



# NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

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## MBA PROFESSIONAL REPORT

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### A Whole of Government Approach for National Security

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**By: Jason L. Percy  
Terry A. Fellows Jr.  
December 2009**

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**A WHOLE OF GOVERNMENT APPROACH FOR NATIONAL SECURITY**

Terry Fellows-Captain, United States Marine Corps

Submitted in partial fulfillment of the requirements for the degree of

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# **A WHOLE OF GOVERNMENT APPROACH FOR NATIONAL SECURITY**

## **ABSTRACT**

The national security system the President uses today allows little flexibility and agility to protect this nation from ever changing national threats. The lack of a common national government culture that facilitates a shared vision is evident. Additionally, the lack of inter-agency coordination and cooperation forces departments to focus on their own objectives and goals. However, with today's challenges, the demand for inter-agency collaboration has grown, and it has been identified as a necessity to achieve an adequate level of national security for the nation.

The national security structure needs to operate as a system rather than a collection of separate components. A whole of government approach to planning, and programming and budgeting national security is a concept that could establish a unified effort between inter-governmental agencies to maximize all available resources in a collaborative effort. "Addressing new security challenges is less about an objective of dominance and more about predicting, preventing, and managing disruptions, such as proliferation of weapons of mass destruction, terrorist acts, global contagions, and natural disasters. This has led to the call for a whole of government approach to national security" (Gockel, 2008, p. 6). This project investigates how this approach could be developed and implemented across the federal government.

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# TABLE OF CONTENTS

<b>I.</b>	<b>INTRODUCTION.....</b>	<b>1</b>
A.	<b>DEFENSE BUDGET HISTORY.....</b>	<b>1</b>
B.	<b>INTRODUCTION TO WHOLE OF GOVERNMENT (WOG) APPROACH FOR NATIONAL SECURITY .....</b>	<b>3</b>
C.	<b>RESEARCH QUESTIONS.....</b>	<b>4</b>
D.	<b>IMPORTANCE OF THE WHOLE OF GOVERNMENT APPROACH.....</b>	<b>4</b>
E.	<b>DESCRIPTION OF CHAPTERS .....</b>	<b>5</b>
1.	<b>Chapter I: Introduction.....</b>	<b>5</b>
2.	<b>Chapter II: Background on Topic Area .....</b>	<b>5</b>
3.	<b>Chapter III: Data .....</b>	<b>5</b>
4.	<b>Chapter IV: Analysis .....</b>	<b>5</b>
5.	<b>Chapter V: Conclusions .....</b>	<b>6</b>
F.	<b>PURPOSE AND METHODOLOGY .....</b>	<b>6</b>
1.	<b>Purpose.....</b>	<b>6</b>
2.	<b>Methodology .....</b>	<b>6</b>
<b>II.</b>	<b>BACKGROUND ON TOPIC AREA .....</b>	<b>7</b>
A.	<b>REQUIREMENTS FOR THE PRESIDENT’S BUDGET .....</b>	<b>7</b>
B.	<b>BUDGETING FOR DEFENSE: <i>THE CURRENT PROCESS</i> .....</b>	<b>7</b>
1.	<b>The Budgeting Structure for the Defense Department .....</b>	<b>10</b>
2.	<b>Current Ways of Measuring the Defense Budget .....</b>	<b>15</b>
C.	<b>WHOLE OF GOVERNMENT APPROACH TO NATIONAL SECURITY .....</b>	<b>17</b>
1.	<b>What is the WOG Approach Applied to National Security?.....</b>	<b>18</b>
2.	<b>How Would the WOG Approach be Applied to National Security? .....</b>	<b>19</b>
<b>III.</b>	<b>DATA .....</b>	<b>23</b>
A.	<b>INTRODUCTION.....</b>	<b>23</b>
B.	<b>PLANNING, PROGRAMMING, AND BUDGETING, EXECUTION SYSTEM’S (PPBES) ORIGINAL INTENT .....</b>	<b>24</b>
C.	<b>EXAMINING FEDERAL GOVERNMENT BUDGETS AND PROCESSES TO LEARN ABOUT APPLICATION OF THE WHOLE OF GOVERNMENT APPROACH .....</b>	<b>24</b>
D.	<b>NATIONAL OCEANIC ATMOSPHERIC ADMINISTRATION (NOAA) .....</b>	<b>25</b>
1.	<b>Description.....</b>	<b>25</b>
2.	<b>NOAA’s Budget Process and Format .....</b>	<b>25</b>
3.	<b>NOAA’s FY 08’ Budget Data.....</b>	<b>26</b>
E.	<b>DEPARTMENT OF DEFENSE (DOD).....</b>	<b>27</b>
1.	<b>Description.....</b>	<b>27</b>
2.	<b>Budget Process and Format .....</b>	<b>27</b>



3.	DoD’s Budget Data (FY 08) .....	30
F.	UNITED STATES COAST GUARD (USCG) .....	30
1.	Description.....	30
2.	USCG Budget Process and Format .....	30
3.	USCG Budget Data (FY 06).....	33
G.	DEPARTMENT OF ENERGY (DOE) .....	33
1.	Description.....	33
2.	DOE Budget Process and Format .....	34
3.	DOE Budget Data (FY 07) .....	35
H.	CONGRESSIONAL INTENT AND ACTION SUPPORTING THE WHOLE OF GOVERNMENT APPROACH .....	35
I.	SUMMARY .....	36
IV.	ANALYSIS .....	37
A.	BUDGET PROCESS INFORMATION RELEVANT TO THE WHOLE OF GOVERNMENT APPROACH .....	37
B.	A CURRENT BUDGET PROCESS THAT CAN BE APPLIED TOWARDS A WOG APPROACH.....	38
C.	WHY IS THE WOG APPROACH MODELED ON PPBES IMPORTANT AND FOR WHOM?.....	39
D.	HOW COULD PPBES BE APPLIED TOWARDS A WOG APPROACH? .....	40
E.	CONGRESSIONAL WOG FOR NATIONAL SECURITY.....	42
F.	SUMMARY: THE PPBES SYSTEM COULD ESTABLISH A SIMILAR AND USEFUL BUDGET PROCESSES ACROSS NATIONAL SECURITY ORGANIZATIONS.....	43
V.	CONCLUSIONS .....	45
A.	BRIEF INTRODUCTION OF THE PURPOSE OF PROJECT .....	45
B.	ANSWERS TO RESEARCH QUESTIONS .....	45
C.	OVERALL CONCLUSIONS FROM STUDY.....	47
	LIST OF REFERENCES .....	49
	INITIAL DISTRIBUTION LIST .....	53

## LIST OF FIGURES

Figure 1.	The Federal Government Income—Where it comes From (From: Citizens Guide, 2002) .....	8
Figure 2.	Major Categories of Spending 2009 Outlays (From: HBC, 2009) .....	9
Figure 3.	Historical Mandatory vs. Discretionary Spending (After: OMB, 2009, Table 8.5 and 8.7) .....	10
Figure 4.	FYDP Concept (From: Brook, 2009).....	29
Figure 5.	Current National Security “The As-Is-State” (From: PNSR, 2008).....	38
Figure 6.	National Security “The To Be State” (After: PNSR, 2008).....	40
Figure 7.	Macro Level PPBES .....	41
Figure 8.	Whole of Government Budget Process Matrix .....	43

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## LIST OF TABLES

Table 1.	Budget Authority by Function (On-budget) (From: Jones & McCaffery, 2008, pp. 104–105) .....	11
Table 2.	FYDP—Eleven Major Force Programs (From: Jones & McCaffery, 2008, pp. 97–98) .....	12
Table 3.	National Defense Spending as a Percent of GDP (From: Jones & McCaffery, 2008, p. 120).....	15
Table 4.	Expansion of National Security Effort (From: PNSR, 2008, p. 453). .....	24
Table 5.	NOAA Appropriations for FY2008 (From: CRS Report, 2008, p. 21) .....	27
Table 6.	DoD’s Appropriations FY 2008 (From: OMB, 2009, Table 5.1).....	30
Table 7.	USCG Mission Programs (From: USCG, 2007, p. 2) .....	31
Table 8.	USCG Appropriations (\$000) FY 2006.....	33
Table 9.	DOE Discretionary Appropriations (\$000) FY 2007.....	35

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## LIST OF ACRONYMS AND ABBREVIATIONS

AB	Alteration of Bridges
AC&I	Acquisition, Construction, and Improvements
BES	Budget Estimate Submission
BS	Boat Safety
BY	Budget Year
C2	Command and Control
CIA	Central Intelligence Agency
COCOM	Combatant Commander
COMDTINST	Commandant, United States Coast Guard Instruction
CY	Calendar Year
DHS	Department of Homeland Security
DoD	Department of Defense
DPG	Defense Planning Guidance
EC&R	Environmental Compliance and Restoration
FY	Fiscal Year
FYDP	Future Years Defense Program
GDP	Gross Domestic Product
GPRA	Government Performance Results Act
GWOT	Global War on Terrorism
HBC	House Budget Committee
MAC	Management Advisory Committee
MILCON	Military Construction
NASA	National Aeronautics and Space Administration
NESDIS	National Environmental Satellite, Data and Information Service
NMFS	National Marine Fisheries Service
NOAA	National Oceanic Atmospheric Administration
NOS	National Ocean Service
NSA	National Security Act
NSC	National Security Council
NSS	National Security Strategy
NWS	National Weather Service

OAR	Oceanic and Atmospheric Research
OE	Operating Expenses
OGA	Other Governmental Agencies
O&M	Operations and Maintenance
OMB	Office of Management and Budget
ORF	Operations, Research and Facilities
OSLTF	Oil Spill Liability Trust Fund
PAC	Procurement, Acquisition and Construction
PNSR	Project for National Security Reform
POM	Program Objective Memorandum
PPBES	Planning, Programming, Budgeting and Execution System
PS	Program Support
PY	Previous Year
RDT&E	Research, Development, Testing and Evaluation
RP	Retired Pay
RT	Reserve Training
SECDEF	Security of Defense
U.S.	United States
USCG	United States Coast Guard
WOG	Whole of Government

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# I. INTRODUCTION

## A. DEFENSE BUDGET HISTORY

Looking back over this nation's more than two hundred years, one central, constant theme emerges: sound national finances have proved to be indispensable to the country's military strength. Without the former, it is difficult over an extended period of time to sustain the latter. Generations of leaders have come to recognize that if the country chronically lives beyond its means or misallocates its financial resources, it risks eroding its economic base and jeopardizes its ability to fund its national security requirements. (Hormats, 2007, p. XIII)

During the colonial period of this country, it was frequently thought that Americans could defend themselves by just keeping a "rifle in the closet and grabbing it and marching off to battle in times of crisis" (Jones & McCaffery, 2008, p. 1). The thirteen colonies began rebelling against the British in 1775 but America had no process or ability to support the Revolutionary Army financially. George Washington struggled to defeat the British with limited resources and his greatest challenge was to obtain adequate funding to support his war efforts. Washington discovered that having a well-funded logistics and supply chain was a critical element that would enable the Revolutionary Army to fight effectively (Jones & McCaffery, 2008, p. 1). His insights lead to frequent requests to the Continental Congress to fund the war and properly supply his troops.

Congress needed to generate financial resources to fund the war effectively and further realized they did not have any mechanism that would produce wartime revenue (e.g., no authority to tax). The Revolutionary War was basically fought on government credit as a result of borrowing from France and the Netherlands. Although these international loans provided an immediate source of revenue, America concluded it was necessary to transform the governmental financial system to be self sufficient for the nations' defense (Hormats, 2007, p. XIII). After a long and treacherous war with Britain, America declared its independence on July 4, 1776.

The colonies had accomplished, what was viewed at the time as, the impossible. The new nation defeated a country that ruled other countries all over the globe, declared

freedom from Britain, and established itself as a strong entity. It was vital for the nation to repay the Revolutionary War debt to maintain America's ability to finance wars, ensure future security, and gain international creditability (Hormats, 2007, p. XIV).

After the Revolutionary War, America's ability to generate money was slowly improving, but not enough to pay down the national debt sufficiently. Some taxes were imposed during these times, but were phased out as these wars ended. A half century later, America established a national income tax, and by the 20<sup>th</sup> century, the nation's financial status was gaining strength, and federal taxes and bond drives were a major contributor to the country's financial growth. They became the two most important sources of revenue that enabled the U.S. to fund the rest of its conflicts sufficiently (Hormats, 2007, p. XIV).

Supporting America's wars was about not only money, but it also involved political issues and the visions of America's leaders. Many governmental leaders had difficulties answering questions of who would pay, how they pay, and the how needs of the war would relate to national economic priorities. During America's wars, politicians at home frequently fought for their own political interests, which at times hindered war efforts. "If the methods political leaders employ to secure funds for a war are seen by large portions of the population—and particularly by low-income groups who supply the majority of troops in a war—as unfair, support for the war effort would suffer. And, if the methods chosen to raise money weaken the economy—the foundation of the nation's military power—that, too would undercut the war effort" (Hormats, 2007, p. XV).

Defense spending and borrowing has been the center and the beginning of this nation's budgetary history (Jones & McCaffery, 2008, p. 35). However, the Global War on Terrorism (GWOT) has challenged the U.S. and its allies with a new definition of national security requiring more than the Department of Defense (DoD). Since the 9/11 attacks, the U.S. government has invested in more resources to secure the nation from future attacks and protect the U.S. economy. Furthermore, nuclear proliferation, the collapse of governments in the Middle East, and the instability of the oil markets are

other major challenges faced today. America's national security success depends on its relations with allies, foreign capital, and support from other international governments as well (Hormats, 2007, p. XX).

The U.S. also is faced with new and different kinds of economic security threats, rising mandatory spending, increasing debt, and global trade and finance issues. Currently, the U.S. is heavily dependent on foreign capital. For the first time since the Revolutionary War, the government has become very dependent on funds abroad during wartime (Hormats, 2007, p. XX). A reexamination of U.S. fiscal policy and priorities is required to overcome the unique challenges of the 21<sup>st</sup> century. As Hormats (2007, p. XXI) states, "...a heavily debt laden, over obligated, revenue squeezed government, highly dependent on foreign capital, creates major security vulnerabilities." The future success of America's national security will require a holistic approach incorporating a budget that minimizes overlapping efforts and expenses between inter-agencies (Brook & Candreva, 2008). A sound defense fiscal policy is needed to ensure America's national security (Hormats, 2007, p. XXI).

## **B. INTRODUCTION TO WHOLE OF GOVERNMENT (WOG) APPROACH FOR NATIONAL SECURITY**

"Security comes from not only military strength, but also from the strength of diplomatic and humanitarian functions of government and non-governmental agents acting in a concerted fashion (Brook & Candreva, 2008)." The national security system the President uses today allows little flexibility and agility to protect this nation from ever changing national threats. The lack of a common national government culture that facilitates a shared vision is missing. Additionally, the lack of inter-agency coordination and cooperation forces departments to focus on their own objectives and goals. However, with today's challenges, the demand for inter-agency collaboration has grown and it has been identified as a necessity to achieve an adequate level of national security for the nation.

The national security structure needs to operate as a system rather than a collection of separate components. The WOG approach to national security is a concept

that brings a unified effort between inter-governmental agencies to maximize all available resources in a collaborative effort. “Addressing new security challenges is less about an objective of dominance and more about predicting, preventing, and managing disruptions, such as proliferation of weapons of mass destruction, terrorist acts, global contingencies, and natural disasters. These challenges have led to the interest of a WOG approach to national security” (Gockel, 2008, p. 6).

### **C. RESEARCH QUESTIONS**

- What is the WOG approach to budgeting?
- What budget processes currently in use in the federal government can assist in defining how the whole of government approach could be applied to national security?
- How could elements of the federal budget process be structured to facilitate the application of the whole of government approach to (a) increase the visibility and comprehension of U.S. national security programs and funding, and (b) demonstrate the utility of this model for decision making?

### **D. IMPORTANCE OF THE WHOLE OF GOVERNMENT APPROACH**

The WOG approach to national security is a new idea to think differently about how the U.S. should defend against the complex threats presented in today’s world. The current national security system the President uses today has been successful in defeating past conflicts in the Cold War era, but with the challenges faced today, there is a need for integrated planning and action of the foundations of national power. “Currently, the system is not capable of effectively marshaling and integrating resources within and across federal agencies to meet such critical national security objectives (PNSR, 2008).” The WOG approach enables federal agencies to bring together an integrated concept that broadens the government’s options, increases efficiency and decreases dependency on a military force to solve national security problems.

## **E. DESCRIPTION OF CHAPTERS**

### **1. Chapter I: Introduction**

- A brief background on the history of the defense budget and how it has evolved into the structure it is today
- A brief definition of the WOG approach and its importance
- The methodology this project uses to answer the research questions

### **2. Chapter II: Background on Topic Area**

- Provides an overall process of how the current budget for defense is formulated and its structure
- Current information of how the defense budget should be measured, such as a percentage of Gross Domestic Product (GDP), or total federal spending
- The WOG approach to national security; furthermore, an explanation of the WOG approach in more detail and why it is important today with the challenges this nation faces

### **3. Chapter III: Data**

- The description of budget processes and formats of selected governmental agencies
- Other information gathered for supporting research
- Summary

### **4. Chapter IV: Analysis**

- Budget process information found from research
- A current budget process that can be applied towards a WOG approach
- Why is the Planning, Programming, Budgeting and Execution System (PPBES) important and for whom?
- How PPBES can be applied towards a WOG approach
- Congressional WOG for national security
- Summary: The PPBES system brings similar budget processes across national security organizations

## 5. Chapter V: Conclusions

- Answers to the project's research questions
- Overall conclusions from the study and areas for further research

## F. PURPOSE AND METHODOLOGY

### 1. Purpose

The purpose of this project is to review and analyze existing budget processes, formats and data of selected federal agencies; however, it is not to define the whole federal budget, but instead, to indicate how a budget process might be applied to national security to facilitate a WOG approach.

### 2. Methodology

Quantitative and qualitative methodology is used with a select sample set of federal agencies and their budgetary components that deal with national security. Furthermore, it identifies the agency's process, format and data, which are utilized to formulate their respective budgets for national defense.

- **Limitations**—This project develops only a sample or prototype example of the WOG process approach to budgeting for national security. It is not possible to capture all the federal agencies and their budget processes.

## **II. BACKGROUND ON TOPIC AREA**

### **A. REQUIREMENTS FOR THE PRESIDENT'S BUDGET**

According to Office of Management and Budget (OMB) Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, all governmental agencies must meet the laws prescribed within the circular. It also provides the requirements mandated for OMB and the President's budget review to formulate the next fiscal year (FY) budget effectively. The majority of the Circular is directed towards the preparation of any agency seeking federal funding. However, the Circular also presents the requirements of the Governmental Performance and Results Act 1993 and explains the steps necessary to prepare and submit strategic plans, annual performance plans, and annual program performance reports. Finally, the Circular describes the planning, budgeting, and acquisition of capital assets along with how to prepare information to be submitted for a new or past acquisition (OMB, 2009, p. XVII).

This requires federal organizations and/or agencies to draft and consolidate their budgets to be submitted to the President and Congress. The OMB Circular A-11 regulates this process, which begins approximately 21 months before the FY that the particular budget is to be executed.

### **B. BUDGETING FOR DEFENSE: *THE CURRENT PROCESS***

...the simple truth of how a defense budget is arrived at...We start by considering what must be done to maintain peace and review all the possible threats against our security. Then a strategy for strengthening peace and defending against those threats must be agreed upon. And, finally our defense establishment must be evaluated to see what is necessary to protect against any or all of the potential threats. The cost of achieving these ends is totaled up, as the result is the budget for national defense. -Ronald Reagan (Brook, 2009)

Having a basic understanding of the federal budget is necessary before examining an individual spending category, such as the defense budget alone. Thus, what is the federal budget? It is a plan for how the government spends its revenue, identifies the



programs it is paying for, and lastly, it provides historical data on past government spending. The federal government projects its spending when the President and Congress determine how much money the government receives, where it comes from and how much to spend to achieve the nation's goals—national defense, social security, Medicare, transportation, and etc. (Citizens Guide, 2002). According to the American Society of Military Comptrollers (2008), individual income taxes are the greatest source of federal government revenue (see Figure 1).

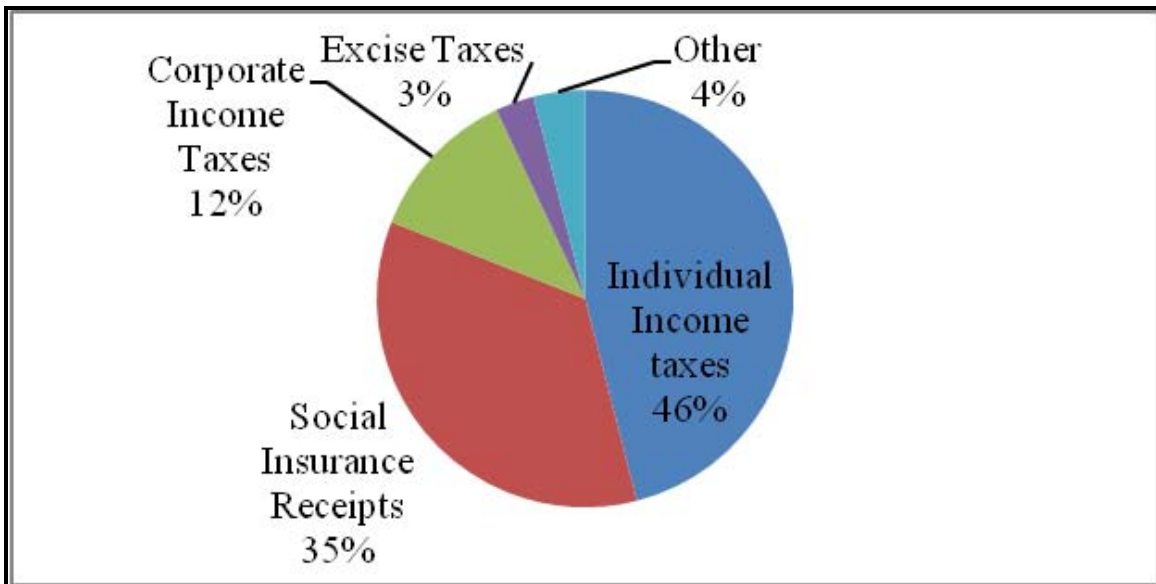


Figure 1. The Federal Government Income—Where it comes From (From: Citizens Guide, 2002)

It is also important to understand that the federal budget consists of two types of spending, mandatory and discretionary. Fiscal Year 2009 mandatory spending consists of approximately 68 percent of the total federal outlays paying for the following programs: social security, Medicare, net interest on debt, health, veteran's benefits, and Medicaid (see Figure 2). Discretionary spending consists of approximately the remaining 32 percent of total federal spending for several programs, such as national defense, transportation; education, international affairs, etc. (see Figure 2).

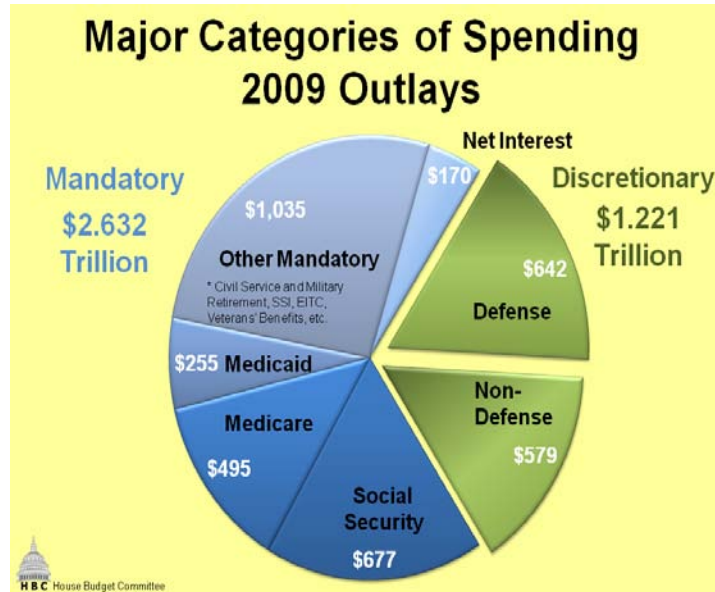


Figure 2. Major Categories of Spending 2009 Outlays (From: HBC, 2009)

Such mandatory spending grew from 44 to 68 percent of federal outlays over the past 40 years, while Defense outlays fell from 56 to 32 percent over the same period (see Figure 3). As a result, defense spending is under enormous pressure to maintain national security demands with fewer resources (Brook & Candreva, 2008).

The defense budget process differs from the rest of the federal budget due to the unique challenges, such as changes to current and future threats, actual needs, and requirements. The events of September 11, 2001 presented the need for the federal government to have the flexibility to change its defense spending quickly from year to year. Thus, it is now possible to adjust to evolving needs for the nation’s security. As with other federal budgets, defense budgets focus on the next FY, but this requires long term planning and commitments to allow for continued weapons development, maintenance of facilities, equipment, and training for the readiness of military forces (Wildavsky & Caiden, 2004, p. 153).

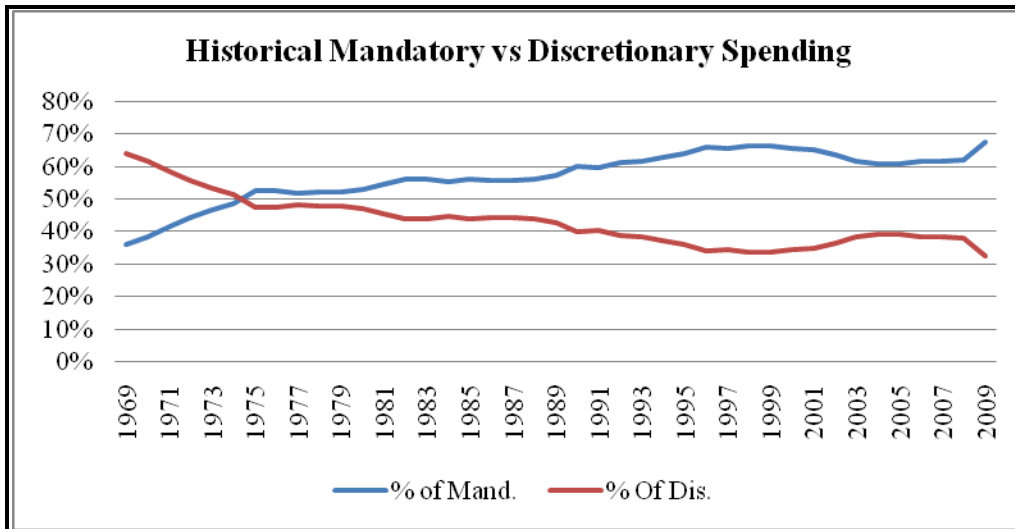


Figure 3. Historical Mandatory vs. Discretionary Spending (After: OMB, 2009, Table 8.5 and 8.7)

The difficulty with defense spending is due to the unavoidable commitment of long-term contracts and sunk costs, causing additional hindrance for the nation’s flexibility to adjust to the changing threats. Scrapping and renewing weaponry and changing the defense infrastructure is almost impossible due to declining defense spending and the greater emphasis placed on mandatory entitlement spending (e.g., Social Security, Medicare, and Medicaid). Before attempting to understand the relationship between the DoD, other governmental agencies (OGA), and Congress, it is important to understand the internal workings of the DoD.

### 1. The Budgeting Structure for the Defense Department

The National Defense (Budget Function: 050) is one of 20 federal spending categories under the Federal Unified Budget (see Table 1). A federal budget proposal is developed by an extensive systematic planning and budgeting approach several months before a recommended budget is forwarded to the President. The President submits his recommendations to Congress for the next fiscal year’s funding levels, and once it is approved by Congress and signed by the President, it becomes law. Next, the Treasury

Department can begin to allocate spending authority to the various governmental departments and agencies. The major departments then allocate funds to their subunits and government spending commences (Jones & McCaffery, 2008, p. 21).

<b>Table 1: Budget Authority by Function (On-Budget)</b>		
<b>Federal Unified Budget (\$ Billions)</b>		
<b>Function</b>	<b>Title</b>	<b>FY 08</b>
50	National Defense	\$647.20
150	International Affairs	38.30
250	General Science, Space and Technology	27.50
270	Energy	1.60
300	Natural Resources and Environment	30.40
350	Agriculture	19.90
370	Commerce and Housing Credit	10.40
400	Transportation	79.90
450	Community and Regional Development	10.40
500	Education, Training, Employment and Social Services	85.50
550	Health	281.50
570	Medicare	391.60
600	Income Security	376.90
650	Social Security	614.60
700	Veterans Benefits and Services	84.50
750	Administration of Justice	46.10
800	General Government	20.40
900	Net Interest	261.30
920	Allowances	-0.30
950	Undistributed Offsetting Receipts	-86.30
	Total	2,941.40

Source: Table recreated from data from Jones & McCaffery, 2008, pp. 104-105

Table 1. Budget Authority by Function (On-budget) (From: Jones & McCaffery, 2008, pp. 104–105)

The DoD assembles its budgetary accounts into eleven Major Force Programs (see Table 2) with two subcategories: six combat force programs and five support programs.

<b>Table 2: FYDP - Eleven Major Force Programs</b>	
1	Strategic Forces
2	Command, Control, Communications, Intelligence and Space
3	Mobility Forces
4	Guard and Reserve
5	General Purpose Forces
6	Research and Development
7	Central Supply and Maintenance
8	Training, Medical and Other General Personnel Activities
9	Administration and Associated Activities
10	Support of Other Nations
11	Special Operations Forces
Source: Jones & McCaffery 2008, pp. 97-98	

Table 2. FYDP—Eleven Major Force Programs (From: Jones & McCaffery, 2008, pp. 97–98)

These programs are elements within the PPBES. The DoD uses the PPBES to plan and prepare their own budget. A program element consists of weapons, personnel and support, and categorizes these accounts as force programs to assist the defense analyst with the planning for missions executed by military forces and those who support their missions (Jones & McCaffery, 2008, pp. 97–99).

The DoD compiles the Major Force Programs and inputs them into a database called Future Years Defense Program (FYDP). This database summarizes resources by category to include the total dollar amounts that may be spent for personnel, weapons, and support equipment. Jones and McCaffery (2008, p. 98) state, “the purpose of the FYDP within the context of PPBES is to present a two-dimensional or ‘crosswalk’ allowing for explanation of the major force programs in terms of the resources that fund them.” The end goal of the PPBES is to provide Combatant Commanders (CoCom) with the proper mix of forces, equipment, training and support. An overview of the PPBES process is as follows.

- *Planning*—(Establishes broad objectives) Focuses 15 years out
  - Executive Branch level—national threat assessments
  - National strategy, defense policy, plans, and programs are formulated

- Product: Defense Planning Guidance (DPG) (Jones and McCaffery, 2008, pp. 148–152; Brook, 2009)

Summary: “The *Planning Phase* begins at the executive branch level with the President’s National Security Strategy (NSS) developed by the National Security Council (NSC). The NSS takes inputs from several federal agencies (including the Department of State, the Central Intelligence Agency, and others in the intelligence community) to ascertain the threats, thereby outlining the national defense strategy” (Jones & McCaffrey, 2008, p. 148). Additionally, further analysis and documents are produced and used to influence the formulation of the DPG (Jones & McCaffrey, 2008, p. 148).

- *Programming*—(Optimizes objectives) Focuses six years out
  - Each military component (i.e., Service Branches) addresses how to allocate resources over a six-year period
  - Allocates resources to program proposals
  - Product: Each service branch produces a Program Objective Memorandum (POM) with the DPG (Jones & McCaffery, 2008, pp. 148–152; Brook, 2009)

Summary: “The purpose of the *Programming Phase* is for each military component to produce a POM to address how they will allocate resources over a six-year period. The POM must also support the guidance given in the DPG and operate under fiscal constraints issued within it” (Jones & McCaffrey, 2008, p. 150).

- *Budgeting*—(Specifies detail resource requirements) Focuses two years out
  - Development of specific funding requirements based on POM
  - Approval of programs based on POM
  - Cost estimation
  - Product: Budget Estimate Submission (BES)/the President’s budget (Jones & McCaffery, 2008, pp. 148–152; Brook, 2009)

Summary: “The *Budgeting Phase* begins with the approved programs in each military service POM. Each military component costs out items that support its POM for the budget year and submits its part of the budget as its BES. Every BES is reviewed by military secretariats under the authority of the military department secretaries because budgeting is a civilian function in DoD as mandated by Congress in the 1970s. This review attempts to ensure compliance with the DPG, the POM and the President’s NSS. Once major budget issues have been resolved, the final defense budget is sent to OMB to become part of the President’s budget.

This step constitutes the end of the budget proposal and review phase of PPBS” (Jones & McCaffrey, 2008, p. 152).

- *Execution*—(Management of current year spending) Focus on one year
  - Congressional appropriations approved
  - Product: Multiple execution plans, midyear reviews, and audits (Jones & McCaffery, 2008, pp. 148–152; Brook, 2009)

The PPBES process has developed into a continuous cycle that progresses through steps or milestones of overlapping programming, budgeting, and execution phases. The DoD provides their recommendations, and eventually, Congress reviews and finalizes legislation that appropriates funding for national defense with the following individual bills.

- **Military personnel**—includes pay, allowances (housing/uniform), retirement funds, bonuses, travel, training and other costs associated with maintaining uniform personnel
- **Operations and Maintenance**—annual operating expenses for all of the DoD
- **Procurement**—acquisitions of weapon systems
- **Research, Development, Training and Engineering**—funding for the DoD research and development, testing and evaluation
- **Family housing**—funding for family housing both mainland and abroad
- **Revolving and Management funds**—funding to support semi-autonomous DoD operating entities (i.e., Navy ship yards, the DoD logistics centers/depots)

In summary, the defense budget is viewed differently than all other components of the federal government budget. Congress identifies the budget by an appropriation title; the DoD views it by the Major Force Programs and program elements; and Office of Management and Budget (OMB) views it by the budget function (Brook, 2009). The internal defense budget process is a large, complex, and time sensitive task requiring a huge number of personnel and extensive coordination to achieve an effective level of funding for national security. With rising deficits and mandatory costs, and the threat of defense spending eroding, providing this country with a sound national security plan becomes increasingly more difficult to achieve.

## 2. Current Ways of Measuring the Defense Budget

Deciding how much to spend on defense has always been a difficult question to answer. It is frequently argued that a metric or a minimum baseline needs to be in place to provide the DoD a stable spending plan enabling it to execute current operations and sustain multiyear program investments. The past several years many have argued how the level of defense spending should be a minimum of four percent of the U.S. GDP or a determined percentage of total federal spending. According to Jones and McCaffrey, selections of FYs were compared to the national defense spending as a percent of GDP (see Table 3). During WWII, defense spending became a phenomenal 37 percent of the GDP compared to the four percent in 2006.

Fiscal Year	% GDP	Focal Point
1940	1.7	Low before WWII
1944	37.8	WW II High
1948	3.5	Post WW II
1953	14.2	Korea Top
1968	9.4	Vietnam Top
1986	6.2	Reagan buildup top
1999	3	Post Cold War Low
2006	4	Iraq Top

Source: Jones and McCaffery, 2008, p. 120

Table 3. National Defense Spending as a Percent of GDP (From: Jones & McCaffery, 2008, p. 120)

Defense spending rises when the nation is involved in a crisis, but comparing the current crisis to the past shows, that spending has actually declined compared to its relative share of GDP. This also displays that defense spending has no ceiling or floor, and it indicates what is needed to defend against national threats. Is four percent of GDP for the GWOT enough? Many argue that current defense spending compared to past conflicts has not been sufficient to protect against the nations threats.

The Secretary of Defense (SecDef), Robert Gates, told two congressional committees, “that the 2008 defense budget equals about 4.4 percent of the nation’s gross



domestic product and is actually a smaller percentage of GDP than when I left government 14 years ago following the end of the Cold War, and significantly smaller than during the Vietnam and Korean wars” (Matthews, 2007). In fact, since 1993, the U.S. has been spending a smaller relative share of its national wealth on defense even as the world has grown more complicated and arguably more dangerous (Matthews, 2007).

Some senior military officials have supported a designated percentage of the GDP to be used specifically for the national defense budget. Gen. Michael Moseley, Air Force Chief, complained that the struggling 2007 budget was a historical low percentage of the GDP. Furthermore, General Peter Schoomaker, the Army Chief, complained that 3.8 percent was “historically low during wartime” and recommended to spend up to 6 percent of GDP on defense” (Matthews, 2007).

America should buy the national security it needs and not the security it can afford (Brook & Candreva, 2008). As each new administration enters the office, a process of restructuring the level of emphasis on national security exists due to continuous multiple security threats, demographic challenges, increasing health care demands, and external global pressures. These challenges require a realignment of policies and priorities to meet the financial associated needs. Having little flexibility to respond to these dangers, rising deficits, and large amounts of money committed by past legislation could ultimately undermine the national security of America (Hormats, 2007, p. XX).

Arguments have been made to propose how defense spending should be measured, and one common agreement is the idea for the defense effort to be apportioned to the estimates of a perceived threat from abroad (Wildavsky, 1992, p. 396). National threats today come in different forms than from the past with the traditional military force against an opposing military force. Today’s threats consist of terrorism, economic pressures, foreign interests, climate changes, pandemics and many more, which requires more than just the DoD to defend the nation. It requires a combined effort of multiple government agencies to achieve an effective level of national security. There has been a recent effort to look at national security from a WOG approach, “that fosters governmental collaboration on purpose, actions, and results in a coherent, combined

available resources to achieve the desired objective or end state” (PNSR, 2008). Today’s national security is planned and budgeted in a stove piped environment by each department, which can result in overlapping efforts and requires efforts from the DoD, Department of State, Department of Homeland Security, Department of the Treasury, Department of Commerce, and Department of Justice. Budgeting for national security now requires a more holistic approach. “Security comes from not only military strength, but also from the strength of diplomatic and humanitarian functions of government and non-governmental agents acting in a concerted fashion” (Brook & Candreva, 2008).

### **C. WHOLE OF GOVERNMENT APPROACH TO NATIONAL SECURITY**

If we are to meet the myriad challenges around the world in the coming decades, this country must strengthen other important elements of national power both institutionally and financially, and create the capability to integrate and apply all of the elements of national power to problems and challenges abroad.....” (Robert Gates, Secretary of Defense (PNSR, 2008)

The National Security Act (NSA) of 1947 was established after WWII to realign and reorganize the U.S. Armed Forces, foreign policy and the intelligence community based on lessons learned from the WWII. The Act created many of the institutions the President uses today to formulate and implement foreign policy and address national security issues. Additionally, the Act merged the Department of War and the Department of the Navy into a national military establishment known as the DoD, led by the Secretary of Defense (SecDef). Furthermore, the act established the Central Intelligence Agency (CIA), formally known as the Office of Strategic Services. These organizations are the tools the current U.S. government uses to manage and address today’s national security issues (U.S. Department of State, 2009).

Current threats toward the nation’s security are drastically different than they were during WWII and the Cold War era. The diverse challenges today, ranging from terrorism, national disasters, troubled stability operations in Iraq and Afghanistan, transnational criminals, proliferation of weapons of mass destruction, and many more, prove the inadequacy of the current system today. The national security system must be realigned and reorganized to ensure all federal agencies cooperate and collaborate more

effectively to protect this nation from the multitude of national threats (Evans, 2008). The Executive Director James R. Lochner III stated, “to respond effectively and efficiently to the complex, rapidly changing threats and challenges of the 21<sup>st</sup> century security environment requires integration of the expertise and capabilities of many diverse departments and agencies” (Evans, 2008).

### **1. What is the WOG Approach Applied to National Security?**

The national security system the President uses today allows little flexibility and agility to protect this nation from ever-changing national threats. The lack of a common national government culture that facilitates a shared vision is missing. Additionally, the lack of inter-agency coordination and cooperation forces departments to focus on their own objectives and goals. However, with today’s challenges, the demand for inter-agency collaboration has grown and it has been identified as a necessity to achieve an adequate level of national security for the nation.

The national security structure needs to operate as a system rather than a collection of separate components. The WOG approach to national security is a concept that brings a unified effort between inter-governmental agencies to maximize all available resources in a collaborative effort. “Addressing new security challenges is less about an objective of dominance and more about predicting, preventing, and managing disruptions such as proliferation of weapons of mass destruction, terrorist acts, global contagions, and natural disasters. This has led to the call for a whole of government approach to national security” (Gockel, 2008, p. 6).

According to Section 1049 of the National Defense Authorization Act for FY 2008 (Public Law 110-181) required a study of the national security interagency system by an independent, non-profit, non-partisan organization (PNSR, 2008, p. 3). This study titled Project on National Security Reform (PNSR), identified risks and misalignments of the current national security system (PNSR, 2008, p. 3). The current national security system does not allow integration between national, regional, multilateral, and state and local agencies. The PNSR (p. 208) study identified two fundamental causes for these

misalignments. First, the system consists of autonomous organizations directly funded by Congress separately, that focus on their respective goals and missions. “Second, only the president has the authority to integrate across these autonomous agencies, but the president has no effective way to delegate his authority. Interagency working groups, lead agencies, and even czars lack the authority to guarantee interagency coordination and attention to new or non-traditional missions” (PNSR, 2008, p. 208). In summary, these misalignments negatively impact the overall command and control of the president when dealing with national security objectives and various autonomous agencies.

Without a holistic vision, a common vision exacerbates the incompatibility of goals, strategic plans, and procedures currently characteristic across the national security system. “There are several reasons for the lack of a shared vision in the security system. First, with the exception of the Department of Defense, the individual organizations that make up the system do not have strong traditions of long-term planning. The yearly budget cycle encourages short-term thinking and spending and focuses on outputs rather than on outcomes” (PNSR, 2008, p. 205).

## **2. How Would the WOG Approach be Applied to National Security?**

The WOG approach to national security is a new idea to think differently about how the U.S. should defend against the complex threats presented in today’s world. The current national security system must change from a static concept to a dynamic one. Research has identified that the current national security policy is designed to meet the following objectives as quoted from the PNSR 2008 study.

- “To maintain security from aggression against the nation by means of a national capacity to shape the strategic environment; to anticipate and prevent threats; to respond to attacks by defeating enemies; to recover from the effects of attack; and to sustain the costs of defense.”
- “To maintain security against massive societal disruption as a result of natural forces, including pandemics, natural disasters, and climate change.”
- “To maintain security against the failure of major national infrastructure systems by means of building up and defending robust and resilient capacities and investing in the ability to recover from damage done to them.”

The aforementioned objectives have been successful in defeating past conflicts in the Cold War era, but with the challenges faced today, there is a need for integrated planning and action of the foundations of national power. “Currently, the system is not capable of effectively marshaling and integrating resources within and across federal agencies to meet such critical national security objectives” (PNSR, 2008).

According to the PNSR, four key principles have been established to redefine national security and its policy objectives. First, the efforts need to address current and future challenges in a multidimensional concept. Second, the national security system must integrate diverse skills and perspectives. Third, there is a need to recalibrate how the government thinks and manages national security resources and budgeting. Fourth, improve the ability to plan and act for potential future contingencies (PNSR, 2008). These four key principles assist in achieving horizontal and vertical coordination to eliminate the tunnel vision of departmentalism by making better use of scarce resources and creating synergies by bringing together all departments that contribute to national security (Christensen & Laegreid, 2007).

The PNSR of 2008 titled *Forging a New Shield* has conducted extensive research on the current national security system and identified problems in the system performance, and its consequences. This proposal for national security reform demands that the President and the U.S. government think of different ways to assess a range of options to improve national security. The PNSR key recommendations identified the following.

- Establishing a President’s Security Council to replace the National Security Council and Homeland Security
- Creating an empowered Director for National Security in the Executive Office of the President
- Initiating the process of shifting highly collaborative, mission-focused interagency teams for priority issues
- Mandating annual National Security Planning Guidance and an integrated national security budget
- Building an interagency personnel system, including a National Security Professional Corps

- Establishing a Chief Knowledge Officer in the PSC Executive Secretariat to ensure that the national security system as a whole can develop, store, retrieve and share knowledge
- Forming Select Committees on National Security in the Senate and House of Representatives (Evans, 2008)

*Forging a New Shield* provides recommendations to bring together an integrated concept that broadens the government's options, which leads to increased efficiency and a decrease in the nation's dependency on a military force to solve national security problems. Multiple recommendations have been proposed to reform government policy for a WOG approach; however, the focus of this project is limited to applying the holistic approach to an integrated national security budget.

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### III. DATA

#### A. INTRODUCTION

....Definitions of national security are typically broad for several reasons. Since a definition is static, those providing the definition are at pains to ensure that the scope of national security encompasses all the potential threats to the nation's security interests so that they may be sufficiently protected. Moreover, the security environment has demonstrated a wider range of threats to national security over the past few decades, and a general consensus exists that the scope of national security needs to be broader than traditional defense, diplomacy, and intelligence concerns. (PNSR, 2008, p. 453)

The security environment has expanded significantly since the establishment of the National Security Act of 1947 from four agencies to 26 in 2007 (see Table 4). The national security of this nation consists of multiple agencies that contribute to the elements of national power. The original vision of national security was viewed as a function of military power; now military power is a subset of an expanded national security concept (PNSR, 2008, p. 452).

1947	2007
Dept. of State	Dept. of State
National Military Establishment*	Dept. of Defense
Central Intelligence Agency	Intelligence Community
National Security Resources Board	Officer of the Vice President
	Dept. of Treasury
	Justice Department/FBI
	U.S. Agency for International Development
	Dept. of Homeland Security
	Dept. of Agriculture
	Dept. of Commerce
	Dept. of Health and Human Services
	Dept. of Transportation
	Dept. of Energy
	Environmental Protection Agency
	Office of Management and Budget
	U.S. Trade Representative
	Council of Economic Advisors
	Officer of Science and Technology Policy
	Board of Governors of the Federal Reserve



1947	2007
	Export- Import Bank
	NASA
	Nuclear Regulatory Commission
	Peace Corps
	Overseas Private Investment Corporation
*Including the Service secretaries and secretary of defense.	Federal Communications Commission
	Foreign Intelligence Advisory Board

Table 4. Expansion of National Security Effort (From: PNSR, 2008, p. 453).

**B. PLANNING, PROGRAMMING, AND BUDGETING, EXECUTION SYSTEM’S (PPBES) ORIGINAL INTENT**

“The Programming, Planning, and Budgeting System was intended to be a thorough analysis and planning system that incorporated multiple sets of plans and programs. In theory, the program budgets that resulted from PPBS were supposed to provide the Executive Branch and Congress information on what the federal government was spending for particular categories, for example, health, education, public safety, and so on, across all departments and agencies. Program budgets may best be understood as matrices with program categories on one axis and departments on the other. Thus, in the fully articulated program budget Congress could determine how much was spent on health, education in total in all departments and agencies and this would promote deliberation over whether this was enough, too much, or too little” (McCaffery & Jones, 2004, p. 91).

**C. EXAMINING FEDERAL GOVERNMENT BUDGETS AND PROCESSES TO LEARN ABOUT APPLICATION OF THE WHOLE OF GOVERNMENT APPROACH**

As stated in Chapter I, the purpose of this project is to look at existing budget processes, format and data of selected federal agencies; however, it is not to define the whole federal budget but how a budget process might be applied to national security. Due to limitations of visibility and accessibility of many of the federal budget processes, the following agencies were selected for review.

- National Oceanic Atmospheric Administration (NOAA)
- Department of Defense (DoD)
- United States Coast Guard (USCG)
- Department of Energy (DOE)

## **D. NATIONAL OCEANIC ATMOSPHERIC ADMINISTRATION (NOAA)**

### **1. Description**

“The National Oceanic and Atmospheric Administration (NOAA) is a science-based federal agency within the Department of Commerce with regulatory, operational, and information service responsibilities. NOAA’s mission is to understand and predict changes in the Earth’s environment and to conserve, protect, and manage coastal, marine, and Great Lakes’ resources to meet our nation’s economic, social, and environmental needs. NOAA’s comprehensive system for acquiring observations—from satellites to ships to radars—provides the quality data and information critical for the safe conduct of daily life and the basic functioning of a modern economy” (NOAA, 2009).

### **2. NOAA’s Budget Process and Format**

NOAA’s budget process was adapted in FY 2003 from the DoD PPBES format. It is intended to address NOAA’s corporate decision-making needs, and designed to comply with external demands for improved strategic management and performance-based budgeting. Their business processes align resources with NOAA’s Strategic Plan allowing for work to be performed aligned with their strategic goals. This process ties each of the major resource planning, allocation, and management processes together to ensure all activities effectively achieve NOAA’s mission. Their support services provide strategy, policy, managerial, and programmatic support and implementation. “The function of Management of Resources is to provide NOAA-wide administrative and organizational activities necessary to develop and maintain facilities, workforce, and information technology infrastructure” (NOAA 2008).

“In accordance with the Federal appropriations and reporting cycle, PPBES focuses on annual objectives for using all available NOAA resources to achieve the best return on investment in pursuit of fulfilling NOAA’s strategic goals. PPBES allows for careful planning, prioritization of resources across competing requirements, fact-based assessments of best program options, objective evaluation of performance, and strict focus on accountability. And PPBES serves as a program, project, and milestone system to orient and influence all NOAA activity levels and requirements” (NOAA, 2008).

NOAA currently has two budget titles, which are Operations, Research and Facilities (ORF) and Procurement, Acquisition, and Constructions (PAC). These budget titles are further broken down into seven elements, which are as follows.

- National Ocean Service (NOS)
- National Marine Fisheries Service (NMFS)
- Oceanic and Atmospheric Research (OAR)
- National Weather Service (NWS)
- National Environmental Satellite, Data and Information Service (NESDIS)
- Program Support (PS)
- Other NOAA Accounts (NOAA, 2008)

### **3. NOAA’s FY 08’ Budget Data**

Table 5 is the FY 2008 Congressional Appropriation titles and amounts for NOAA.

<b>Table 5. NOAA Appropriations for FY 2008 (in millions of dollars)</b>	
<b>NOAA Accounts</b>	<b>FY 08 Enacted</b>
<b>Operations, Research &amp; Facilities (ORF)</b>	
National Ocean Service (NOS)	467.9
NOAA Fisheries (NMFS)	708.6
NOAA Research (OAR)	387.9
National Weather Service (NMS)	805.3
NOAA Satellites (NESDIS)	179.2
Program Support (PS)	392.4
<b>Total ORF Budget Authority</b>	<b>2,941.3</b>
Budget Authority Offsets	-82.0
<b>Subtotal ORF Discretionary</b>	<b>2859.3</b>
<b>Procurement, Acquisition, &amp; Construction (PAC)</b>	<b>979.2</b>
<b>Other Accounts (Net Total)</b>	<b>58.0</b>
<b>Total NOAA</b>	<b>3896.5</b>
Source: (CRS Report, 2008, p. 21)	

Table 5. NOAA Appropriations for FY 2008 (From: CRS Report, 2008, p. 21)

## **E. DEPARTMENT OF DEFENSE (DOD)**

### **1. Description**

“The Department of Defense is the federal department responsible for providing military forces needed to deter war and protect the security of our country. The major elements of these forces are the Army, Navy, Marine Corps and Air Force” (Miller, 2007).

### **2. Budget Process and Format**

The defense department assembles its budgetary accounts into 11 Major Force Programs as displayed in Table 2. These programs are elements within the PPBES. The DoD uses the PPBES to plan and prepare their own budget. A program element consists of weapons, personnel and support, and categorizes these accounts as force programs to assist the defense analyst with the planning for missions executed by military forces and those who support their missions (Jones & McCaffery, 2008, pp. 97–99).

The DoD compiles the Major Force Programs and inputs them into a database called Future Years Defense Program (FYDP) (see Figure 4). This database summarizes resources by category to include the total dollar amounts that may be spent for personnel,

weapons, and support equipment. Jones and McCaffery (2008, p. 98) state, “the purpose of the FYDP within the context of PPBES is to present a two-dimensional or ‘crosswalk’ allowing for explanation of the major force programs in terms of the resources that fund them.” The end goal of the PPBES is to provide combatant commanders with the proper mix of forces, equipment, training and support. An overview of the PPBES process is as follows.

- *Planning*—(Establishes broad objectives). Focuses 15 years out
  - Executive Branch level—national threat assessments
  - National strategy, defense policy, plans, and programs are formulated
  - Product: Defense Planning Guidance (DPG)
- *Programming*—(Optimizes objectives). Focuses six years out
  - Each military component (i.e., Service Branches) addresses how to allocate resources over a six-year period
  - Allocates resources to program proposals
  - Product: Each service branch produces a Program Objective Memorandum (POM) aligned with the DPG
- *Budgeting*—(Specifies detail resource requirements) Focuses two years out
  - Development of specific funding requirements based on POM
  - Approval of programs based on POM
  - Cost estimation
  - Product: Budget Estimate Submission (BES)/the President’s budget
- *Execution*—(Management of current year spending). Focus on one year
  - Congressional appropriations approved
  - Product: Multiple execution plans, midyear reviews, and audits (Jones and McCaffery, 2008, pp. 148–152; Brook, 2009)

The PPBES process has developed into a continuous cycle that progresses through steps or milestones of overlapping programming, budgeting, and execution phases. The DoD provides their recommendations, and eventually, Congress reviews and finalizes legislation that appropriates funding for national defense with the following individual bills.

- **Military personnel**—includes pay, allowances (housing/uniform), retirement funds, bonuses, travel, training and other costs associated with maintaining uniform personnel
- **Operations and Maintenance**—annual operating expenses for all of the DoD
- **Procurement**—acquisitions of weapon systems
- **Research, Development, Training and Engineering**—funding for the DoD research and development, testing and evaluation
- **Family housing**—funding for family housing both mainland and abroad
- **Revolving and Management funds**—funding to support semi-autonomous DoD operating entities (i.e., Navy shipyards, DoD logistics centers/Depots) (Jones & McCaffery, 2008, p. 106)

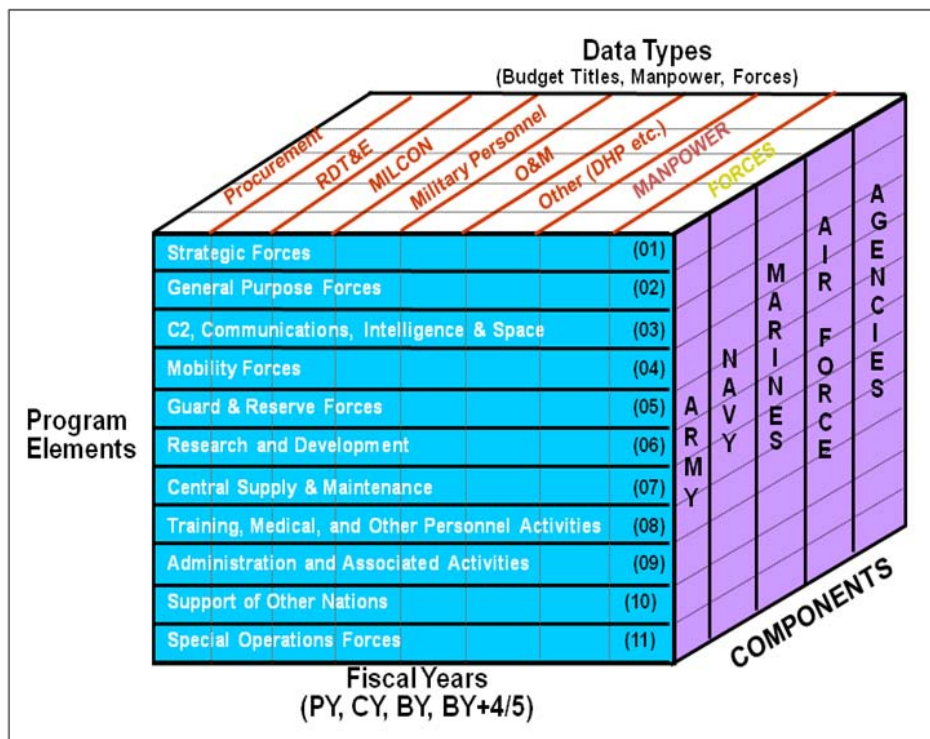


Figure 4. FYDP Concept (From: Brook, 2009)

**3. DoD's Budget Data (FY 08)**

<b>Table 6. DoD's Appropriations FY 2008</b>	
<b>DoD's Accounts</b>	<b>FY 08 Enacted</b>
Military Personnel	139,031
Operations & Maintenance	256,217
Procurement	164,992
Research, Development, Test and Evaluation	79,568
Military Construction	22,064
Family Housing	2,917
Revolving and Management Funds	9,926
<b>Total DoD Appropriations</b>	<b>674,715</b>
Source: (OMB, 2009; Table 5.1)	

Table 6. DoD's Appropriations FY 2008 (From: OMB, 2009, Table 5.1)

**F. UNITED STATES COAST GUARD (USCG)**

**1. Description**

The USCG operates under the Department of Homeland Security (DHS) and is responsible for three main roles, which are maritime safety, security and stewardship. “The Coast Guard protects the vital interests of the United States to include: the personal safety and security of the population, natural and economic resources, and the territorial integrity of the maritime borders from both internal and external threats natural and manmade. The Coast Guard protects these interests at stateside ports, inland waterways, the coasts, international waters and any other maritime regions where U.S. interests are at risk” (USCG, 2007, p. 1).

**2. USCG Budget Process and Format**

The USCG 11 mission programs are statutorily mandated to support their three main roles. These individual programs assist the Coast Guard in identifying their required missions. These missions are the force that guides the Coast Guard in their budget presentations along with their strategic planning, programming, and performance (USCG, 2007, p. 2, footnote 1). Table 7 identifies the alignment of the Coast Guards mission programs in relation to its main roles (USCG, 2007, p. 2).

Table 7. USCG Mission Programs		
Safety	Security	Stewardship
Saving Lives & Protecting Property	Establishing & Maintaining a Secure Maritime System while Facilitating its use for the National Good.	Managing the Sustainable & Effective use of its Inland, Coastal, and Ocean Waters & Resources for the Future
Search and Rescue Marine Safety	Ports, Waterways, & Coastal Security Illegal Drug Interdiction Undocumented Migrant Interdiction Defense Readiness Other Law Enforcement	Marine Environmental Protection Living Marine Resources Aids to Navigation Ice Operations
Source: (USCG, 2007, p.2)		

Table 7. USCG Mission Programs (From: USCG, 2007, p. 2)

According to COMDTINST M7100.3D (USCG, 2008, p. 4-1), the USCG has a budget formulation process that requires a continuous effort, with the intent to make minor adjustments in scope from a broad program to individual line-item requests. The specific steps are separated into five phases.

1. The “Forecast Stage” is a six-month period that commences approximately 15 to 21 months in advance of execution stage.
2. The “DHS Stage” involves the preparation and presentation of the Coast Guard’s initial submission of its detailed budget requirements to DHS. This stage usually comes to an end by mid-to-late August with receipt of the Secretary’s “passback” allowances, and is finalized and submitted to OMB by early September.
3. The “OMB Stage” involves preparation and presentation of the refined DHS stage budget request. This stage usually begins in early September and normally ends in late November.
4. The “Congressional Stage” involves preparation and presentation of the final budget request to Congress in early January. This document normally contains more detailed exhibits and tabular presentations than the two previous stages. The subsequent Congressional hearings, reviews, and allowance process are usually completed in the July–September time frame with enactment of authorization and appropriation statutes.



5. The “Execution Stage” refers to the entire budget execution phase; from the time the appropriation is enacted through September of the following year. Most people in the Coast Guard primarily deal with the execution stage. This stage is also referred to as the Budget Year (BY).

This budget formulation requires all headquarters managers to be simultaneously involved in the USCG budget process. The output from this process is then forwarded to The Formulation Division, Commandant (CG-82), and these requests are reviewed and consolidated. Upon consolidation the (CG-82), prioritizes the requests and finalizes the list. Next, the budget schedules are formulated and developed by (CG-82), which OMB Circular A-11 explains in more detail.

The Coast Guard’s budget formulation process has developed into a continuous cycle that progresses through steps or milestones of programming, budgeting, and execution phases. The USCG provides their recommendations to the Department of Homeland Security, which then submits them to OMB. Eventually, Congress reviews and finalizes legislation that appropriates funding for the USCG as the following appropriations.

- Operating Expenses (OE)
- Acquisition, Construction, and Improvements (AC&I)
- Research, Development, Test, and Evaluation (RDT&E)
- Environmental Compliance and Restoration (EC&R)
- Alteration of Bridges (AB)
- Reserve Training (RT)
- Retired Pay (RP)
- Oil Spill Liability Trust Fund (OSLTF)
- Boat Safety (BS)

### 3. USCG Budget Data (FY 06)

<b>Table 8. USCG Appropriations (\$000)FY 2006</b>	
<b>USCG Appropriations</b>	<b>2006</b>
Operating Expenses (OE)	\$5,433,589
Reserve Training (RT)	115,757
Environmental Compliance and Restoration (EC&R)	10,871
Acquisition, Construction, and Improvements (AC&I)	846,122
Alteration of Bridges	18,015
Research, Development, Testing and Evaluation (RDT&E)	17,509
Health Fund Contribution (HFC)	260,533
<b>Subtotal, Discretionary Funding</b>	<b>\$6,702,396</b>
Retired Pay	1,005,804
Boating Safety	113,401
Oil Spill Liability Trust Fund (OSTLF)	139,442
Gift Fund	1,563
<b>Subtotal, Mandatory Funding</b>	<b>1,260,210</b>
<b>Total, USCG Appropriations</b>	<b>\$7,962,606</b>

Table 8. USCG Appropriations (\$000) FY 2006

## G. DEPARTMENT OF ENERGY (DOE)

### 1. Description

The overarching mission for the Department of Energy is to focus on advancing the national, economic, and energy security for the U.S.. They work to ensure that scientific technological innovation receives the support needed to accomplish its mission. The DoE is also relied on to establish and maintain procedures for environmental cleanup of national nuclear weapons complex. Five strategic themes that the DoE uses to maintain the agency's strategic goals are as follows.

- Energy Security: Promoting America's energy security through reliable, clean and affordable energy
- Nuclear Security: Ensuring America's nuclear security
- Scientific Discovery and Innovation: Strengthening U.S. scientific discovery, economic competitiveness, and improving quality of life through innovations in science and technology

- Environmental Responsibility: Protecting the environment by providing a responsible resolution to the environmental legacy of nuclear weapons production
- Management of Excellence: Enabling the mission through sound management

## **2. DOE Budget Process and Format**

The U.S. Department of Energy's directive 130.1 (Budget Formulation) (1995, p. 3) states DoE's budget formulation activities shall be conducted in accordance with the requirements described in DoE Budget Formulation Instructions (DoE 130.1), the Chief Financial Officer's (CFO) guidance and budget calls, and OMB Circular A-11. The CFO's guidance and budget calls are not obtainable due to proprietary information. Identification of DOE's budget process is mainly identified through DoE order 130.1 and OMB Circular A-11.

In accordance with DoE 103.1 (1995, p. 2), the department's annual budget formulation process consists of four distinct phases.

1. Field Budget Process
2. Corporate Review Budget (CRB) Process
3. Office of Management and Budget (OMB) Budget Review Process
4. Congressional Budget Review (CRB) Process

The first phase of DOE's annual budget formulation process goes through Field Offices that prepare and submit budget data to Headquarters Elements for use in the second phase. Headquarters organizations, during the second phase, use the field budget data to develop initial organizational budget requests, which are jointly evaluated and considered in DOE's internal budget review. The combination of these two phases results in the CRB budget allowances. The third phase consists of the principal mechanism that prepares the Department's annual budget submission to OMB. DOE's OMB request is then based on the Secretary's final budget allowances resulting in the fourth phase called the CRB process. The fourth phase is then based on final Presidential funding and policy determinations resulting from phase three results in the OMB budget review process.

### 3. DOE Budget Data (FY 07)

To simplify the DOE budget data, the focus was on the three primary appropriations (see Table 9); however, it is important to understand that multiple sub programs exist.

<b>Table 9. DOE Discretionary Appropriations (\$000) FY 2007</b>	
<b>DOE Appropriations</b>	<b>2007</b>
Energy Programs	\$8,042,345
Atomic Energy Defense Activities	15,936,887
Power Marketing Administrations	270,591
<b>Total, DOE Discretionary Appropriations</b>	<b>\$24,249,823</b>
Source: Table recreated with data from DOE, 2008, p.22)	

Table 9. DOE Discretionary Appropriations (\$000) FY 2007

## H. CONGRESSIONAL INTENT AND ACTION SUPPORTING THE WHOLE OF GOVERNMENT APPROACH

For more than a decade, Congress has attempted to move the federal government towards programming and budgeting in ways compatible with the WOG approach by passing the Government Performance Results Act (GPRA) of 1993. The GPRA's sole purpose quoted from (OMB, 2009) was to achieve the following.

1. Improve the confidence of the American people in the capability of the Federal Government, by systematically holding federal agencies accountable for achieving program results
2. Initiate program performance reform with a series of pilot projects in setting program goals, measuring program performance against those goals, and reporting publicly on their progress
3. Improve federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction
4. Help federal managers improve service delivery, by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality

5. Improve congressional decision making by providing more objective information on achieving statutory objectives, and on the relative effectiveness and efficiency of federal programs and spending
6. Improve internal management of the Federal Government

The President's Office of Management and Budget created and implemented the GPRA of 1993 to assist federal agencies in focusing on results, service quality, and public satisfaction. Furthermore, Congress and OMB have asked all agencies to apply the basic concepts of GPRA and to take a performance oriented approach by requiring them to: (1) develop a six-year strategic plan to emphasize the agency's mission, (2) produce an annual performance plan that outlines goals for the following year, and (3) produce annual performance report to compare the program goals with the actual performance for each program activity. The GPRA represents an effort to move away from the traditional, financially-driven budget process and shift to a performance-oriented management approach (Schieffer, 2003). This Act can be viewed as complimentary to and compatible with the WOG approach for performance management that enables agencies to implement a common long-term planning guidance, combining program data with long-term guidance and developing a vision and mission consistent with OMB and Congress' expectations.

## **I. SUMMARY**

This chapter describes the budget processes of four federal agencies that contribute to the national security effort and demonstrates the differences between each of these budget process, format and data. Data from this chapter is analyzed in Chapter IV with respect to its relevance to a WOG approach to budgeting for national security.

## **IV. ANALYSIS**

### **A. BUDGET PROCESS INFORMATION RELEVANT TO THE WHOLE OF GOVERNMENT APPROACH**

The four agencies researched in Chapter III have their own distinct processes tailored to meet their individual departmental goals and objectives. All agencies that receive governmental appropriations must prepare, submit and execute their respective budget in accordance with OMB Circular A-11. Currently, the goals and objectives for most of these agencies are stove piped with respect to their relationship to the budget processes of other agencies relative to the WOG approach to budgeting for national security (see Figure 5); furthermore, no unified national security budgeting methodology exists that aligns resources in a comprehensive and disciplined top-down approach (Osterhoudt, 2007). Although OMB Circular A-11 provides the mandated requirements for governmental funding, a significant lack of direction or guidance causes many agencies to function independently with no sense of collaboration amongst other agencies. Once OMB receives all department and agencies individual budgets, they are folded into what becomes the President's budget to Congress for review and approval. Congress then appropriates numerous appropriation titles to all agencies that make it difficult to identify and distinguish total national security requirements and costs. A need seems to exist for a system that requires horizontal and vertical visibility inferring to improve program prioritization and decision making in identifying the budgetary needs for national security.

Chapter III displays budget data for each selected agency with congressional appropriation titles and associated spending for a specified FY based on the availability of information for each department or agency. These data are presented to demonstrate the differences of each department or agencies goals and objectives. As a result of stove piping, as illustrated in Figure 5, it makes it difficult to identify and determine national security requirements, goals, objectives and total costs on a macro level. As the data in

Chapter III shows, a commonality exists between the four agencies researched and each agencies' budgets and each one attempts to align their own resources in accordance with their specific strategic goals.

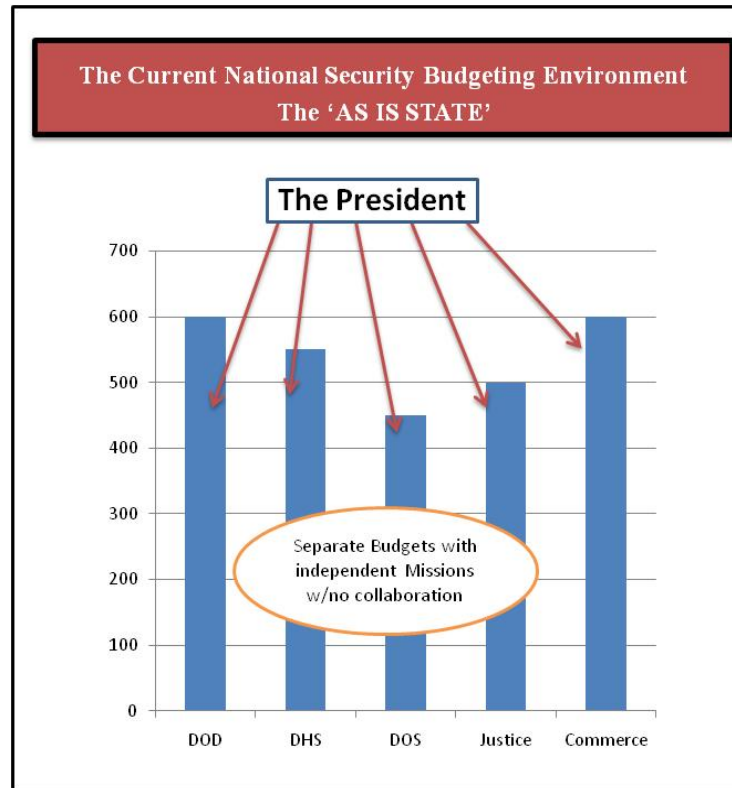


Figure 5. Current National Security “The As-Is-State” (From: PNSR, 2008)

**B. A CURRENT BUDGET PROCESS THAT CAN BE APPLIED TOWARDS A WOG APPROACH**

Research has discovered that the structure of PPBES is one approach uses towards an effective budgeting process that can be applied to a WOG effort involving national security that could lead to improved inter-agency cooperation and collaboration. No other example exists that presents both a structure and a process as satisfactory for the WOG approach as PPBES. Use of the PPBES structure would enhance application of the concept of the WOG approach to national security across the federal government. The PPBES structure is a “...methodology for aligning resources in a comprehensive, disciplined, top-down approach that supports...” a vision and mission (Osterhoudt,

2007). Furthermore, PPBES can assist in translating a national security strategy into a multi-agency unified approach that provides a prioritized focus on strategic outcomes within an agency's resource constraints (Osterhoudt, 2007).

NOAA is one example that has adopted the PPBES structure. However, due to its smaller size compared to DoD, NOAA has modified the structure with its own permutations to fit and meet their internal goals and objectives. The main point identified from NOAA's adoption of the PPBES structure is how it has enabled NOAA's departments to operate with the same long-term guidance (i.e., Planning). Program decisions are prioritized in accordance with the agency's long-term guidance (i.e., Programming). Budgeting submissions are consistent with DOC, OMB and Congressional expectations (i.e., Budgeting), and finally, distribution of funds are allocated to resources previously determined in the subsequent phases (i.e., Execution) (Osterhoudt, 2007).

### **C. WHY IS THE WOG APPROACH MODELED ON PPBES IMPORTANT AND FOR WHOM?**

PPBES has been used by DoD since 1962 due to its enormous size and complexity of its highly differentiated missions and activities between its four service branches. Jones and McCaffery (2008, p. 139) note that prior to 1962, DoD did not have a top-down coordinated approach for planning and budgeting. Since the inception of PPBES, PPBES has been a valuable structure for long-range resource planning and allocation. However, PPBES is not just budget reform; it is an approach to analyze competition between alternative programs, weapons systems and multiyear objectives (Jones & McCaffery, 2008, p. 139).

The structure of PPBES has been successful for DoD and NOAA, which implies that PPBES is not specific to any agency. Any agency can utilize the structure to assist in providing a plan to achieve its long-term strategic priorities that aligns to the President's National Security Strategic Plan. PPBES's structure also enables resource prioritization, develop options in achieving an agency's strategic plan, focuses budge expenditure and



program results and accountability. Furthermore, PPBES’s structure can assist in managing program costs, scheduling and performance, and adjust resource requirements relative to execution (Osterhoudt, 2007).

**D. HOW COULD PPBES BE APPLIED TOWARDS A WOG APPROACH?**

The structure of PPBES can be applied for a WOG approach by implementing at the highest level. Figure 6 demonstrates a basic “To-Be-State” for national security at the Executive Branch level. This concept requires the creation of an Executive Empowered Secretary, who communicates a National Security Strategic plan, which forces all national security agencies to tie their respective plans and budgets together.

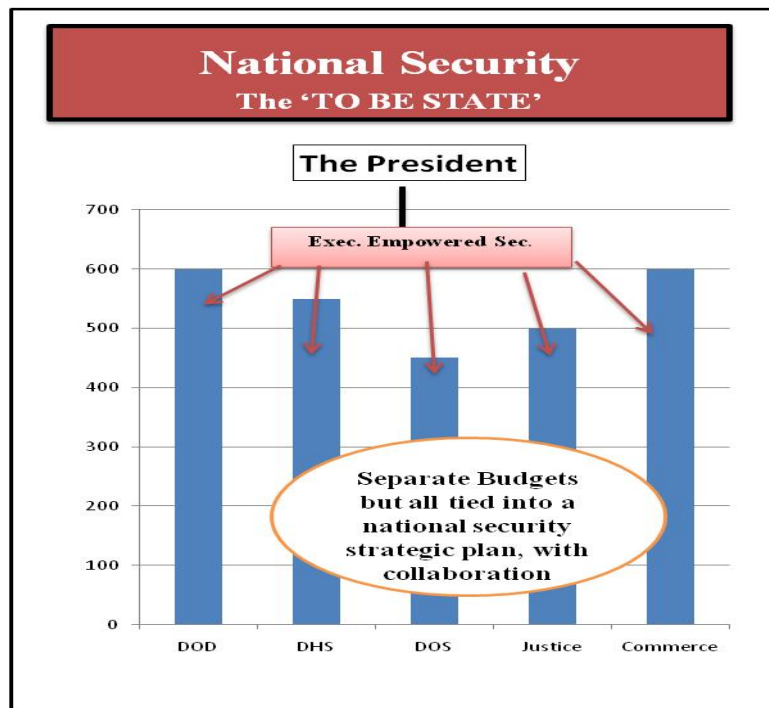


Figure 6. National Security “The To Be State” (After: PNSR, 2008)

In Figure 7, PPBES is implemented at a macro level where the Executive Branch establishes an Executive Empowered National Security Secretary. This secretary issues a National Security Strategic Plan from the President and his National Security Council, similar to the Defense Planning Guidance issued by DoD and the Annual Guidance

Memorandum for NOAA. At this stage, all agencies develop their respective Planning Guidance in accordance with the President and the NSC’s National Security Strategic Plan. This enables all agencies to be aligned with the nation’s national security goals and objectives. Furthermore, additional advantages are as follows.

- Increases visibility and Command and Control for the President
- The ability to identify agency overlapping efforts and costs
- Inter-agency collaboration
- Provides Congressional visibility

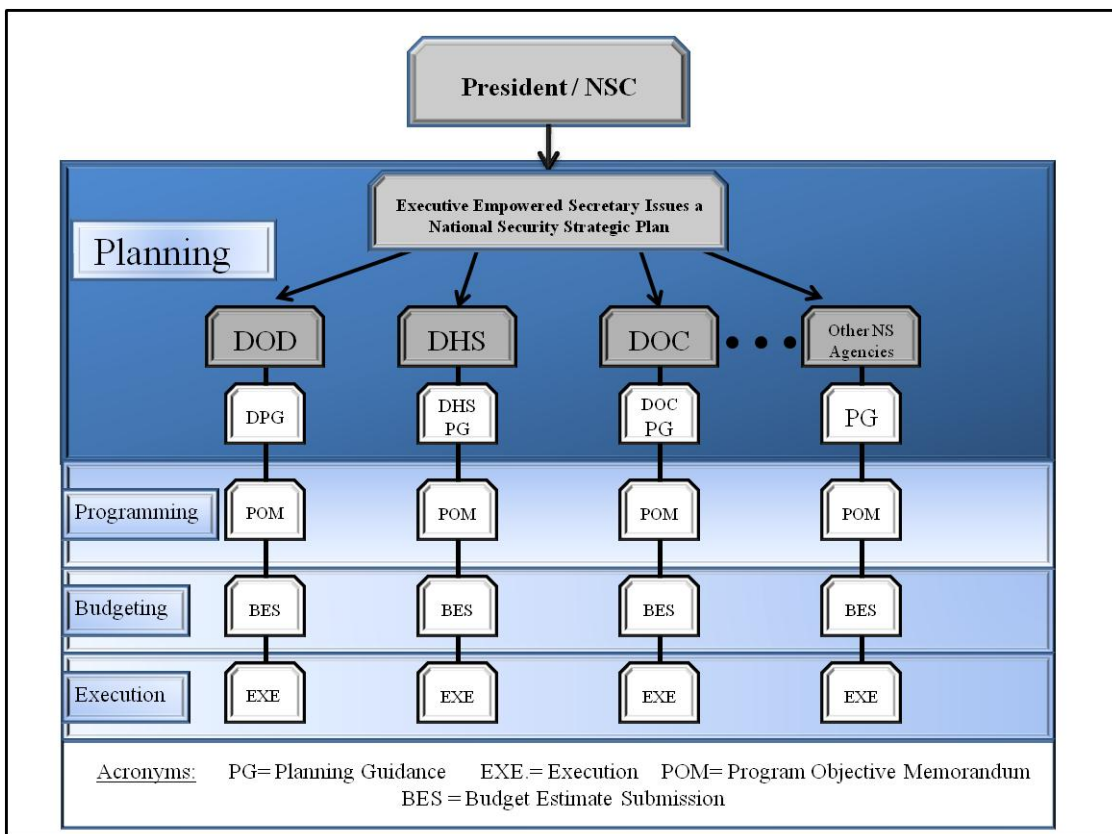


Figure 7. Macro Level PPBES

## **E. CONGRESSIONAL WOG FOR NATIONAL SECURITY**

“Congress has no clearly assigned venue for oversight of the “interagency” space. The appropriations committees could theoretically take a whole-of-government approach to multiagency activities, but they typically act with a subcommittee focus” (PNSR, 2008, p. 173).

This research has found that Congress TENDS TO focus on the performance of the individual agencies and departments rather than the broader national security missions concerning interagency efforts in particular (PNSR, 2008, p. 173). “Congress at times further constrains already limited executive branch ability to surge quickly and collaboratively in response to crises by insisting on compliance with existing notification and other fund transfer rules. Congressional restrictions on spending and fund transfers thus may limit executive branch flexibility for multiagency activities” (PNSR, 2008, p. 174).

The matrix in Figure 8 provides a graphic representation of how Congress could appropriate funds for national security and it allows the President and Congress to itemize the spending for each agency. Six appropriation titles appear to fit any agency and their program elements. It is important to understand that the 26 six agencies involved in national security do not necessarily require funding in all the recommended appropriation titles. This could allow Congress the ability to identify quickly how much is being spent on each appropriation across the national security spectrum, which was the original intent of PPBES. Finally, this matrix could lead to increased collaboration amongst the agencies that fit into the WOG approach towards national security.

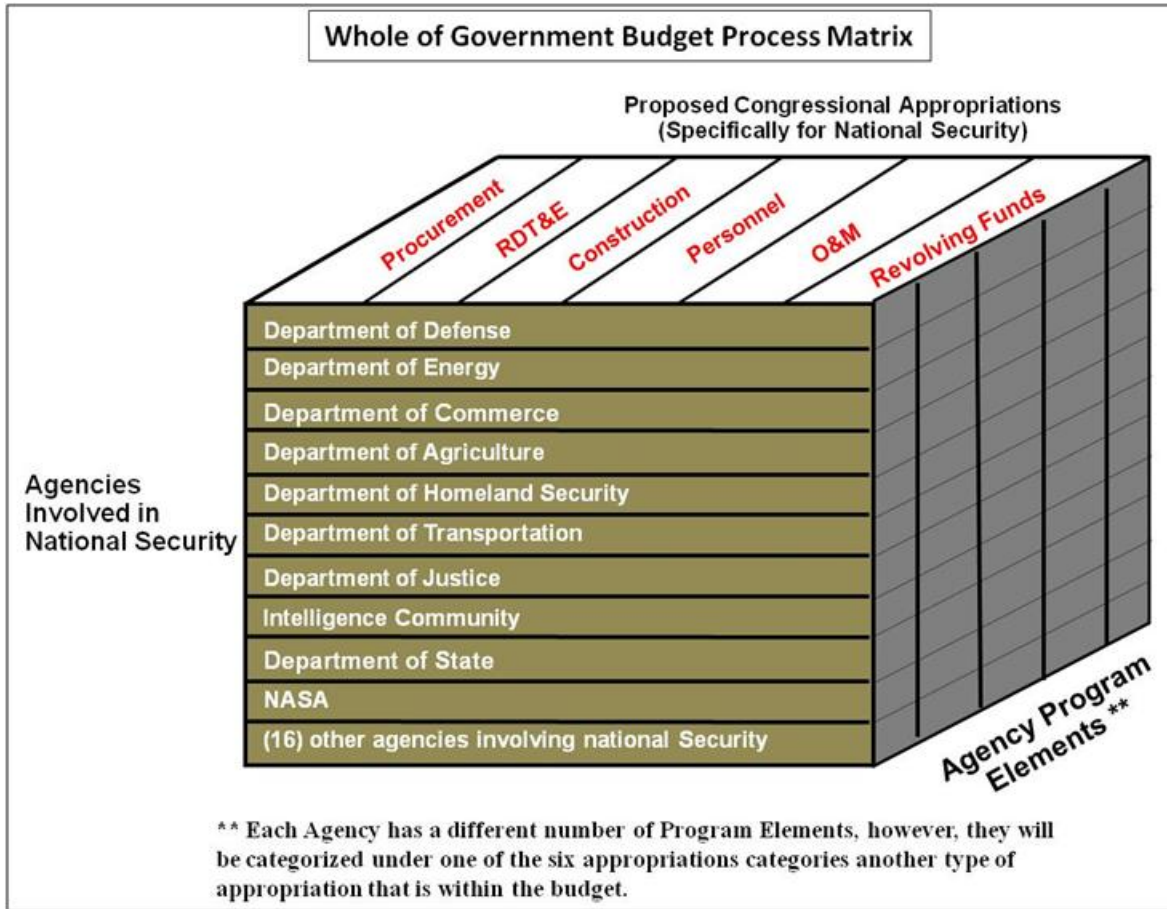


Figure 8. Whole of Government Budget Process Matrix

**F. SUMMARY: THE PPBES SYSTEM COULD ESTABLISH A SIMILAR AND USEFUL BUDGET PROCESSES ACROSS NATIONAL SECURITY ORGANIZATIONS**

As previously stated in Chapter II, the national security system the President uses today allows little flexibility and agility to protect this nation from ever-changing national threats. The lack of a common national government culture that facilitates a shared vision is missing. Additionally, the lack of inter-agency coordination and cooperation forces departments to focus on their own objectives and goals. The national security structure needs to operate as a system rather than a collection of separate components. Adopting PPBES at the highest level is a process that enhances a WOG approach to national

security. This concept brings a unified effort between inter-governmental agencies and assists in maximizing all available resources in a collaborative effort in defeating national security threat America faces today.

It is important to note that President Lyndon Johnson established PPBS across the federal government in 1965 due to the success with the DoD and other federal departments to increase the programmatic visibility of federal spending. This was the goal shared by the President and many members of Congress. Subsequently, President Richard Nixon suspended the use of PPBS across the federal government in 1969. While much has been written about why President Nixon terminated PPBS, almost none of the literature on this topic identifies ineffectiveness of the system as the reason for its disestablishment. Rather, the reasons cited to explain Nixon's decision attribute it to differences in political priorities from President Johnson's administration and Nixon's preferences for a different planning and budgeting process that he, his staff and OMB ordered implemented to replace PPBS, management by objectives, which is ironically a part of the PPBS process.

## **V. CONCLUSIONS**

### **A. BRIEF INTRODUCTION OF THE PURPOSE OF PROJECT**

The purpose of this project was to examine and analyze existing budget processes, formats and data of selected federal departments and agencies to determine if any of these would demonstrate how to apply the WOG approach to improve budgeting for national security-

### **B. ANSWERS TO RESEARCH QUESTIONS**

- What is the WOG Approach to Budgeting?

A WOG approach is a concept in which the executive branch of government draws together departments and agencies vital to the success of national security by maximizing coordination and collaboration to achieve a unified effort. An integrated national security budget process would provide the “President and Congress a government-wide understanding of activities, priorities, and resource allocation, and to identify redundancies and deficiencies in the resourcing of national security missions” (PNSR, 2008, p. XIII).

- What budget processes currently in use in the federal government can assist in defining how the WOG approach could be applied to national security?

This research identified the structure of PPBES as the one best approach for an effective budgeting process that could apply a WOG approach for national security and could create an environment for increased national security inter-agency cooperation and collaboration. The original purpose of PPBES was to initiate what approximated a WOG approach to federal spending and this research found that PPBES is the one system that provides both a structure and a process, which embraces the WOG approach. The PPBES structure is a “...methodology for aligning resources in a comprehensive, disciplined, top-down approach that supports...” a vision and mission (Osterhoudt, 2007).

Furthermore, PPBES can assist in translating a national security strategy into a unified approach for multiple agencies to provide a prioritized focus on strategic outcomes within an agency's resource constraints (Osterhoudt, 2007).

- How could elements of the federal budget process be structured to facilitate the application of the WOG approach to (a) increase the visibility and comprehension of U.S. national security programs and funding, and (b) demonstrate the utility of this model for decision making?

The federal budget process for national security could be structured as shown in Figure 8.

The matrix provides a graphic illustration of how Congress could review, and perhaps, even appropriate funds for national security. Six appropriation titles appear to fit virtually any federal agency and their program elements. It is important to understand that the 26 agencies involved in national security do not necessarily require funding in all the recommended appropriation titles.

The WOG approach would allow Congress the ability to identify quickly how much is being spent within each appropriation across the national security spectrum leading to the original intent of PPBES as applied in the 1960s. Finally, this WOG matrix approach could increase collaboration amongst the agencies involved in national security with the intent to allow agencies more flexibility to conduct inter-agency "trade-offs" to achieve their individual national security responsibilities more efficiently and effectively.

The PPBES model provides a process that facilitates decision making using a WOG approach. NOAA is one distinct agency that demonstrates the use of PPBES as a key tenant to making budgetary decisions. "PPBE is an NOAA-wide methodology for aligning resources in a comprehensive, disciplined, top-down approach that supports NOAA's vision and mission. It focuses on translating strategy into actionable programs and determining NOAA priorities and strategic outcomes within NOAA's resource constraints" (Osterhoudt, 2007).

### **C. OVERALL CONCLUSIONS FROM STUDY**

Today, national threats are vastly different from the Cold War era and “...Security comes from not only military strength, but also from the strength of diplomatic and humanitarian functions of government and non-governmental agents acting in a concerted fashion” (Brook & Candreva, 2008). The national security system the President uses today appears to have little flexibility and agility that allows a rapid response necessary to protect this nation from ever-changing national threats. A need exists for a common national government culture and set of budgetary tools that facilitate a shared vision to achieve a strong national security plan. Additionally, the present lack of inter-agency coordination and cooperation causes agencies and departments to focus on their internal objectives and goals causing an inefficient effort in achieving the security the U.S. needs to defeat current threats. Today’s challenges demand greater inter-agency collaboration to achieve an adequate level of national security for the nation.

A need exists for national security to have a planning, programming and budgeting structure that operates as a system rather than as a collection of separate components. This research has concluded that (a) PPBES is the one best approach towards creating an effective budgeting process that applies a WOG approach for national security and (b) it provides an environment that stimulates greater inter-agency cooperation and collaboration. As previously stated, no other example identified provides both a structure and a process as potentially useful and effective as PPBES in its ability to implement the concept of WOG. Furthermore, PPBES can assist in translating a national security strategy into a multi-agency unified approach that provides a prioritized focus on strategic outcomes within agency resource constraints (Osterhoudt, 2007).



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