Planning, Programming, Budgeting, and Execution (PPBE)

The acquisition process provides new and improved capabilities for the men and women on the front lines of duty defending our homeland. For acquisition professionals, the ability to provide those capabilities is directly impacted by the availability of funds. In addition to acquisition, funding is required for procurements, operations, capital improvements, and information technology (IT).

DHS uses the Planning, Programming, Budgeting, and Execution (PPBE) system to obtain the right kind of funding, in the right place, and in the right amounts to support all of these purposes. The better you understand PPBE, the more effectively you can make it work to provide the necessary resources for your program.

This lesson focuses on the planning, programming, and budgeting phases of PPBE. A later lesson will delve more deeply into execution.

You may print the Programming, Planning, Budgeting, and Execution lesson and/or save it for future reference.
Objectives

Upon completion of this lesson, you should be able to:

- Identify the difference between a "program" in the context of PPBE and a "program" in the context of the Acquisition Lifecycle Framework (ALF)
- Identify the basic flow of the resource allocation process, including cost analysis, planning, programming, budgeting, execution, and Congressional enactment
- Relate the Future Years Homeland Security Program (FYHSP) to the PPBE
- Identify the key events in the programming and budgeting phases, including the preparation, review, and decision processes associated with primary programming documents
- Explain the role of inflation in submitting program and budget documents
Intermediate Systems Acquisition Course

Lesson 1.4 Planning, Programming, Budgeting, and Execution (PPBE)

PPBE Phases

DHS uses the PPBE system to determine program priorities and allocate resources. PPBE is a cyclical process consisting of four distinct, but interrelated phases. Select each phase to learn more.

- Planning
- Programming
- Budgeting
- Execution

DHS is required by law to follow the PPBE process. Details on PPBE may be found in Management Directive 101-01, Planning, Programming, Budgeting, and Execution and in Instruction 101-01-001, Planning, Programming, Budgeting, and Execution Instruction.

Planning, the first phase of PPBE, is how the Department inserts its mission and goals into a key management process so strategy drives the budget rather than allowing the budget to drive strategy. In planning, DHS conducts strategic threat assessments to determine and prioritize the capabilities necessary to carry out the mission of the Department. The annual Resource Planning Guidance (RPG) serves as the principle tool for converting strategy into annual planning priorities. The planning phase includes the development, approval, and implementation of the RPG.

Programming translates planning decisions and Congressional guidance into an allocation of time-phased resources for programs to accomplish the goals and objectives defined in the planning phase. In programming, DHS allocates resources to best meet the prioritized needs within projected resource constraints and lays out a time-phased approach to meet those needs. Programming projects resource requirements five years into the future and is constrained by resource limitations.

Budgeting involves developing detailed estimates for the coming budget year for programs and activities approved as operational priorities during the programming phase. In budgeting, DHS develops detailed budget estimates to ensure the most efficient use of limited funding and priorities are being met as effectively as possible. The emphasis in this phase is on articulating resource requirements in the budget justification.

Execution concerns the obligation and expenditure of currently available funds in accordance with fiscal law. In Execution, DHS assesses program execution and output against planned performance to determine the best return on investment.
Purpose of PPBE

The purpose of the PPBE system is to allocate resources among DHS constituent organizations and programs. The objectives of PPBE are to:

- Articulate DHS resource priorities
- Align DHS programs to those priorities
- Develop and implement a program structure with time-phased financial resource and personnel requirements to accomplish goals and objectives

PPBE aligns DHS strategy to its budget. It also guides the development of the DHS budget request to the Office of Management and Budget (OMB) and governs the execution of funds to accomplish the DHS mission. Key tenets of PPBE include:

- Processes, procedures analysis, and decisions of the four phases are open and transparent
- Needs and costs are considered simultaneously
- Alternatives are explicit, balanced, and feasible
- Resource decisions are driven by DHS goals and strategies, and represent cost-effective options for achieving those goals

PPBE is the means by which DHS develops its Future Years Homeland Security Program (FYHSP) with time-phased resource requirements.

The FYHSP system is the system of record for DHS budget and investment information. This online database contains the Department's seven-year resource plan. The years included are the prior year, current year, the budget year, and four subsequent out-years.
"Program" within PPBE versus "Program" within the Acquisition Lifecycle Framework (ALF)

The word program as it is used in the PPBE process has a slightly different meaning than it does for the ALF. As you learned in Lesson 1, in the context of the ALF, a program is a directed and funded acquisition that provides new, improved, or continuing systems or services in response to an approved mission need. In the context of the PPBE, what is called a program would be called a portfolio in the private sector.

At DHS, within the context of PPBE, a program/portfolio is referred to as a mission program. A mission program is an organized set of activities directed toward a goal or particular set of goals or objectives for which the program is accountable. Programs usually operate for indefinite or continuous periods, but may consist of several projects or initiatives called mission sub-programs and mission activities.

For example, a mission program for Customs and Border Patrol (CBP) might fund multiple CBP acquisition and non-acquisition subprograms and activities. During the programming phase of the PPBE, when we talk about funding programs, we are talking about mission programs/portfolios.

All financial execution decisions at DHS relating to these programs/portfolios are stored in the FYHSP system, which articulates each acquisition program as a Mission Activity.
**Future Years Homeland Security Program (FYHSP)**

The FYHSP summarizes DHS portfolios/programs and associated resources in support of strategic goals, objectives, and planning priorities. It reflects the allocation of DHS resources across DHS missions.

Throughout the PPBE process, the FYHSP system keeps track of resource management decisions for each portfolio/program. The FYHSP database is:

- Aligned to the DHS Strategic Plan
- Aligned to DHS functional capability
- Aligned to specific resource categories (salaries, expenses, Research and Development (R&D), assistance payments)
- Structured under the **Common Appropriations Structure (CAS)**

[Click here to see an example FYHSP database.](#)
In this example, the FY15P system includes information for the prior year (FY 2015), current year (FY 2016), the budget year (FY 2017), and four subsequent out-years (FY 2018-2021).

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<td>$38,087,703</td>
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FYHSP Updates

The FYHSP database is updated three times per year.

- In **late January/early February** to document the President's Budget and the FYHSP submission to Congress
- In **April** to reflect Component Resource Allocation Plan (RAP) submissions
- In **September** to reflect the Secretary's Resource Allocation Decision (RAD) for submission of the DHS budget request to OMB

A FYHSP report is submitted to Congress each year at or near the time of the President's budget request.

Graphic displaying the twelve months of the fiscal year spread out from left to right, starting with October and ending with September, with a clear division between December and January. The FYHSP database Congressional update is in late January or early February. The FYHSP report is between February and March. The FYHSP database RAP update is in April, and the FYHSP database OMB update is in September.
Knowledge Review

Select the best phrase to complete this sentence.

The FYHSP contains information for:

- **A.** All financial execution decisions at DHS
- **B.** The prior fiscal year, current year, budget year, and four out-years
- **C.** The current fiscal year
- **D.** The last five years of DHS financial data

**Correct!** The FYHSP contains information for seven full years: the prior fiscal year, the current fiscal year, the budget year (next fiscal year), and four out-years beyond that.
PPBE: Planning Phase

Now we'll step through the four phases of the PPBE, beginning with the first phase, planning. The purpose of this phase is to begin execution of the Department's strategy through the resource allocation process.

The planning phase is unconstrained by resources, but is aware of the availability of resources. Threat and vulnerability assessments are made to determine and prioritize the capabilities necessary to accomplish DHS's five missions.

- Long-term strategic planning covers a period of five to ten years
- Near-term operational planning covers a one to five year period

Capabilities assessment and cost-informed requirements analysis, both part of the Joint Requirements Integration and Management System (JRIMS) process and the Need Phase of the ALF, take place during the planning phase of PPBE. Planning takes place November through December.

Graphic showing the months of October to January, indicating that the planning phase takes place November through December.
Planning Phase - Objectives

The Department establishes resource planning priorities that convert its missions and goals into resource programs and ultimately mission outcomes. The objectives of the planning phase are to:

- Identify resource planning priorities
- Communicate these priorities to the Components
- Conduct the analytic activities necessary to prepare for the Program and Budget Review (PBR)
- Identify potential issues for further study during future FYHSP cycles

During the planning phase, DHS assesses existing strategic guidance and other external factors that influence how DHS should allocate its resources.
The Planning Process

Planning requires analysis of previous and existing guidance in view of the current security environment.

The DHS Office of Policy (PLCY) and the Office of Strategy, Planning, Analysis & Risk (SPAR) lead the planning process of the PPBE in coordination with the Office of the Chief Financial Officer (OCFO). They work with Departmental leadership and other stakeholders to establish and communicate guidance.

The Quadrennial Homeland Security Review (QHSR) and the DHS Strategic Plan inform the planning process.

The Secretary issues the *Quadrennial Homeland Security Review (QHSR)* every four years. The QHSR is a congressionally mandated, top-to-bottom review of homeland security strategy and policy that guides the Department's four year outlook and informs the nation's homeland security policies, programs, and missions. The first review was published in 2010.

The DHS Strategic Plan is produced every four years, establishes the goals and objectives for DHS, and outlines the strategies to achieve those goals and objectives.

The Office of Strategy, Plans, Analysis & Risk (SPAR) is within the DHS Office of Policy (PLCY). SPAR’s mission is to: (1) develop analytically driven, high-impact products that improve DHS and homeland security enterprise strategic direction, integration, and decision-making; and (2) design and refine DHS processes necessary for the strategic management of the Quadrennial Homeland Security Review (QHSR) missions and for DHS strategy, planning, and analysis to have the intended, beneficial impact on homeland security activities. SPAR leads development of the annual Resource Planning Guidance (RPG).

To view SPAR's web site, select this link: [http://dhsconnect.dhs.gov/org/comp/plcy/spar/Pages/default.aspx](http://dhsconnect.dhs.gov/org/comp/plcy/spar/Pages/default.aspx)
Resource Planning Guidance

The output of the planning phase is the Resource Planning Guidance (RPG). The RPG provides guidance, direction, and prioritization for the Department’s subsequent Program Budget Review (PBR). The RPG consists of the following elements: resource planning priorities, policy and strategy guidance, programmatic guidance, and Winter Studies topics (issues that require additional analysis ahead of the PBR). The resource planning priorities are most consequential because they help realize the QHSR missions and goals incrementally, while providing the Department flexibility to respond to real-world threats and events.

PLCY uses multiple sources to inform and shape the RPG including:

- National Security Strategy
- National Intelligence Strategy
- Presidential Planning Directives
- Executive Orders
- Current DHS leadership priorities
- Previous RPGs

Components are required to incorporate the Secretary’s guidance from the RPG in their Resource Allocation Plans (RAPs).

The key product of the planning phase of PPBE is the Resource Planning Guidance (RPG)

1. **Resource Guidance** contains direction for Resource Allocation Plans (RAP) development. It contains three specific areas of guidance:

   a. **Resource Planning Priorities** identify the Secretary’s focus areas for additional resources across the FYHSP. They often require a change in the Department's approach to one of its missions or goals, and a corresponding adjustment to a resource profile. Resource planning priorities are intended to implement the QHSR missions and goals incrementally, while providing the Department flexibility to respond to real-world threats and events. The Secretary, through the RPG, directs Components to focus resources on the resource planning priorities as Components develop and submit their RAPs to the Department’s Chief Financial Officer (CFO) each spring.

   b. **Programmatic Guidance** provides individual Components with direction on how to array resources within their RAPs. This section also identifies specific areas considered Secretarial "must-fund" items. These items are organized by the mission areas established in the QHSR, and can derive from the annual Program and Budget Review or previous years' Programmatic Guidance. The Office of the CFO, Program Analysis and Evaluation Division (PA&E), develops Programmatic Guidance in coordination with PLCY.

   c. **Additional Areas of Focus** includes additional direction for areas with cross-Departmental impact. Examples include Intelligence Guidance, International Guidance, and Independent Cost Estimates.

2. **Analytic Guidance** contains guidance for in-depth analytic efforts that are chartered by the RPG. It contains two specific areas of guidance:

   a. **Winter Studies** are analytic efforts that provide Departmental leadership with useful information when making DHS’s most complex decisions regarding the Department’s Program and Budget Review (PBR). Winter Studies can impact strategy development, requirements generation, and acquisition oversight, but they are principally designed to inform the annual PBR.
Winter Studies analyze a few specific areas:

- Advancement of a previous year's resource planning priorities
- New or continuing questions from previous Winter Study analytic efforts or Issue Team work
- Long-term decisions across the FYHSP
- Potential impact of significant resource investment (greater than $50 Million)
- Multi-component Issues

Winter Study teams are co-led by a Headquarters Office and an Operational Component, and run from October to March each year. Winter Study results are briefed to senior leadership and incorporated, as appropriate, into the Department's Program and Budget Review.

b. **Other Analytic Efforts** are tasked when analysis requires additional time and do not seek to inform the immediate Program and Budget Review.
Knowledge Review

Which document provides strategic direction for resource allocation across the FYHSP? It is the primary input to the programming phase.

- **A.** Resource Planning Guidance (RPG)
- **B.** Quadrennial Homeland Security Review (QHSR)
- **C.** DHS Strategic Plan

**Correct!** The RPG is an annual document that directs homeland security resource planning across the FYHSP.
**Cost Analysis in the PPBE System**

Within PPBE, cost estimating and cost analysis are used to translate new capabilities and requirements into quantitative measures of time and money. A detailed discussion of cost estimating is provided in another lesson, but we will touch on a few key cost analysis concepts here within the context of support to each phase of the PPBE.

A Rough Order of Magnitude (ROM) estimate is a cost estimate that addresses the general size and scope of a program and is based on initial or incomplete information available during the early phases of a program's life cycle. A ROM cost estimate addresses the entire life cycle of a program and is often based on historical information and limited use of expert judgment methods.
Cost Analysis: Life Cycle Cost

Cost analysis is the process of collecting and analyzing historical financial data for the purpose of predicting future costs. It includes:

- Actual costs (historical data)
- Cost estimates in constant dollars
- Then-year costs (estimates adjusted for inflation)

One of the key concepts associated with cost analysis is Life Cycle Cost (LCC). As you know, LCC is the total cost of a program, from the start of the initial program planning, to the completion of its usefulness. It spans research and development, procurement, operations, and disposition.

Life cycle costs are the sum of four other costs: research and development, acquisition, operations (along with maintenance and support), and disposal.
Cost Analysis: Affordability

Another key concept of cost analysis is affordability. Affordability is the degree to which the LCC aligns with long-range plans and funding assigned to a program.

Affordability plays an important part in program decisions throughout the life cycle. Even before a program is formally approved at Acquisition Decision Event 1 (ADE-1), affordability is factored into the identification of capability needs. Program affordability is part of the requirements generation and review process, which balances cost versus performance in establishing key performance parameters in the Operational Requirements Document (ORD).

When senior leaders look at the affordability of new acquisitions, they balance the need for and cost of one program against another to determine if it is feasible to address the need at this time.

In sum, cost analysis is conducted periodically throughout the PPBE process to determine what resources will be needed to execute the acquisition program. Now let’s take a look at the process used to determine the priority of those programs and their associated resources.
PPBE: Programming Phase

Once the planning phase ends, the programming phase begins. The purpose of this phase is to translate resource planning priorities (as identified in the RPG and Component plans) into specific resource allocation decisions articulated over a five-year period. These decisions are consistent with Secretarial direction and the missions and goals of the DHS Strategic Plan.

Programming is initiated with the issuance of PBR Guidance and submission of Component RAPs, and concludes with the issuance of the RAD and recording of decisions in the FYHSP system. Components may begin programming in the fall at or about the time of RPG issuance.

In the programming phase, DHS Directorates and Components propose programmatic options in response to the RPG. These program options are consolidated and submitted as part of the RAP.

The new Federal Information Technology Acquisition Reform Act (FITARA) provides Chief Information Officers (CIOs) more authority in the resource allocation process than they had previously. FITARA establishes an enterprise-wide approach to Federal IT investment, and promotes cross-functional partnerships between the CIO and key senior agency officials.

Program Budget Review (PBR) Guidance is a memorandum outlining the key themes and focus areas, as well as programmatic issue teams, base budget review topics, and leadership issues.

Graphic showing the timing of the FYHSP. The planning phase is shown as occurring in November and December, and the programming phase is shown as occurring from January to September.

The twelve months of the fiscal year spread out from left to right, starting with October and ending with September, with a clear division between December and January. The FYHSP database Congressional update is in late January or early February. The FYHSP report is between February and March. The FYHSP database RAP update is in April, and the FYHSP database OMB update is in September.
Programming Phase — Resource Allocation Plan (RAP)

The RAP is a Component request for funding necessary to achieve the objectives, commitments, and priorities of the Department within fiscal guidance constraints. The RAP illustrates proposed allocation of resources to programs/portfolios, sub-programs, and mission activities (e.g. acquisition programs) across the five-year FYHSP.

The RAP is developed every year by DHS Directorates and Components to:

- Identify resource requests submitted within fiscal guidance (i.e., what's affordable)
- Align resources to the priorities established in the RPG
- Indicate the dollars, equipment, and manpower needed for development, investment, operation, maintenance, construction, and potential disposal of acquired systems
- Serve as the starting point for budget estimates
- Support budget justifications
Fiscal Guidance and RAP Instructions

Fiscal Guidance is issued to Components each year in February by the DHS Deputy Secretary through the Office of Program Analysis and Evaluation (PA&E), within the Office of the Chief Financial Officer (CFO), to allocate funds to each Component for each year of the FYHSP. This guidance provides a fiscal target for Component RAP submissions. Fiscal Guidance, RPG, and RAP instructions inform Component RAP submissions.

The RAP is submitted in April to PA&E and initiates the Program and Budget Review (PBR) process. The submission documents the Directorate/Component request for resources and its performance impacts over a five-year period beyond the current fiscal year (i.e., the budget year plus four future years). The RAP submission includes:

- Program Decision Option (PDO) justification
- Schedule B Tables
- Base Budget Review Questionnaire
- Capital Investment Exhibit
- Information Technology Portfolio Analysis Summary

The RAP instructions, issued in January of each year, provide a list of definitions and guidance on how to build a RAP submission.

The RAP must reflect the resource planning priorities and programmatic guidance in the RPG.
Program and Budget Review (PBR)

The DHS PBR process operates during both the programming and budgeting phases of the PPBE. Component RAPs are reviewed during PBR.

The various options and outcomes requiring deliberation and review are collectively called Program Decision Options (PDOs). PDOs may go by other names within Components, but the main idea is that during the early phases, DHS has choices about what it will do, and the selection of one of the options is based, in part, upon financial considerations. Select each decision maker for more information.

PDOs have varying sources which include: Component RAPs, Programmatic Issue Team recommendations, and OCFO analysis.

All the various PDOs are considered carefully by the CFO Council during a Special Session. The executive directors from the Office of Program Analysis and Risk Management (PARM), the Office of the Chief Information Officer (OCIO), and the Office of Policy (PLCY)/Office of Strategy, Planning, Analysis & Risk (SPAR) are invited to this Special Session in order to make decisions about which options to recommend for funding.

The CFO Council Special Session may elect to push up contentious PDOs to the DMAG. The DMAG makes decisions on some of these, but may push contentious ones up to the Deputy Secretary of Homeland Security.

The Deputy Secretary, in turn, makes decisions on some of the PDOs, but may elect to push some up to the Secretary for a final decision.

The final resource allocation decisions are documented in the Resource Allocation Decision (RAD).
Graphic illustrating Program and Budget Review Governance with ongoing OFCO analysis. This graphic shows that a large number of program decision options go to the special session of the CFO Council. Some emerge as decisions, while others get pushed to the Deputy's Management Action Group (DMAG). Again, some emerge as decisions while others go to the Deputy Secretary. The Deputy Secretary makes some decisions, and sends the final program decision options up to the Secretary, who issues all final decisions in the Resource Allocation Decision.
Confidentiality of the PBR

During PBR, it is essential that decision-makers are equipped with all the resources and performance impact data to make an informed decision. Decision-makers must be able to consider the consequences of all potential courses of action in order to make good decisions. PBR relies on the confidentiality of the preliminary cost and budget conversations in order for the process to work effectively. As a PM, you benefit from the transparency in budget deliberations because it allows for the full disclosure of the consequences of all potential options. When this information is released to those who should not have it, the ability to have transparent and effective internal debates on funding is damaged. Decision-makers cannot make good choices if they fear leaks of their internal information. This concept is so important that it is set forth clearly in OMB policy in Circular A-11.

During the budget review process, PMs not only have no obligation to show their internal budget deliberations to OMB, to Congress, or to the GAO, but they should not do so. Internal budget deliberations are pre-decisional and include any documents or discussions during PBR that leads to the President's Budget (RAP submissions, RADs, CFO Council slides, DMAG materials, etc.) Revealing anything other than the President's Budget — that is, the funding request for a program — violates OMB policy.

Click here for an example about a United States Coast Guard (USCG) cutter.

From OMB Circular A-11:

22.1 Confidentiality of budget deliberations. The nature and amounts of the President's decisions and the underlying materials are confidential. Do not release the President's decisions outside of your agency until the Budget is transmitted to the Congress. The materials underlying those decisions may not be released at any time, except in accordance with this section. In addition, out-year discretionary data is considered pre-decisional and may not be released without prior OMB approval (for additional information on the confidentiality of pre-decisional budget information, please consult OMB Memorandum M-01-17 of April 25, 2001). Presidential decisions on current and budget year estimates (other than forecasts of items that will be transmitted formally later), both in total and in detail, become the "proposed appropriations" as that term is used in the amended Budget and Accounting Act of 1921, and must be justified by your agency. Do not release agency justifications provided to OMB and any agency future-year plans or long-range estimates to anyone outside the Executive Branch, except in accordance with this section.
Suppose that the Coast Guard decides that they need three new cutters. They request this through the USCG RAP submission, which gets passed up to the DHS CFO Council and DMAG for review. Suppose that during PBR, the decision is made to only purchase two cutters. Therefore, DHS will ask OMB for the funds for two cutters. Now suppose that during OMB's, the President's, and Congress's reviews they decide to only fund one cutter. As a PM, you may be disappointed. You may have very good reasons why the Coast Guard really needs all three cutters. However, remember that the decision to fund one cutter is coming straight from the Executive Branch. It would be inappropriate, and a betrayal of your senior leadership, for you to reveal to Congress or the Government Accountability Office (GAO) that you had originally asked for three cutters.
Programming Phase - Resource Allocation Decision (RAD)

Following PBR, the Secretary's formal decisions on Component RAPs are documented as the Secretary's *Resource Allocation Decisions (RADs)*. The RADs contain decisions for program, policy, or planning changes regarding the distribution of resources. RADs:

- Codify PBR deliberations on the RAPs, Issue Teams, and other resource matters
- Set program funding level decisions documented in the FYHSP
- Serve as the basis for the OMB justification documents in budgeting
- Are typically issued in final form by the end of July or August

The RADs are initially issued in draft form, and then reviewed by the Secretary of DHS. The **Deputy’s Management Action Group (DMAG)** is the senior-level executive panel who makes recommendations to the DHS Secretary on the FYHSP and the annual DHS Budget request.
**Programming Phase Timeline**

Here's a typical timeline of the key events that occur in the programming phase:

- Based on the RPG issued each October, Components prepare their five-year program plans, resulting in a RAP submission to OCFO/PA&E in April
- OCFO/PA&E, Cost Analysis Division (CAD), and Budget Division analysts review the RAPs, which initiates the Program Budget Review (PBR) from April to July
- Analytical studies are conducted and resource options are presented to the CFO Council and the DHS DMAG
- The DHS DMAG identifies issues, makes decisions, and documents them in **draft** RADs to the Components in early July
- The DHS Secretary makes final decisions, which are documented in **final** RADs and issued to the Components in July or August

Programming can begin up to five years before the fiscal year budget request; at a minimum, funds should be programmed two years in advance.

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**Graphic**

Select the image to view an enlargement

Select the D-link to read a detailed explanation of the graphic

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Graphic showing the timing of the FYHSP. In October, the Secretary provides input to the Resource Planning Guidance, which is shared with the Components by December. During February through April, the Components form their budgets and develop their resource allocation plans (RAP). In April, the RAP is provided to the Office of the Chief Financial Officer and the Deputy's Management Action Group. The DMAG provides input to the Secretary by June or July, and the Secretary issues the final Resource Allocation Decision (RAD) in July or August.

The planning phase is shown as occurring in November and December, and the programming phase is shown as occurring from January to September.

The twelve months of the fiscal year spread out from left to right, starting with October and ending with September, with a clear division between December and January. The FYHSP database Congressional update is in late January or early February. The FYHSP report is between February and March. The FYHSP database RAP update is in April, and the FYHSP database OMB update is in September.
Knowledge Review

Which document is prepared by DHS Components to identify resource requirements within established target funding levels over a five-year period?

- **A.** Resource Allocation Decision (RAD)
- **B.** Program Decision Options (PDOs)
- **C.** President's Budget
- **D.** Resource Allocation Plan (RAP)

**Correct!** The RAP lays out the resource requirements of the Components over the next five years, and is the principal DHS programming document.
PPBE: Budgeting Phase

The purpose of the budgeting phase of the PPBE is to produce a detailed one-year budget that justifies the funds requested for the portfolios/programs accomplishing the objectives of the Department. Budgeting is the third phase of PPBE where the Components develop detailed budget estimates for the budget year. Although the programming phase and the budgeting phase occur simultaneously, they deal with very different concepts. One way to think about this is to use the example of a restaurant.

In this analogy, all the items listed under "budgeting" above can be thought of as portfolios. The programs are the menu – cheeseburger, fried chicken, etc. – and programming is the process of matching the budget to the programs. For example, a cheeseburger requires budgeting for meat, electricity, staff, and so on.

Graphic showing the relationship between programming and budgeting. On the left is Programming, with a list of items and costs as follows: Cheeseburger $2.00, Fried Chicken $2.50, Chicken Sandwich $2.75, Soft Drink $1.50, and Ice Cream $1.75. On the right is Budgeting with a list of monthly expenses as follows: electricity $200, rent $3,000, staff $250, flour $100, meat $350, and insurance $500. The concept behind this graphic is that the output views of resources should be convertible to inputs, and the input views of resources should be convertible to outputs.
Budgeting

Note that while programming and budgeting overlap, budgeting continues throughout the year.

The DHS Secretary makes the final decision on the budget request that will be submitted to the Office of Management and Budget (OMB). The RAD documents the Secretary’s formal decisions regarding Component RAPs. RADs set resource allocation targets for Components for the FYHSP and become the basis for the Secretary’s budget submission to OMB. OMB may adjust the budget, then send it to the President for review.

The Budget justification submitted to OMB along with the RAD must be consistent with the Component’s and DHS’s OMB Major IT Business Case.

The end-product of the budgeting phase is the President’s Budget

The OMB Major IT Business Case contains the Department’s detailed IT investment budget and management information for major IT investments. Guidance may be found in the OMB Circular A-11, Parts 55.6 and 55.7.

Graphic showing the timing of the FYHSP. The budgeting phase extends across the entire year. The planning phase is shown as occurring in November and December, and the programming phase is shown as occurring from January to September.

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Inflation and Escalated Funds

There are a number of factors that impact the way we structure our budget requests. First let's consider the influence of inflation on the amount we budget for our programs.

Inflation impacts acquisition programs just as surely as it impacts our personal finances. Most cost estimates, such as Life Cycle Cost Estimates (LCCE), are done in constant, or base-year, dollars. Using base-year dollars makes it easier to compare costs from year to year without worrying about the effects of inflation. It also makes it easier to compare the costs of alternative approaches.

When we prepare funding requirements for a program over several years, as in the RAPs and the FYHSP, inflation must be factored into the out-years or the requested amounts will be too small to support the program. We call funds adjusted for inflation escalated funds, and they are expressed in then-year dollars (for the year in which we need them).

The Administration's economic forecast for inflation rates is updated annually. The OCFO communicates the inflation factor to be used by Components when preparing their RAPs in the annual RAP Instructions.

This example illustrates the difference between base-year and then-year dollars. The first chart shows the funds programmed for the XYZ program in constant (FY17) dollars. The second chart shows the same amounts adjusted for inflation in then-year (FY18, FY19, and FY20) dollars. Remember, the base-year is FY17.

### XYZ Program Cost Estimate in Base-Year dollars

<table>
<thead>
<tr>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20M</td>
<td>$40M</td>
<td>$10M</td>
<td>$35M</td>
</tr>
</tbody>
</table>

### XYZ Program Cost Estimate in Then-Year dollars

<table>
<thead>
<tr>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20.6M</td>
<td>$42.4M</td>
<td>$10.6M</td>
<td>$38.8M</td>
</tr>
</tbody>
</table>
Budgeting Policies: Annual Funding

There are two funding policies that influence the amount of funds that DHS programs and budgets for certain types of programs: annual funding and incremental funding.

**Annual Funding** is generally used to pay for routine expenses, i.e., paying the bills. The annual funding rule applies to appropriations that are available for obligation for one fiscal year, such as:

- Operations
- Maintenance
- Personnel salaries

For annual funds, we budget only the estimated cost of goods and services we expect to need in a given fiscal year.

In DHS it is quite common to budget for 12 months of services that cross fiscal years. The annual funding policy does not apply to service contracts whose period of performance crosses fiscal years. If the service contract period is 12 months or less in duration, or if the contract produces a single outcome, product or report (i.e., it is non-severable), we can finance the entire period of performance, across fiscal years, with budget authority available for obligation at the time of contract award.

Below is a sample Resource Allocation Decision chart showing allocations for various portfolios/programs. The RAD is a five-year decision document, updated annually. The annual budget for any one year is the total of the corresponding column. In the example below, the annual budget for FY 2019 is $630 million. Data for this year is used to build the budget justification documents.

<table>
<thead>
<tr>
<th>Prior Year</th>
<th>Current Year</th>
<th>Budget Year (BY)</th>
<th>BY+1</th>
<th>BY+2</th>
<th>BY+3</th>
<th>BY+4</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 17</td>
<td>FY 18</td>
<td><strong>FY 19</strong></td>
<td>FY 20</td>
<td>FY 21</td>
<td>FY 22</td>
<td>FY 23</td>
</tr>
<tr>
<td>Program A</td>
<td>$5M</td>
<td>$15M</td>
<td>$20M</td>
<td>$5M</td>
<td>$20M</td>
<td>$20M</td>
</tr>
<tr>
<td>Program B</td>
<td>$200M</td>
<td>$600M</td>
<td>$100M</td>
<td>$35M</td>
<td>$10M</td>
<td>$10M</td>
</tr>
<tr>
<td>Program C</td>
<td>$600M</td>
<td>$500M</td>
<td>$400M</td>
<td>$20M</td>
<td>$50M</td>
<td>$50M</td>
</tr>
<tr>
<td>Program D</td>
<td>$45M</td>
<td>$80M</td>
<td>$75M</td>
<td>$90M</td>
<td>$15M</td>
<td>$15M</td>
</tr>
<tr>
<td>Program E</td>
<td>$10M</td>
<td>$30M</td>
<td>$35M</td>
<td>$10M</td>
<td>$10M</td>
<td>$10M</td>
</tr>
</tbody>
</table>
Budgeting Policies: Incremental Funding

The incremental funding rule applies to appropriations that are available for obligation for more than one year, such as Research and Development (R&D). It requires that the effort be budgeted in annual increments based on when costs are expected to be incurred.

In the example shown below, a R&D program to develop a vaccine against a new biological threat may cost $500 million over three years. Rather than budget all the funds up front, DHS will request only those funds expected to be spent each year.

<table>
<thead>
<tr>
<th>Task</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>$500M</td>
<td>30%</td>
<td>50%</td>
</tr>
<tr>
<td>Budget Request</td>
<td>$150M</td>
<td>$250M</td>
<td>$100M</td>
</tr>
</tbody>
</table>
Knowledge Review

As a budget analyst in the Explosives Detection program office, you have to develop a budget for the development and testing of advanced sensor software. The effort is expected to cost a total of $80 million, spread evenly over 20 months, and start in April the following year from now.

Your total program is fully funded in the FYHSP and has strong Congressional support. What amount of R&D funding will you request in next year's budget?

- **A.** $24 million in accordance with the incremental funding rule
- **B.** $40 million in accordance with the best practice of distributing funds equally across fiscal years
- **C.** $80 million in accordance with the full funding rule that calls for all required funds to be budgeted up front

**Correct!** In accordance with the incremental funding rule, which applies to R&D appropriations, you would budget only for the amount of costs expected to be incurred during the fiscal year. Since the $80 million cost is evenly spread over 20 months, the monthly expected cost is $4 million. With an April start date, the program should incur six months of cost (April through September) in the next fiscal year, at $4 million per month, or $24 million for the fiscal year.
Enactment

After OMB sends the President's Budget to Congress, the Enactment process begins. You'll learn about Enactment in a later lesson, but here's a brief overview of the process described in statute and Congressional rules. In practice, the Enactment process frequently diverges from this outline.

A graphic depicting the roles of key Congressional committees in the enactment process. There are two budget committees, one in the House and one in the Senate. Both use a joint budget resolution which sets overall budget ceilings. There are two authorization committees, the Senate Committee on Homeland Security and Governmental Affairs, and the House Committee on Homeland Security. Both lead to a DHS authorization, which authorizes programs and quantities, and grants permission for programs to exist.

Finally, there are two Appropriations Committees, one in the House and one in the Senate. Each has a Subcommittee on Homeland Security, and these lead to a DHS Appropriation, which provides budget authority for programs to be carried out.
Common Appropriations Structure (CAS)

The establishment of DHS in 2002 entailed the creation and consolidation of 22 agencies from multiple Cabinet-level Departments and independent agencies into a single organization. Between 2002 and 2016, DHS functioned with more than 70 different appropriations and over 600 Programs, Projects and Activities (PPAs), leading to a lack of transparency, inhibited program comparisons, complicated spending decisions, and complex managerial decision-making functions.

The Department has submitted to Congress its portion of the FY 2017 President's Budget using a new budget framework that synchronizes programming with a standardized appropriations structure called the Common Appropriations Structure (CAS). The new hierarchy includes two levels of appropriation fund controls:

- A life-cycle-based appropriation fund type
- A mission-based PPA structure within each appropriation

The CAS standardizes the four types of appropriations through which DHS will be funded.

Four appropriation types in the Common Appropriations Structure:

1. **Research and Development (R&D)** funds the search for new ideas and knowledge, and finding ways to build technologies and products we can use on the front lines.

2. **Procurement, Construction and Improvements (PC&I)** funds all costs associated with buying, building, or improving the tools and buildings used to support our front lines.

3. **Operations and Support (O&S)** funds all costs necessary for regular operations, salaries, mission support, headquarters, and management.

4. **Federal Assistance (FA)** provides funding and other aid for non-DHS entities through grants, disaster assistance, direct loans, insurance, and other federal support.
Execution begins once a program has been funded by Congress during its annual appropriation. Execution is the final phase of PPBE. During execution, funds are obligated and expended in accordance with OMB apportionment guidelines and appropriations law. Program managers are responsible for controlling, assessing, and reporting program performance. This includes detailing what is received for the money spent, and the actual versus planned performance. Execution will be covered in greater detail in a future lesson.

Graphic showing the timing of the FYHSP. Like the budgeting phase, the execution phase extends across the entire year. The planning phase is shown as occurring in November and December, and the programming phase is shown as occurring from January to September.

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Knowledge Review

In which phase of the PPBE are resources allocated across programs, over a five-year period, to meet the prioritized needs within projected resource constraints?

- **A.** Planning
- **B.** Programming
- **C.** Budgeting
- **D.** Execution

*Correct!* The purpose of this phase is to develop five-year program plans that allocate resources to support the DHS missions, goals, objectives, and priorities.
Overlapping PPBE Phases

At any one time, planning, programming, budgeting, and execution are occurring simultaneously for multiple fiscal years.

The planning phase begins at least two calendar years before the fiscal year budget request. For example, planning to support a budget request for FY 2021 would begin in 2018. For an acquisition program to begin execution in October of FY 2021, planning would need to begin in the fall of 2018, which is the start of FY 2019. In other words, to execute funds in FY 2021, those funds would need to be programmed in the FYHSP by FY 2019 (or earlier).

During any one calendar year, all the phases of PPBE will take place; however, they correspond to different fiscal years, depending on the cycle.

A graphic illustrating the overlapping cycles of the PPBE. The graphic shows a row of calendar years from 2018 to 2023, with a box for each calendar year. Above the row of calendar years are six sets of PPBE phases. Each set includes the four phases of PPBE: planning, programming, budgeting, and execution. PPBE cycles are shown for Fiscal Years 2019 through 2024. The last part of the budgeting phase is spent responding to OMB and Congress. Each set of phases is associated with the fiscal year in which it takes place.

At any given point in time, various phases of PPBE cycles for multiple different fiscal years are taking place. For example, during fiscal year 2019, from October 1, 2018 through September 30, 2019, various phases for three different PPBE cycles are taking place: FY 2019, FY 2020, and FY 2021.

During FY19, execution of FY 2019 funds takes place. Also during FY19, DHS is responding to OMB and Congress as part of the budgeting phase for FY20 funds. The planning, programming, and budgeting phases for FY21 funds take place during FY 2019.

During FY21, execution of FY 2021 funds takes place. Also during FY21, DHS is responding to OMB and Congress as part of the budgeting phase of FY22 funds. The planning, programming, and budgeting phases for FY23 funds take place during FY 2021.

This process continues forward in time. The graphic shows the timing of the phases up to the execution of FY 2024 funds, which begins October 1, 2023.
The Role of Components

Although the PPBE may seem to be primarily a headquarters function, the Components actively participate in all phases of the process and in fact operate their own versions of the PPBE.

In planning, Components conduct need assessments and formulate strategic and operational plans. In programming, they prepare RAPs in accordance with DHS RPG. In budgeting, they develop budget estimates and justifications. In execution, Components obligate and expend appropriated funds to carry out the programs under their control.

Both the components and DHS headquarters provide input into long range planning, 5 year programming, annual budgeting, and ongoing execution.
Summary

Planning, Programming, Budgeting, and Execution (PPBE) is the process that DHS uses to decide how best to allocate resources to accomplish the homeland security mission. Cost analysis provides a foundation for the PPBE process by estimating life cycle costs to evaluate the affordability of various options.

In the planning phase, risks, threats, and vulnerabilities are assessed to determine what capabilities are needed to support the homeland security mission. The output of the planning phase, the Resource Planning Guidance (RPG), provides input for the programming phase.

In the programming phase, resources are allocated to meet prioritized needs within projected resource constraints, five years into the future. Components submit prioritized cost-informed requirements in their Resource Allocation Plans (RAPs). The DHS CFO reviews these requests and the DHS Secretary issues Resource Allocation Decisions (RADs).

In the budgeting phase, detailed budget estimates are developed to carry out programs in the following fiscal year. The DHS Secretary, in coordination with OMB, makes adjustments as necessary to finalize the DHS portion of the President’s Budget to be enacted by Congress.
Summary (continued)

Cost estimates are typically produced in constant, base-year dollars without considering inflation; however, base-year cost estimates need to be adjusted for inflation for purposes of programming and budgeting funds. This process, known as *escalation*, provides an accurate representation of the cost of a program in future years.

Different activities in an acquisition program require different appropriation categories of funds. Incremental funding is used for budgeting Research & Development and other multi-year appropriations; annual funding is used for budgeting yearly operations and personnel costs.

The Future Years Homeland Security Program (FYHSP) system records the major decisions of the PPBE process. This database captures resource requirements out to seven years, along with program objectives, milestones, and measures of performance.

After Congress appropriates funds, the execution phase begins. In this final phase of the PPBE process, Components and Directorates expend apportioned funds in accordance with fiscal law to accomplish program objectives.

You may print the *Programming, Planning, Budgeting, and Execution* lesson and/or save it for future reference. Please select the next lesson from the table of contents on the left to continue with the course.