



■ National Security

Streamlining Defense Procurement to Bridge the Valley of Death

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SUMMARY

The congressionally mandated Planning, Programming, Budgeting, and Execution (PPBE) Commission made a number of specific recommendations that would streamline the process by which the Department of Defense (DOD) funds technology development and innovation activities. Adopting these recommendations would reduce the time for the development and deployment of innovative national security capabilities.

PROBLEM

The Pentagon's antiquated budgeting process is one of the key impediments to speeding up the adoption of emerging technologies for use in national security missions. For most new ideas to obtain funding, the PPBE process is essentially a two-year effort to go from idea to actual available budget. The department-wide PPBE enterprise requires the efforts of thousands of people and the participation of count-

less defense organizations, costs hundreds of millions of dollars to run, and results in the annual Pentagon budget plan delivered to Congress each year.

This set of processes was originally established in early 1961 to give the Pentagon a way to make strategic and cost-effective decisions on force structure and budget decisions, based on then-best commercial practice. More than half a century later, the current PPBE process lacks agility, limiting DOD's ability to respond quickly and effectively to evolving threats, unanticipated events, and emerging technological opportunities. The bureaucratic processes also serve as a barrier to small businesses and commercial companies from entering the national security innovation base. This is highly problematic, given America's technological competition with China, the rapid development and deployment of new technologies by Russia in Ukraine, and DOD's struggles to keep pace with and adopt commercial technologies, especially in critical areas such as AI, biotechnology, advanced software, and cybersecurity. The US needs a system that is more responsive to technological advances and emerging threats, and more aligned with the innovative commercial technology sector. Streamlining Pentagon budgeting and spending processes will be one important part of achieving such a system.

In response to these concerns on the Pentagon's budget processes, Congress mandated that the PPBE Commission undertake a study and make recommendations "to improve such process and practices in order to field the operational capabilities necessary to outpace near-peer competitors, provide data and analytical insight, and support an integrated budget that is aligned with strategic defense objectives." The resulting blue-ribbon commission of experts from DOD, Congress, academia, and industry developed a comprehensive final report delivered in 2024, including numerous recommendations to improve PPBE processes.

SOLUTION

The Commission made many recommendations, but the below reflect ideas specifically focused on enhancing the Pentagon's ability to rapidly develop and deliver innovative warfighting capabilities. The government should adopt a number of these PPBE Commission recommendations focused on enhancing the Pentagon's capacity to develop and deliver innovative capabilities to help it win the global technological competition in national security and address emerging threats from China, Russia, Iran, and other adversary nations.

Executive

- DOD should review and consolidate budget line items. These line items reduce DOD's ability to reallocate funds to address current needs and increase the complexity of the overall budget for the public, industry, and Congress. The Committee argued that the consolidation of budget lines, if done transparently and in accordance with existing acquisition best practices, has the potential to save time and resources in the development and review of the defense budget. (pp. 82–83)

- DOD should revise the Financial Management Regulations (FMR) to provide guidance that funding requested for software refreshes or upgrades is available to develop, prototype, test, field, troubleshoot, redevelop, procure, and sustain in a complete cycle regardless of whether the funding is requested as Operations and Maintenance (O&M), Procurement, or Research, Development, Test and Evaluation (RDT&E) funding. (pp. 84–85)
- DoD should consolidate RDT&E Budget Activities (subaccounts by which the RDTE budget is allocated and managed) to reflect current technology development paradigms and improve agility for programs. This recommendation would grant program managers greater flexibility to transition programs in a more dynamic and responsive manner to changing threats, enabling faster capability delivery to the field and warfighter. (pp. 64–66)

Congressional

- The House Armed Services Committee, Senate Armed Services Committee, House Appropriations Subcommittee on Defense, or Senate Appropriations Subcommittee on Defense should direct DOD to undertake the Budget Activity consolidation activities discussed in the PPBE report. This would entail reducing the current set of eight budget activities into a more realistic set of four, more accurately reflective of technology development processes. This would also include using specific budget line items (called “program elements”) that are more reflective of the work being undertaken with the funding to improve transparency and accountability. (pp. 64–66)
- The House Appropriations Subcommittee on Defense and Senate Appropriations Subcommittee on Defense should include report language in the next appropriations bill to increase Below Threshold Reprogramming levels based upon the nominal growth of the appropriation account. These levels set DOD’s ability to independently and quickly reallocate resources after receiving appropriations from Congress based on new threats, technology developments, program execution issues, or operational realities, without seeking congressional pre-approval for the change. This would increase DOD’s flexibility in addressing emergent budgetary needs, without significantly reducing congressional oversight and control. (pp. 86–87)
- The House Appropriations Subcommittee on Defense and Senate Appropriations Subcommittee on Defense should include report language in the next appropriations bill to simplify new start notifications by increasing the notification threshold, which is the size of new activity that Congress needs to be notified about before its initiation. This recommendation, if adopted, should also send the message to non-traditional contractors and other private sector innovators that DOD is “open for business” and able to respond rapidly to opportunities and fund new technologies when they are proven to meet national defense needs effectively and efficiently. (pp. 81)

- The House Appropriations Subcommittee on Defense and Senate Appropriations Subcommittee on Defense should include legislative language that permits DOD to use O&M funds for hardware improvements in the sustainment phase, after systems have been delivered to the field and are being used and maintained by operators, even in cases where the improvements result in an increased capability. This simple fiscal management improvement would avoid the current situation where different types of funding need to be used for system upgrades versus systems repair and maintenance in the field, which are further compounded by the speed of hardware development and the current ability for industry to deliver upgrades much more rapidly than in the past. This would also allow new industry partners to bring new capabilities to a system without having to go through the traditional RDT&E and Procurement budgeting and program development process, opening the possibility of delivering emerging technologies through the sustainment process, which is already more flexible and in the control of operational forces. (pp. 86–87)

JUSTIFICATION

These recommendations were developed by a two-year blue-ribbon commission supported by an expert staff. The commissioners were appointed by both congressional and DOD leaders and brought an extensive set of experiences representing industry, government (executive and legislative), budgeting and appropriations, technology and innovation, acquisition, and oversight experiences. The recommendations reflect a knowledge of the roles and interest of the principal organization players in developing and executing financial management, budgeting, and appropriations processes and were designed to be both consistent with the needs of the different organizations and executable based on the significant professional experience of the commission staff and members.

A number of these initiatives have been tried as pilot efforts in DOD’s smaller innovation organizations including the Defense Advanced Research Projects Agency, Defense Innovation Unit, the Space Force, and US Operations Command. Many of them have been proposed in some format by Congress, such as the Software Budget Activity 8 pilot. ■

FURTHER RESOURCES

- PPBE Commission Report, “Defense Resourcing for the Future,” 2024
- DOD, Financial Management Regulations, 2022

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