



Assessment of the PPBE Reform Commission Final Report March 2024

The Alliance for Commercial Technology in Government would like to congratulate and thank the PPBE Reform Commission for their groundbreaking work on their final report and its recommendations.

Our mission is to make the DoD the indisputable first, best stop for the most innovative commercial technology companies. Our members develop cutting-edge products in advance of user needs, often at private expense, and typically applicable to, or originally targeted towards markets other than defense. Our top policy priorities aim to eliminate the Valley of Death, make product merit the dominant factor in procurement decisions, and convince the DoD to purchase in the same manner as the commercial world. They include:

- 1) Enforcement of, and incentives to adhere to existing law mandating preference for commercial items over custom development (FASA, 10 USC 3453, FAR Part 10).
- 2) Reforming the Requirements process to enable immediate adoption of surprise innovations from the private sector that solve warfighter problems in unconventional or unexpected ways.
- 3) Reforming the budgeting (PPBE) process to enable those surprise innovations to be purchased at scale, immediately upon discovery, using the same purchasing methods as the commercial world.
- 4) Enforcement of, and incentives to adhere to existing law mandating the use of commercial open interoperability standards and Modular Open Systems Architecture (NTTAA, OMB A-119).

The Alliance strongly endorses the commission's analysis and recommendations as a whole, and we believe that the following recommendations, in particular, will produce transformative improvements in the Department's strategic and timely acquisition of innovative commercial technologies:

- 3. Establish Continuous Planning and Analysis**
- 4. Transform the Budget Structure**
- 8. Update Values for Below Threshold Reprogrammings (BTR)**
- 10. Review and Consolidate Budget Line Items**
- 11. Address Challenges with Colors of Money**
- 16. Encourage Use of the Defense Modernization Account**
- 20. Create a Common Analytics Platform**
- 27. Improve Training for Personnel Involved in Defense Resourcing (#27A, #27D)**

While other organizations' assessment of the commission's recommendations will differ in priority and focus, we evaluated the report with respect to the net impact on the innovator/entrepreneur in assuring readily available funds and mechanisms to purchase new, surprise innovations and products immediately upon discovery, at scale for delivery to the warfighter. We endorse these recommendations for the following reasons:

3. Establish Continuous Planning and Analysis

Surprise disruptive innovations from the commercial world appear on a daily basis. It is incumbent upon the DoD to discover these innovations faster than our adversaries, assess their effectiveness in simulation, Test



and Evaluation and live exercises as quickly as possible, then deploy them to the warfighter the instant they are proven effective. A 24/7/365 “ingestion” process for discovery through deployment is vital and cannot be subordinate to any annual or multi-year planning process or even operational TTPs which will have no alternative but to catch up AFTER deployment of the disruptive technology.

4. Transform the Budget Structure

There are many different ways to solve a particular warfighting problem. By decomposing the budget into Major Capability Activity Areas prior to dividing into System/Programs, the DoD can shift funds immediately from a legacy system when obsoleted by a novel innovation that presents itself as a target of opportunity, solving the same problem in an unanticipated way. It also eliminates the conundrum faced by commercial vendors if they provide their capability as a service (XaaS...) instead of the artificial and meaningless differentiation between capital equipment purchases and Operations and Maintenance.

One additional suggestion is to swap the budget decomposition ordering of Service/Component (currently first) and Major Capability Activity Area (currently second). It is far less important which Service performs an Activity, as opposed to the significance of the Activity itself. The artificial prioritization of Service/Component over mission could lead to parochial behavior adversely impacting Activity/mission ranking.

8. Update Values for Below Threshold Reprogrammings (BTR)

The amount of funding the DoD can move from one program to another without congressional approval should clearly be either automatically adjusted annually for inflation or remain a fixed percentage of the appropriated budget. It is currently a fixed dollar threshold which is absurd, declining each year in real dollars due to inflation. The commission proposed 0.5% of O&M accounts, 1.5% of RDT&E accounts, and 1.5% of Procurement accounts. While based on historical levels, we feel they are a bit low. Given the plan to move to Major Capability Activity Areas, they will become percentages of each activity area. We recommend 2% as a first threshold and 5% as a second threshold. We refer to the suggestion in the Hedge Portfolio legislation to update congressional oversight information systems such that all reprogrammings are instantaneously visible and highlighted to congressional staffers as they occur. The quarterly reports to congress as recommended in the report are actually too slow. The first threshold governs reprogrammings below which congress does not have to be informed at all, and between the first and second levels congress must be informed, however, DoD has automatic approval unless congress intervenes. This automatic “forgiveness” rather than waiting for “permission” provides oversight and control by congress but does not slow the DoD down when innovative targets of opportunity are discovered.

10. Review and Consolidate Budget Line Items

Over-decomposing budgets into tiny, restrictive line items, usually associated with individual systems, prevents the rapid transition from an obsolete product to a newer technology or method that solves the same problem in an unanticipated way. Though congress may view consolidation as a loss of control, currently we are at a level of micromanagement that results in overspending on legacy capabilities that could be deprecated sooner and adds detrimental time lag in the Valley of Death forestalling budget availability for state-of-the-art



innovations. Abstracting line items away from individual systems is also beneficial in that it may neutralize the influence of parochial interests in congress when debating defense priorities if those self-serving interests run counter to unambiguously superior ROI in defensive capabilities.

11. Address Challenges with Colors of Money

Product development is inherently unpredictable. Moving from TRL 1 to 7 does not occur at a preordained pace, or on a clean, easy-to-predict budgetary set of milestones fixed at the start. This set of recommendations will enable more flexibility when obstacles are encountered, or targets of opportunity arise, or on those rare occasions when things go faster than predicted, ultimately eliminating gaps and delays in funding and deployment.

16. Encourage Use of the Defense Modernization Account

The Defense Modernization Account (DMA) is an innovative repository for expiring funds that enables the purchase of typically commercial IT equipment to replace obsolete systems. DMA has historically been underutilized in maximizing expiring funds allowed to be transferred into the account each year, and restricted in how the funds could be spent. We are strong advocates for increasing the annual ceiling, and we are also supportive of the recommendation that the permitted use of funds be explicitly expanded to purchase any commercial item, whether for IT modernization or warfighter use. This account has the potential to massively exceed DIU's \$1B Hedge Portfolio budget, would be annual and perpetual, would not increase appropriations, and all by itself bridge the funding gap in Valley of Death for the acquisition of successful commercial items emanating from DIU, SBIR, RCCTO, APFIT, RDER, etc. We strongly endorse the report's recommendation to add: *"(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."*

20. Create a Common Analytics Platform

One of the key impediments to the adoption of state-of-the-art commercial technologies and products is the failure, whether inadvertent or intentional, to perform thorough market research for available commercial items as required by FASA, 10. USC 3453, and FAR Part 10. Amongst a plethora of extremely valuable benefits, a common analytics platform can provide up-to-date marketplace data on readily available commercial items such that legally mandatory market research can be performed quickly, easily, accurately, be updated and verified by vendors continuously, and foster the required conversation with vendors regarding missing features or unnecessary requirements. In addition, a well-designed, fully featured analytics platform may illuminate the true cost savings, schedule reduction, and long-term sustainment efficiencies of going commercial, as compared to the parochial, risk-averse, hand-waving decision-making of today which inappropriately biases the make/buy decision towards "make". Early examples of such platforms, such as CDAO's Tradewinds, and GSA's various commercial product databases show great promise for a centralized capability.



27. Improve Training for Personnel Involved in Defense Resourcing

#27A: Improve Training for Preparation of Justification Materials (J-books)

The cultural artifact of overly proscriptive descriptions of weapon systems that is inculcated in the current requirements (JCIDS) process is an impediment that stymies the acquisition of surprise innovations that achieve superior end-results, but in unanticipated ways. “We need a Howitzer with a longer range” should be replaced by “We need a capability that denies an enemy freedom to operate at a longer distance”. This failure to describe a capability in terms of the desired outcome, but instead describing it as a mild evolutionary improvement to the current system in use, also plagues congressional budgetary justification documents (J-books). We strongly endorse all educational efforts to retrain DoD personnel in how to describe a capability without describing a particular system.

#27D: Improve Understanding of Private Sector Practices

Commercial product companies with state-of-the-art technologies are initially repulsed by the US defense market as the business model is more arcane, much less profitable, takes much longer to scale up sales, and is not a product meritocracy. Companies attempting to maximize the probability of business success usually abandon or defer the defense market, instead focusing on selling commercially, or selling to our adversaries who wisely adopted commercial buying practices as a strategic advantage. Investors consequently also avoid companies focused on defense, or pressure portfolio companies to stay away initially. These factors conspire to deny state-of-the-art technologies to the warfighter, dangerously delay deployment, and make it significantly more expensive when finally adopted or foolishly duplicated by a prime contractor paid by the hour. It is imperative that the US DoD emulate commercial business practices turning the engagement decision into an irrefutable “yes”!