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THE LABYRINTH WITHIN

# Reforming the Pentagon's Budgeting Process

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## ABOUT THE AUTHOR

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The views and opinions expressed in this paper are those of the author alone.

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CONFRONTED BY SHRINKING AND UNPREDICTABLE BUDGETS, AS WELL AS PERSISTENT INTERNATIONAL CHALLENGES, THE PENTAGON REQUIRES A MORE AGILE AND EFFICIENT SYSTEM TO ALIGN STRATEGY WITH RESOURCES.

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## Introduction

**“To maintain the kind of military needed for America’s leadership role requires not only adequate levels of funding, but also fundamentally changing the way our defense establishment spends money and does business,” Secretary of Defense Robert Gates, 2011 <sup>1</sup>**

The current austere fiscal environment has brought the debate over the defense budget to the forefront of policymakers’ agendas. Technical terminology once deemed irrelevant for policy discussions – continuing resolutions, excepted personnel, furloughs, government shutdowns, and sequestration – is both seeping into the Pentagon’s daily lexicon and familiarizing the public discourse. Evolving figures and budget scenarios have begun to overshadow a much-needed discussion on the appropriate size and shape of the force. Confronted by shrinking and unpredictable budgets, as well as persistent international challenges, the Pentagon requires a more agile and efficient system to align strategy with resources. Created during the early stages of the Cold War,<sup>2</sup> the modern Planning, Programming, Budgeting, and Execution (PPBE) process is designed to do just that. Yet as that process unfolds today, it is deeply flawed, preventing the Pentagon’s budgetary preparations from progressing in the comprehensive and coordinated manner that was intended. In particular, there are three discrepancies between PPBE’s “theory” codified in Pentagon directives and the more disjointed “practice” by which senior officials undertake this process: an unrealistic timeline, a stove-piped analytic system to model scenarios, and a reliance on Overseas Contingency Operations funding. Until these constraints are addressed, DoD cannot budget properly for the future security environment and is forced, therefore, to endure additional and unnecessary risk.

## PPBE: An Efficient Theory

Often mocked in tandem with the Pentagon's cumbersome acquisition process, PPBE is in fact a critical exercise that builds the future military force. Outlined in the 2013 DoD Directive 7045.14, PPBE occurs in four stages: planning, programming, budgeting, and execution, and is designed to align ends (what), ways (how), and means (with what).<sup>3</sup>

### Planning: An Ideal Timeline

The planning phase, designed to examine the future security environment, lays the groundwork for the remainder of PPBE, ensuring the process as a whole and its individual components progress in a sequential timeline. This provides a methodical way to develop the force – one that advocates programs only after settling on the likely future security environment and the overarching question of what the military is designed to do. For example, if through the planning process civilian leaders identify that conventional ground wars will pose one of the key challenges the country might face, and, therefore, should prepare for in the future, why would the military invest heavily in Navy shipbuilding as opposed to Army combat vehicle modernization?

In order to answer such a question, the *Quadrennial Defense Review (QDR)*, a legislatively mandated assessment of strategies and priorities, is conducted every four years. Issued by the Secretary of Defense, the *QDR* is managed by the Under Secretary of Defense for Policy and informs the annual civilian planning guidance given to the services. Enacted according to an ideal timeline, planning guidance should influence two PPBE cycles and be issued in January of any given year, allowing the services six months – until July of that same year – to align proposed force structure and investments with the strategic priorities established by the Office of the Secretary of Defense (OSD). During those six months, the Air Force, Army, Navy, and Marine Corps each develops a Program Objective Memorandum (POM), a list of programs they will need to execute the defense strategy. Each service then presents it to their individual leaderships. Following briefings to the “Chief” and the “Secretary” in April and May re-

spectively, each service POM is presented to OSD in July as part of the Program Budget Review (PBR). PBR is a process in which the Deputy Secretary of Defense reviews the services' POM submissions with input from OSD's policy division (Policy) and Cost Assessment and Program Evaluation (CAPE), the Joint Staff, the services, and other DoD components. Alternatives or noted shortfalls to the POMs are then addressed in OSD issue papers.

### Programming: A Robust Analytic Community

PPBE's programming phase requires the services to propose programs, articulated in the POM, that are consistent with DoD planning, programming, and fiscal guidance (prepared and published by OSD).<sup>4</sup> Ensuring that this guidance informs the POM allows civilian leadership to direct the services' thinking toward the programs that require investment. Given the natural potential for service parochialism, strong civilian direction is crucial to prevent each service from promoting its own interests at the expense of the broader joint force and from building a POM based on the future environment that would best fit its skillset of choice. Naturally, navies worry about maritime security, air forces about threats in the skies and space, and armies about hostile ground forces, but the civilian defense enterprise must consider all these potential challenges and their interactions and balance their relative importance to the nation. The civilian guidance prior to the development of the POM, therefore, sets the right and left parameters for any service tendencies toward parochialism.

Likewise, comprehensive and coordinated analysis should help ensure more efficient strategic planning and appropriate programming. In particular, two elements should be crucial: a common baseline for modeling scenarios to test and design the future force and a forum in which the services can identify overlaps, narrow gaps, and recognize dependencies. A common baseline, or shared understanding, is particularly important given the variety of actors involved in DoD's analytic community: CAPE, the combatant commands, OSD Policy, the Joint Staff, and the services. Each component approaches a problem or given scenario differently because of

bureaucratic tensions, diverging interests, or individual perspectives. That is not to say DoD should not encourage a range of views and maintain organizations that specialize in a particular topic; it is important that the Air Force prioritize military dominance in the air domain, for example. However, when developing a scenario and applying forces to this perceived situation, it is essential that each actor maintains a common set of assumptions, constraints, and objectives.

For example, if the Navy concludes that it cannot trap enemy submarines at their homeports by using mines or its own vessels because enemy submarines will be pre-deployed at sea, the U.S. military would need to rely on sea-based patrol aircraft, among other capabilities. If the Navy changes this assumption, however, suggesting that enemy submarines would remain in their homeports, the Navy would need to invest more heavily in its own submarines to patrol in areas near enemy submarine bases.<sup>5</sup> Changing the assumptions behind any given scenario influences what military capabilities are required. Therefore, a forum or designated organization that enables the services to coordinate their analyses more closely should be crucial to identifying a common baseline. Without a shared understanding of key assumptions among DoD's analytic community, the product of any scenario will largely be useless.

### **Budgeting: A Healthy OCO Fund**

Developing and submitting budget estimates during PPBE allows the services and other DoD components to convert desired programs into concrete dollars, ensuring that each proposed initiative is tied directly to funding. A common saying in defense circles goes, "if it ain't in the POM, it ain't." One should consider a corollary offered by Clark Murdock, Senior Advisor at the Center for Strategic and International Studies (CSIS), that "even if it is in the POM, it does not exist until money is spent on it." This reminds policymakers that if a program is not funded in the execution year, it is destined for failure.<sup>6</sup>

In adherence with fiscal and joint programming guidelines, as well as DoD 70000.14-R (the Pentagon's Financial Management Regulation), DoD's budget reviews are overseen by the Under Secretary of Defense for the Comptroller and undertaken in conjunction with program reviews, which include the participation of the Office of Management and Budget (OMB).<sup>7</sup> The sum of money available for DoD to spend on an annual basis is referred to as the base budget, but a supplemental fund is available as well. Overseas Contingency Operations (OCO), the primary account in DoD's supplemental funding mechanism, is designed to fund unforeseen crises or wars and has played an enormous role in funding operations in Afghanistan and Iraq.<sup>8</sup> Prior to 2003, OCO, then referred to as Global War on Terrorism funding, supplemented DoD's budget by a "modest" amount, averaging \$19.9 billion in FY 2001 and FY 2002.<sup>9</sup> In 2008, at the height of the war in Iraq and in preparation for the 2009 surge in Afghanistan, OCO peaked at \$186.9 billion, bringing the topline of the defense budget to \$665.9 billion.<sup>10</sup>

These examples illustrate the utility of OCO, but given the breadth of its purpose and the potential for its abuse, OMB established criteria for what this supplemental funding should and should not be used to support, according to CSIS' Mark Cancian.<sup>11</sup> OMB recognized that the 2011 Budget Control Act (BCA) implemented caps on discretionary spending for the base budget, but did not place restrictions on OCO funding. As a result, OMB understood that "leaving OCO funding unconstrained could allow future Administrations and Congresses to use it as a convenient vehicle to evade the fiscal discipline that the BCA caps require elsewhere in the Budget" (referring to the FY 2013 president's budget).<sup>12</sup> The FY 2013 president's budget, therefore, limited OCO funding to \$450 billion for 2013 until 2021.<sup>13</sup> In an OMB primer on the FY 2013 president's budget, the authors cite drawdowns in Afghanistan and Iraq as the reason for reducing OCO funding and readjusting the guidelines of this supplemental funding mechanism.<sup>14</sup>

## PPBE: An Inefficient Practice

The practice of the PPBE process, however, does not correspond to its intended theory. Instead of seamless movement within each stage and from one to the next, there is a significant divergence between PPBE's theory and practice in the planning, programming, and budgeting phases of the process. With over two million civilian and military personnel worldwide, there is merit to a process that allows the department to engage in a frank debate internally and "speak with one voice" externally. PPBE provides an opportunity for stakeholders to voice their opinions in a productive structure and take steps to resolve disputes. As currently executed in government today, however, PPBE can no longer do that.

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### Planning: A Convoluted Timeline

In practice, PPBE's timeline is anything but orderly and sequential. Instead of each section of the process serving its defined purpose, all of the pieces overlap. According to Deputy Secretary of Defense Robert Work, programming "has just kind of blended into the budget phase."<sup>15</sup> Likewise, civilian planning guidance to the services is often issued very late and, as a result, becomes largely irrelevant. In 2014, for example, planning guidance designed to "connect strategic priorities to specific investments" was distributed in July, only two weeks before the services completed their POMs.<sup>16</sup> Ideally, the planning guidance should have been released at least six months earlier (in January 2014), enabling the services to comply with the Secretary's priorities. As a result, the delay in issuing the guidance ham-

pered, if not precluded, the ability of the services to make substantive changes to their POMs. Planning guidance was issued somewhat earlier in 2015, but these delays prevent the timely completion of each subsequent stage in the process. Without the necessary civilian oversight, the services are left to prioritize their own programs.

### Programming: A Fractured Analytic Community

Similarly, the analytic outlook during PPBE's programming phase is detached from theory. According to former Deputy Assistant Secretary of Defense for Strategy Daniel Chiu, joint planning assumptions today are inadequate for modeling scenarios and maintaining a common baseline of assumptions, constraints, and objectives.<sup>17</sup> Despite the agreed upon geopolitical assumptions, use of force constraints, and primary objectives at the strategic level, which are identified in defense planning scenarios, when one digs deeper into the analysis, scenarios lack the necessary detail required for programming. As a result, each component – OSD's CAPE and Policy, the combatant commands, the Joint Staff, and the services – must decide for itself what each of those elements entails more specifically. This complicates the analysis process and incentivizes each organization to act according to its own views and practices.

Moreover, no effective central forum exists for the analytic community's actors to coordinate their activities. Instead, the services are equipped individually with greater analytic capabilities than any other organization, but with limited means of feeding their analytic conclusions into the joint community.<sup>18</sup> For example, the Army maintains the Center for Army Analysis, an organization designed to conduct analyses for the Army's forces and systems.<sup>19</sup> Under its structural umbrella, there is a wide range of sub-organizations, including modeling and simulation and force strategy, and it sponsors a number of special activities and programs, such as opportunities for continuing education and political-military gaming.<sup>20</sup> Without a central forum for the broader joint force to report its findings, however, the Army and the other services can develop scenarios that

align with their particular skillset instead of that of the joint force. When considering the concept of operations for a country with anti-access/area-denial capabilities, for example, the Navy might employ assumptions that downplay the enemy's missile range in order to promote the deployment of a carrier. The Air Force, on the other hand, may propose the deployment of long-range aircraft from surrounding bases or the continental United States as a better fit. The problem is not the extensive analytic capabilities that the services maintain, but rather the lack of a separate, central organization in which to debate competing assumptions. This leads to the fragmentation of the analytic community and absence of a common baseline from which to build and model future scenarios.

### **Budgeting: A Bloated OCO Fund**

Similarly, DoD's use of its OCO fund is detached from the intended theory. OCO is now used as an expedient to fund programs and operations well beyond its given parameters, leading many to describe it as a "gimmick."<sup>21</sup> A senior DoD official likens the military's use of OCO to "drug addicts," particularly in funding programs in the Middle East.<sup>22</sup> At a House Armed Services Committee hearing in March 2014, military officials underscored the importance of OCO funding to each of their services, even after the wars in Afghanistan and Iraq wind down. Air Force Lieutenant General Burton Field, then—Deputy Chief of Staff for Operations, Plans, and Requirements, acknowledged that bases across Central Asia and the Middle East in Kuwait, Kyrgyzstan, Oman, Qatar, and the United Arab Emirates are each funded by OCO.<sup>23</sup> OCO, however, is not designed to support bases that will remain in use after the wars in Afghanistan and Iraq come to a conclusion.<sup>24</sup>

Likewise, according to Todd Harrison, a director and senior fellow at CSIS, around \$20 billion of Army and Air Force operations and maintenance funding, sums customarily included in the base budget, shifted to the 2014 OCO account.<sup>25</sup> Out of that same budget, the Army and Marine Corps funded pay and benefits for nearly 40,000 troops.<sup>26</sup> OCO, therefore, is used as a cover to fund programs and operations that could not be included in the base budget.

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## Explanations: From Theory to Practice

Certainly none of DoD's senior leaders are intentionally driving a wedge between PPBE's theory and practice. Instead, three overarching explanations can account for the discrepancies in PPBE's convoluted timeline, fractured analytic community, and dependence on OCO funding: the current fiscal environment, bureaucratic interests, and peripheral authority.

### Current Fiscal Environment

Today's fiscal realities hinder the process to the point where some observers view the outcome of PPBE as "documents that are made up and wholly unrealistic."<sup>27</sup> Unlike external threats (for which Pentagon officials are used to planning), new internal challenges are derailing the process. Beyond the implementation of sequestration in 2013, a congressional tendency to adopt continuing resolutions (CR) in place of normal legislation is highly problematic. Initiating a CR, short-term legislation passed by Congress to avoid a government shut-down, particularly if implemented for a full year, is detrimental because no new programs, no matter how critical, can be created without Congressional approval.<sup>28</sup> Even programs deemed wasteful or unnecessary cannot be terminated, wasting millions of taxpayer dollars.<sup>29</sup> Both sequestration and CRs, however, are products of the current political gridlock that plagues the American legislative branch. Since 2010, for example, Congress has passed the Pentagon's budget with an average delay of 128 days.<sup>30</sup> This ensures that "we never have appropriations on October 1st" and, as a result, accept "CRs as part of how we do business today."<sup>31</sup> Congress seems unable to put party politics aside in order to eliminate many, if not all, of the fiscal constraints on the Pentagon.

The "breakdown in normal order of business in Congress," therefore, has plagued the PPBE process.<sup>32</sup> According to the Brookings Institution's Michael O'Hanlon, over the past few years, instead of developing one budget that works its way through the system, defense planners have built multiple redundant budgets, each aligning with a unique sce-

nario for how much money might be available to spend.<sup>33</sup> This reality prevents PPBE from progressing along a sequential timeline. In 2013, for example, the Pentagon built four distinct budgets, each with a unique set of tradeoffs that would allow it to comply with various budget caps.<sup>34</sup> Preparing multiple budgets, however, does not lead to better budgets; instead, it can lead to shortcuts.<sup>35</sup> In particular, the increasing workload for all parties across DoD disrupts timely completion of each step in the process.<sup>36</sup> It is no wonder DoD has concluded that "early estimated (low) fiscal guidance is better than late 'precise' fiscal guidance" in helping programmers to build their POMs.<sup>37</sup> Although the two-year budget deal brokered in October 2015 provides greater certainty than those in the recent past, without long-term financial stability these problems will persist.

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Likewise, during this era of fiscal uncertainty, OCO provides the services a unique opportunity to label their programs and operations as "war-time funding" without being held to the same restrictions and standards associated with normal budgetary channels. As a result, this reliance on OCO allows the services to offset, albeit modestly, base budget cuts and a stagnant topline. Although OCO allows the services to soften the blow of shrinking budgets, the longer they rely on supplemental funding, the greater a problem this dependence will become. Should Congress eliminate supplemental funding abruptly, DoD could be forced to absorb its OCO costs into the base budget without adequate time to plan for or adjust incrementally to necessary tradeoffs. Similarly, without a higher degree of budgetary discipline, American foreign policy will continue to rely on DoD's "safety valve" of OCO funding, leaving complementary diplomatic and economic efforts of other government agencies on life sup-

port.<sup>38</sup> At the strategic level, therefore, the current fiscal environment is facilitating a divergence between the theory and practice of the PPBE's planning timeline and budgeting OCO funding.

### Bureaucratic Interests

Despite the gravity of the current fiscal environment, entrenched bureaucratic interests within the Pentagon provide an equally important explanation for the discrepancies within the PPBE process. Many DoD components, both civilian and military, are wired to focus solely on their own institutions at the expense of the needs of the broader organization. Instead of viewing themselves within the context of DoD writ large, each refrains from connecting its activities to the others and, as a result, maintains a narrow-minded perspective.

One could argue that the services might actually prefer to receive late planning guidance from OSD for POM development, further disrupting the appropriate sequencing of PPBE's timeline. Untimely civilian guidance would enable the services to build POMs with programs that advance their own priorities, as opposed to those of the department as a whole (or U.S. national security requirements). For example, in December 2014 the Government Accountability Office released a report on the "overlapping requirements and ... potentially duplicative" ground radar programs for the Air Force and Marine Corps.<sup>39</sup> The Air Force is in the development stage of a new ground radar program, the Three-Dimensional Expeditionary Long-Range Radar, while the Marine Corps is in the production phase of the AN/TPS-80 Ground/Air Task Oriented Radar Block I.<sup>40</sup> Programmed and budgeted separately by each service, both systems are designed to execute the same mission: air surveillance and air defense. The primary reason for doing so individually is the determination by the Joint Requirements Oversight Council, a forum that largely advocates service interests, deeming "any redundancy between requirements was [as] necessary."<sup>41</sup>

The services also have a strong interest in retaining their own extensive analytic capabilities in contrast to those of other DoD components, particularly the

Joint Staff. With more personnel, and perhaps additional models to employ, the services can provide analytic horsepower for their individual priorities with greater ease. For example, the services could use to their advantage the ability to task their larger staffs with work that the Joint Staff might prefer to undertake if it had greater capacity. Instead of an organization like the Joint Staff demonstrating an ability to "adjudicate" various claims made by the services, the work begins to simply "accumulate."<sup>42</sup>

Likewise, the services can make the case that particular programs, beyond the scope of OCO, should be eligible for supplemental funding. Instead of coordinating closely with their partner services in order to maintain the level of collaboration or "jointness" that characterizes the American military, the services can use supplemental funding requests to their individual advantage. Requesting additional funds through OCO channels allows the services to receive scarce dollars in a manner that does not require them to place their portfolio of capabilities within a broader context. The OCO budget is divided into specific "functional/mission categories" that do not foster collaboration across the services.<sup>43</sup> For example, the Army will largely fund the Iraq Train and Equip Fund, designed to build the capacity of the Iraqi military. Given this set-up of working primarily within one service, the Army need not consider the larger mission beyond its individual parameters. Instead of the services investing a portion of their funds into one program that can benefit them all, OCO allows for the services to request individual programs that may not feed into the military establishment as a whole. As a result, there is little incentive to articulate the "return on investment" and assess their overall performance throughout the PPBE process.<sup>44</sup>

### Peripheral Authority

Finally, the realization that "nobody is king" of PPBE allows DoD's components to govern the process within individual stovepipes, disrupting decision-making at the Pentagon's highest levels.<sup>45</sup> Without a consistent referee to exercise the authority in forcing the services or civilian organizations to reconcile their differences (or curtail duplicate and

“non-core-mission” initiatives), too many issues will find their way to the Secretary or Deputy Secretary of Defense for resolution. Such issues will not only be too numerous and time-consuming but also, according to former Acting Deputy Secretary of Defense Christine Fox, brought to the inappropriate strategic level.<sup>46</sup> According to a regular attendee of the Deputy's Management Action Group (DMAG), the forum that allows DoD's senior leaders to debate critical topics, even the decision-oriented then-Deputy Secretary of Defense Ashton Carter was constrained in his role by pressures from service leaders to look inward and “kick the can down the road.”<sup>47</sup> The DMAG and other similar decisionmaking bodies should not serve as a “knitting circle,” he added, but rather as a forum in which program advocates can “gain acceptance and buy-in for your approach,” according to another attendee.<sup>48</sup> Deputy Secretary Work has proven to be very engaged on PPBE, but the frequent turnover of personalities (at least in comparison to that of civil servants) further exacerbates this problem, enabling DoD components to wait out select leaders who may intervene to quell entrenched bureaucratic interests.<sup>49</sup>

The lack of central authority disrupts DoD analysis as well. When it comes to data for that community, DoD components, particularly the services, are skilled in inhibiting senior civilian and military leaders alike from viewing the complete picture. Each component and service maintains its own analytic system regarding forces, personnel, and resources, preventing OSD from viewing them as anything beyond an individual entity. Service POMs, for example, are dissected and analyzed, but never reassembled.<sup>50</sup> Although each service's POM is reviewed carefully, together they are not examined within the broader context of the military. As a result, the Secretary of Defense and other senior DoD leaders are unable to look across these databases without investing significantly to do so.<sup>51</sup> How could the Secretary of Defense feel confident in the decisions he or she makes if the individual is unable to utilize the full range of information at his or her disposal? The dearth of a central database, similar to the lack of a common baseline for the analytic community, prevents the Secretary of Defense, and

other senior defense leaders more broadly, from accessing the wide range of data across DoD and hampers their decisionmaking. The “data asymmetry between the services and OSD” greatly weakens civilian oversight, ensuring that the PPBE process and the elements that it incorporates are simply “not holistic in any way.”<sup>52</sup>

## Recommendations: From Practice to Theory

How can PPBE's theory and practice be realigned? Although DoD desperately requires budget stability from Congress in the long term, the following ten recommendations – with one exception – provide options for internal change within DoD and do not identify necessary actions or reforms within the legislative branch.

### Target the Current Fiscal Environment

#### 1. *Take steps to fund DoD on a biennial basis.*

As a means of reducing the workload of Pentagon budgeteers and programmers and eliminating the incentive to “cut and paste” previous POMs from one fiscal year to the next, DoD's senior leaders should initiate conversations with Congress to address this issue. Gaining momentum from Secretary Carter's call for a “multiyear budget process,” OSD should work with House and Senate leaders to determine the appropriate balance between Congressional oversight and departmental independence.<sup>53</sup> An initial step could include discussing the difference in culture between Congress' short-term, “chaotic” reacting and DoD's long-term, “laborious” planning.<sup>54</sup> Engaging in an initial conversation with Congress and focusing on incremental progress could yield greater flexibility in the future. In proposing a biennial authorization and appropriation process, DoD should emphasize that two-year budgets could undergo a second round of amendments after the first year. Doing so would assuage Congressional concerns in allocating an additional year of funding and enable DoD to respond more readily to the ever-changing international landscape. As part of this “review mechanism,” Congress could maintain a level of control it deems appropriate, while al-

lowing DoD the flexibility it desperately requires to develop a budget along a more fluid timeline.<sup>55</sup>

## **2. Plan for the worst.**

The Deputy Secretary of Defense should appoint a small team of experts to monitor the annual impact of DoD absorbing its OCO account into the base budget. Although initiating such an exercise might send a political message of mistrust to Capitol Hill, DoD cannot ignore the possibility of further fiscal constraints. Should the fiscal environment worsen, Congress could drastically rein in OCO spending, requiring the Pentagon to fit billions of dollars into its fixed budget. The team would assess the risks of doing so and develop recommendations for prioritizing programs and missions in order to execute the defense strategy. Likewise, this would prevent senior leaders from scrambling to react to a steep decline in OCO funding and allow them to maintain a steady focus on the other many crises that will dictate their schedules.

## **3. Strengthen PPBE's execution phase.**

Particularly in an era of fiscal austerity, it is crucial that DoD make the best use of every dollar at its disposal. The final phase of PPBE, therefore, provides an excellent opportunity for senior leaders to discuss what worked, what did not, and how the process can be improved for its next iteration. Led by the Deputy Secretary of Defense, DoD should establish a forum on execution to reaffirm its commitment to this self-checking, internal mechanism for evaluation. Participants in this series of meetings should include both senior leaders at the undersecretary level and action officers at the staff level. In order to take a more holistic view of DoD's budgeting cycle, they should not only examine one cycle of PPBE, but also evaluate the process and its results in tandem with previous sequences as well. In particular, giving greater weight to PPBE's execution, a phase that goes largely ignored, allows DoD to analyze whether the process produced concepts and programs that align with the priorities outlined at its earlier stage.

## **Target Bureaucratic Interests**

### **4. Prioritize elements of planning guidance.**

In order to provide clear and upfront direction to all DoD components, the Secretary and Deputy Secretary of Defense should issue a directive that categorizes roles and missions as critical, high risk, low risk, or optional. Identifying particular labels matters less than the exercise of prioritization. This action can help to eliminate ambiguity over the ways and means of executing the defense strategy and establish a strong link between priorities and investments. Particularly during a time of austerity, it is critical to prioritize what is essential and what is not. Investing in unmanned aerial vehicles, for example, could be labeled "critical," while building the next generation of aircraft could be designated as "high risk."

### **5. Expand funding within CAPE and the Joint Staff.**

Current dynamics within the Pentagon demonstrate an imbalance in practice between the services and civilian oversight, as well as deference to the individual services over the Joint Staff. In order to mitigate some of the parochial tendencies of the Air Force, Army, Navy, and Marine Corps, DoD should increase funding (and the number of billets to correspond with additional personnel), particularly within the analytic community, to CAPE and the Joint Staff's J8, the office responsible for force structure, resources, and assessments. The key, however, is not simply providing more money, but monitoring closely how the additional funding is used to make the analytic community more robust. Such an initiative will help to integrate the activities of the services, as opposed to each developing scenarios and modeling on its own.

### **6. Establish an informal forum to discuss strategic analysis.**

In order to foster an inclusive culture among the analytic community and break down institutional barriers, DoD should encourage civilian and military personnel at the staff level (GS-15 or O-6) to participate in a monthly luncheon or roundtable. A supplement to existing professional organizations, such as the Military Operations Research Society, the goal of this informal forum would not be to finalize details

that were not discussed in previous meetings, but rather to build relationships across the services and civilian components. The conversation should focus on identifying areas of commonality, sharing best practices, and gaining a new perspective from colleagues. As a means of incentivizing participation in this forum, supervisors at the director level should evaluate their personnel based on efforts to work across the department horizontally, not simply vertically. Creating such a discussion will help promote a wider culture of impartial and objective analysis in the long-term.

#### **7. Increase education related to PPBE.**

PPBE is a critical process that undergirds every subsequent DoD mission. If defense leaders do not lay this foundation properly, subsequent initiatives may be jeopardized. Yet, despite its importance, many individuals who work for the department have little understanding of this process or maintain narrow perspectives on how it operates. Those who work in both functional and regional offices must maintain a basic knowledge of how the Pentagon aligns resources with ends, ways, and means. Doing so will help its personnel to think more strategically and serve as better stewards of taxpayer dollars. Just as organizations require their new employees to complete a certain level of training before joining the office, defense leaders should make a standardized PPBE familiarization course required for all incoming personnel, both at the junior and senior levels.

### **Target Peripheral Authority**

#### **8. Empower a PPBE czar and adjudicator to oversee the process from start to finish.**

In order to centralize authority, hold DoD components accountable for their work, and ensure discipline throughout PPBE, the Deputy Secretary of Defense should take the reins of the process. The deputy should assume a greater role in issuing clear guidance to the department at the beginning of the PPBE cycle, monitor progress made during the year, and conclude the process by soliciting best practices for the next iteration. Furthermore, he or she should serve as a referee in settling dis-

putes between senior leaders across the services, combatant commands, and civilian components. For tactical level disputes, however, the Deputy Secretary of Defense should appoint a member from his or her staff to work on these issues and quell tensions among the actors in question. This person should attend high-level meetings, including the DMAG, in order to best articulate the decision reached and serve as a subject matter expert when most of the senior leaders might lack the required intimate familiarity with the details.<sup>56</sup> A structure that allows Pentagon officials to engage in a frank and transparent debate within the building, but requires them to recognize that ultimate decisions are made by an enforcing figure, will enable PPBE to run more smoothly.

#### **9. Articulate a clear vision of leadership.**

No matter who serves as Secretary or Deputy Secretary of Defense, he or she must outline their priorities for the PPBE process. In particular, the Deputy Secretary of Defense should lead from the top by gathering key stakeholders in order to solicit alternative perspectives, discuss competing visions, and, most importantly, adjudicate among them. To initiate real change in this process will expose resistance from organizations whose individual interests are served by the current system. Overcoming these tensions will require a significant expenditure of time and political capital by the department's most senior leaders. Playing a personal leadership role in bringing about change and achieving "buy-in" early in the process or, ideally, before the latest cycle begins, however, will reduce the likelihood of future bureaucratic conflicts among various Pentagon components. Setting such a tone quickly will help foster a culture in which discussions among senior leaders remain at a higher and more strategic level than they would otherwise. Furthermore, institutionalizing these responsibilities, as the current Deputy Secretary of Defense is doing, will ensure that whoever occupies this position will continue to play a central role in the process.

#### **10. Standardize the PPBE process.**

As it stands, each service executes PPBE in a different manner, preventing DoD from undergoing

the process uniformly. In the short term, the Deputy Secretary of Defense and the Under Secretary of Defense for the Comptroller should work with service leaders to identify the pros and cons of PPBE across the Air Force, Army, Navy, and Marine Corps. In the long term, the attributes of the process identified in these discussions will allow DoD to institute a standardized and increasingly effective version of PPBE. Furthermore, the Deputy Secretary of Defense should develop common questions that all of the services should address throughout their POM development. Creating a common framework for assessing risk and making tradeoffs will integrate service activities more easily and allow senior DoD leaders to make the best use of data at their disposal.

## Conclusion

Although internal processes can appear less glamorous than external exercises and operations conducted with allies and partners, what occurs within the walls of the world's most recognizable five-sided building is crucial. Civilian and military leaders alike must prioritize force development through the planning, programming, budgeting, and execution process. As this brief has outlined, significant discrepancies exist between the theory and practice of PPBE, particularly as related to its timeline, analytic system, and supplemental funding mechanism. In cumbersome organizations such as DoD, theory may be derided as too idealistic, incapable of accounting for the realities of global military operations. Or, reform of the world's largest bureaucracy may be seen as unfeasible. In this case, however, it is clear not only that the Pentagon has significant room for improvement, but there is a narrow window of opportunity to push for change. From Senator John McCain on the Senate Armed Services Committee to Secretary Carter at the helm of the Pentagon, these leaders understand that the costs of DoD inefficiencies do not just affect our finances, but rather our national security. Without investing the careful time and attention to reform PPBE, the military's greatest challenges will ultimately stem from inside the Pentagon.

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**WITHOUT INVESTING THE CAREFUL TIME AND ATTENTION TO REFORM PPBE, THE MILITARY'S GREATEST CHALLENGES WILL ULTIMATELY STEM FROM INSIDE THE PENTAGON.**

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## Endnotes

1. Robert Gates, “Statement on Department Budget and Efficiencies” (The Pentagon, Washington, January 6, 2011).
2. In 1962, then Secretary of Defense Robert McNamara created the Planning, Programming, and Budgeting System (PPBS) in order to centralize civilian control over the services’ individual budgeting processes. Since the implementation of PPBS, every administration has made largely minor changes to the process until Secretary of Defense Donald Rumsfeld supplemented the system with an “execution” component in the early 2000s. Today the process is collectively known as Planning, Programming, Budgeting, and Execution.
3. Department of Defense, *The Planning, Programming, Budgeting, and Execution (PPBE) Process*, 7045.14 (January 25, 2013), 1.
4. *Ibid.*, 6.
5. Alain Enthoven and K. Wayne Smith, “How Much is Enough?” (RAND, 2005, originally published 1971), 110.
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9. Department of Defense, *United States Department of Defense Fiscal Year 2015 Budget Request: Overview* (March 2014), 1–4.
10. *Ibid.*
11. Mark Cancian, in person interview with author, October 29, 2014.
12. “Overseas Contingency Operations,” in Office of Management and Budget, *Fiscal Year 2013 Budget of the U.S. Government* (February 13, 2012), 90.
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19. Department of the Army, “Center for Army Analysis Mission,” [http://www.g8.army.mil/organization/center\\_for\\_army\\_analysis/#CAAMission](http://www.g8.army.mil/organization/center_for_army_analysis/#CAAMission).
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36. Robert Work, Department of Defense, *Planning, Programming, Budgeting and Execution 'Reset'*, memorandum, (October 23, 2014), 2.
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