\$37,942,561,935	\$1,416,629,176	3.73%
DON	5-May-17	\$57,297,698,000	\$56,933,818,373	\$56,837,810,000	\$96,008,373	0.17%
USN		\$48,229,156,000	\$47,992,424,526	\$47,921,732,000	\$70,692,526	0.15%
DOD (Pentagon)		\$39,993,726,000	\$40,718,517,514	\$38,721,520,832	\$1,996,996,682	5.16%
DON	23-Mar-18	\$61,817,807,000	\$62,746,869,000	\$62,499,800,497	\$247,068,503	0.40%
USN		\$52,331,992,000	\$53,221,788,000	\$53,001,504,996	\$220,283,004	0.42%
DOD (Pentagon)		\$42,405,446,000	\$41,534,487,612	\$40,733,802,000	\$800,685,612	1.97%
DON	28-Sep-18	\$63,042,756,000	\$64,027,932,542	\$63,948,640,000	\$79,292,542	0.12%
USN		\$53,760,788,000	\$53,952,160,542	\$53,887,045,000	\$65,115,542	0.12%
DOD (Pentagon)		\$44,902,533,000	\$43,562,940,800	\$42,733,575,205	\$829,365,595	1.94%

2015-2019 Budget Execution: DOD Comptroller O&M Budget. Source: Under Secretary of Defense (Comptroller,).

Methods

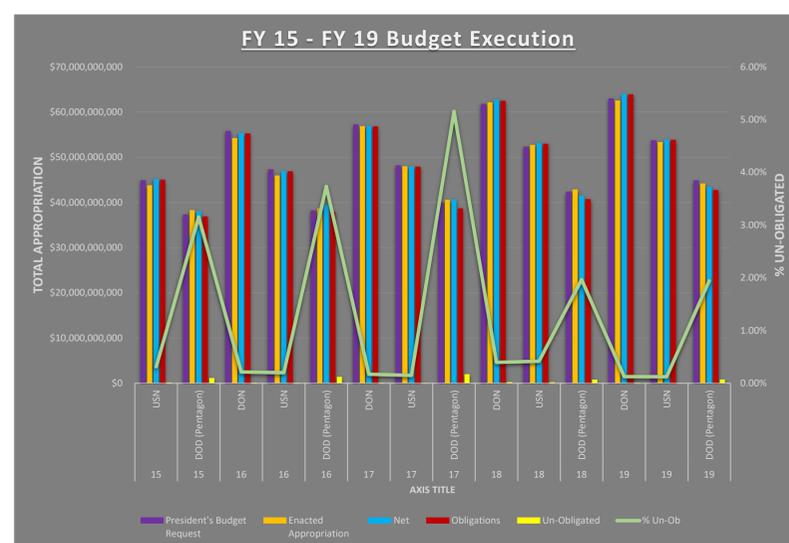
- Research for this topic relied on recommendations from the 809 panel to determine potential root causes for returned funds
- Comptroller funding data were extracted and analyzed for the years 2015-2019
 - Correlated NDAA dates to amount of unobligated funds at the end of the fiscal year
 - Evaluated continuous resolutions for impact on returned funds
- Further analysis investigated when the NDAA was passed and the percentages of unobligated Operation and Maintenance funds for the DOD, USN, and the Navy
- Reviews were captured in the Acquisition Research Symposium FY21

Original Problem Statement	Billions of dollars are being returned to the treasury each year due to misappropriation.					
	Cause A	Cause B	Cause C	Cause D	Cause E	Cause F
Why 1	operation and maintenance appropriations are available for obligation for 1 year	Pentagon has less time to obligate in new fiscal year, sometimes <5 months	OMB office of Mgmt and Budget policies	We are so decentralized until we find a root cause	Contracts have policies on fees	\$50 had been returned to treasury in canceled funds over the past 6 years (heritage.org/defense/continuing-resolutions-90-billion-unspent-funds-)
Why 2	most types of O&M items can be achieved in 1 year: EX: training, repairs, admin	From 2013-2018, the DoD lost sig & 5 months of every fiscal year (heritage.org)	Policies to de-obligate	We need to learn how each service operates successful and share knowledge	fees may inadvertently get obligated due to the type of contract	on average, 2.6% of the budget is cancelled
Why 3	if \$\$ is not spent within 5 years, it's cancelled and must be returned	obligation rates for CR are reduced to not more than 50% of the prior year authorization	Article I of the Constitution	Audit results shared within Financial community, review of outputs not stressed below top level leaders or outside comptroller/contracting/supply sections	https://www.researchgate.net/publication/237561775_Critical_contractual_issues_of_outsourced_operation_and_maintenance_service_for_commercial_buildings	obligation windows and contract cancel dates do not always allow for full execution of allocated funds
Why 4	use it or lose it pressure	pressure to spend all of the incremental CR funding as received on currently available items	funds are spread out with differing expirations dates and rules			
Why 5		No new contracts or procurements are authorized during a CR	no "roll over" ability to continue spending with late NDAA authorization			
Root Cause(s)	DOD Financial Management Regulation, Vol. 3, Ch17 NDAA Public Law	Federal Appropriation Laws NDAA Bulletins	Comptroller, defense.gov O&M Overview	Limited documentation and/or sharing lessons learned	Lacking a standard form for O&M contracts	Yearly spending window is dependent on an approved NDAA
Selected Root Cause(s)	Federal and Public Law time spending flexibility under CR's and delayed NDAA's. The DOD is too complex to have rigid fiscal year spending. Budgetary frameworks should be updated regularly to properly meet Defense requirements.					
Revised Problem Statement	Billions of dollars are returned to the treasury each year due to rigid budgetary processes and spending requirements.					

Root Cause Analysis conducted by Mrs. Laura Maple and Maj Brad Pomy

Results & Their Impact

- There is a 20% on-time passing rate of the NDAA for years examined.
 - Delayed budgets and high propensity for CR's impact warfighter capability deliveries and impact national security.
- The largest range in un-obligated funds was observed in FY17, where the DON and USN combined returned 0.16% and the DOD topline was 32.25%.
 - Overall low un-obligation rates for the DON and Navy each year (individually)
 - High un-obligation rates at the DOD level each year (without subsequent budget reductions)
 - Top level view shows significant amounts of O&M funding remaining un-obligated at the conclusion of each FY
 - Government shutdown in FY18 significantly increased un-obligation rate



Data table of obligation/un-obligation rates for FY15-FY19

Conclusions/Recommendations

- Eliminate the strategically risky practice of functioning under a CR.
- Change the current PPBE process to facilitate agile and flexible budget execution.
- Research into the current political power platform provided, and its strategic budget implications.
- Global supply chain challenges identified during the COVID-19 pandemic and the impact on budget execution.

