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THE U.S. NAVY PLANNING AND BUDGET PROCESS

A lecture delivered
at the Naval War College
to the Naval Command Course
on 20 August 1965

by

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Gentlemen, I am privileged to speak to you today on the Planning, Programming, and Budgeting processes in the United States Navy. Since you represent the Navies of the Free World, you are familiar with the details of these processes in your own countries. My objective this morning is to explain the procedures we use in our Navy, and show how these support our International Commitments.

My remarks this morning might well be entitled, "The Three M's," rather than "Planning, Programming, and Budgeting."

The Three M's relate to the fundamental assets of any country, and they serve as the foundation of national power. Wise employment of the Three M's may well be the most important task which faces all of our nations. I am, of course, speaking of "Men, Money, Materials," or the total which might be broadly called "Resources."

In the Planning, Programming, and Budgeting processes, we deal with three time frames—the past, the present, and the future. The past is a matter of record and interesting from the point of view of what we have learned—the future is what we forecast it will be—and, as we trace these processes in the present, you will see that our actions bridge the gap between lessons learned and future courses of action.

Planning, Programming, and Budgeting as methods of management, have been used by the Navy for years, but without the formal techniques and terminology which would make them recognizable today. The National Security Act of 1947 provided the substance, and the Department of Defense Programming System furnished the form, for a standard planning and programming system for all of the Services and Defense Agencies. The System is the process by which the program decisions, which determine force levels, weapons alternatives, and courses of action, are made.

These processes are part of our overall government procedures. All Government agencies receive their guidance from the President. From this guidance the National Security objectives are derived.

National Security objectives are the basis for strategic concepts. These concepts will determine how forces are selected and employed.

Closely related to strategic concepts is the allocation of resources to development and deployment of the forces to support these concepts.

The final step is the actual operation of the military establishment. The application of power is difficult, and often unpredictable, in the world today. How well the planners, and the commanders in the field, support national policies is the ultimate measure of the effectiveness of the military establishment.

The three interrelated elements in the orderly flow from the concept of a force or activity to its appearance as a part of our operating forces are: *planning*, *programming* and *budgeting*:

PLANNING - The process of determining actions and specifying time-phased military force requirements to accomplish a mission.

PROGRAMMING - The process of translating planned military force requirements into time-phased manpower and material resource requirements.

BUDGETING - The process of translating manpower and material resource requirements into time-phased financial resources.

Programming bridges the gap between planning and budgeting. We translate our well-developed plans into budgetary actions through what is called the "Programming System."

In matters which deal with National Security Policies, the Secretary of Defense provides guidance to the Secretaries of the Army, Navy, and Air Force and the Directors of the DOD Agencies. In turn, these officials establish policy within their own departments and agencies. At the same time, the Joint Chiefs of Staff, under the Secretary of Defense, develop military objectives and the necessary plans to achieve these objectives. These plans assign missions and tasks to be performed by the various commanders in the field, and they specify the necessary forces to carry out the plans.

Once the National Policy has been established, and the Secretary of the Navy has issued his policy guidance, the Chief of Naval Operations and the Commandant of the Marine Corps prepare plans to support joint plans and other directives of higher authority. Based on the broad requirements in these plans, the various Bureaus and Offices within the Navy Department take the necessary action to accomplish the goals stated. These goals are under continuous review by the Chief of Naval Operations, the Commandant of the Marine Corps, the Secretary of the Navy, and the Secretary of Defense.

The Joint Chiefs of Staff have approved a joint program for planning which provides for one joint study and two joint plans.

The Joint Long-Range Strategic Study (JLRSS) covers a period ten years after its date of approval and extends for four years thereafter. It provides a broad strategic appraisal which will assist in the development of long-range strategic guidance, provides military concepts and strategies for the long-range period and develops general strategic guidance to support the attainment of national objectives. It also provides general guidance for military research and engineering objectives and for military policies, plans, and programs in support of the strategic concepts for the long-range period.

Joint Strategic Objectives Plan (JSOP-FY) is the annual mid-range plan which provides strategic and logistic guidance for the mid-range period. It covers the mid-range period commencing five years after the beginning of the fiscal year in which it is approved. It serves as one of the bases for the formulation and justification

of the annual departmental budget estimates. Of particular interest to you, gentlemen, is that it provides assistance in the establishment of a U.S. military position with respect to: Military assistance to our allies under conditions of cold, limited, and general war.

Joint Strategic Capabilities Plan (JSCP-FY) is prepared annually to translate U.S. national objectives and policies into terms of military objectives for the short-range period. It constitutes a directive to the commanders under the Joint Chiefs of Staff for the conduct of operations in cold, limited, and general war; it provides strategic logistic planning guidance, and it also provides assistance in the establishment of U.S. military positions with respect to *assistance to our allies and the development of NATO and other allied short-range plans*.

The basic Navy Planning System supports, and is responsive to, the plans of the Joint Chiefs of Staff. Since the Joint Chiefs of Staff are responsible for the strategic direction of the armed forces, Navy plans must provide for the desired forces.

The Navy Long-Range Strategic Study (NLRSS) provides guidance for Navy long-range planning, including research and development, for a ten-year period commencing 1 July, ten years after the end of the fiscal year in which approved. It is a basis for the Navy input to the Joint Long-Range Strategic Study (JLRSS).

The Navy Mid-Range Study (NMS) provides the basic guidance to be used within the office of the Chief of Naval Operations for Mid-Range Planning, for a five-year period commencing 1 July, five years after the end of the fiscal year in which approved. It is a basis for: the Navy Strategic input to the Joint Strategic Objectives Plan (JSOP); the development of research and development goals; and mid-range strategic guidance used in the development of the Mid-Range Objectives (MRO).

The Mid-Range Objectives (MRO) derive the force goals for the eleventh fiscal year subsequent to that in which approved. The upper limit is the set of force levels necessary to execute all the Navy's assigned tasks efficiently and with reasonably high expectation of success, subject to physical and technical constraints only. A lower limit is set by applying fiscal and policy restrictions. This latter becomes the basis for the initial program objectives forces, and hence for the initial Navy force level inputs to JSOP and the Navy's Program Objectives.

The Navy's Planning System serves three basic purposes:

(1) It provides for the development of Navy concepts, requirements, and objectives, and for their presentation as the Navy's viewpoint to the Joint Chiefs of Staff and the Secretary of Defense.

(2) It provides a framework for the translation of strategic and operational concepts into research and development, personnel, and support plans and objectives.

(3) It gives guidance and direction in the use of current capabilities.

For many years management within the Defense Department and the individual Services was basically exercised through financial management. The principal instruments of the manager were the budget groupings and the appropriation. However, there were no means available whereby a plan or objective of a Service could be assured continuity from year to year, because appropriations, being made annually, were subject to two major forces. First, because of the routine rotation of personnel, attitudes expressed by the individuals responsible for requesting appropriations would change to the extent that previously planned items were no longer supported. As a result of these changes in sponsorship, many plans were abandoned by default.

A second influence was exerted by the course of events in which enthusiasm for newer developments reduced popular and Congressional support for planned courses of action. Even legislation has failed to bind the Congress or officials to funding of planned objectives. History holds many examples of projects planned to extend over a period of years, started under an annual appropriation, but which failed to receive further and successive appropriations, and had to be abandoned after large sums of money had been initially expended in their support.

As a measure conceived to ease these problems, the Department of Defense Programming System provides an extension of the planning horizon out to eight years in terms of force structure, and five years for financial levels, in order to display the long-range implications of programs and provide a basis for their future support.

Another problem, inherent in the exercise of financial management through the appropriations category structure, was the difficulty of relating budgets to military missions and tasks. To overcome this difficulty, the Programming System has established a mission-oriented management structure based upon the four primary military tasks: Winning an all-out war; defending the country against attack during a war; fighting a conventional or limited war; and moving fighting forces to the scene of action, when needed. These in turn, have been backed by general support activities, such as reserves, research and development, and logistic support.

The Programming System in general reflects the results of an extensive study by Mr. Charles J. Hitch, the former Assistant Secretary of Defense (Comptroller). After his appointment, he directed the Services to develop and implement their own portions of an integrated Department of Defense Programming System.

What is the fundamental objective of the DOD Programming System?

. . . to integrate the planning and programming and the financial management functions in order to provide better tools for decision-making by the Secretary of Defense and his military advisors; and to create a planning and programming/financial management system that is keyed to continuous program decision-making and not just geared to the annual budget cycle. In such a system, not only would budget decisions be program decisions, as they inevitably are now, but program decisions would be budget decisions. That is, decisions to embark on programs would be explicitly decisions to provide the resources required to carry them out.

The purpose was to bridge the gap between Planning and Budgeting with the following major objectives:

(1) Planning is oriented around major missions. Program planning is on the basis of broad military missions, which cut across traditional organizational lines, rather than being based on single service plans and priorities.

(2) Ability to relate resource "inputs" to military "outputs." "Inputs" of manpower, material, and installations, together with their costs, must be related to the "outputs" of military forces.

The Programming System is designed to provide both financial and nonfinancial estimates of the resource inputs required to obtain specified military outputs.

(3) **Coordination of long-range planning with budgeting.** Budget decisions must be compatible with long-range programming decisions. Conversely, long-range plans must be compatible with the forecast of resource availability. To coordinate long-range military planning with short-range detailed budgeting, programs and their costs are projected five years into the future, with major military forces projected an additional three years.

(4) **Continuous appraisal of programs.** The Programming System must provide a means for continuous review of program decisions, and a mechanism for changing programs whenever a need for change is recognized.

(5) **Progress Reporting.** Control of approved programs must be exercised through a system of progress reports, which highlight significant deviations from approved plans. This is required so that timely corrective action may be taken.

(6) **Ability to make cost-effectiveness comparisons.** The system must provide both physical and financial information in forms suitable for making cost-effectiveness studies of alternate force structures.

(7) **Integration of Department of Defense information system.** A long-range goal of defense management is establishment of an integrated management information system, which will provide not only the information needed in support of the Department of Defense Programming System, but also budget and other needs now served by separate reporting systems.

The principal document of the Department of Defense Programming System is the Five-Year Force Structure and Financial Program, which contains all of the approved programs for all Services and Defense agencies. That portion which contains Navy programs is issued separately as the Navy Five-Year Force Structure and Financial Program, and this in turn, is the basic document of the Navy Programming System.

The Five-Year Force Structure and Financial Program is the:

(1) Foundation of the Department of Defense Programming System.

(2) Sum of approved programs. As the official program for the Department of Defense it includes:

(a) forces for eight years in the future

(b) remainder of program (manpower, costs, material items, etc.,) for five years in the future.

(3) Department of Defense base for submission of proposed changes to the approved program.

Now within the Programming System every Department of Defense activity falls within what may be termed a Program Element.

By definition, a Program Element is an integrated activity, a combination of men, equipment, and facilities, which together constitute an identifiable military capability or support activity.

A Program Element represents a well-defined, homogeneous aggregation of military activity.

The purpose of the Program Element structure is to package these units most meaningfully and conveniently for top-level decision-making.

All Program Elements taken together constitute the complete Defense Establishment.

There are over 1,000 Program Elements within the Department of Defense of which about 300 are Navy and Marine Corps elements.

A Major Program consists of Program Elements organized into a major category which either complement each other or are close substitutes. Hence, they should be considered together in making major-program decisions.

Major Programs cut across the entire Defense Establishment without regard to Service or agency.

All Major Programs taken together constitute the complete Defense Establishment.

There are eight Major Programs in the Defense Establishment:

- (1) Strategic Retaliatory Forces**
- (2) Continental Air and Missile Defense Forces**
- (3) General Purpose Forces**
- (4) Airlift and Sealift Forces**
- (5) Reserve and Guard Forces**
- (6) Research and Development**
- (7) General Support**
- (8) Military Assistance Program,**

Since there are constant changes in technology, resources, and commitments, there is a system for entering changes into the system. Changes are called "Program Change Proposals." These are submitted to the Secretary of Defense by the Navy, the other Services, the Joint Chiefs of Staff, and even by his own office. Proposed changes are examined with the same care that is paid to the original items in the Program. Particular attention is given to a detailed analysis of the proposed changes in relation to their cost/effectiveness. Changes to the Program may be submitted at any time during the year, and the five-year force structure is updated quarterly—as changes are approved. The important thing to remember is that the program is always current, because there are continual changes in it.

The "Five-Year Force Structure and Financial Program" forecasts for a five-year period what our programs are going to be. It is what every good manager does—he lays out a plan, over a period of time, to accomplish his purposes. In addition to the plan for forces, manpower, and technical development, he must try to forecast what it will cost, and be prepared to make changes in his plans.

Now, gentlemen, I would like to turn to the third and last element in the Navy's Planning, Programming, and Budgeting Process. This, of course, is the budgeting process. So far we have talked of Navy Plans and the Programming which start the wheels in motion and monitors these programs. The final step is to get the money to carry out these plans and programs.

I would imagine that in all of your countries, as in ours, this is one of the most lengthy, complicated, and frustrating of governmental procedures. I like to think of our Navy Budgeting process as a series of building blocks—one built on the other. The final result is the appropriation of the necessary money by our Congress to carry out our programs.

Our financial year starts with 1 July and ends the following 30 June. We start on our budget about eleven months before the beginning of each fiscal year. At this time, the first of August, the various Bureaus and Offices in the Navy Department submit their estimates to the Secretary of the Navy. About three months later, the first of October, the Secretary of the Navy, after reviewing, approving, and in some cases disapproving these budget estimates, forwards the Navy's budget to the Secretary of Defense. Let me emphasize one point. Before the Navy's budget ever leaves the Navy Department, there have been thousands of man-hours expended in coming up with the budget estimates. To stay within the guidance that is given us, there must be a lot of "give and take" within the Navy Department. When the problems have been resolved, often by the Secretary of the Navy himself, the Navy's budget is ready for review by the Secretary of Defense.

Within the Office of the Secretary of Defense our budget is again reviewed very carefully within the overall Department of Defense budget picture. Each year we are called upon to supply detailed justification for our requests.

Once the budget request is agreed upon, it becomes part of the Federal Budget which our President submits to Congress in January of each year. So far we have talked only about the request (please note that it is only a request) of the Navy for the money which we believe that we need.

Within the Congress there is once again a searching analysis of our request.

Gentlemen, in a short time this morning I have tried to outline the Navy's Planning, Programming, and Budgeting processes

We start with our objectives and plans; through the planning process we develop these plans into programming. The programming process leads us to the budget. As conditions change or technological breakthroughs occur, we refine our programs with the necessary changes. Changes to programs and new programs

put life and vigor into the System. As programs appear in their final form, new objectives and plans are formulated, and this starts the cycle all over again.

In conclusion, Navy Planning, Programming, and Budgeting is a dynamic system which sets forth the annual "Work Plan" of the Navy Department. It represents the best judgment of the various levels of authority within the administration, and in the Navy, to carry out its missions. We approach the Planning, Programming, and Budgeting processes with the realization that they are of the utmost importance to the Navy, to our Nation as a whole, and to our many allies around the world.

BIOGRAPHIC SKETCH

Captain Parker C. Cooper, U.S. Navy

SPECIAL QUALIFICATIONS:

Former PPC several patrol types, PC R4D, R5D.
Nuclear Weapons Employment
Amphibious Operations

EDUCATIONAL BACKGROUND:

University of Pennsylvania, 1950-1952
University of New Mexico, 1958-1960

DUTY ASSIGNMENTS:

Office CNO	Exec Asst and Senior Aide to the Dir, Navy Programming (General Planning and Programming)	1964-
NavWarCol	Student	1963-1964
USS <i>Princeton</i> (LPH-5)	Navigator, CDO (Import and Underway), Staff Nav CJTG 8.3, Staff Nav CTG 76.5 (Ready Amphib Group)	1962-1963
Patrol Squadron NINETEEN	CO	1960-1961
Field Command, Defense Atomic Support Agency	Aide and Admin Asst to Navy Deputy Comdr	1958-1960
Armed Forces Staff College	Student	1958
Patrol Squadron TWENTY EIGHT	Admin	1956-1957
Staff, COMNAVFE	Asst Air Ops	1955-1956
Staff, Commander Blockading and Escort Force (CTF-95)	Air Ops	1954-1955
USS <i>Princeton</i> (CVA-37)	Air Dept, Senior Underway Watch Off	1952-1954
General Line School	Student	1952
Univ of Pennsylvania	Student, 5 term program	1950-1952
Staff, CFAW-14	Admin/Pers	1948-1950
VPM-1 and VP-HL 2	Typhoon Weather Recco	1947-1948
Various VR Squadrons	Pilot	1944-1946