

Recommendation 47: Restore reprogramming dollar thresholds to match their previous levels relative to inflation and the DoD budget.

Problem

The reprogramming flexibility available to DoD has eroded over the course of multiple decades. The current PA reprogramming dollar thresholds have kept pace with neither inflation nor the defense budget.

Background

The dollar thresholds below which DoD may engage in BTRs are set by the congressional defense committees. BTR thresholds have existed since at least the 1960s, and throughout recent decades they have been formally published in DoD's Financial Management Regulation.

Current Reprogramming Thresholds

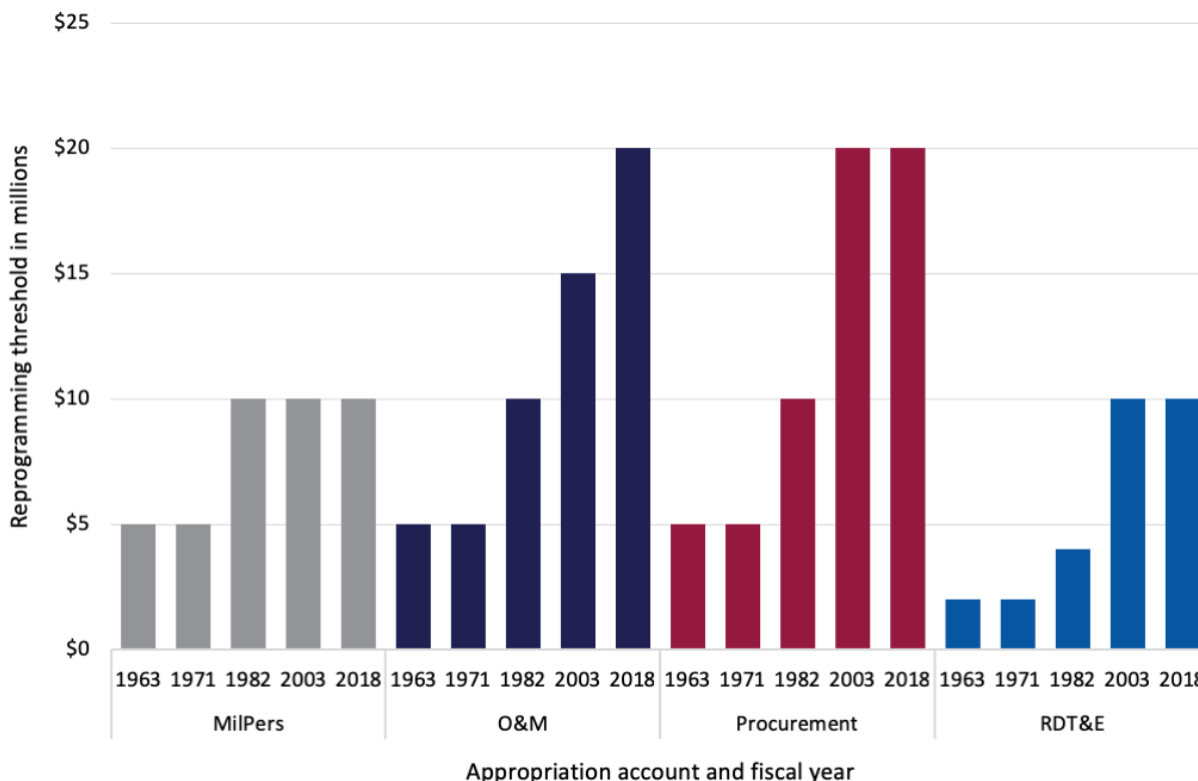
As of FY 2019, reprogramming dollar thresholds for DoD appropriation accounts included the following:¹

- Military personnel \$10 million
- O&M \$15 million
- Procurement \$20 million
- RDT&E \$10 million

DoD's flexibility for reprogramming has eroded over time as the current reprogramming dollar threshold limits have not kept pace with inflation or with defense budget growth.

¹ H.Rpt. 115-952, *Conference Report to Accompany H.R. 6157* (see Reprogramming Guidance section of Joint Explanatory Statement), September 13, 2018, accessed September 21, 2018, <https://www.congress.gov/115/crpt/hrpt952/CRPT-115hrpt952.pdf>.

Figure 4-4. Reprogramming Dollar Thresholds, Not Adjusted For Inflation



Thresholds for FY 1963 and FY 1971 from versions of DoDI 7250.10 dated March 5, 1963 and April 1, 1971, provided by DoD Historical Office. Thresholds for FY 1982 from mid-1980s Air Force research.² Thresholds for FY 2003 and FY 2018 from DoD Comptroller documentation.³

In purely inflation-adjusted terms, reprogramming dollar thresholds have historically been about double their current levels (see Figure 4-5).

² William Alton Hill, Jr., *Fiscal Law, Incremental Funding, and Conditional Contracts*, January 22, 1985, 201, accessed October 2, 2018, <http://www.dtic.mil/dtic/tr/fulltext/u2/a161081.pdf>.

³ For threshold changes in FY 2003, see DoD Comptroller Memorandum, *Below Threshold Reprogramming Authority Policy*, May 15, 2003, accessed June 7, 2018, http://comptroller.defense.gov/Portals/45/Documents/execution/reprogramming/fy2003/policy_letter/BTR_Authority_Policy_Memo.pdf. For threshold changes in FY 2018, see DoD Comptroller, *Summary of Reprogramming Requirements Effective for FY 2018 Appropriation*, accessed June 7, 2018, http://comptroller.defense.gov/Portals/45/Documents/execution/reprogramming/Reprogramming_Overview.pdf.

Figure 4-5. Reprogramming Dollar Thresholds in Inflation-Adjusted U.S. Dollars

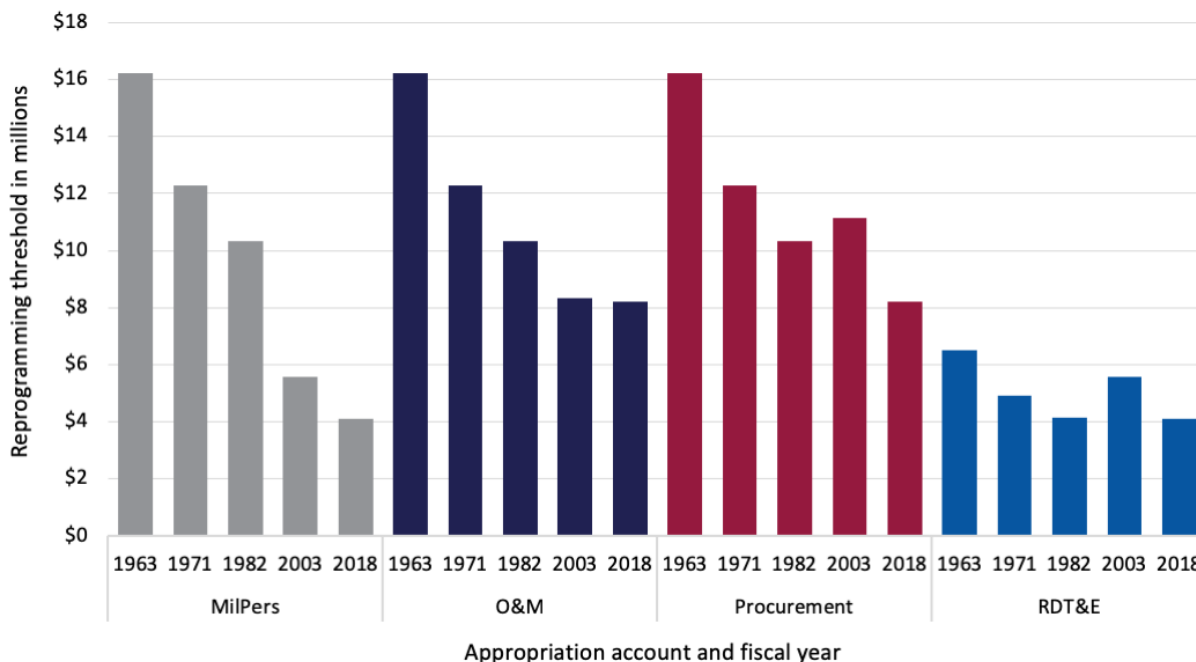


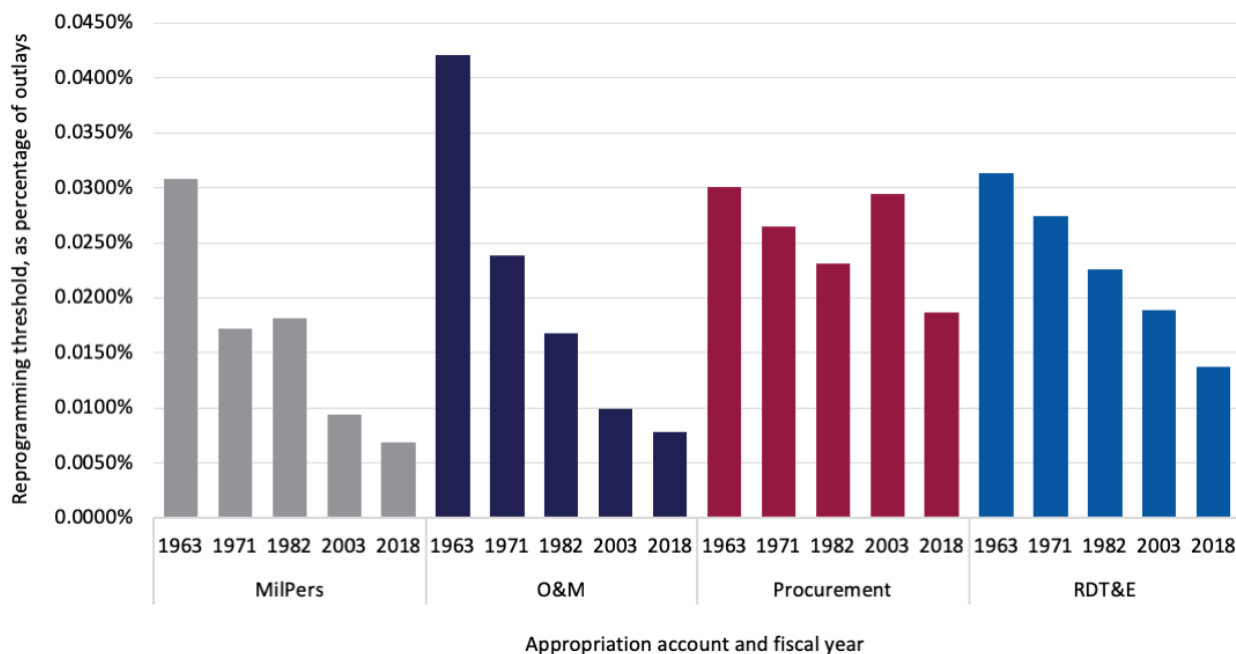
Figure is in adjusted 1983 U.S. Dollars. Thresholds for FY 1963 and FY 1971 from versions of DoDI 7250.10 dated March 5, 1963 and April 1, 1971, provided by DoD Historical Office. Thresholds for FY 1982 from mid-1980s Air Force research.⁴ Thresholds for FY 2003 and FY 2018 from DoD Comptroller documentation. Adjustments based on Bureau of Labor Statistics CPI-W inflation data.⁵

As a percentage of total DoD outlays by account, reprogramming dollar thresholds are also much lower than they have been historically (see Figure 4-6).

⁴ William Alton Hill, Jr., *Fiscal Law, Incremental Funding, and Conditional Contracts*, January 22, 1985, 201, accessed October 2, 2018, <http://www.dtic.mil/dtic/tr/fulltext/u2/a161081.pdf>.

⁵ Inflation adjustments based on average of monthly rates for CPI-Urban Wage Earners and Clerical Workers (Series ID “CWUR0000SA0”). Data includes only the first four months of calendar year 2018. See “Databases, Tables & Calculators by Subject,” Bureau of Labor Statistics, accessed June 8, 2018, <https://data.bls.gov>.

Figure 4-6. Reprogramming Dollar Thresholds as Percentage of Individual Title Outlays



Thresholds for FY 1963 and FY 1971 from versions of DoDI 7250.10 dated March 5, 1963 and April 1, 1971, provided by DoD Historical Office. Thresholds for FY 1982 from mid-1980s Air Force research.⁶ Thresholds for FY 2003 and FY 2018 from DoD Comptroller documentation. Percentages represent the ratio of reprogramming dollar threshold to total outlays associated with the indicated appropriation category.⁷

Discussion

Reprogramming limits have been adjusted several times, most recently in 2015; however, reprogramming dollar threshold limits have not kept up with inflation for the programmatic limits associated with the individual appropriation types.

Reprogramming Thresholds

Figure 4-6 illustrates that the Procurement and RDT&E reprogramming thresholds, adjusted by either inflation or outlay share, are roughly half their levels in the 1960s. O&M reprogramming thresholds are particularly low relative to the 1960s-era outlay ratios. By either of these measurements, the Congress of 1961 allowed DoD far greater reprogramming flexibility than the Congress of 2018.

General Transfer Authority Threshold

The GTA maximum is cumulative and set to a dollar amount specified in each annual appropriations bill. Individual reprogramming decisions count against this annual limit if they cross appropriations accounts and are not otherwise approved by Congress.

⁶ William Alton Hill, Jr., *Fiscal Law, Incremental Funding, and Conditional Contracts*, January 22, 1985, 201, accessed October 2, 2018, <http://www.dtic.mil/dtic/tr/fulltext/u2/a161081.pdf>.

⁷ Due to unavailability of FY 1961 data from OMB, FY 1962 outlay data is used in its place. FY 2018 outlays are OMB estimates. See Office of Management and Budget Historical Tables, “Table 3.2—Outlays by Function and Subfunction: 1962–2023,” accessed June 7, 2018, <https://www.whitehouse.gov/omb/historical-tables>.

- GTA for FY 2019: \$4 Billion
- GTA for FY 1986: \$950 Million

The intended GTA for FY 2019 was \$4 billion, or around two-thirds of one percent of the total budget.⁸ In FY 1986, DoD's annual budget was about \$273 billion, and its corresponding limit was \$950 million or around one-third of one percent of the budget.⁹

Although the defense budget has approximately doubled during the last 30 years, the GTA limit has increased more than fourfold. Viewed strictly from the overall transfer authority limit, it appears that Congress and the appropriations committees have granted DoD more flexibility over time, not less. Data from DoD Comptroller show in many years DoD does not use all of its transfer authority and has a residual amount that can be more than \$2 billion dollars in some years.¹⁰

Due to special transfer authority and other tools for reprogramming given to DoD, the GTA limit does not appear to unduly constrict DoD. From 1981 to 1986, DoD requested and received the ability to reprogram an average of 2.7 percent of its annual funding each year.¹¹ From 1999 to 2006, DoD's annual reprogrammed funds as a percentage of the total budget reached a low of 4.2 percent and a high of 5.4 percent.¹² From 2007 to 2014, DoD requested and reprogrammed about 3.5 percent on average each year.¹³

Conclusions

The best approach for improving flexibility in the Procurement and RDT&E appropriations accounts would be to adopt a standard based on previously granted congressional authority. In the 1960s and 1980s, thresholds were substantially higher relative to purchasing power share of budget outlays. By raising these thresholds, the defense committees can better align with the original intent of the reprogramming process. Raising thresholds will decrease delays during critical phases of the program management and contracting process. Increased thresholds will also allow congressional staff to focus their attention on the largest or most critical programs, flowing down oversight over small programs to DoD.

⁸ See Section 8005 of Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019, Pub. L. No. 115-245 (2018).

⁹ Outlay data from Office of Management and Budget, "Table 3.2—Outlays by Function and Subfunction: 1962–2023," accessed June 11, 2018, <https://www.whitehouse.gov/omb/historical-tables>. For general transfer authority see Section 8020 of Department of Defense Appropriations Act, Pub. L. No. 99-190 (1985).

¹⁰ OSD Comptroller, "Budget Execution Flexibility Tutorial," accessed November 16, 2018, https://comptroller.defense.gov/Portals/45/Documents/execution/Budget_Execution_Tutorial.pptx. See GTA residuals on page 13, chart labeled "GTA Authority vs. Use By Year" (residuals in FY 2008, FY 2009, and FY 2014 all reached or exceeded \$2 billion).

¹¹ GAO, *Budget Reprogramming: Department of Defense Process for Reprogramming Funds*, GAO/NSIAD-86-164BR, July 1986, 2, accessed June 30, 2017, <http://www.gao.gov/assets/80/75702.pdf>.

¹² Chad Roum, "The Nature of DoD Reprogramming," Naval Postgraduate School, June 2007, 40, accessed November 16, 2018, <http://www.dtic.mil/dtic/tr/fulltext/u2/a473540.pdf>.

¹³ OSD Comptroller, "Budget Execution Flexibility Tutorial," accessed November 16, 2018, https://comptroller.defense.gov/Portals/45/Documents/execution/Budget_Execution_Tutorial.pptx. Also see Office of Management and Budget, "Table 5.2 – Budget Authority by Agency: 1976 – 2023," accessed November 16, 2018, <https://www.whitehouse.gov/wp-content/uploads/2018/02/hist05z2-fy2019.xlsx>. Figure of 3.5 percent based on average PA and Internal reprogramming dollar values in chart "Dollar Value of Implemented Reprogramming Actions Per Year" on page 6 of OSD Comptroller document and average annual budget authority in line item "Department of Defense—Military Programs" of OSD document.

In most discussions with DoD acquisition personnel, reprogramming complaints were related to the perceived low thresholds for BTR thresholds for Procurement and RDT&E. DoD personnel did not express the same level of frustration at either the individual BTR threshold for O&M or the broader thresholds applied to GTA in appropriations laws.

In the FY 2018 appropriations bill, Congress reduced the GTA from \$4.5 billion to \$4.25 billion.¹⁴ In FY 2019, Congress further reduced the GTA to \$4 billion.¹⁵ Congress may wish to increase the GTA in future appropriations bills to provide the same level of overall flexibility as previously granted.

Implementation

There are several ways in which reprogramming dollar thresholds could be recalculated to align with the amounts established in the 1960s or 1980s. The new thresholds that would result from various methods are shown in Table 4-1 below.

Table 4-1. Reprogramming Dollar Thresholds, if Reset to 1963 or 1982 Equivalents¹⁶

Appropriation Category	O&M	Procurement	RDT&E
Current Threshold (million U.S. Dollars)	\$15	\$20	\$10
Threshold in FY 1963 (million U.S. Dollars)	\$5	\$5	\$2
Threshold in FY 1982 (million U.S. Dollars)	\$10	\$10	\$4
FY 1963 adjustment	12.4%	12.4%	12.4%
FY 1982 adjustment	37.6%	37.6%	37.6%
FY 1963 threshold-to-outlay ratio	0.00042	0.00030	0.00031
FY 1982 threshold-to-outlay ratio	0.00017	0.00023	0.00023
FY 2018 estimated outlays (billion U.S. Dollars)	\$255.9	\$107.4	\$72.8
<i>New thresholds shown in million U.S. Dollars, if:</i>			
Inflation-adjusted to FY 1963	\$40.4	\$40.4	\$16.2
Inflation-adjusted to FY 1982	\$26.6	\$26.6	\$10.6
Outlay-adjusted to FY 1963	\$107.7	\$32.3	\$22.8
Outlay-adjusted to FY 1982	\$42.9	\$24.8	\$16.4

Congressional committees should revise their reprogramming guidance to permit DoD to modify the Financial Management Regulation to raise BTR thresholds to previous levels, as measured by inflation adjustment and the ratio of dollar thresholds to account outlays. These adjustments support increases of \$20 million to the Procurement threshold and \$10 million to the RDT&E threshold.

¹⁴ See Section 8005 of Consolidated Appropriations Act, 2018, Pub. L. No. 115-141 (2018).

¹⁵ Division A, Section 8005 of Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019, Pub. L. No. 115-245 (2018).

¹⁶ Calculations based on Section 809 Panel staff analysis of Comptroller documents, OMB outlay information, BLS inflation data, and original research.

Legislative Branch

- Adjust portfolio-level Procurement and RDT&E reprogramming thresholds to match earlier shares of appropriations account category outlays:
 - Current Procurement Reprogramming: \$20 million
 - Proposed Procurement Reprogramming: \$40 million (+\$20 million)
 - Current RDT&E Reprogramming: \$10 million
 - Proposed RDT&E Reprogramming: \$20 million (+\$10 million)
- This change would primarily fall within the jurisdiction of the appropriations committees. It would likely be implemented via the reprogramming guidance explanatory language accompanying the conference report of a regular defense appropriations law.

Executive Branch

- Amend the reprogramming dollar limits to the proposed levels in Volume 3, Chapter 6 of the FMR.

Implications for Other Agencies

- There are no cross-agency implications for this recommendation.