

# CHAPTER 16

## BUDGETING PROCESS

### OVERVIEW

The budget system of the United States government provides the means for the President and Congress to decide how much money to spend, what to spend it on, and how to raise the money needed. Through the budget system, the allocation of resources among federal agencies across the competing missions and functions is determined. The budget system focuses primarily on dollars, but it also allocates other resources, such as federal employment positions.<sup>1</sup>

Within the federal budget system, the acquisition and funding of nuclear weapons systems is a complex process involving multiple organizations in the executive and legislative branches of the federal government.

### FEDERAL BUDGET

The process for creating the federal budget is set forth in the *Congressional Budget and Impoundment Control Act of 1974*. The Act has been amended several times, but the 1974 legislation remains the basic blueprint for budget procedures.

Significant amendments to the original law include measures such as the *Balanced Budget and Emergency Deficit Control Act of 1985* (commonly known as “Gramm-Rudman-Hollings”) and the *Budget Enforcement Act of 1990*.

The federal budget is divided into 20 functional and sub-functional categories so that all budget authority and outlays can be presented according to the national needs being addressed. National needs are grouped in 17 broad areas to provide a coherent and comprehensive basis for analyzing and understanding the budget. Three

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<sup>1</sup> “Budget Counsel Reference,” Budget Concepts and Budget Process, p. 78, <https://budgetcounsel.files.wordpress.com/2018/02/ap08-concepts-fy2019.pdf>.

additional categories do not address specific national needs, but are included to cover the entire budget. A final category is used for accounts that involve two or more major functions. Each functional and sub-functional category is assigned a numerical identification code. The National Defense budget function is identified by the numerical identification code “050.” This account is divided into sub-accounts: 051 for DoD national security funding; 052 for classified budgeting for certain specific national security activities; 053 for Department of Energy (DOE)/National Nuclear Security Administration (NNSA) defense programs; and 054 for defense-related activities in other departments.

The federal budget provides a plan to prioritize and fund government activities. The President, the White House Office of Management and Budget (OMB), and various federal departments and agencies have major roles in developing the *Budget of the United States Government*, which is often called the “President’s Budget.”

## PRESIDENT’S BUDGET

OMB is the principal executive branch oversight agency for the federal budget. It consolidates the budget proposal for the President after consulting with senior advisors, cabinet officials, and agency heads. OMB also apportions funds to the federal agencies after Congress completes the budget process and the President signs the various appropriations bills into law.

Initial development of the President’s Budget begins with preliminary discussions between OMB and the departments (including DoD and DOE). OMB issues policy direction and planning guidance to the agencies for the upcoming budget request.

The DoD, DOE, and other agencies submit their budget requests to OMB on the first Monday after Labor Day of the year prior to the start of the fiscal year covered by the budget request. In the fall, OMB representatives review these budget requests, hold meetings with the agencies, and review the economic outlook, as well as revenue estimates in order to prepare issues for review by the OMB Director. The Director of OMB briefs the President and senior advisors on proposed budget policies and revenue estimates and recommends a complete set of budget proposals based on a review of all requests.

The President makes decisions on broad policies so that, in late November, OMB sends the budget decisions back to the departments and agencies on their budget requests in a process called “passback.” The passback includes decisions concerning funding levels, program policy changes, and personnel ceilings; the agencies may appeal any decisions with which they disagree. If OMB and an agency cannot reach agreement, the issue may be taken to the Secretaries of the Departments and the President.

The President’s budget request (PBR) to Congress is the first step in the annual Congressional appropriations cycle. The annual PBR is a political and policy document indicative of the goals of the Administration for the coming year. The President submits the PBR to Congress by the first Monday in February.<sup>2</sup> The PBR consists

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<sup>2</sup> The President also submits a mid-session review of the budget to Congress in July. Also called a supplementary budget summary, the document includes updated presidential policy budget estimates, summary updates to the information in the budget submission, and budget-year baseline estimates.

of several volumes delineating the President’s financial proposals with recommended priorities for the allocation of resources by the federal government.

## CONGRESSIONAL BUDGET RESOLUTION

Congress considers the PBR and either approves, modifies, or rejects. Congress can change funding levels, eliminate programs, or add programs not requested by the President. Congress can also add or eliminate taxes and other sources of receipts or can make other changes that affect the amount of receipts collected.

Initial House and Senate budget committee may hold hearings during the month of January leading up to the submission of the President’s Budget during the first week of February. During February, the Congressional Budget Office publishes its annual report on the President’s Budget, and the House and Senate budget committees develop their versions of a budget resolution. Ideally, these Resolutions are brought to the House and Senate floors for markup<sup>3</sup> at the end of February and adopted by early April. Leading budget committee members from both chambers then develop a conference report on the budget representing a consensus agreement on the legislation between House and Senate negotiators. This conference report is the blueprint for broad spending and tax decisions that will be made during the remainder of the year. Ideally, the conference report on the budget is adopted by April 15.

The budget resolution is not formally a law. It is a Concurrent Resolution, which does not require the President’s signature. The aggregate levels of revenues, budget authority, outlays, and the committee allocations in the budget resolution are guidelines and targets against which subsequent fiscal legislation such as appropriation acts and authorizing legislation is measured.

## AUTHORIZATION

Authorization acts provide the legislative authority to establish or maintain a federal government program or agency. Authorizations define the scope and provide the recommended maximum funding levels to the Appropriations Committees for the various programs.

Authorizing committees have discretion regarding the legislative changes they recommend. These committees, moreover, are not bound by program changes that are recommended or assumed by the budget committees. They are required, however, to recommend legislation addressing budget authority<sup>4</sup> and outlays<sup>5</sup> for each fiscal year.

Authorizing legislation may originate in either Chamber and may be considered at any time during the year. The authorizing committees and subcommittees hold hearings to review agency programs and policies. It is possible, though rare, for an Agency to operate without an authorization, but it cannot function without an appropriation.

The House and Senate Armed Services Committees provide annual legislative authorization for the federal government programs associated with national defense. The House and Senate Armed Services Committees

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<sup>3</sup> “Markup” refers to the process by which congressional committees and subcommittees debate, amend, and rewrite proposed legislation.

<sup>4</sup> “Budget Authority” refers to the authority to incur legally binding obligations of the government.

<sup>5</sup> “Outlays” refer to the liquidation of the government’s obligations, generally representing cash payments.

and the seven standing subcommittees are responsible for the development of the annual *National Defense Authorization Act* (NDAA).<sup>6</sup> Between January and April, the House and Senate Armed Services Committees hold hearings to determine the defense authorization levels. The Subcommittees on Strategic Forces have jurisdiction over strategic forces and DOE national security programs. House markup of the authorization act occurs between April and May; the Senate markup follows. The two houses meet in conference after completion of their markup; the authorization bill is then finalized and forwarded to the President for signature so that it can be passed into public law by the new fiscal year.

## APPROPRIATIONS

Appropriation acts set the terms and conditions for the use of federal funds. The congressional Appropriations Committees provide budget authority and outlays through 12 general appropriations areas. The Appropriations Subcommittees, which correspond to each of the 12 general appropriations areas, initially recommend the level at which programs within their jurisdiction will receive appropriations. The House and Senate Energy and Water Development Subcommittees have jurisdiction over NNSA nuclear weapons funding (e.g., nuclear warheads and supporting activities), and the House and Senate Defense Subcommittees have jurisdiction over DoD nuclear weapons funding (e.g., delivery systems).

The House and Senate Appropriations Committees and Subcommittees hold hearings from the end of January through mid-May each year. If the budget committees have not finalized a conference report on the budget before May 15, the Appropriations Committee may begin markup of appropriations legislation. All appropriations subcommittees are required to pass respective Appropriations Bills on or before June 10 each year and then forward them to the full Appropriations Committees for further consideration before sending the bill to the full House and Senate for consideration. The House targets June 30 as a completion date for Appropriations Bills, but debate can continue within the legislative bodies until the July/August timeframe. After the bodies pass their respective Appropriations Bills, House and Senate representatives meet to develop a conference report on appropriations.

When the House and Senate members approve the final legislation, it is forwarded to the President. The President has ten days to approve or veto the bill. If the bill is signed, the bill and the conference report form the legal basis for an agency's use of funds. If the bill is vetoed, Congress may either override the veto with a two-thirds affirmative vote in each Chamber, or it may modify the bill and send it back to the President for signature or veto. Figure 16.1, on next page, illustrates the congressional budget process for nuclear weapons-related programs.

## CONTINUING RESOLUTION

If Congress and the President have not completed action on the regular appropriation acts by the start of the fiscal year (October 1), action must be taken to ensure that departments and federal agencies and programs continue to function. Enacted as a joint resolution, a continuing resolution (CR) is an interim appropriation act that sets forth a specified level of funding for an agency for the full year, up to a specified date, or until regular

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<sup>6</sup> The NDAA serves two purposes: it establishes, continues, or modifies existing defense programs, and it provides guidance for defense appropriators, all of which allows Congress to appropriate funds for defense programs. The NDAA also authorizes funding for defense-related activities at NNSA and other agencies.

appropriations are enacted. Spending may be set at any level, but if it is enacted to cover the entire fiscal year, the resolution will usually specify amounts provided for each appropriation account.

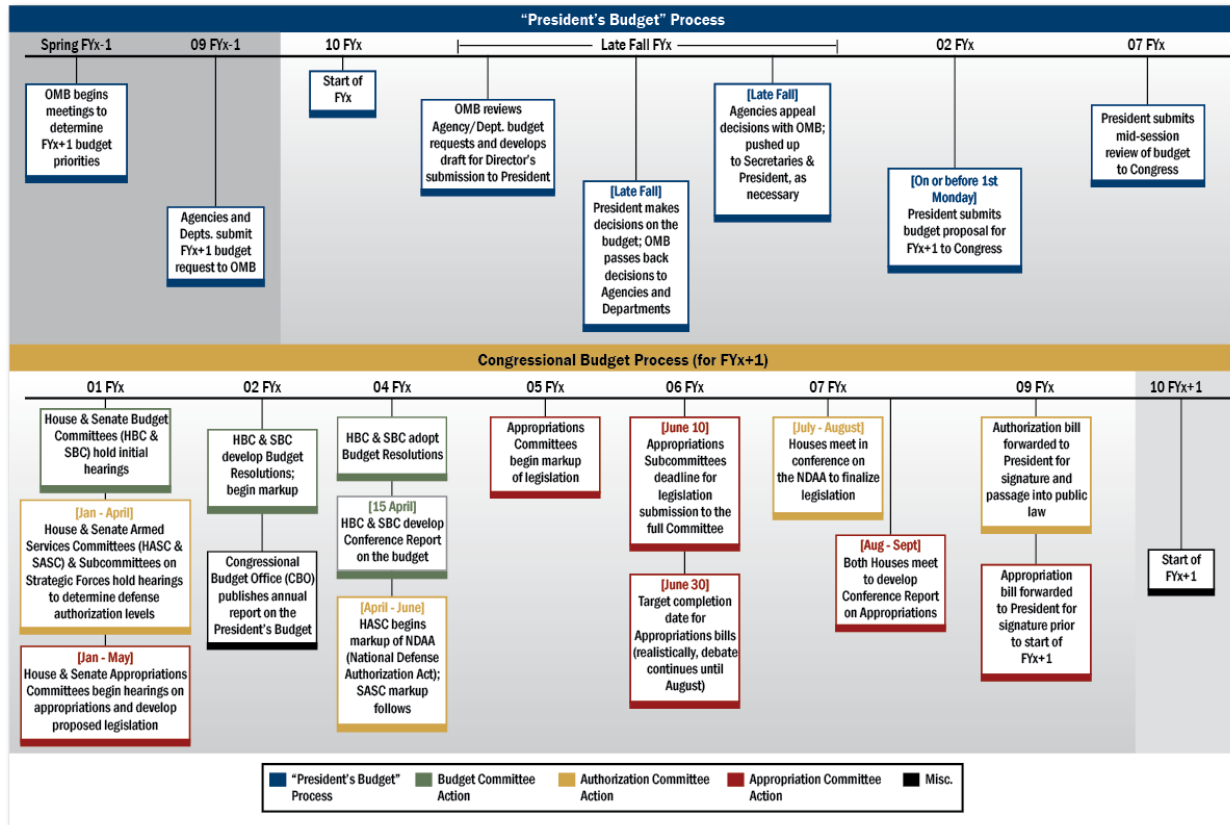


Figure 16.1 Congressional Budget Process for Nuclear Weapons-Related Programs

A CR has an expiration date at which time it must be extended by additional congressional action if no Appropriation Bill has been enacted. Unlike the Congressional Budget Resolution (CBR), the President must sign all CRs into law.

## DOD AND NNSA ROLE IN THE BUDGET PROCESS

DoD and NNSA have processes in place to plan, program, and budget resources for inclusion in the President’s Budget. The DoD process is known as the Planning, Programming, Budgeting, and Execution (PPBE) process. The NNSA process is called the Planning, Programming and Budgeting, and Evaluation (PPBE) process.

### DEPARTMENT OF DEFENSE PPBE

For DoD, planning includes the definition and examination of alternate strategies as well as various analyses of conditions, threats and technologies, and economic assessments. The Defense Planning Guidance (DPG) forms the basis of the planning portion of the DoD PPBE process. The DPG contains guidance concerning the key planning and programming priorities to execute the *National Military Strategy* and other documents produced by the Joint Staff. The DPG provides guidance and fiscal constraints to the Military Departments, U.S. Special Operations Command (USSOCOM), and the defense agencies for the development of the DoD Program Objective Memorandum (POM).

Programming includes the definition and analysis of alternative forces, weapons, and support systems, as well as the associated multi-year resource implications and option evaluations. The POM is the DoD document that expresses the fiscally constrained total program requirements for the years covered in the DPG. The POM is sent to the Office of the Secretary of Defense (OSD) in the spring of even-numbered years for the fiscal year two calendar years in advance. So, for example, in the spring of 2021 the POM is being built for FY2023–2027. The POM also describes the rationale for proposed changes to the U.S. Force as reflected in the Future Years Defense Program (FYDP), which is the official database of all major Force Programs established by the military. The composite POM is reviewed by the Joint Staff, OSD, and OMB, where issues and alternatives are developed. Some issues are elevated to the Senior Level Review Group (formerly the Defense Resources Board) where decisions are finalized and recorded in Program Decision Memoranda (PDM) in early August.

Budgeting includes the formulation, justification, execution, and control of the funds necessary to support DoD and its missions. Each Military Department, USSOCOM, and the appropriate defense agency develops its own Budget Estimate Submission (BES) based on data in the POM and the PDM. The BES includes data from the prior year, the current year, and two additional budget years. The budget estimates are forwarded to the OSD Comptroller where joint OSD and OMB meetings are held to review the submissions in order to ensure that the requests are properly priced, program schedules are appropriate, and estimates are consistent with the objectives of the Secretary of Defense.

Once each Military Department and Defense Agency has submitted its POM and/or BES to OSD, OSD releases its databases for review to the entire Department. Any organization that wants to identify a potential issue with resource choices of another organization may then write a formal Issue Paper highlighting the perceived problem, discrepancy, or alternate viewpoint.

Program Budget Decisions (PBDs) are used to document approval of the estimates for inclusion in the President's Budget. Each PBD consists of a discussion of the subject area, issues, and a series of alternatives as laid out in the issue papers. The Deputy Secretary of Defense selects an alternative or directs a new one, and the signed PBD is then released. An appeal can be made to the PBD through a reclamation process that follows the same channels as the PBD. The Deputy Secretary of Defense makes all final decisions. Once final budget decisions are made, the DoD budget becomes part of the President's Budget that is submitted to Congress. After congressional approval of the budget and signature by the President, OMB apportions the funds to DoD for execution.

### DoD Distribution of Funds

Appropriations are the most common method of providing budget authority (BA) to DoD, which results in immediate or future outlays. Most Defense BA is provided by Congress in the form of enacted appropriations, or appropriations bills in which a definite amount of money is set aside to pay incurred or anticipated expenditures.

After funds, or budget authority, are appropriated to DoD by Congress, OMB apportions budget authority to the DoD Comptroller. The Comptroller is then responsible for distributing the funds to the Military Department and agency comptrollers who then distribute budget authority at the local level. As the budget authority flows through DoD comptrollers, a small percentage of the funds may be withheld for contingency purposes; these funds are unofficially referred to as *taxes* or *withholds*.

The DoD budget is organized into separate budget titles that include approximately 75 appropriations. Each budget title is unique because resources are requested and applied for different purposes under different legal and regulatory constraints and for different time periods. Major DoD appropriations categories include:

- Research, Development, Test, and Evaluation (RDT&E);
- Procurement;
- Shipbuilding and Conversion, Navy (SCN);
- Operations and Maintenance (O&M);
- Military Personnel (MILPERS);
- Military Construction (MILCON); and
- Other related agencies.

Each appropriation has a legal time limit, or “life” within which funds can be obligated, or legally reserved to make a future payment of money (e.g., one-, two-, or three-year) appropriations.

Four appropriations categories directly relevant to nuclear weapons funding are RDT&E, Procurement, O&M, and other related agencies:

- *RDT&E funds* support modernization through basic and applied research, fabrication of technology-demonstrated devices, and development and testing of prototypes and full-scale preproduction hardware. RDT&E work is performed by government laboratories and facilities, contractors, universities, and nonprofit organizations. RDT&E funds are considered two-year appropriations.
- *Procurement funds* support the acquisition of aircraft, ships, combat vehicles, and all capital equipment. The Procurement budget resources contribute to achieving DoD goals of maintaining readiness and sustainability, transforming the force for new missions, and reforming processes and organizations. Procurement funds are three-year appropriations; an exception is SCN, whose procurement funding life is extended to five years.
- *O&M funding* finances the cost of operating and maintaining the Armed Forces with the exception of military personnel pay, allowances, and travel costs. Included in the funding are amounts for training and operation costs, civilian pay, contract services to maintain equipment and facilities, fuel supplies, and repair parts. O&M funding is categorized as one-year appropriations.
- *DoD* also supports several other national agencies (such as NNSA) and includes their requirements in the President’s Budget submission to Congress. The amount of funding for these efforts is negotiated with the other agencies and OMB (via the 050 account).

As discussed above, appropriations have life cycles during which they can incur new obligations. An appropriation whose period of availability for incurring new obligations has expired is not closed; instead it is in an “expired account.” For five years after the time the appropriation expires, both the obligated and

unobligated balances of that appropriation are available to make expenditures on existing obligations and adjustments to existing obligations. At the end of the five-year expiration period, the appropriation is closed and the funds can no longer be used. Figure 16.2 illustrates obligations and outlays periods.

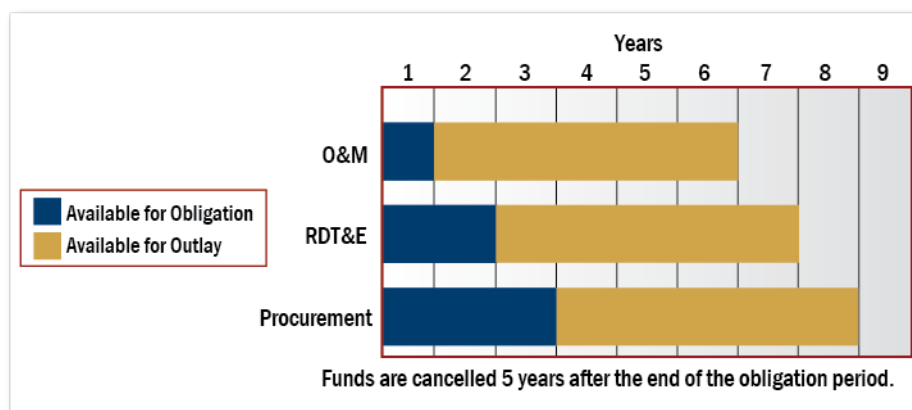


Figure 16.2 Obligation and Outlay Periods

## NATIONAL NUCLEAR SECURITY ADMINISTRATION PPBE

The NNSA PPBE process is a continuous cycle for: establishing goals; developing, prioritizing, funding, and executing programs; and evaluating performance results to provide feedback for future planning. At NNSA, planning and programming are primarily a Headquarters function. Execution and evaluation of the programs are accomplished by the field elements (e.g., laboratories, production plants, and testing sites).

The *NNSA Enterprise Strategic Vision*, cascading from the *DOE Strategic Plan*, provides the framework for top to bottom linkages in PPBE activities. It also establishes the mission, vision, and issues, in addition to providing the goals, strategies, and strategic indicators for the five NNSA program elements. Each of the five program elements has a single goal in the Strategic Plan. These program elements are: Defense Programs; Defense Nuclear Nonproliferation; Naval Reactors; Infrastructure and Security; and Management and Administration.

Multi-year plans are developed between Headquarters program managers and the field elements. The Program Plans are the primary documents used to make key programming decisions and to develop the NNSA budget. Strategic Guidance is provided annually to start the annual planning and programming processes.

Programming is a Headquarters-driven process to develop, prioritize, and integrate the five NNSA programs. The process begins with the Strategic Guidance, the current Future-Years Nuclear Security Program (FYNSP), and a Program and Fiscal Guidance Document. These enable the Headquarters elements to update baseline programs and projects as well as to explore and prioritize excursions from the baseline. Programming is conducted with fiscal awareness and concludes with a Program Decision Memorandum that records decisions for presentation to DOE and OMB. In the budgeting phase, planning and programming are brought into a fiscally constrained environment.

Budget execution and evaluation are carried out by the management and operating contractors at NNSA sites with oversight from federal program and site managers.



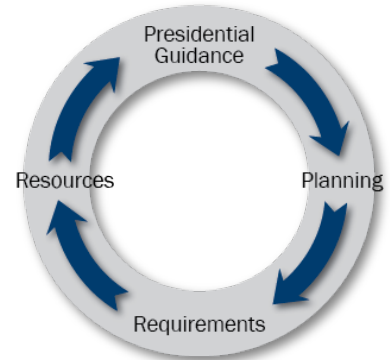
Nuclear weapons acquisition in the NNSA complex is part of a highly integrated workload for the science-based stewardship of the nuclear weapons stockpile.

Planning and budget information for weapons system acquisition is contained in Selected Acquisition Reports that are included in all phases of the PPBE process and available to decision makers.

## OVERARCHING DOD GUIDANCE

### PROCESS FLOW

To inform both DoD and NNSA budget submissions, overarching presidential and departmental guidance are used. Figure 16.3 depicts the high-level process flow for authoritative direction concerning the nuclear deterrent and associated budgets.



*Figure 16.3 High-Level Process Flow*

Presidential guidance, as promulgated through national security documents such as Nuclear Posture Reviews, National Security Strategies, and National Defense Strategies, informs planning documents that DoD Combatant Commanders (CCDRs) use in the development of operational plans for U.S. nuclear forces. In turn, these planning documents include requirements for capabilities and forces. Established requirements create a demand for resources to ensure the required capabilities are available to support CCDRs. Resource requirements are consolidated and sent to the President for approval and submission into budget requests.

Nuclear policy and strategy guidance originate from presidential direction. Each president has his own naming convention for these direction documents; in the recent past, presidents have used the phrase National Security Directives (NSDs), Presidential Decision Directives (PDDs), National Security Presidential Directives (NSPDs), Presidential Policy Directives (PPDs), National Security Presidential Memorandums (NSPMs), National Security Study Memorandums (NSSMs), and National Security Memorandums (NSMs). Currently, the National Security Memorandum (NSM) is used. While the names may differ, the intent is the same—to provide national-level guidance on U.S. national security issues such as those related to the nuclear deterrent.

After guidance is promulgated by the President, the Secretary of Defense reviews and refines departmental guidance to ensure consistency before issuing it to the Chairman of the Joint Chiefs of Staff (CJCS). These documents include the defense planning/programming guidance, nuclear-related DoD directives, and DoD instructions.

Based on detailed guidance and general planning by CCDRs, nuclear requirements are developed by the CCDRs, the Military Departments, and the Joint Staff.

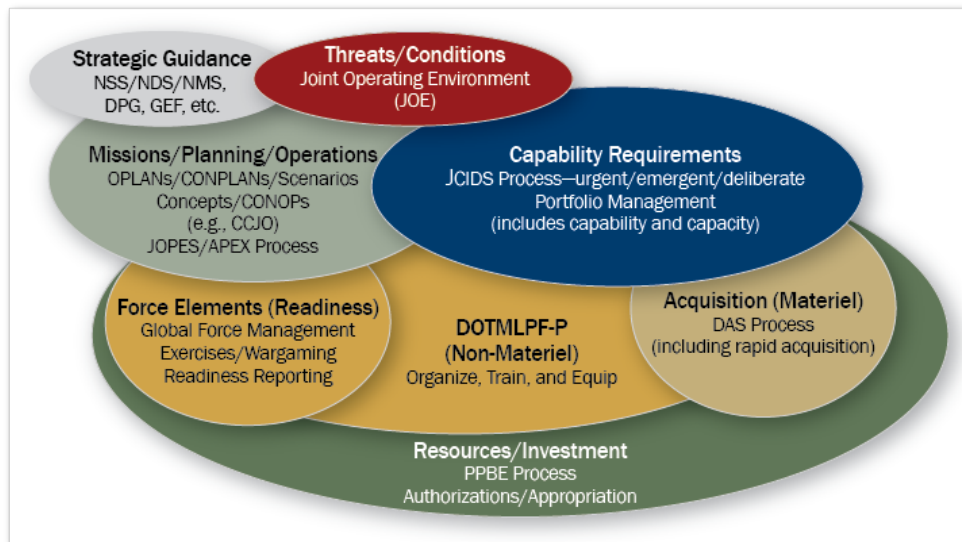
The continuous cycle of guidance, planning, requirements, budgeting, and resource allocation relies on the current operational plans developed by U.S. Strategic Command (USSTRATCOM) as a basis for the requirements analysis process. If necessary, requirements are modified based on the most recent detailed guidance. If a required capability does not exist, the Military Departments begin the acquisition process to provide the capability. If the required capability is a delivery platform, the Military Departments use the Joint Capabilities Integration and Development System (JCIDS) process.

The Joint Capabilities Integration and Development System

Before the budget process is executed, requirements for military capabilities must be identified through a formal process. JCIDS was established by the CJCS and the Joint Requirements Oversight Council (JROC) to identify, assess, and prioritize joint military capability needs. The JCIDS process is governed by CJCS Instruction 5123.01H, *Charter of the JROC and Implementation of the JCIDS*. Additional procedural guidance is provided in a related document, *Manual for the Operation of the JCIDS*. The scope includes major acquisitions or modifications, such as nuclear launch platforms (e.g., ballistic missile submarines) and delivery vehicles (e.g., long-range standoff (LRSO)). The Military Departments retain the responsibility for developing and acquiring the appropriate capability. JCIDS is an intra-DoD system of the Military Departments and agencies and not applicable to outside agencies, such as NNSA. The Vice Chairman of the Joint Chiefs of Staff (VCJCS) leads the JROC in the JCIDS process. JCIDS “closes the loop” between the CJCS, CCDRs, and Military Departments in the development of system requirements.

Capability requirement documents created through the JCIDS provide the critical link between validated capability requirements and the acquisition of materiel capability solutions. DoDD 5000.01, *The Defense Acquisition System*, and DoDI 5000.02, *Operation of the Defense Acquisition System*, govern the acquisition management process through which DoD provides effective, affordable, and timely systems to the users. Commonly referred to as “The 5000 Process,” this system is managed by the Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)) as the primary process for transforming validated capability requirements into materiel capability solutions.

Figure 16.4 highlights the inputs and capability requirement portfolios managed under the JCIDS which are informed by other processes and activities across the DoD.



*Figure 16.4 Process Interactions*  
 (Source: CJCSI 5123.01H, 31 August 2018)