

# THE UNITED STATES NAVAL WAR COLLEGE

## **National Security Decision Making Department**



### DEFENSE RESOURCE ALLOCATION The Principles of U.S. Defense Planning

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## Introduction

United States defense planning and resource allocation is a complex process whose principal and most important function is to allocate limited national resources to force structure development that provides relevant military capabilities against adversaries of the state in support of national interests and strategy.

Defense planning is a process guided by strategic assessments of the international political environment. National Interests and objectives are determined by national leaders and expressed through the National Security Strategy. The National Security Strategy informs the National Defense Strategy and National Military Strategy and these documents define how the military instrument of national power will be utilized independently and in conjunction with other or all elements of national power. (i.e. diplomatic, information, military, and economic) Strategic objectives are used to create the operational concepts that determine how a state's military forces will be employed. The capabilities of these forces are validated and state resources are used to develop a military force structure that possesses the required capabilities to achieve the aspects and objectives of the national strategy assigned to the state's military.

### I. Purpose

The formal processes used in defense resource allocation by the Department of Defense are designed to efficiently and effectively dedicate national resources to the generation of military capabilities for the Armed Forces of the United States to accomplish the military responsibilities required in national strategies. Simply stated, it is about how the Department of Defense (DoD) answers these basic questions:

- What does the United States need to defend the nation's interests?
- What capabilities are necessary?
- How should the United States develop those capabilities?

and most importantly:

- How much should the nation spend to develop those capabilities?<sup>1</sup>

Defense planning processes rely on continuous assessment and analysis. This process is designed to define and understand the security environment, technology, and potential scenarios where the military instrument will be employed. The process identifies capabilities that DoD can either allocate resources to in the development of programs that deliver these capabilities or determines where risk will be accepted. The process of translating the strategy into capabilities and developing a force structure is the product of several dynamic and interactive systems. Figure (1). depicts the systems of the U.S. Defense Resource Allocation Formal Processes.

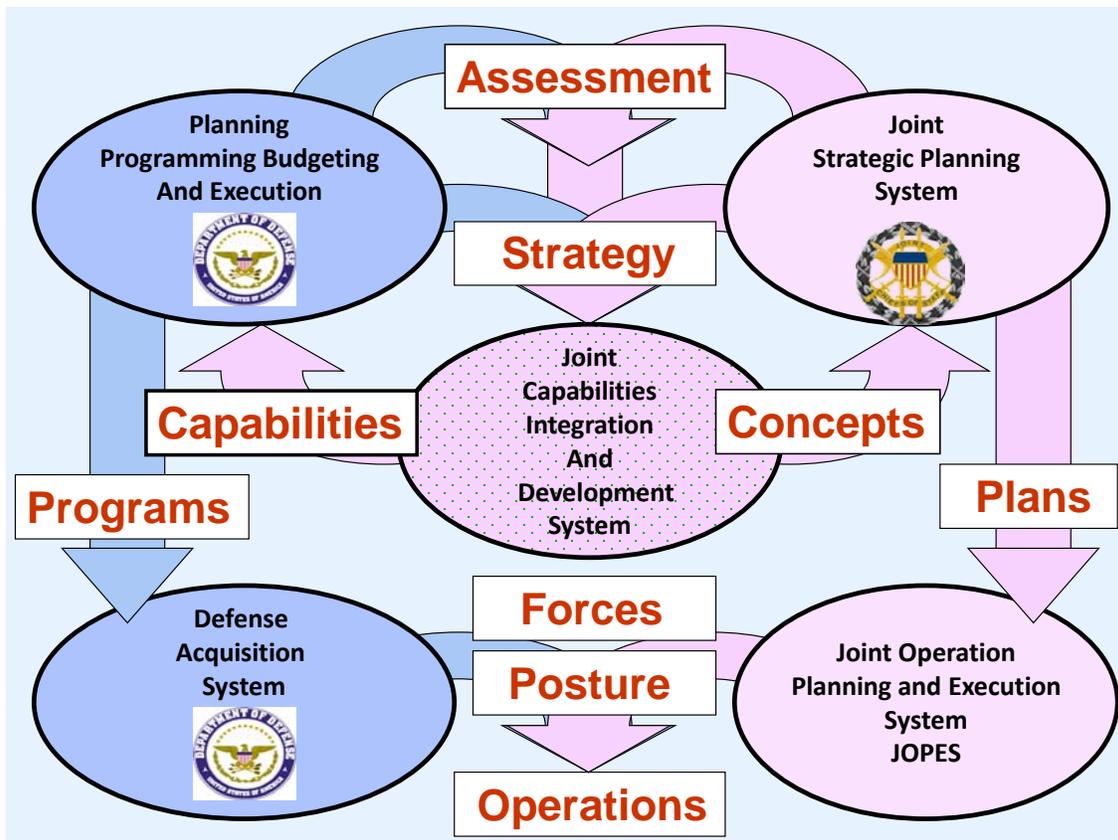


Figure (1) The Formal Processes

The Chairman of the Joint Chiefs of Staff (CJCS) directs the Joint Strategic Planning System (JSPS). The Chairman uses this system to systematically assess the national security environment to evaluate current strategy, develop national military strategy, and analyze existing or proposed defense programs and budgets.<sup>2</sup>

The Secretary of Defense directs the Planning, Programming, Budgeting, and Execution process (PPBE) to create defense strategy, set programming priorities, and track individual programs from development, approval, and budget execution.<sup>3</sup>

The Defense Acquisition System (DAS) is a management process which procures effective and affordable systems that provide capabilities through the development of force structure. DAS is a DoD formal process and is managed by the Under Secretary of Defense for Acquisition Technology and Logistics (USD (AT&L)). USD (AT&L) is the DoD Defense Acquisition Executive (DAE).<sup>4</sup>

The Joint Operation Planning and Execution System (JOPES) provides the foundation for Joint Operations Planning Process (JOPP). It provides for iterative and adaptive development of plans. JOPES is used in the development and implementation of OPLANs and OPORDs. Within the Naval War College Curriculum, the Joint Military Operations (JMO) Department studies JOPES in greater detail.<sup>5</sup>

The Director, Force Structure, Resources, and Assessment (J-8) operates the Joint Capabilities Integration and Development System (JCIDS). Initiated within DoD in 2003, JCIDS implemented capabilities based planning. JCIDS is a collaborative planning system with representatives from the Joint Staff, Services, OSD, the Combatant Commanders, and defense agencies. JCIDS develops operational concepts and provides the analytical staff work on capabilities of the future Joint Force for validation by the Joint Requirements Oversight Council (JROC).<sup>6</sup>

These five processes operate simultaneously in the development of strategic assessments, strategy, concepts, capabilities, forces, plans, and posture that result in a Joint Force that is capable of global U.S. military operations.

## **II. Defense Planning and Resource Allocation**

National defense planning is a high stakes venture for the state. National leadership has the responsibility to provide protection and defense for the population of the state. Governments survey the strategic environment and make strategic assessments about the future. Planners create a description of the future security environment. The future security environment is used to make decisions in the development of strategy. This includes the determination and identification of national interests, strategic goals, and objectives.

Strategy is created as the government's plan to achieve strategic objectives through the measured application of all elements of national power. The elements of national power include diplomatic, information, military, and economic means. These means can be tangible in the case of military force structure or money, or non-tangible like international political leadership or national prestige in diplomatic efforts or a perceived commitment to human rights with a concern for human security.

There are various levels of strategy. National strategy guides the development of supporting strategies which provide a more specific plan for the application of the elements of national power. A national military strategy will detail how the tool of force will be used by the state in the pursuit and accomplishment of objectives assigned to the military in the national strategy. Leaders of government organizations are tasked with achieving strategic, economic, or political objectives contained in the national strategy by developing their own plans and policies which guide the actions of their organizations.

States in the Global Environment possess resources. Governments decide how these resources are distributed to organizations within government in the execution of actions and plans aimed at achieving their assigned objectives. Resources are never unlimited and rarely allocated in sufficient magnitude to resource all of the organization's plans and programs. This requires that organizations make choices in the application of resources.

In defense planning, force structure choices are complex. First, planners assess the challenges and opportunities present in the future operating environment. Defense

planners make estimates regarding potential adversaries, threats, and geographic location of potential areas of conflict. Next, planners decide on the types of missions that will be tasked to the military and how the force will operate in the future.

Operations concepts are the expression of how the future force will operate in the future security environment. Concepts are used to identify necessary capabilities required in the future force. Capabilities are used by programmers to develop acquisition programs at an identifiable cost. A decision is made by defense planners to apply resources to the program. The acquisition process contracts to defense companies to deliver programmed equipment and platforms at a cost per a schedule of delivery and at a level of measurable performance. Acquisition programs deliver the systems and equipment to the military.

Programs create the military's force structure that is apportioned or deployed to combatant commands. Combatant Commanders employ their forces in the execution of operational plans or in the conduct of joint operations.

### III. United States Defense Planning

The NSDM Force Planning Construct (Figure (2)) is provided as a guide to U.S. Defense Planning.

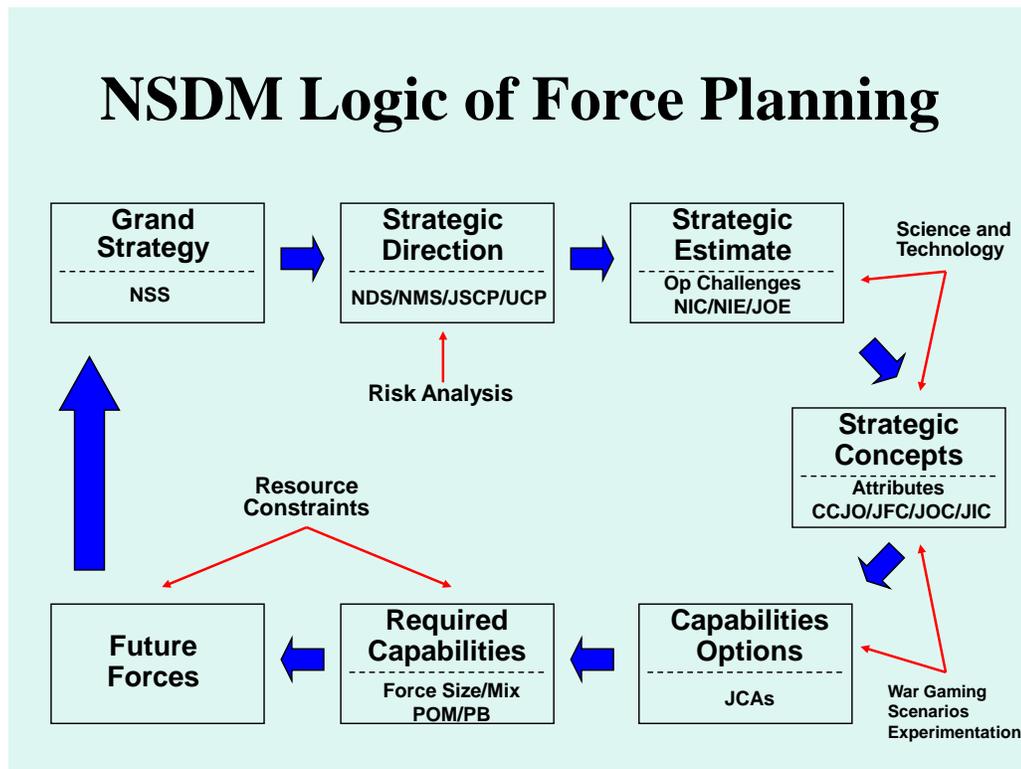


Figure (2). NSDM Logic of Force Planning

**Strategic Assessment.** A strategic assessment surveys and observes the current security environment and then conducts an analysis regarding the future strategic environment. Uncertainty challenges strategic assessment. Often assumptions are drawn by defense planners about the future. Uncertainty and assumptions are an unavoidable complication to security assessment.

**National Interests.** National leadership defines national interests. Some national interests are enduring, such as national survival. National survival is based on the international political system rule of sovereignty. Other national interests reflect a wide range of international or regional political objectives, economic considerations, and national, societal, or cultural values. These types of national interests may reflect current international or domestic norms and these norms may change over time.

**National Objectives.** In the pursuit or protection of National Interests, National Objectives are determined by national leadership. These objectives are broad and include goals for all elements of national power (diplomatic, information, military, and economic). Strategy is developed as a plan to achieve National Objectives.

Rarely are National Objectives achieved through one element of national power. What methods can be utilized by leadership to coordinate the effort of the government in accomplishment of National Objectives?

**Strategy.** National Strategy is a plan to achieve National Objectives. In U.S. defense planning, the President develops the National Security Strategy. The NSS informs supporting strategies developed by subordinate departments and agencies within the government and the Department of Defense. The Department of Defense uses the NSS in the development of the National Defense Strategy (NDS) and the Quadrennial Defense Review (QDR). These strategic documents inform the National Military Strategy, produced by the Joint Staff and signed by the Chairman of the Joint Chiefs of Staff.

These strategies consider strategic assessments from multiple sources during development. A national strategy seeks to achieve National Objectives and protect and promote National Interests into the future. Determination of the strategic horizon in a dynamic International Political System is a significant challenge. The length of time that a future security environment remains accurate and relevant can change. Also, the President's term is limited and his National Objectives and strategic goals for the U.S. may not be embraced by the next president.

**National Fiscal Environment.** A key variable in defense planning is resources. More than just a healthy national economy is required to fund national defense. The decisions to expend resources for defense depend on the impact of actors in the Domestic Political System and the International Political System.

In the DPS, the national commitment to defense spending is expressed through the domestic political environment. Defense spending competes with other sources of

discretionary spending. The President's national and domestic policies initiate the dialogue on defense spending within the DPS. Congress, interests groups, public opinion, and the media enter the discussion and the this interaction with the executive branch results in a political decision on defense spending

In the IPS, a perceived threat or lack of a known threat can significantly influence spending on national defense by creating an accurate assessment or a perception of the security environment. The threat, actual or perceived, can create the domestic political climate that drives defense spending up or down.

**Force Planning.** The Department of Defense considers strategy in the development of force structure. There are many significant challenges in this process. Strategic documents are written to guide force planning. These documents inform supporting strategic planning, identify strategic and national objectives, communicate national intent, and create national priorities. Strategy identifies the ends through expression of the objectives. Force Planning seeks to provide the means to achieve strategic goals and National Objectives.

U.S. defense planning utilizes a capabilities-based planning construct. The defense planning system seeks to develop capabilities within the military that are relevant in the future operating environment.

Planners evaluate the types of anticipated missions that will be tasked to the military and then determine how the military will operate in the future in the execution of these missions. As operational concepts are developed, required capabilities and attributes of the future force become evident. Those capabilities are then validated against existing and anticipated technology. Recognizing that all capabilities are not delivered through platforms, systems, and equipment, planners must also evaluate non-material solutions to capability needs. Experimentation, simulation, war gaming and studies assist planners in concept development during this phase of the planning process.

When the decision is made to acquire a desired capability using a material solution, these programs are validated to determine whether the programs deliver the capability to the future force. Next, a decision is made to apply resources to the programs or to accept the associated risk by not funding the program. Programs provide the military with force structure by acquiring equipment, platforms, and systems that field capability within the force.

Once the decision is made to field a capability through material solution provided by an acquisition program, selection of a defense contractor or manufacturer occurs using the acquisition system. The acquisition system monitors the defense contractor during production to ensure that the program performs as designed and meets cost estimates.

The acquisition system delivers military force structure. This force structure is apportioned by the military to operational commanders who position these forces in their

theater where tactical leaders employ the force structure’s capabilities to achieve military objectives.

In 2008, the Department of Defense initiated the Four Year Integrated Planning Cycle. The Office of the Secretary of Defense, the Joint Staff, and the Services collaborated on the development of a system that coordinated the activities and products of the existing formal processes of Defense Resource Allocation. The four year cycle corresponds to the presidential term of office. The Four Year Integrated Planning Cycle schedules a series of products that are used to inform the development of other products. The cycle is a top-down input-output system and it seeks to use assessments to make strategy decisions and then have strategy drive the development of forces.<sup>7</sup>

### Four Year Integrated Defense Planning Cycle

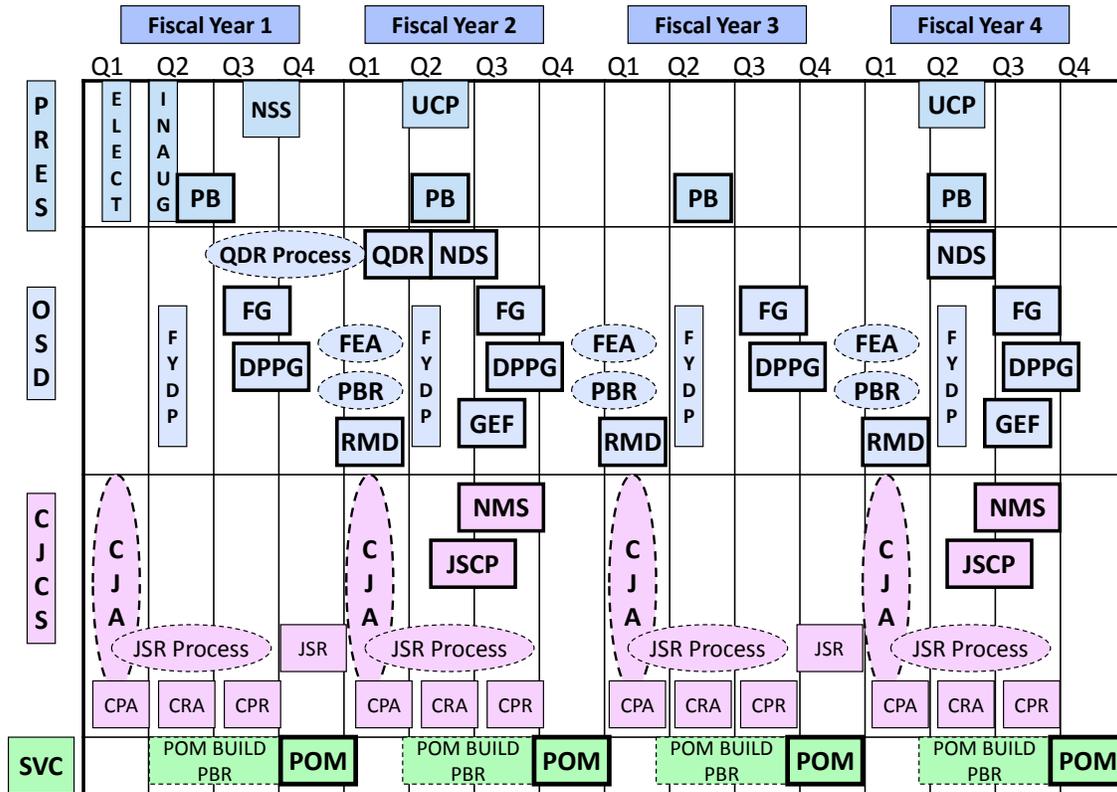


Figure (3). The Four Year Integrated Defense Planning Cycle.

#### Definition Key

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| CJA – Comprehensive Joint Assessment             | NDS - National Defense Strategy                      |
| CPA – Chairman’s Program Assessment              | NMS – National Military Strategy                     |
| CPR – Chairman’s Program Recommendation          | NSS – National Security Strategy                     |
| CRA – Chairman’s Risk Assessment                 | PB – President’s Budget                              |
| DPPG – Defense Planning and Programming Guidance | PBR – Program Budget Review                          |
| ELECT – Presidential Election                    | POM – Program Objective Memorandum                   |
| FEA – Front End Assessments                      | POM BUILD – Service POM Building Period              |
| FYDP – Future Years Defense Plan                 | QDR – Quadrennial Defense Review                     |
| GEF – Guidance for the Employment of the Force   | RMD – Resource Management Decision                   |
| INAUG – President’s Inauguration                 | SVC PLANS – Services Planning and Programming Period |
| JSR - Joint Strategy Review                      | UCP – Unified Command Plan                           |
| JSCP – Joint Strategic Capabilities Plan         |  |

## IV. The Congressional Budget Process

Defense planning and resource allocation processes are synchronized with the suspense dates required by the congressional budget process. The federal budget is an annual series of appropriation bills proposed by government departments and agencies, submitted by the President, developed by Congress through the legislative process, and signed into law by the President. The federal budget funds operations of the government for a one year period.

The Congressional Budget Process commences with the submission of the President's Budget in late January or early February of each year and this approach will discuss the actions following the President's Budget Submission.

The Congressional Budget Process is a political process that results from negotiation and compromise by the elected members of Congress. It is influenced significantly by politics. Partisanship, constituency sensitivity, and elections, can all have an impact on the budget. The federal budget is also an expression of government goals, objectives and national priorities. Figure (4) outlines the Congressional Budget process during a nominal calendar year of activity.

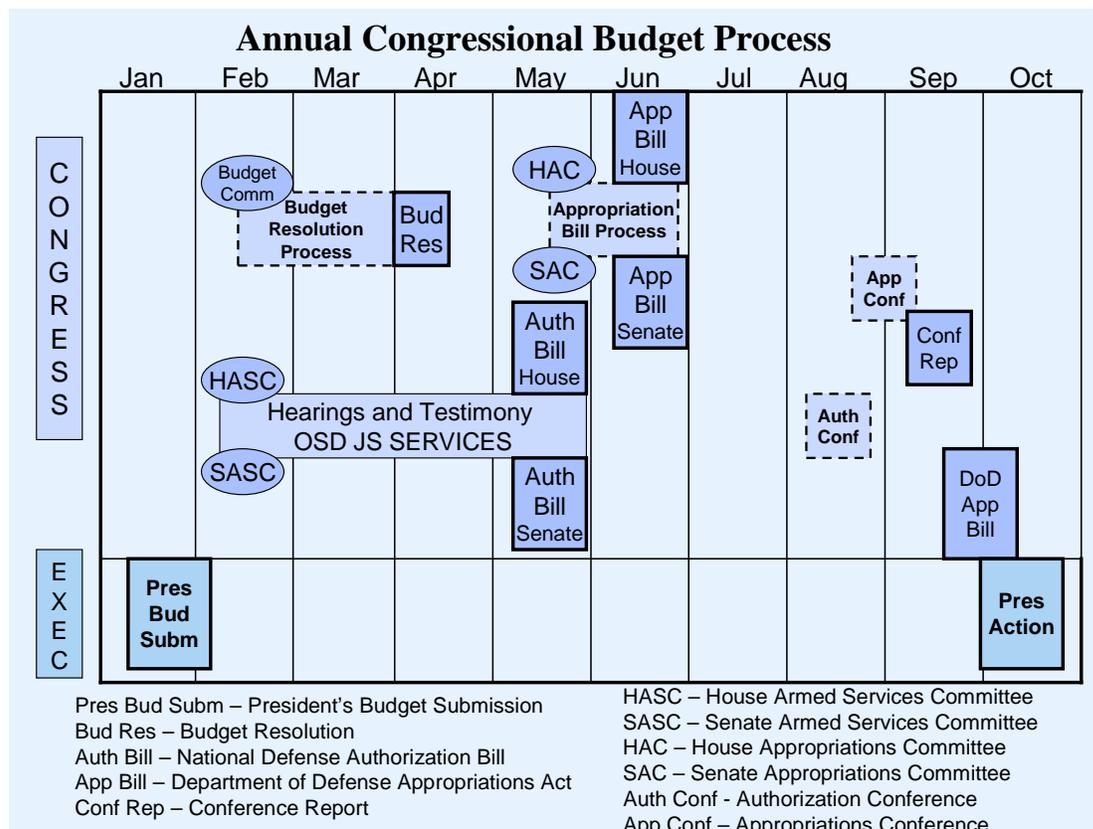


Figure (4). The Congressional Budget Process

In the first year of the President's term, the inauguration is held in January. January also includes the President's State of the Union Address. During this address on the floor of Congress, the President often discusses national strategic objectives and specific items of priority within his budget submission. In most years, the President submits his budget input to Congress following the State of the Union Address.

The Budget and Accounting Act of 1921 and subsequently codified in Title 31 U.S. Code Chapter 11, requires the President to submit a budget input to Congress for the next Fiscal Year on or after the first Monday in January but not later than the first Monday in February.<sup>8</sup>

The President's Budget Submission is prepared by the Office of Management and Budget and provides a comprehensive assessment of federal revenues and spending for at least the next five fiscal years (upcoming fiscal year plus the next four fiscal years). It includes the President's recommendations for revenue and spending initiatives for government departments and agencies. This submission starts an extensive interactive and dynamic process between the executive and legislative branches of government.

Once Congress receives the President's Budget Submission, it conducts five significant actions.

1. Develops the Budget Resolution
2. Holds Congressional Appropriations Hearings
3. Authorization legislation or decision
4. Appropriation legislation
5. Submits Appropriations Bills to the President to sign into law

Within six weeks of the President's Budget Submission, House and Senate committees are required to submit their "views and estimates" on the President's Budget Submission to their respective Budget Committees. The House and Senate Budget Committees use these inputs, as well as, information from other independent organizations within the government (Congressional Budget Office, the Office of Management and Budget, the Federal Reserve,) to draft the Budget Resolution.<sup>9</sup>

The Budget Resolution is Congress' response to the President's Budget Submission and it sets total budget authority and outlay levels. "Budget authority is the authority provided by federal law to incur financial obligations that will result in immediate or future expenditures (or outlays) involving federal funds."<sup>10</sup>

The Budget Resolution is an agreement between the House of Representatives and the Senate on the overall size of the federal budget and distributes funding across 20 functional categories. (i.e. national defense, health, transportation, etc.)<sup>11</sup> The Budget Resolution is not signed into law but acts as guidance on the ceiling for government spending and revenue. The Budget Resolution has a 15 April annual suspense date.<sup>12</sup>

Subsequent to the President's Budget Submission, national defense aspects of the proposal are reviewed by the House Armed Services Committee (HASC) and the Senate Armed Services Committee (SASC). These oversight committees include sub-committees which oversee specific areas of defense. The HASC and the SASC and their sub-committees hold hearings on defense and require testimony from defense civilian and military leadership. These hearings on the defense budget are scheduled and conducted between February and May. Hearings provide Congress with additional strategic, technical, analytic, programmatic, and budgetary information in the development of the House and Senate Authorization Bills.

The congressional authorization-appropriation process is intended to be a two-step sequence. In the first step, authorization establishes programs or makes changes to existing programs. It also sets ceiling levels of spending. Defense authorizations do not commit funding to the program. The HASC and SASC prepare separate authorization bills. Once the authorization bills are passed in the House and Senate, usually in May or June, the bills are reconciled between the House and Senate and a National Defense Authorization Bill is either passed, approved, or receives a level of concurrence within the Legislative Branch that allows the bill and the process to continue.

The second step in this process is appropriation, where the House Appropriation Committee and the Senate Appropriation Committee engage twelve subcommittees to fund authorized programs. The House and Senate Defense Appropriation Subcommittees work to introduce and develop their respective Department of Defense Appropriations Act.<sup>13</sup>

After the House and Senate Appropriations subcommittees report on their proposed bill, the bill is brought to the floor. When the bill is on the floor Representatives and Senators can propose amendments to the bill. The House votes on the amendments and when the bill is passed it is sent to the Senate. The Senate has used a similar process to work its own version of the Defense Appropriations Bill but it can use the House Bill or continue working on its own bill.<sup>14</sup>

Once the House and Senate versions of the DoD Appropriation Act are approved by a vote in their respective houses of Congress, an Appropriations Conference is conducted to negotiate the differences between the two bills. A conference includes the members of the House and Senate sub-committees and the chair and ranking member of the HAC and SAC. In conference, an agreement is reached between the House and the Senate and the Conference Report details their agreement.

The Conference Report returns to the House and Senate and the details of the agreement are explained and examined. If the House or Senate rejects the new bill, an additional conference is scheduled. If both the House and Senate pass the bill, it is sent to the President for signature. The President has 10 days to sign or veto the bill. If the President takes no action, the bill becomes law at the end of 10<sup>th</sup> day. A veto by the President can be overridden by a two thirds vote in both houses.<sup>15</sup>

## V. Conclusion.

U.S. Defense Resource Allocation is a series of integrated formal processes used by defense organizations to deliver a force structure that can execute the national security objectives assigned to the military. These processes are complex and include detailed coordination among numerous national security organizations. Defense Resource Allocation is a contentious and competitive endeavor that is heavily influenced by the domestic political environment and the characteristics of organizational behavior. These influences insert an added dimension of complexity to the national security decision making environment.

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<sup>1</sup> William C. Martel, Defense Resource Allocation (Newport, RI: Naval War College Faculty Reading, February 2004, REV: 15 May 2005), pg. 2.

<sup>2</sup> Chairman of the Joint Chiefs of Staff. *Joint Strategic Planning System*. CJCSI 3100.01B. Washington, D.C., 12 December 2008, pg. A-1-3. [http://www.dtic.mil/cjcs\\_directives/cdata/unlimit/3100\\_01.pdf](http://www.dtic.mil/cjcs_directives/cdata/unlimit/3100_01.pdf)

<sup>3</sup> Department of Defense. *The Planning, Programming and Budgeting System (PPBS)*, DoDD 7045.14. Washington, D.C., 22 May 1984, certified current as of 21 November 2003. pg.2-5.

<http://www.dtic.mil/whs/directives/corres/pdf2/d704514p.pdf>

<sup>4</sup> Department of Defense. *The Defense Acquisition System (DAS)*, DoDD 5000.1. Washington, D.C., 12 May 2003 current as of 20 November 2007, pg. 2-12.

<sup>5</sup> Chairman of the Joint Chiefs of Staff. Joint Pub 5-0, *Doctrine for Joint Operations Planning*. Washington DC. 26 December 2006. pg. III.

<sup>6</sup> Chairman of the Joint Chiefs of Staff. *Joint Capabilities Integration and Development System*. CJCSI 3170.01F. 1 May 2007, pg.1-5.

<sup>7</sup> CJCS, CJCSI 3100.1B, pg. A-8.

<sup>8</sup> U.S. Code. Title 31 Section 1105. *Money and Finance*. Budget Process.

<http://uscode.house.gov/download/pls/31T.txt>

<sup>9</sup> James V. Saturno, CRS Report for Congress The Congressional Budget Process: A Brief Overview (Washington D.C. Congressional Research Service, 28 January 2004), pg.2.

<sup>10</sup> Sandy Streeeter, CRS Report for Congress The Congressional Appropriations Process: An Introduction (Washington D.C. Congressional Research Service, 22 February 2007), pg.3.

<sup>11</sup> Saturno, pg.3.

<sup>12</sup> Streeeter, pg.4.

<sup>13</sup> Ibid. pg.24-25.

<sup>14</sup> Ibid. pg. 6-7.

<sup>15</sup> Ibid. pg. 10.