

**Commission on Planning, Programming, Budgeting, and Execution (PPBE) Reform  
Recommendations for Inclusion in the Appropriations Bill or  
National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2025**

The Commission on PPBE Reform welcomes inclusion of these recommendations in legislation for FY 2025. Below are descriptions and legislative language for Commission recommendations, which would support initial steps towards implementing the Commission's recommendations.

**Recommendation 6: Increase Availability of Operating Funds**

**Description and Justification:** The Commission strongly recommends allowing a carryover into the next fiscal year of up to five percent of each MILPERS and O&M appropriation. The current one-year period of availability creates incentives to obligate funds in the final days of a fiscal year to avoid losing use of the funding (the so-called "use-it-or-lose-it" effect). The use-it-or-lose-it effect, which is exacerbated by spending delays caused by continuing resolutions, causes sharp spikes in year-end obligations that do not always provide contracting officials with enough time to create quality contracts and can sometimes lead to the use of funds for lower priority programs just to avoid losing the funding. Use-it-or-lose-it also contributes to higher cancellations of O&M funds, which means the funds are lost to DoD and decrease the department's purchasing power. See pages 75-77 of the Final Report for additional information.

**SEC. \_\_. Operations and Maintenance [Organization]**

*For expenses, not otherwise provided for, necessary for the operation and maintenance of [Organization], as authorized by law, [Dollar Amount], of which [5 percent of the Dollar Amount] / not to exceed five percent shall remain available for obligation until September 30, 202[x+1].*

**SEC. \_\_. Military Personnel [Organization]**

*For pay, allowances, individual clothing, subsistence, interest on deposits, gratuities, permanent change of station travel (including all expenses thereof for organizational movements), and expenses of temporary duty travel between permanent duty stations, for members of the [Organization]; [and for members of the Reserve Officers' Training Corps where applicable]; and for payments pursuant to section 156 of Public Law 97-377, as amended (42 U.S.C. 402 note), and the Department of Defense Military Retirement Fund, [Dollar Amount], of which [5 percent of the Dollar Amount] / not to exceed five percent shall remain available for obligation until September 30, 202[x+1].*

**Recommendation 8A: Increase BTR Thresholds Based Upon the Nominal Growth of the Appropriation**

**Description and Justification:** The Commission recommends adjusting existing thresholds for the so-called below-threshold reprogrammings (BTRs) to levels more commensurate with historic authority and current needs. BTR reprogrammings can move funds faster than prior-approval reprogrammings because they are typically processed more quickly within DoD and do not require advance approval from Congress. Permitting greater use of BTR reprogrammings will relieve pressure on the congressional reprogramming process and enable the Department to respond to emerging threats and opportunities on a timelier basis. Despite these advantages, and notwithstanding the helpful but modest increases in the availability of BTR reprogrammings permitted in the FY 2024 defense appropriations legislation, Congress has not allowed increases in

BTR reprogramming authority consistent with budget growth. The Commission recommends calculating new BTR thresholds by adjusting 2003 BTR thresholds for each appropriation by the ratio between total spending for the appropriation in FY 2003 and total spending for the appropriation in FY 2023. **This calculation would result in adjusted BTR thresholds of \$25 million for RDT&E, \$40 million for Procurement, \$30 million for O&M, and \$15 million for MILPERS.** Because the new BTR thresholds would be consistent with historic norms, the increased execution flexibility would not come at the expense of congressional oversight and control. These increases will give the Department greater ability to adjust spending in light of changing circumstances, threats, and emerging needs without changing the overall reprogramming framework or undermining existing congressional oversight procedures and requirements. See pages 79-80 (including Figure 20) of the Final Report for more information.

#### **SEC. \_\_. BTR REPROGRAMMING THRESHOLDS**

*The Secretary of Defense is directed to continue to follow the reprogramming guidance for acquisition accounts as specified in the report accompanying the House version of the Department of Defense appropriations bill for fiscal year 2008 (House Report 110-279). The dollar threshold for reprogramming funds shall be **\$15,000,000** for military personnel; **\$30,000,000** for operation and maintenance; **\$40,000,000** for procurement; and **\$25,000,000** for research, development, test, and evaluation.*

#### **Recommendation 9: Mitigate Problems Caused by Continuing Resolutions (CR)**

**Description and Justification:** In recent years continuing resolutions (CRs) have become a routine way of doing business. The Commission believes that, until they are no longer routine, Congress should take action to address some of the adverse effects caused by CRs. Specifically, the Commission recommends that DoD be allowed to implement new starts under a CR but only in the limited circumstances where the program to be initiated is included in the President's Budget request and has not been disapproved in an appropriation bill enacted in either chamber. DoD should be allowed to increase program quantities and development ramps while under a CR but only under analogous limited circumstances. These changes would allow DoD to continue to respond to developing defense circumstances and take advantage of emerging opportunities while under a CR, thereby mitigating the impact of continuing resolutions on national security without sacrificing necessary Congressional oversight. Refer to pages 81-82 of the Final Report for more detailed information.

*The proposed language would add the **bolded** elements (subsection (b)) to standard section 102 language regarding DoD in continuing resolution legislation.*

**SEC. 102. (a) Except as provided in subsection (b), no appropriation or funds made available or authority granted pursuant to section 101 for the Department of Defense shall be used for:**

- (1) the new production of items not funded for production in fiscal year 202X or prior years;*
- (2) the increase in production rates above those sustained with fiscal year 202X funds; or*
- (3) the initiation, resumption, or continuation of any project, activity, operation, or organization (defined as any project, subproject, activity, budget activity, program element, and subprogram within a program element, and for any investment items defined as a P-1 line item in a budget*

activity within an appropriation account and an R-1 line item that includes a program element and subprogram element within an appropriation account) for which appropriations, funds, or other authority were not available during fiscal year 202X.

**(b) Funds made available pursuant to section 101 may be used for the new production of items, an increase in production rates and development ramps, or the initiation, resumption, or continuation of a project, activity, operation, or organization to the extent that, prior to the date of the enactment of this Act, such new production, increase in production rates or development ramps, or initiation, resumption, or continuation has been:**

**(1) proposed in the President's budget for fiscal year 202X+1;**

**(2) included in a defense appropriations bill for fiscal year 202X+1 that has been –**

**(A) approved by the House of Representatives;**

**(B) in the event that a defense appropriations bill has not yet been considered by the House of Representatives, approved by the Committee on Appropriations of the House of Representatives; or**

**(C) in the event that a defense appropriations bill has not yet been considered by the Committee on Appropriations of the House of Representatives, approved by the Defense Subcommittee of the Committee on Appropriations of the House of Representatives; and**

**(3) included in a defense appropriations bill for fiscal year 202X+1 that has been –**

**(A) approved by the United States Senate;**

**(B) in the event that a defense appropriations bill has not yet been considered by the Senate, approved by the Committee on Appropriations of the Senate; or**

**(C) in the event that a defense appropriations bill has not yet been considered by the Committee on Appropriations of the Senate, approved by the Defense Subcommittee of the Committee on Appropriations of the Senate.**

**Recommendation 11A: Allow Procurement, RDT&E, or O&M to be Used for the Full Cycle of Software Development, Acquisition, and Sustainment**

**Description and Justification:** The Commission recommends that the Under Secretary of Defense (Comptroller) revise the Financial Management Regulation to allow the use of Procurement, RDT&E, or O&M appropriations to fund all software activities. Effective software development and acquisition occurs today through a continuous cycle of development, prototyping, testing, fielding, troubleshooting, revision, and sustainment. The requirement to use different appropriations during these activities fits poorly with this continuous cycle. Allowing Procurement, RDT&E, or O&M to fund software reduces the risks associated with drawing new funding barriers between software and hardware within programs, such as Anti Deficiency Act Violations, while providing the budget agility appropriate for the continuous and iterative nature of software. See page 84 of the Final Report for additional information.

**SEC. \_\_. Software Color of Money**

**(a) IN GENERAL.** —Not later than 180 days after the date of the enactment of this Act, the Under Secretary of Defense (Comptroller) shall revise the Department of Defense Financial

*Management Regulation to provide that funds appropriated for the acquisition of software in any appropriation account shall be available for the full cycle of software acquisition, including development, prototyping, testing, fielding, troubleshooting, revision, and sustainment.*

- (b) *NOTIFICATION.* —Not later than 10 days after completing the revisions required by this provision to the Financial Management Regulation, the Under Secretary shall notify the congressional defense committees.

### **Recommendation 12: Review and Update PPBE-Related Guidance Documents**

**Description and Justification:** The Commission recommends the review and update of PPBE guidance documents, including the 7,300+ page Financial Management Regulation (FMR). Unclear guidance creates undue workload burden and confusion and often delays actions necessary to support modern warfighting requirements. Clear, consistent, and current guidance that reflects modern financial practices enables efficient and effective decision-making at the lowest levels. Systematic and comprehensive updates and revisions of the FMR will provide more useful and timely resources to DoD managers. See page 89 of the Final Report for additional information.

#### **SEC. \_\_. Revision of Department of Defense Financial Management Regulation.**

- (a) *The Under Secretary of Defense for Comptroller shall revise the Department of Defense Financial Management Regulation 7000.14-R not later than September 30, 2026, to:*
- (1) *Provide updated guidance for current legislative and regulatory requirements.*
  - (2) *Streamline and deconflict guidance throughout the Financial Management Regulation to ensure consistency and clarity.*
  - (3) *Remove outdated guidance and guidance subject to change annually with the annual appropriation act.*
- (b) *Considerations.* —In conducting the revision, the Under Secretary shall:
- (1) *Prioritize clarity and accessibility in the language and direction provided, including improvements to the coordination and approval process for recommended changes.*
  - (2) *Review and adopt modern financial practices that better align to current development and production cycles.*
  - (3) *Minimize specific guidance subject to annual amendment in appropriation acts and associated documents while referencing relevant congressional action.*
  - (4) *Consider information technology solutions to improve the accessibility and usability of the Financial Management Regulation.*
  - (5) *Consider the recommendations of the Commission on Planning, Programming, Budgeting, and Execution Reform.*
- (c) *Briefing.* —Not later than February 1, 2025, and every 180 days thereafter, the Under Secretary of Defense for Comptroller in coordination with the Service Comptrollers shall provide to the congressional defense committees a briefing on the efforts to update the Financial Management Regulation, including a description of—
- (1) *The progress in updating the Financial Management Regulation;*
  - (2) *Plan and timeline for completing revisions to the Financial Management Regulation;*
  - (3) *Any barriers to the ability of the Department of Defense to update the Financial Management Regulation as directed;*
  - (4) *Any legislative amendments required to complete revisions of the Financial Management Regulation; and*

- (5) Any other information deemed relevant by the Under Secretary.
- (d) Notification. —The Under Secretary shall notify the congressional defense committees not later than 10 days after completing the revisions required by this provision.
- (e) Subsequent Review. — Following the review required under (d), the Under Secretary shall:
- (1) Conduct a comprehensive review of the Financial Management Regulation not less than every two years after fiscal year 2027; and
  - (2) Notify the congressional defense committees of the completion of the comprehensive review with the budget submission.

### **Recommendation 16: Encourage Use of the Defense Modernization Account**

**Explanation and Justification:** The Commission recommends revising the authorization for the Defense Modernization Account (DMA) to allow the use of funds to promote innovation and encouraging the DoD to use DMA funds for this purpose. The DMA, codified in 10 U.S.C. 3136, permits the use of up to \$1 billion of expiring funds achieved through efficiencies or other savings for various purposes, including reducing costs or achieving more efficient production. To keep pace or outpace near-peer competitors like China, the DoD needs to increase its use of innovative technology. Expanded use of the DMA could be a powerful tool to develop, procure, and adopt innovative capabilities for warfighters. See pages 93-94 of the Final Report for additional information.

#### ***SEC. \_\_. Enhanced Use of Defense Modernization Account***

*Section 3136 of title 10, United States Code is amended in subsection (d) by adding the following new paragraph after paragraph (4):*

*“(5) For time-sensitive opportunities to develop or procure modern equipment and technology, or adopt cutting-edge commercial products and services, along with associated infrastructure costs, for military adoption and fielding.”*

### **Recommendation 28: Establish an Implementation Team for Commission Recommendations**

**Explanation and Justification:** The Commission recommends the establishment of a temporary cross-functional team, reporting directly to the Deputy Secretary of Defense, to oversee implementation of Commission recommendations. The Commission recognizes that implementing its recommendations will require a substantial amount of work by both DoD and Congress and that an implementation team will be needed. The Deputy Secretary will determine the appropriate size and makeup of the team, but it should have members from various functional areas affected by the Commission’s recommendation and should be authorized to remain in place for at least three years unless the Deputy Secretary determines, and Congress agrees, that the team has completed its work at an earlier time. The implementation team should be directed to involve Members and congressional staff as appropriate during all phases of its implementation efforts. See pages 129-130 of the Final Report for additional information.

#### ***SEC. \_\_. Establishment of Cross-Functional Team to Implement the Recommendations of the Commission on Planning, Programming, Budgeting, and Execution Reform***

- (a) *IN GENERAL.* —Not later than 60 days after the date of the enactment of this Act, the Secretary of Defense, in coordination with the Deputy Secretary of Defense, Under Secretaries of Defense for Comptroller, Policy, Research and Engineering, and Acquisition and Sustainment, the Directors of Cost Assessment and Program Evaluation and Administration and Management, the Chief Information Officer, the Chief Digital and Artificial Intelligence Officer, the Secretaries of the Military Departments, and the Chairman of the Joint Chiefs of Staff, shall establish and appropriately resource a cross-functional team to plan and oversee the implementation of the recommendations of the congressionally-chartered Commission on Planning, Programming, Budgeting, and Execution Reform.
- (b) *COMPOSITION OF CROSS-FUNCTIONAL TEAM.* —The cross functional team shall include dedicated, appropriate personnel with relevant expertise and report directly to the Deputy Secretary of Defense. When establishing the cross-functional team, the Secretary may:
- (1) Hire personnel on a temporary or term basis to support their activities.
    - (A) Billets for any personnel not currently supporting the Department of Defense are not subject to section 143 of title 10, United States Code.
    - (B) Basic pay for the cross-functional team may be administratively determined and set in accordance with section 3161(d) of title 5, United States Code.
  - (2) Hire additional personnel in accordance with subsections (9) and (10) of section 9905 of title 10, United States Code.
  - (3) Enter into a contract or other agreement with a federally funded research and development center or other subject matter experts with relevant expertise to support the implementation team.
- (c) *BRIEFING REQUIREMENT.* —Not later than 30 days after the date of the enactment of this Act, the Deputy Secretary of Defense shall provide a briefing to the congressional defense committees on the leadership, composition, and charter of the implementation team.
- (d) *REPORTING REQUIREMENTS.* —Not later than 60 days after the date of the enactment of this Act, and annually thereafter in conjunction with the release of the budget submission, until the budget submission following the date specified by subsection (g), the Deputy Secretary of Defense shall provide to the congressional defense committees a report describing the implementation status of the recommendations. The report shall include:
- (1) The implementation status of recommendations.
  - (2) The official(s) responsible for implementation.
  - (3) The timeline and actions for implementation of recommendations for the next fiscal year.
  - (4) The rationale and justification for any decision not to implement a recommendation.
  - (5) Actions to reform and modernize the defense resourcing process in addition to the recommendations made by the Commission.
  - (6) Performance metrics for measuring the effectiveness of implemented recommendations.
  - (7) A comprehensive budget display reflecting the resources required to implement the recommendations, to include resources requested in the current annual budget submission and associated outyears, resources spent in the prior fiscal year and current fiscal year, and costs of implementation to date.

- (8) *Legislative, regulatory, and administrative barriers to implementation of recommendations, to include any potential changes to legislative authorities required for implementation.*
- (9) *Any other matters that the Deputy Secretary determines appropriate for inclusion in the report.*

*(e) Briefing Requirements. —Not less frequently than biannually following the submission of the report required in subsection (d), the implementation team shall provide to the congressional defense committees a briefing on the status of the activities of the implementation team.*

*(f) Determination. —If the Deputy Secretary determines the implementation team is no longer required prior to the date provided in subsection (g), but not prior to December 31, 2027, and as provided for in the implementation team charter, the Secretary of Defense shall notify the congressional defense committees not later than 30 days prior to the proposed disestablishment of the implementation team with the justification for the proposed disestablishment.*

*(g) Funding. —The Secretary is authorized necessary funding to ensure that the cross-functional team is adequately resourced.*

*(h) Sunset. —The requirements of this provision shall sunset on December 31, 2029.*