Avoiding the
Death Spiral

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WORKFORCE MILLENNIALS BORN FROM THE EARLY 1980S UNTIL THE LATE 1990S AND BABY Boomers born between the mid-1950s and 1960 have endured bouts of bad resource management, and in some cases this has transitioned into the Army Program Offices management of procurement funds. So how exactly can we right the ship when it comes to the Defense Acquisition System (DAS) and meet Office of the Secretary of Defense (OSD) Goals for obligation of procurement funds? Honesty in resource management by avoiding the resource "death spiral" is a start.

One of the goals of sound resource management practice is to spend in a timely manner the money appropriated by Congress for national defense. To encourage that outcome, the OSD has established historically based benchmarks for the percentage of available funds that should be executed by the end of the fiscal years of the appropriation. The execution of the funds is key not only to the resources a program office receives in the budget year but also in the program objective memorandum (POM) for future years. The focus on procurement funds is key due to more than 50 percent of Army program offices receiving these kinds of funds. And with the 3-year window to obligate, with an 80 percent obligation required by the end of the first year of appropriation, it's important to discuss the proper means to either obligate or reprogram resources. The example of the Light Engineering Utility Trailer (LEUT) highlights the issue of obligating procurement

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funds within OSD benchmarks and how through proper assessment, planning and focusing on use of resources helped the LEUT program escape the "death spiral."

The death spiral is the year-over-year under execution of resources appropriated by Congress. How do we avoid the death spiral? Simply put, give money back you can't execute and plan your future year funding according to what you can execute and not your previous budget. How can your organization escape the death spiral? Those new to their program offices prior to midyear should consider planning to reprogram funds toward another requirement in their program portfolios or simply give up the funding to the next higher organizational levels. Also, determine how to properly execute future appropriated funds and how your reprogramming recommendation will support requirements of other programs.

Budget and Execution
As part of the Defense Department's annual planning, programming, budget and execution (PPBE) development process, OSD reviews historical performance against

the established benchmarks. Since Budget Estimates are submitted annually, their funding requests every fiscal year are submitted in advance of funds becoming available. This gives program managers (PMs) an opportunity to assess program schedules and change their funding requests prior to the beginning of a budget year and thereby possibly avoid under-executing their funding.

With all of this time provided, why is it so difficult to execute these funds as a PM? Some have argued that the need to obligate funding to avoid reduction in POM and budget year funding is a problem, not an OSD failure to execute funds. However, due to contracting and legal requirements, often these benchmarks are missed and PMs hold resources, thereby triggering the death spiral. To avoid this, PMs have done issue papers or avoided awarding contracts and transferring interdepartmental resources to depots to pay for completion of required work. Is the real answer to push the requirement off on depots? Sometime this is the perfect solution. But it risks missing out on technology advancements by outsourcing to contractors. But overall, the real key to executing these funds is for PMs to assess their

current programs and determine "honest" goals for when they can execute funds and in what fiscal years, and giving up current resources to preserve future (POM) resources.

Light Engineer Utility Trailer

An example of the honest goals approach is the LEUT program under the Light Tactical Vehicle (LTV) portfolio. The LEUT is a non-developmental trailer designed to provide dedicated support transport of small construction equipment filling current and future capability gaps in the Combat Engineer Fleet. Its lunette will allow it to be towed by the modified (authorized) dump trucks that currently have no trailer.

Procurement funds were requested for Fiscal Year (FY) 2017, FY 2018 and FY 2019 funds to buy test assets, develop logistics products, and perform Low Rate initial Production (LRIP) for Type I and Type II LEUT. As of December 2018, no FY 2017 funds were obligated, and only 27 percent of FY 2018 funds obligated were missing OSD goals for the last 2 years. The goals were missed due to an update to the Capability Production Document that delayed release of the Request for Proposal. Finally, the House Appropriations Committee–Defense decided to reduce the LEUT FY 2019 budget from $16.5 million to $2.8 million. An appeal was formulated to retain $7.5 million of the $16.5 million based on the amount of money that could be executed in accordance with OSD goals (i.e., keeping us out of further under-execution and exiting the death spiral). Table 1 shows how the LEUT program historically had under-performed and not met the 80 percent obligation rate within the first year of funding but, through honesty in money management, made adjustments to escape the proverbial death spiral.

Given this, the product director decided to complete an Issue Paper proposing a reduction from $16.512 million to $8.85 million with a plan to execute 100 percent of the resources in FY 2019 exceeding OSD goals for FY 2019

funding. In addition, the product director has generated a plan to execute 100 percent of FY 2017 and FY 2018 funds by the end of FY 2019, to meet the 3-year OSD goal (as shown above).

This resulted in the reprogramming of resources toward other programs that had unfunded request (UFR) and funding shortages to meet their program requirements and support funding goals for their organizations. In addition, it created a schedule with resources and personnel to support the goal of meeting OSD benchmarks, properly supporting program requirements, and keeping industry in business to support current and future requirements.

How was it possible to make such a drastic change from being in the proverbial death spiral of constantly under executing funds to now accepting a reduction in current funds and having a tangible plan to execute remaining funds? This is where the honest factor makes clear and concise assessment of programs, assessing what current resources have been based on program growth, and assessing the proper resources needed for future growth prior to requesting resources.

The "Honest" Factor

So how are clear, concise assessments of current and estimated required resources made for a program office? The process starts with assessing how resources have previously been used in the office and developing a clear vision of how current and future proceeds will be used going for-

Table 1. Correction of Performance Failures

FY 17 Funds	FY 17	FY 18	FY 19
	Missed OSD goal	Missed OSD goal	Missed OSD goal
FY 18 Funds	FY 18	FY 19	FY 20
	Missed OSD goal	Missed OSD goal	Plan to meet OSD goal
FY 19 Funds	FY 19	FY 20	FY 21
	Missed OSD goal	Plan to meet OSD goal	
FY 20 Funds	FY 20	FY 21	FY 22
	Plan to meet OSD goal		

OSD = Office of the Secretary of Defense
Table by the author.

ward. If a program office has continuously under-executed it may help to take a reduction in appropriated resources to meet OSD benchmarks and show that resources can be managed properly to achieve program success. There also is the benefit of not having POM year resources decremented and the opportunity to prepare procurement packages and award contracts to avoid falling back into the under obligation death spiral. Either way, the first step is to assess the program's history and present status, create a clear vision and goals for a revised present and future, and execute in the new fashion to achieve that vision.

In addition to the assessment, vision and goals for a program office, cost, performance, schedule and risk should be considered within the assessment. The primary means of moving out and staying out of the death spiral is to assess schedule first and foremost, and determine what increases and decreases the schedule. With a firm understanding of what kind of resource allocations will allow the spending of resources within OSD-allotted benchmarks, PMs will be better able to manage current and future resources. Once the schedule is established, it is essential to focus on performance per the purchase description and

the cost of meeting the required performance. This will support future budget needs after using the contractor, depot or public-private partnership to support mission requirements. Risk should be mitigated throughout schedule, performance and cost to assure no slippages, overruns or receipt of under qualified products.

Conclusion

Let's not let Army leadership or Congress make the decision for program offices to redirect funds through night court or funding reviews. Rather, let's assess programs early and often with reasonable means to meet OSD goals for executing funding. In turn, let's be sure not to give up all funding but only the proper or unavoidable and necessary amount so that we keep our depots and contractors in business to support current and future requirements. How do we do this? By making honest assessments of our programs and delivering a clear and concise message that we will request what we can execute and need, and not over- or under-request funding, so we can continue to meet program office requirements in the near and long term.

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