



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

JUN 12 2014

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF
FINANCIAL OFFICER, DOD
DEPUTY UNDER SECRETARY OF DEFENSE FOR STRATEGY,
PLANS, AND FORCES
PRINCIPAL DEPUTY DIRECTOR, COST ASSESSMENT AND
PROGRAM EVALUATION
ASSISTANT SECRETARY OF THE AIR FORCE FOR FINANCIAL
MANAGEMENT AND COMPTROLLER

SUBJECT: Resetting the Planning, Programming, Budgeting, and Execution Process

Over the last decade, the Department has faced unprecedented budgetary turmoil and pressing wartime needs. As a consequence of these pressures, the Department's de facto planning, programming, budgeting, and execution (PPBE) process has changed considerably. While the Department has submitted sensible budget proposals in recent years, the decline in the tempo of overseas contingency operations offers the Department an opportunity to reset the PPBE process to better serve the Department's leadership.

I direct you to assemble a small, senior working group with representation from the Office of Cost Assessment and Program Evaluation, Office of the Under Secretary of Defense (OUSD) (Comptroller), OUSD for Policy, the Joint Staff, and the Services to conduct a rapid review of current PPBE practices. This review should focus on the provision of planning and fiscal guidance to the Services and Defense Agencies, the conduct of the Program Budget Review, and the finalization of the President's budget submission. The views of Combatant Commanders, as an ultimate "user" of PPBE-generated capabilities regarding the impact of the proposed changes, shall be carefully considered in your review. Accordingly, consult with Combatant Commanders at key points during the review to share insights and recommendations from the senior working group.

The goal of the review is to propose for the Secretary's consideration recommendations for a redesigned PPBE process that achieves the following core objectives:

1. Supports senior leadership judgments about the balance of strategic and programmatic risk across the DoD portfolio, especially early in the program development process, by:
 - a. more tightly linking resource decisions to strategic choices;
 - b. identifying key variables and assumptions that drive resource requirements so action plans can be developed to address root causes;
 - c. incorporating rigorous cost estimates in funding decisions and reducing cost risk in the budget submission;



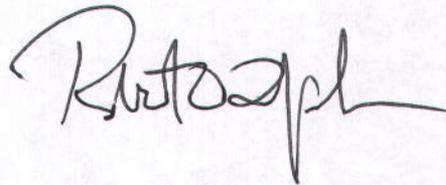
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- d. improving the quality of the data and the senior decision-maker data visualization tools used for Department decision-making.
2. Enables the Department to produce more rigorous and credible budgets for external review by:
 - a. incorporating better execution data in resource allocation processes to better support auditability and reduce execution risk;
 - b. providing sufficient time to build credible budget justification materials; and
 - c. allowing time for review of the proposed budget submission by key Executive Branch stakeholders in order to build greater consensus about the most critical decisions and more effectively promote Administration policies.
3. Reduces workload on resource management staffs where possible to free up time for analysis and to comply with headquarters reduction guidance.

Recognizing that the process of building the Military Departments' Program Objective Memorandum submissions is already well underway, produce two deliverables:

1. An updated plan and timeline for DoD-level program and budget review for FY 2016 that advances these objectives, to the fullest extent practical, within current schedule constraints.
2. A "to-be" process map for a future process to be used during formulation of the FY 2017 budget.

The first deliverable should be presented to me for review and consideration by the Deputy's Management Action Group (DMAG) within thirty days. The second deliverable is due to the DMAG not later than September 1, 2014. Following the DMAG discussion, I will consult with Secretary Hagel, and we will provide further guidance for institutionalizing the new process.



cc:
Secretaries of the Military Departments
Chairman of the Joint Chiefs of Staff
Under Secretaries of Defense
Deputy Chief Management Officer
Chiefs of the Military Services
Commanders of the Combatant Commanders
Chief of the National Guard Bureau
Director, Cost Assessment and Program Evaluation

Director, Operational Test and Evaluation
General Counsel of the Department of Defense
Assistant Secretary of Defense for Legislative Affairs
Department of Defense Chief Information Officer
Assistants to the Secretary of Defense
Director, Administration and Management
Directors of the Defense Agencies
Directors of the DoD Field Activities