DEFENSE ACQUISITION UNIVERSITY

Business, Cost Estimating and Financial Management Department

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TEACHING NOTE

BUDGET EXHIBITS

Julian R. Roberts, Jr

OVERVIEW

Budget exhibits are among the most important documents prepared in support of the Defense portion of the President's Budget. These exhibits form the basis of the justification material to the President's Budget that go to the Congressional committees. They are the primary information source used by members of Congress and their staffs; by analysts at Office, Management and Budget (OMB) and the Office of the Secretary of Defense (OSD); and by analysts on a Component's Headquarters staff when reviewing budget requests and making decisions that potentially impact most Defense programs (as used herein, "program" applies to all Defense appropriations, not just acquisition programs). These decisions can terminate, delay, accelerate, decrement, plus-up or otherwise alter the program's structure and/or budget. If exhibits are incomplete, inaccurate, confusing or inconsistent with other budgetary and programmatic information or exhibits provided to the Components, OSD or Congress, the program may be adversely impacted. Unexplained anomalies in a program's history or future plans may result in adjustments to the proposed resource stream of that program.

Section 1105, Title 31 of the U. S. Code requires that the President submit to Congress – on or after the first Monday in January but not later than the first Monday in February of each year – a budget request of the United States Government for the following fiscal year. Occasionally, Presidents have submitted the budget request later for various reasons. For example, in a year with a transition between outgoing and incoming Administrations, the timing of the President's Budget transmittal could change. (President George W. Bush transmitted his first budget, the 2002 Budget, in April 2001 and President Barack Obama transmitted his first budget, the 2010 Budget, in outline form on February 26, 2009 and in a more detailed request on May 7, 2009.) OMB Circular A-11 requires that all government agencies submit their initial budget requests to OMB for review and justification in early September and their final budget request (after passback and passback appeals) to OMB in early January (the dates change slightly each year and are published in the annual version of referenced circular). OMB consolidates the budget requests from the government agencies and submits those requests to Congress as the annual President's Budget.

OSD requires each Defense Component (i.e., Military Departments, Defense Agencies and other DoD organizations) to submit their annual budget requests to OSD under the provisions of the Planning, Programming, Budgeting and Execution (PPBE) process, which was described in the DAU teaching note of that title. The final output of the PPBE process is the SECDEF approved budget requests of Defense Components that will ultimately be included in the President's Budget. All Components (Military Departments, Defense Agencies and OSD organizations) are required to provide USD (Comptroller) – electronically – their program and budget submissions (to include

budget exhibits) that form their individual Justification Books. USD (Comptroller) consolidates budget materials from the Components into Justification Books for each appropriation category. Those Justification Books contain various budget exhibits, many of which are described in this teaching note.

Components are also required to post their budget exhibit documentation to their web site so the information is available to Congress, the media and the public; such posting is to be done no later than 5 working days after the President's Budget is delivered to Congress. After posting their budget justification material to their internet site, Components are required to create CD-ROM disks of that material and disseminate them to specified distribution list. CD-ROM disks are to be disseminated within 45 days after the President's Budget is delivered to Congress.

The Financial Management Regulation (FMR) (DoD 7000.14-R) – specifically Volume 2 of that regulation – provides guidance and instructions for the preparation of these budget exhibits. The FMR, which can be found at http://comptroller.defense.gov/fmr/, is DoD's comprehensive reference book for all financial management matters of the Department and consists of 15 Volumes, each with multiple Chapters. Volume 2 (which is divided into sections 2A and 2B because of page count restrictions) is titled "Budget Formulation and Presentation" and consists of 19 Chapters (3 in Volume 2A and 16 in Volume 2B).

The various appropriation categories (technically, these are "Military Functional Titles") have a separate Chapter in Volume 2 of the FMR that provides specific guidance, identifies the required budget exhibits and formats (along with instructions for their preparation) and gives the requirements for automated submission of budget exhibits for that appropriation category. Military Functional Titles (i.e., appropriation categories) include, but are not limited to, RDT&E, Procurement, Military Personnel, Operations and Maintenance, and Military Construction.

Although detailed requirements for the various appropriation categories can be found in the appropriate Chapter of Volume 2, this Teaching Note provides basic information about the five appropriation categories of greatest interest to the defense acquisition community. These appropriation categories and their informal "code word" for their budget exhibits follow:

Appropriation Category	"Code Word"
Procurement	"P-Forms" or "P-Docs"
RDT&E	"R-Forms" or "R-Docs"
O&M	"O-Forms"
MILPERS	"M-Forms"
MILCON	"C-Forms"

FREQUENCY OF PREPARATION/SUBMISSION

The FMR requires each Component prepare and submit to OSD a complete set of budget exhibits a minimum of two times a year. The purpose of the first OSD-required submission is to support the "program and budget review process", which is technically the Component's combined Program Objectives Memorandum/Budget Estimate Submission (POM/BES). The purpose of the second OSD-required submission is to support the President's Budget (PB) sent to Congress (i.e., for "presentation to Congressional Committees"). In addition to preparing the budget exhibits the

two times required by OSD, individual Components typically require that subordinate elements prepare and submit a set of budget exhibits for their internal Component budget preparation process well in advance of the first set of exhibits sent to OSD. The various budget exhibit submissions are discussed in detail below:

A. Subordinate Element Submission: Although actual procedures vary among Components, typically a Component will require subordinate organizational entities submit an "initial draft copy" of budget exhibits the entity proposes be incorporated into the Component submission to OSD in the follow-on POM/BES submission. This submission represents the subordinate entity's initial funding request for the POM fiscal years. Depending on the Component, these initial budget exhibits may be required as early as six to eight months prior to the Component's POM/BES suspense date to OSD (usually in the August – September timeframe). Upon receipt of the initial budget justification documents, the Component Headquarters reviews and evaluates those exhibits, prioritizes funding requests among conflicting requirements from all subordinate entities and makes decisions relative to the appropriate funding levels for each program or activity addressed in the various exhibits. In effect, the decisions from this initial documentation form the basis for the Component's internal budget formulation process in preparation of its POM/BES submission. The Component then either prepares new budget exhibits based on those decisions or requires subordinate entities prepare and submit new exhibits consistent with those decisions.

B. Program Objectives Memorandum/Budget Estimate Submission (POM/BES): Until recently, in the August – September timeframe of each even numbered calendar year (e.g., 2006), each Component provided OSD a concurrent POM/BES submission of its internally approved resource requirements. These requirements were stated in the budget exhibits that reflect the Component-approved programs as laid out in the Future Years Defense Program (FYDP), which includes funding levels, quantity, military force strength and similar detailed information. This set of budget exhibits, which constitutes the Component's budget request to OSD, was forwarded to OSD as its budget justification documentation. These exhibits are used by the Office of Management and Budget (OMB) and OSD analysts to evaluate the Component's budget request during the combined program/budget review process . Therefore, it is critical these budget exhibits be both accurate and informative in terms of explaining any apparent abnormalities such as unit cost changes, delivery schedule changes, contract slips, low obligation rates, or variations in monthly production rates. As part of this evaluation and review process, the OSD/OMB analysts try to have an open dialogue with Component representatives relative to data contained in the budget exhibits; the analyst's goal is to have enough accurate information about the program or activity described in the budget exhibit to make informed recommendations on funding levels to be included in the PB. A list of non-appropriation-specific questions often asked by budget analysts during the budget scrub process is included in Appendix A. If the acquisition program office (and, as appropriate, the Component) budget analysts anticipate the questions that will probably be asked and prepare proper answers (or, even better, if the pertinent information is included in the budget exhibits so the questions are never asked), there is a better chance that the funding requested in the exhibit will not be reduced during the budget scrub process.

Under the PPBE process instituted by OSD during calendar year 2003, Components were not required (i.e., allowed) to submit a complete POM/BES during odd (i.e., "off") numbered calendar years. Instead of complete POM/BES submissions, Components were required to submit only a series of desired "changes" for a targeted budget year from the previous PB. For example, in

calendar year 2005, the targeted budget year was FY 2007 and only "changes" to the dollar amounts in the FY 2006 PB submitted to Congress were accepted by OSD (that budget contained the DoD budget for both FY 2006 and 2007). In calendar year 2007, Components could submit only proposed "changes" to the dollar amounts in the FY 2009 column submitted to Congress with the PB for FY 2008. [NOTE: Although OSD did not accept a full-up POM/BES submission in the "off" years, that did not preclude a Component from developing internal documentation as if a combined POM/BES were to be submitted. This enabled the Component to determine the specific "changes" that will actually be submitted at the appropriate time in the "off year" PPBE cycle.]

While terminology and detailed guidance for those "changes" were different in the calendar year 2007 PPBE process than used in 2005, the philosophy at OSD remained the same: OSD did not want full-up POM/BES submissions in the "off" years of the PPBE process. In effect, the relatively new PPBE process stated that Defense programming and budgeting is to be a true biennial process wherein major decisions are made for the two budget years of the Defense portion of the PB submitted to Congress and only minor changes can be requested to the second fiscal year of that previous budget submission.

In 2008, the outgoing Bush Administration prepared a POM/BES for FYDP 2010-2015. However, this was not accepted by the incoming Obama Administration which decided to submit a one-year budget for FY 2010 that did not include the out years, FY 2011-2015. As a result, on August 14, 2009, Components were required to submit a full-up POM and BES to form the baseline for the FY 2011-2015 Integrated Program and Budget Review and for preparation of the FY 2011 PB and the FY 2011-2015 FYDP. This represented a deviation from past "off year" procedures (i.e., procedures followed in 2003, 2005, and 2007, as discussed above). The full-up POM/BES submitted by the Components in 2009 represented a return to an "on year" PPBE process. At this time, there has been no explicit guidance indicating this will continue in the next "off year" of 2011. However, in a 9 April 2010 memorandum, Subject: Procedures and Schedule for Fiscal Year (FY) 2012-2016 Integrated Program/Budget Review, the Deputy Secretary of Defense (DepSecDef) directed the Components to submit a POM/BES addressing only one budget year (FY 2012) and four out years (FY 2013 – 2016). In addition, a September 2010 revision to DoD Financial Management Regulation (DoDFMR 7000.14-R), Volume 2B, Chapter 4 (addressing Procurement budget exhibit requirements) eliminated the biennial budget requirement and directs P-forms reflect only one budget year. A similar revision of DoDFMR 7000-14-R, Volume 2B, Chapter 5 (addressing RDT&E budget exhibit requirements) was released in December 2010. Although, not explicitly stated in the 9 April 2010 DepSecDef memorandum, it appears the intent is to continue with an "on year" POM/BES integrated program/budget review every year, resulting in an end to the "off year" process in odd calendar years. OSD guidance expected later in 2011 will likely clarify that this will be a "permanent" change to the process. The discussion of specific budget exhibit requirements later in this Teaching Note reflects the change from a biennial to an annual budget request (i.e., one budget year versus two budget years).

C. <u>President's Budget (PB) submission to Congress</u>: Another set of budget exhibits is normally prepared by the Component (actually by its various subordinate entities) during the January timeframe and included with the PB submitted to Congress in February. The dollars and other data reflected in these budget exhibits must match dollar amounts and quantities in the PB. These exhibits are placed into the Congressional Committee Staff Backup Books (also known as Justification Books or J-Books.) Congressional decisions <u>might</u> be made solely upon the content of

these exhibits; therefore, accuracy and stand alone data content is of paramount importance. Any changes from the previous year's PB submission should also be briefly, but carefully, explained.

DETAILS BY APPROPRIATION CATEGORY:

As previously stated, detailed requirements for the various appropriation categories can be found in the appropriate Chapter, Volume 2, of the FMR. However, some basic information about three of the five appropriation categories of greatest interest to the defense acquisition community is provided in this Teaching Note in Appendices C through E. Because individuals involved with defense acquisition programs typically do not get involved with preparing budget exhibits for either MILPERS or MILCON appropriations, additional information about those categories is not provided in this Teaching Note.

APPENDIX	SUBJECT
A	Questions and Areas of Concern during Budget Submission Scrub
B	Terms and Definitions Relative to Budget Exhibits
C	Procurement Appropriation Category (to include examples of P-40, P-40, P-5, P-5a, P-21, and P-3a)
D	RDT&E Appropriation Category (to include examples of R-2, R-2a, R-3, R-4,R-4a and R-5
E	Operations and Maintenance (O&M) Appropriation Category

SUMMARY

Budget exhibits are among the most important documents prepared in support of the Defense portion of the President's Budget. Budget exhibits contain detailed justification for all resources requested in the PB; therefore, it is critical that information in the exhibits be clear, concise, accurate and consistent with prior year budget submissions (or an explanation given as to why inconsistencies exist). Analysts at the Component Headquarters, OSD, and OMB levels, as well as Congressional staffers, use budget exhibits as the primary source of information about all programs and other activities during PPBE and the follow-on Congressional enactment process. Well-prepared budget exhibits provide easily defendable rationale for the amount and timing of funding requests. Poorly prepared budget exhibits make a program a potential target for downward adjustments in its budget request. Each appropriation category has its own unique set of forms to justify resources requested in that appropriation. P-Forms, including the P-40, P-5, P-5a, P-21, and P-3a provide justification for procurement appropriation requests. R-Forms, including the R-2, R-2a, R-3, R-4, R-4a and R-5 provide justification for RDT&E appropriation requests. The various O-Forms provide justification for O&M requests, M-Forms for MILPERS requests, and C-Forms for MILCON appropriation requests.

APPENDIX A

Questions and Areas of Concern for Acquisition Programs During the Budget Submission Scrub

Program Pricing

1. Does the Budget Year buy – when added to current and prior year buys – exceed the approved program amount? Quantities and associated dollars that exceed the approved amount may be deleted from the program.
2. Is the item budgeted to the "most likely" cost or expected full costs (including military and civilian pay) for the current year, the budget year, and out year estimates for all appropriations? (FMR Vol 2A, Ch 1, para 010303) Cost greater than considered "most likely" will be questioned. If appropriate, provide justification in the documentation for a cost greater than what would appear to be "most likely".
3. Identify all non-recurring costs.
4. What is the basis of estimate for all elements of cost? Logical cost estimates with specific tasks must be identified upon request in order to support the budget request.
5. Explain how program pricing was estimated (learning curve, prior year actual cost, etc.). If the pricing appears high, be prepared to explain the estimating method. Were USD(C)-provided indices used to determine the amount of price escalation? ((FMR Vol 2A, Ch 1, para 010303)
6. Is Economic Price Adjustment (EPA) contingency funding in the budget? Funding for EPA contingencies <u>will be deleted</u> from the budget.
7. What is the negotiated price and delivery schedule of the most recent contract? Check budget year pricing against prior year pricing and be prepared to fully explain fluctuations.
8. Were Foreign Military Sales (FMS) and other Component(s) quantities included in your pricing estimates? Generally, unit cost will drop with increased quantities.
9. Budget estimates will reflect economic production rates, unless there is a strong justification (other than funding constraints) for the use of other rates. (FMR Vol 2A, Ch 1, para 010303)
10. In the development and review of RDT&E programs, special attention will be devoted to the numbers of civilian and military personnel required for support of those programs. In addition, increased emphasis will be placed on application of standards and austere limitations to housekeeping and support activities including facilities sustainment and operations, equipment replacement and maintenance, and supply inventory levels. (FMR Vol 2A, Ch 1, para 010303)

Program Phasing

1. Identify the documented basis of the capability the subject acquisition program will provide. If the appropriate capabilities document has not been approved, the need for the program will be questioned.
2. Contract awards planned for the fourth quarter of the fiscal year will be questioned and, unless there is an overwhelming justification, requested funds for such contracts will be moved into next year's budget request. Rationale is that on-going work effort on acquisition programs almost always slips (usually because of technical problems) and, when that budget year becomes the execution year, the planned contract award will not be made when scheduled.

3. Are the RDT&E funding profile and milestones phased to minimize concurrency between RDT&E efforts, including testing, and production contracting? Funding for production may be deferred if concurrency is perceived as being excessive.
4. Modification equipment that will be on the shelf more than 3 months will be questioned. Excesses beyond the 3 month period should be deleted and funded with the following year appropriation.
5. Consider the relationships between production end items that support various larger programs. Ensure that the ratio of "support type items" to "supported larger system" remains proper as the quantity of the "supported larger system" is changed during the Component's programming and budgeting decisions.
6. Is the build-up rate in the production ramp – especially in the first and second years of production – appropriate? Normally, the production quantity in the first production year is relatively small (depending on the type system involved); increases slightly the second year; and goes to a steady state by the third year.
7. Question the system going into full rate production prior to first article test. Explain the limiting factors in production ramp such as lead-time for production tooling/equipment, test equipment, raw materials and training of additional production personnel.
8. Are modification installations funded in the year the kits will actually be installed? Installation funding incorrectly budgeted in the year of modification kit purchase will be removed by budget analysts. They may or may not realign the funding to the year the kits will actually be installed.
9. Is the current year program being executed on schedule? If the program is slipping, the current year or budget year dollars may be reduced.
10. Production lead-times utilized in the preparation of estimates for the budget year should be based on the latest contract experience and current conditions, and generally should not be greater than those used for the same item in the development of the current year budget program. Any increases should be clearly identified and accompanied by an explanation of the reason along with an identification of the pricing components/manufacturers used causing the increase. (FMR Vol 2A, Ch 1, para 010303)

Funding Policies

1. Funded delivery period on a production contract that exceeds 12 months or overlaps into the next year's buy will be questioned; this information is portrayed on the P-21 so is evident upon review of the documentation. Without a satisfactory explanation, quantities and associated funds will probably be deleted from the program.
2. Ensure the budget request complies with the full funding policy for production efforts and with the incremental funding policy for research and development efforts.
3. Does the LRIP quantity exceed ten percent of the total production quantity? Title 10 of the US Code, Section 2400, states that the LRIP quantity may not exceed ten percent of the total planned production unless a specific exception has been granted.
4. Long lead-time component procurement will be limited to those few critical components whose lead-times exceed the obligation availability of the appropriation or are significantly longer than other components of the same end item. (FMR Vol 2A, Ch 1, para 010303)

Budget Execution

1. How well has the program performed with respect to their approved obligation and expenditure plans (i.e., “spend plans”) in the current and previous fiscal years?
2. Has the program met Service and/or OSD obligation and expenditure benchmarks in previous fiscal years?
3. Have contract awards (and initiation of other support efforts) occurred on schedule in the current fiscal year and in previous fiscal years?
4. Is the overall program effort (or individual contract efforts) on schedule?
5. Is the program making expected progress toward meeting technical (system performance) and/or production rate goals?

APPENDIX A

APPENDIX B

Terms and Definitions Relative to Budget Exhibits

ALT	Administrative Lead-time is the amount of time required to complete the administrative actions leading to contract award. Since these actions do not require funding, the ALT can be separately identified into prior to October 1 and after October 1. The ALT is used to forecast contract awards.
AO	The Acquisition Objective is the authorized quantity of an item to be procured during peacetime to sustain the Components and selected allied forces in wartime from D-Day through a period prescribed by OSD.
BLI	Budget Line Item
BLIN	Budget Line Item Number
BY	Budget Year immediately follows the current fiscal year
CLIN	Contract Line Item Number represents the different requirements laid out in the contract
CY	Current Year is the fiscal year in which current operations are taking place; can also be used for Calendar Year
DT&E	Developmental Test and Evaluation is a series of tests to demonstrate the engineering design and specifications are met and the developmental process is complete
ECON	Economical Production Rate is the most efficient monthly rate of production that can be sustained by a manufacturer, with existing or planned plant capacity and tooling, on a single shift of personnel working eight hours a day for five days a week (1-8-5)
FDP	Funded Delivery Period is the planned time-lapse, in months, from acceptance of first delivery to acceptance of last delivery for a specific fiscal year's funding.
FYDP	The Future Years Defense Program is the program and financial plan for the Department of Defense as approved by the Secretary of Defense. The FYDP arrays cost data, manpower and force structure over a 5-year period (force structure for an additional 3 years), portraying this data by major force program for DoD internal review for the program and budget review submission. It is also provided to the Congress in conjunction with the President's budget.
Group A Kits	Modification installation kits – the provisions (cables, brackets, interface devices) necessary to prepare the weapon system to accept modification equipment
Group B Kits	Modification equipment kits – the actual equipment (radar, electronic countermeasures, engine, etc.) to be installed on the weapon system

Input	Input is the start date of a modification to a specific aircraft or end item
IOT&E	Initial Operational Test and Evaluation is the early phase of the normally longer, overall Operational Test and Evaluation (OT&E) program. It is DoD policy that there shall be conducted, before commitment of a system to production, at least an initial phase of OT&E adequate to provide a valid estimate of expected system operational effectiveness and suitability (including compatibility, interoperability, reliability, maintainability, and logistic and training requirements).
LRIP	Low Rate Initial Production is to provide production configured or representative articles for operational test; establish an initial production base for the system; and permit an orderly increase in production rate for the system.
MAX	Maximum Production Rate is the maximum capacity rate a contractor can produce with extant or PY planned tooling; rate should specify the number of shifts required to achieve MAX
MSR	Minimum Sustaining Rate is the minimum monthly rate at which a contractor will agree to produce an item. This is the rate necessary to keep production lines open, while maintaining a base of responsive vendors and suppliers, precluding start-up costs for an increase in rate.
OT&E	Operational Test and Evaluation is a series of tests and evaluations conducted to estimate a system's operational suitability and effectiveness, military utility, identify needed modifications, and provide information on tactics, doctrine, organization, and personnel requirements.
Output	Output is the completion date of a modification to a specific aircraft or end item
POM	Program Objective Memorandum is the Component's five year program, which is updated and submitted to OSD annually for approval. The POMs display the resource allocation decisions of the Components in response to and in accordance with the Defense Planning & Programming Guidance (DPPG).
Procurement Lead-time	Procurement Lead-time is the time interval, in months, between start of contract action and first delivery. It is composed of Administrative Lead-time (post 1 October) plus Production Lead-time.
PLT	Production Lead-time is the period of time required by a contractor to produce the first item once a contract is awarded.
SSN	Standard Study Number is an alphanumeric identification assigned to a particular procurement program.

APPENDIX B

APPENDIX C

P-FORMS

Submission Frequency

The DoD Financial Management Regulation (FMR) (DoD 7000.14-R) requires P-Form submission to support the Component Budget Estimate Submission (BES) to OSD and the President's Budget submission to Congress. In addition, individual Components may require some type of P-Form submission with the Program Objectives Memorandum (POM) for their budget preparation process. Each submission requirement is discussed in detail below:

A. Budget Preparation: Though procedures vary among Components, P-Forms may be required to support the Component Program Objectives Memorandum (POM). These P-Forms reflect the Component-approved program contained in the Future Years Defense Program (FYDP). Funding and/or quantity changes or pricing refinements should be noted on the P-Forms. The P-Form submission must stay within the approved POM with quantities adjusted as necessary. During the budget preparation process, P-Forms aid the Component staff in defending and evaluating programs.

B. Budget Estimate Submission: P-Forms submitted to support the Component's BES to OSD must reflect the same program years as submitted in the approved BES update to the FYDP. These P-Forms are used by OSD and Office of Management and Budget (OMB) analysts to evaluate the Component BES during the Program Budget Decision (PBD) process; therefore they must be both accurate and informative in terms of explaining any apparent abnormalities such as unit cost changes, delivery schedule changes, contract slips, low obligation rates, or variations in monthly production rates. A list of questions asked and concerns of analysts during the budget scrub process is included in Appendix A.

C. President's Budget (PB) submission to Congress: Another set of P-Forms are normally submitted in February with the PB. The dollars and quantities on these P-Forms must match the dollars and quantities in the President's Budget. These P-Forms are placed into the Congressional Committee Staff Procurement Backup Books (also known as Justification Books or J-Books.) Decisions in Congress may be made solely upon the content of these P-Forms; therefore, accuracy and stand alone data content is of paramount importance. *Any changes* from the previous year's President's Budget submission should also be briefly, but carefully, explained.

Commonly Required P-Forms

P-Forms required for most procurement appropriations include the P-40, P-5, P-5a, P-21, and P-3a. For programs with a funding value less than $5 million, only the P-40 and P-40a exhibits are required.

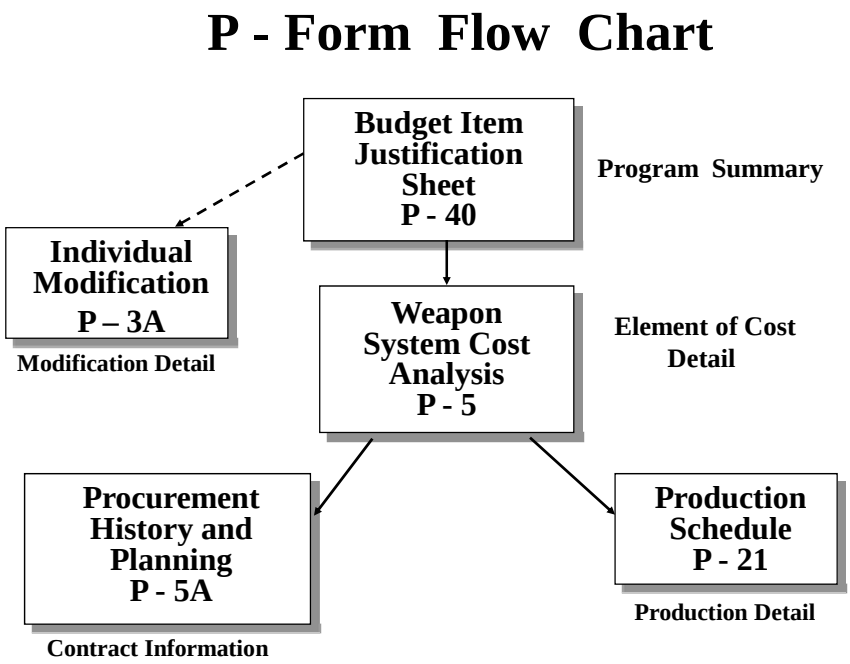
The following pages provide a description of these exhibits, instructions for entering information on the exhibits, and methods/techniques to analyze, scrub, and defend the programs identified on the P-Forms. While the instructions herein are current as of the date of this teaching note, it would be prudent to check the DoD Financial Management Regulation (FMR), DoD 7000.14R, Volume 2B, Chapter 4 (http://www.dod.mil/comptroller/fmr/) for the latest P-Form instructions.

Some general instructions:

1. Exhibits should display the actual fiscal years rather than the template entries (e.g. “FY 2010” rather than “BY” and “FY 2012” rather than “BY+1”).
2. Budget justification material should be unclassified.
3. Component-generated exhibits can be used in lieu of the FMR exhibit templates as long as such exhibits contain all the information required.

P-Form Flow

The following Figure shows how information relates between the P-Forms.



P-1 - PROCUREMENT PROGRAM

The P-1 exhibit is a summary listing of procurement requirements, by line item, supporting budget requests submitted to Congress. Each line item dollar amount represents the "weapon system" costs (in millions) required to acquire and initially deploy the item. Advance procurement and initial spares are budgeted as separate line items. The P-1 exhibit thus encompasses all weapon systems planned for procurement and all of the exhibits discussed in the following paragraphs must reconcile to it. P-1 exhibits are prepared at the Component level and represent the total procurement funding requirements of each procurement appropriation account. For example, the Navy normally requests funding each fiscal year in the following five procurement appropriation accounts: Aircraft Procurement, Navy; Weapons Procurement, Navy; Shipbuilding and

Conversion, Navy; Ammunition Procurement, Navy; and Other Procurement, Navy. Therefore, the Navy would submit a P-1 exhibit for each of these five appropriation accounts.

Handbook Usage

Examples of each P-Form mentioned in Figure 1 are provided later in this teaching note in the following order: P-40, P-5, P-5a, P-21, and P-3a. The circled numbers on the sample forms correspond to the "Instructions" paragraphs for the various P-Forms.

P-40 - BUDGET ITEM JUSTIFICATION SHEET

A. Information Provided On The P-40

1. The P-40 provides the following top level information:
   a) Seven-year funding profile (including quantities when appropriate), prior years, to complete cost and total program cost.
   b) Narrative description of the item.
   c) Justification for budget year procurements.

2. All other P-forms provide detailed information to support the P-40 as shown on the P-Form flow chart (Figure 1).

B. Instructions For Preparation Of P-40 Exhibits. *Numbers correspond to those shown on the sample P-40 Form below.*

1. Enter date as specified by Component Headquarters.
2. Enter Appropriation/Budget Activity.
3. Use the exact line item title and Standard Study Number (SSN) as displayed in the P-1 / FYDP. Identify any nicknames in parentheses.

Enter the Program Element if the line item has not been approved for full rate production (see Code B definition in #6 below).

5. Enter the Program Elements for any related work. Include work in other appropriations or components.

6. The program will be presented in the following order: The total for all prior years, the prior FY (PY), the current FY (CY), the budget year (BY), four out-years (BY+1, BY+2, BY+3 and BY+4), to complete cost, and total program cost. List the quantity and cost (rounded to the nearest tenth of a million) for the FY indicated. Component HQs quantities and cost must agree with provided guidance (if there is no cost in a FY, leave it blank). Include costs for each line as appropriate. Advance Procurement costs should be broken out into two separate lines (i.e., Less Prior Year, Plus Current Year) or can be a single line containing a net value for each FY. The "ID Code" column should be marked with either an "A" or a "B" depending on the program code. Code A items generally are those which have passed a Milestone decision approving full rate production (or equivalent). Code B items generally are those which have not been approved for full rate production.

7. Description: A complete narrative description of the line item will include, but not limited to, the nature, purpose, and intended use of the usable end item with sufficient depth of information to describe the system. The FMR contains special content requirements for Shipbuilding and Conversion, Navy (SCN) and Modification program descriptions.

8. Justification: The justification statement must describe why the Component needs to procure this item in the budget year. Emphasize positive aspects i.e., tell what the item will do for the Component and its mission. Include joint buys if applicable.

9. Cooperative Agreement Narrative: For projects which involve a cooperative agreement with a foreign country or corporation, a paragraph is required to include a brief description of the agreement, the countries/ corporations (both foreign and US) involved, their financial commitments, the stage of the project (research, production, etc.) the number of years the project has been in existence and associated funding. Note that a cooperative agreement relates to the development or production of an item. It is not required for FMS sales where the item is developed and produced by US firms.

10. Enter P-1 shopping list item number. This is the P-1 line item number.

11. List page number and total pages for all of the P forms for this P-1 program.

12. List page number and total pages for just this P-40.

C. Common Errors

1. Wrong line item title and SSN. Check the P-1/FYDP for correct information. The SSN is a six character code (i.e., M30100).

2. Too many years, or a missing year. The form should cover a period of seven years as shown in the FYDP: the prior year, the current year, the budget year, and four years beyond the budget year.

3. Incorrect quantities and cost. Check the last P-1/FYDP and Component HQs guidance.

4. Narrative description not updated to reflect current program's status or justification is inadequate to support the budget year buy.

5. Unfunded requirements reflected in narrative. For the OSD and Congressional submissions, the narrative must support the Component approved program. Statements addressing unfunded requirements undermine the approved Component position and may leave the impression that the program is unexecutable.

D. Items To Be Checked For Program Review

1. Are the dollars/quantities correct (check FYDP)?
2. Does the funding/quantity profile show a reasonable ramp without "bow waves" or unexplained spikes or dips?
3. From the description, can a novice understand:
   a. What the Component is buying?
   b. What the item does?
   c. What other systems it interfaces with?
4. Does the justification explain the intended use of the item and the impact of not procuring it? Citing warfighter requirements significantly strengthens the justification.

Exhibit P-40, Budget Item Justification												Date 1
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number 2												P-1 Line Item Nomenclature 3
Program Element for Code B Items: 4							Other Related Program Elements 5					
	ID Code	Prior Years	PY FY	CY FY	BY FY		BY+1 FY	BY+2 FY	BY+3 FY	BY+4 FY	To Complete	Total
Proc Qty 6												
Gross Cost												
Less PY Adv Proc												
Plus CY Adv Proc												
Net Proc (=P-1)												
Initial Spares												
Total Proc Cost												
Flyaway U/C												
Wpn Sys Proc U/C												

Description

7 **DESCRIPTION: NATURE, PURPOSE & INTENDED USE**

8 **JUSTIFICATION: BUDGET YEAR & IMPACT IF NOT FUNDED**

9 **COOPERATIVE AGREEMENT NARRATIVE (IF APPLICABLE)**

(Use continuation pages, as necessary)

P-1 Line Item No X
(Page X of X)

10

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Exhibit P-40, Budget Item Jus on
(Exhibit P-40, pa s)

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P-5 - WEAPON SYSTEM COST ANALYSIS

A. Information Provided On The P-5

1. A multiple year funding/unit cost/quantity profile.
2. Breakdown of the system by component, recurring and non-recurring cost elements, consistent with the program's approved work breakdown structure (WBS).
3. Funding/unit cost/quantity profile at component element.
4. Total program cost.
5. Program unit cost.

B. Instructions For Preparation Of P-5 Exhibit

Numbers correspond to those shown on the sample P-5 Form below.

1. Enter date as specified by Component Headquarters.
2. Enter Appropriation/Budget Activity/Item Number.
3. Enter the exact P-1 line item title.
4. For the Budget Estimate Submission (BES), the FMR directs that ACAT I Program P-5s will include all fiscal years from prior years through to complete years. Other programs will include at least PY, CY and BY. For the President's Budget, all programs, including ACAT I, will include only information through the BY. ACAT I programs, however, must provide a separate P-5 (or AF Form 1537) including all years from PYs through to complete years to the OSD Comptroller. The FMR contains detailed guidance on the cost elements to include for different types of weapon systems.
5. Enter FY quantity (in units, not thousands), unit cost and total cost for all years for each system recurring item. The unit cost should be displayed for each flyaway cost element on the P-5. This should be a manual entry, not a computed one. Otherwise, budget authority could be lost if a reviewer asks to see the unit cost for a particular item from the contract.
6. Enter total cost (no quantity or unit cost) for all non recurring and ancillary equipment. Subtotal non-recurring cost.
7. Add system hardware recurring and non recurring/ancillary equipment for total Flyaway Cost.
8. Enter all support costs. Subtotal support costs.
9. Enter gross P-1 end item cost; the sum of all previous subtotals.
10. Enter prior year advance procurement.
11. Subtract prior year advance procurement from gross P-1 end item cost.
12. Enter current year advance procurement.
13. Enter Other Non P-1 Weapon System Cost, and Initial Spares.
14. Add Net P-1 Full Funding, Advance Procurement, and other costs from #13 to obtain Total Program Cost. Calculate the procurement unit cost by dividing Total Program Cost by total quantity and enter it in the unit cost block on this line.

C. Common Errors

1. Net P-1 Full Funding cost does not agree with P-40.
2. Unit cost does not match unit cost on P-5a.
3. Advance procurement cost incorrect.

D. Items To Check Prior To Program Review

1. Do total program costs and quantities track to the P-40?
2. Check the prior years and current year obligation rates of individual cost elements as the basis for budget year estimates.
3. As a general rule, unit cost should reflect a decrease based on learning curve and increased quantities.
4. Have the abnormalities been satisfactorily explained, i.e. increases beyond inflation for cost elements?

Exhibit P-5 Cost Analysis	Weapon System	Date: 1
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number 2	D Code	P-1 Line Item Nomenclature 3

WBS COST ELEMENTS (Tailor to S[illegible] Item Rqmts) 4	Prior Years Unit Cost	Prior Years Total Cost	PY Unit Cost	PY Total Cost	CY Unit Cost	CY Total Cost	BY1 Unit Cost	BY1 Total Cost		
Quantity 5										
Airframes/CFE										
Engine/Accessories										
CFE Avionics										
GFE Avionics										
Armament										
ECO (Flyaway)										
Nonrecurring Costs 6										
Tooling										
Software Costs										
Other Costs										
Subtotal Flyaway 7										
Airframe PGSE										
Engine PGSE										
Avionics PGSE										
Peculiar Training Eqpt										
Publications/Tech Data										
ECO (Support Items)										
Other										
Subtotal Support Costs 8										
Gross-P-1 End Item Cost 9										
Less PY Adv Proc (by PY FY) 10										
Net P-1 Full Funding Cost 11										
Plus CY Adv Proc 12										
Other Non-P-1 Costs 13										
Initial Spares										
Total 14										

P-1 Line Item No X
(Page X of X)

Exhibit P-5, Cost Analysis
(Exhibit P-5, page 1 of 9)

P-5A - PROCUREMENT HISTORY AND PLANNING

A. Information Provided On The P-5a:

1. Contract history (prior year or last procurement, current year and budget year).
2. Name of contractor.
3. Contract method and type.
4. Contracting agency.
5. Contract award date.
6. Date first item delivered to government.
7. The total Component program quantity.
8. The unit cost.
9. Status of tech data.

B. Instructions For Preparation Of P-5a Exhibit *Numbers correspond to those shown on the sample P-5a Form below.*

1. Enter date as specified by the Component.
2. Enter Appropriation/Budget Activity.
3. Use exact P-1 line item title and Standard Study Number; should correspond with P-40.
4. Only P-5 elements of cost involving quantities are listed. For each cost element an entry must be made for the prior FY, the current FY, and the budget FY. If there is no budget year buy, the P-5a must reflect the most recent procurement as the first entry. The intent of this requirement is to provide a cost basis for budget funds requests.
5. Insert contracted quantity matching the quantity on the P-5.
6. Insert actual element of cost/unit cost for the prior year entry. For the current year and the budget year, insert actual/estimated unit costs. The unit costs must track to the cost entries on the P-5.
7. Name of the organization that will let the contract, i.e., TACOM.
8. Codes:

CONTRACT METHOD	CONTRACT TYPE
SS – Sole Source	FP – Fixed Price
C – Competitive	CPIF - Cost Plus Incentive Fee
MIPR – Military Interdepartmental Purchase Request	CPAF - Cost Plus Award Fee
PO – Project Order	FPI - Fixed Price Incentive

CONTRACT METHOD	CONTRACT TYPE
WR – Work Request	Other – Explain by Footnote
Allot – Allotment	Option – Existing contract clause for future procurement. Identify whether option is priced (already negotiated) or unpriced.
Reqn – Requisition	
Other – Explain by Footnote	

9. For awarded contracts or sole source procurements, use actual contractor name and facility or plant location (city and state). If contract has not been awarded, use "Unknown."
10. Enter actual or estimated date of contract award and of first delivery.
11. "Tech Data Available Now" indicates that the Technical Data Package or Performance Specification, *suitable for competition* (or sole source equivalent), is available at the time the year's contracting action begins. A "yes" or "no" is required for the CY and BY. If a revision is required, enter when the revision will be available. Leave blank if no revision required.
12. Use remarks to explain when variations in unit cost exceeds inflation or to provide clarifying comments related to contracting method, type, e.g., explain the benefits of a multiyear, why a sole source is used, why a cost plus award fee contract is used, etc. Also, explain any increase in cost, delay in award, combined year awards.

C. Common Errors:

1. Unit cost and quantities do not agree with P-5 entries.
2. No entry under "award date" or "contract method and type" columns.
3. Unit cost not entered or inconsistent with P-5.
4. Information or availability of specifications not entered.
5. Actual contract award not listed.

D. Items To Check For Program Review

1. Extrapolate from the last actual contract award to the budget year contracts. Do the dollars track?
2. Review the contract method and type:
   a. For contracts with priced options, and forward-priced multiyear contracts, the time between the beginning of fiscal years and award date should not exceed 6 months.
   b. Contract should be awarded NLT 2nd quarter of the first year of the appropriation; suspect overfunding if contract award is planned for later than 3rd Quarter.

3. Review date of first delivery. Ensure that time between the award date and the date of first delivery is consistent with production lead-time shown on P-21. Any variance must be explained or funding may be reduced. Exception: system is in first year of production.

4. Ensure quantity on P-5a matches quantities on the P-5 and the P-40.

5. Review hardware unit cost:

a. Ensure all hardware unit costs are supported by cost data on P-5.

b. The tech data for a competitive procurement should be available prior to planned start of contract actions (request for proposal release). Question program executability if tech data are not available for a competitive procurement.

6. Explain any abnormalities or cost increases in remarks block.

Exhibit P-5a, Procurement History and Planning (Page 2)			Weapon System				DATE: 1		
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number 2					P-1 Line Item Nomenclature 3				
WBS COST ELEMENTS Tailor to System/Item Requirements)	Qty	Unit Cost	Location of PCO	Contract Method and Type	Contractor and Location	Award Date	Date of First Delivery	Tech Data Available Now?	Date Revisions Available
Budget Year									
Airframes/CFE									
Engine/Accessories 4	5	6	7	8	9		10	11	
CFE Avionics									
GFE Avionics									
Armament									
Tooling									
Airframe PGSE									
Engine PGSE									
Avionics PGSE									
Peculiar Training Equipment									

P-1 Line Item No X

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Exhibit P-5a, Procurement History and Planning
(Exhibit P-5a, page 2 of 4)

P-21 - PRODUCTION SCHEDULE

A. Information Provided On The P-21 Exhibit:

1. Manufacturer's name and location.
2. Production rate information.
3. Undelivered current and prior year quantities.
4. Budget year quantities.
5. Delivery schedule, by month, for prior, current and budget year quantities.
6. Procurement lead-times.
7. Remarks block to explain changes and unusual entries.

B. Instructions For Preparation Of P-21 Exhibit *Numbers correspond to those shown on the sample P-21 Form below.*

1. Enter date specified by Component.
2. Enter the Appropriation account title, budget activity, and line item number. Enter the weapon system and the exact P-1 line item title, Standard Study Number; should correspond with the P-40 and P-5.
3. Include all cost elements shown on the P-5 with a value of $5.0M or more in the budget year. Entries will be displayed in the same order as on the P-5. Items supported by an exhibit P-23 do not need to be included unless multiple manufacturers produce the items. A separate entry must be made for each facility that is producing the item – enter the manufacturer name and location for each producer.
4. Enter the Minimum Sustaining Rate (MSR), Economical Production (ECON) Rate (also called 1-8-5 rate), and Maximum Production Rate (MAX). These rates are defined in the Terms and Definitions section (Appendix B).
5. Enter required administrative lead-times (ALT) and production lead-times (PLT) for initial manufacturing and reorder, as defined in the Terms and Definitions section.
6. Enter the total procurement lead-time (equals ALT after 1 October plus PLT).
7. A separate entry is required for each Service/Agency/FMS quantity as well as for each fiscal year of buy. Create a separate entries for all prior years with undelivered assets, for the current year (CY), and the budget year (BY). In addition, ACAT I programs and programs requesting advance procurement funding must also include entries for all FYDP years.
8. Enter the fiscal year of the item listed.
9. Identify Service or Component, A = Army, AF = Air Force, FMS = Foreign Military Sales, MC = Marine Corps, N = Navy, O = Other (explain in remarks block)."
10. Enter the total item quantity for that fiscal year's buy (the fiscal year in number 8 above.) Note that program quantities for the Component buy must agree with the quantities on the P-40 and P-5.
11. Show the quantities delivered through 30 September of the year designated on the delivery schedule.
12. Show quantities that are undelivered as of 30 September of the year designated on the delivery schedule. The total of the quantities in Column 11 and 12 must match the total quantity buy in Column 10.
13. Deliveries by month will be shown, aligned horizontally with the program quantities. Deliveries should be in accordance with current contracts and planned acquisition goals.
14. "Bal" column will show column 12 less the sum of the monthly deliveries (13).
15. Use the remarks section to explain any unusual items or changes from the last submission (or from the last President's Budget when submitting to Congress.)
16. Use additional P-21s as required to reflect total deliveries. The left-hand columns must match exactly the information on the previous P-21s.

C. Common Errors

1. Program quantity on P-21 for the Component buy is different from P-40.
2. Undelivered quantities not shown.
3. Delivery schedule does not add to program quantity.
4. Manufacturer information or production rate blocks not complete.
5. No explanation provided in remarks block if minimum sustaining rate is not met (except for the first and last years of production) or if maximum rate is exceeded.
6. No explanation provided in remarks block if the procurement lead-times exceed the administrative or production lead-times.

D. Items To Check For Program Review

1. Ensure quantities track to P-5a, P-5, and P-40
2. Are all other Component buys and FMS buys shown on the P-21?
3. Do the monthly deliveries add to the program quantity?

4. Question total monthly quantities that fall below the minimum sustaining rate. An explanation should appear in the remarks block.

5. Question total monthly quantities that exceed the average monthly rate. Ask what additional "lead-time" is required to reach the higher rate (people, production, equipment, plant).

6. Provide an explanation of variances in "reorder lead-time." Variation may afford an opportunity to reduce the funded delivery period.

| Exhibit P-21, Production Schedule | | |

P-3A – INDIVIDUAL MODIFICATION

A. Information Provided On The P-3a

1. Description, justification and status for each individual modification.
2. A multiple year funding/quantity profile with breakout detail.
3. Installation schedule and contract information.

B. Instructions For Preparation Of P-3a Exhibit *Numbers correspond to those shown on the sample P-3a Form below.*

1. Enter the model and series designation (e.g., A-10, AGM-86, F/A-18), modification type (e.g., safety, reliability, added capability), and modification number and title.

2. Describe what the modification does (capability added) and why it is necessary. Identify any documents validating the need for the mod (e.g., Operational Requirements Document). Identify all engineering change proposals (ECPs). Identify the quantity of aircraft (or other end items) in the inventory and the quantity that will receive the modification – break out National Guard and Reserve end items separately. Spell out all acronyms.

3. Provide status of the engineering effort, testing, and data package. Include significant accomplished and planned milestone dates, such as Preliminary Design Review (PDR), Critical Design Review (CDR), completion of Development Test and Evaluation (DT&E), etc.

4. Provide quantity and cost data for all applicable line items by year. The "Prior Years" column includes all funding from the beginning of the modification program though PY-2. The "To Complete" column includes all funding from BY+5 through the completion of the modification program.

5. RDT&E resources should be consistent with funding on the R-Forms.

6. Procurement line items should be consistent with the program's approved work breakdown structure (WBS) or modification content. Enter the recurring and nonrecurring cost of the installation (Group A) kits and equipment (Group B) kits. If different quantities of kits are procured for various ECPs within a modification, list the A and B kits for each ECP as separate line item entries. Show installation costs in the year of actual installation. Group A installation kits are the provisions (cables, brackets, interface devices) necessary to prepare the weapon system to accept modification equipment. Group B equipment kits are the actual equipment (radar, electronic countermeasures, engine, etc.) to be installed on the weapon system.

7. Indicate how the installation will be accomplished (contractor, depot field team, etc).

8. Enter the actual or estimated contract date (month/year) for the item with the longest lead-time.

9. Enter the actual or estimated production delivery dates (month/year) for the initial item of installed equipment for the current year (CY) and budget year (BY).

10. Show installation costs in the year of actual installation. Procurement and installation quantities from #6 should be consistent with this block and with the installation schedule (#11).

11. An installation schedule is required for all programs requiring installation funds. Input and output refer to the start and end date of the modification into the aircraft or end item. Input and output must equal each other, as well as equal the total quantity of kits procured. Show by quarter for CY, BY and outyears, as well as total quantities for prior years, to complete, and total program. Include separate installation schedules for items with more than one method of implementation.

C. Common Errors

1. Funding totals on P-3A do not agree with funding on P-40.
2. Inconsistencies between procurement and installation quantities in the procurement detail (first page) and quantities in the installation fiscal year breakout or the installation schedule.
3. Installation schedule inconsistent with funding profile.

D. Items To Check Prior To Program Review

1. Modification is not a new start or has complied with new start Congressional notification procedures. If the modification is a new start, specifically state that to be the case.
2. Operational requirement/priority for the modification is well documented.
3. Installation input and output are used to determine when kits need to be procured. Analysts use this information to determine the feasibility of the schedule and the procurement funding profile. Make sure your installation schedule and funding profile match.
4. Quantities within all parts of the P-3A are consistent.

Exhibit P-3a, Individual Modification

MODELS OF SYSTEMS AFFECTED: _____ TYPE MODIFICATION: _____ MODIFICATION TITLE: _____ 1

DESCRIPTION/JUSTIFICATION: 2

DEVELOPMENT STATUS/MAJOR DEVELOPMENT MILESTONES: 3

FINANCIAL PLAN: (TOA, $ in Millions)

5

	Prior Yrs		PY-1		PY		CY		BY		BY+1		BY+2		BY+3		BY+4		TC		Total	
	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$
RDT&E																						
PROC																						
A Kit NRE			25	2.0	10	1.0	15	1.5	15	1.5	25	2.0	25	2.0	25	2.0	90	7.5			255	21.5
A Kit			25	2.0	10	1.0	15	1.5	15	1.5	25	2.0	25	2.0	25	2.0	90	7.5			255	21.5
Comp A			25	2.5	10	1.0	15	1.5	15	1.5	25	2.5	25	2.5	25	2.5	90	9.0			255	25.5
Comp B			50	1.0	20	0.4	30	0.6	30	0.6	50	1.0	50	1.0	50	1.0	180	3.6			510	10.2
Comp C			75	3.6	30	1.5	45	2.2	45	2.2	45	2.2	45	2.2	45	2.2	270	13.0			765	36.7
Eqpt NRE																						
Eqpt																						
Eqpt A																						
Eqpt B																						
ECP 1 Gp A																						
ECP 1 Gp B																						
ECP 2 Gp A																						
ECP 2 Gp B																						
ECP 3 Gp A																						
ECP 3 Gp B																						
Data																						
Training Eq																						
SE																						
Other																						
Other																						
Other																						
ICS																						
Install Cost					25	.3	10	.1	15	.2	25	.3	25	.3	25	.3	115	1.5			255	3.2
Total Proc																						

4

6

P-1 Line- Item No X

(Page X of X)

Exhibit P-3a, Individual Modification

(Exhibit P-3a, page 1 of 5)

Exhibit P-3a, Individual Modification (Continued)

MODELS OF SYSTEMS AFFECTED: _____ MODIFICATION TITLE: _____

INSTALLATION INFORMATION:

METHOD OF IMPLEMENTATION: _____ 7

ADMINISTRATIVE LEADTIME: __Months PRODUCTION LEADTIME: __Months

CONTRACT DATES: Prior Year:_____ 8 Current Year:_____ Budget Year: _____

DELIVERY DATES: Prior Year:_____ 9 Current Year:_____ Budget Year: _____

($ in Millions)

Cost:	Prior Yrs		PY-1		PY		CY		BY		BY+1		BY+2		BY+3		BY+4		TC		Total	
	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$
(PY-25 kits)					15	0.2	10	0.1														
(FY(CY) 10 kits)									10	0.2												
(FY(BY) - 15 kits)											5	0.1										
(FY(BY+1) - 25 kits)													10	0.2	15	0.3						
etc.																						
					15	0.2	10	0.1	10	0.2	10	0.2	20	0.4	15	0.3						

10

Installation Schedule

	PY	CY				BY				BY+1				BY+2				BY+3 etc.				TC	Total
		1	2	3	4	1	2	3	4	1	2	3	4	2	3	4	1	2	3	4		
In																						
Out																						

11

P-1 Line Item No X
(Page X of X)

Exhibit P-3a, Individual Modification
(Exhibit P-3a, page 2 of 5)

APPENDIX D

R-FORMS

Importance of Accurate, Consistent, Clear, and Complete Reporting

On September 5, 2007, the Government Accountability Office (GAO) reported to the Congressional Defense Committees that "DOD's Research and Development Budget Requests to Congress Do Not Provide Consistent, Complete, and Clear Information" (GAO-07-1058). Among other findings in the report were these four related directly to a review of 47 RDT&E budget exhibits from fiscal years 2006 and 2007:

- "…justification narratives were not clear or provided little or no additional information from the previous year's justification…. few programs provided accomplishments from the past year… [and] detailed narratives of planned activities for the current budget year."

- "…funding changes from year to year were inconsistently reported. In some cases they were provided at the PE code level and in other cases at the project level…. [some programs] failed to provide details of why these changes had occurred."

- "…budget exhibits did not always identify the connections and dependencies among related projects consistently as required by the FMR…. connections can be vital… a delay or failure in one program can mean a delay or failure in the related program."

- "…schedule profiles in the budget exhibits… did not provide a detailed display of major program milestones, acquisition approvals, or test and evaluation events."

DoD responded to the GAO findings with the statement that "The Department has a disciplined review process in place and will put additional emphasis on proper reporting of program progress and planned efforts."

Submission Frequency

The DoD FMR requires R-Forms to be submitted in support of the Component Budget Estimate Submission (BES) and the President's Budget submission to Congress. Specific submission requirements are discussed below.

A. Budget Estimate Submission: R-Forms support the Component's BES to OSD and must reflect the same program years as submitted in the approved BES update to the FYDP. These R-Forms are used by OSD staff and Office of Management and Budget (OMB) analysts to evaluate the Component BES during the Program Budget Decision (PBD) process; therefore they must be both accurate and informative in terms of explaining any apparent abnormalities such as schedule changes, contract slips, and low expenditure rates.

B. President's Budget (PB) submission to Congress: R-Forms are normally submitted in February after the PB is submitted to the Congress. The dollars and quantities on these R-Forms

must match the dollars and quantities in the President's Budget. Decisions in Congress may be made solely upon the content of these R-Forms; therefore, accuracy and stand alone data content is of paramount importance. Any changes from the previous President's Budget submission should also be briefly, but carefully, explained.

Required R-Forms

R-Form exhibits required for most programs include the R-2, R-2a, R-3, R-4, R-4a, and R-5 although some are required for only specified type RDT&E programs.

The following pages provide a description of these exhibits, instructions for entering information on the exhibits, and methods/techniques to analyze, scrub, and defend the programs identified on the R-Forms. Instructions are current as of the date of this teaching note. Check the DoD FMR, Volume 2B, Chapter 5 (http://comptroller.defense.gov/fmr/) for the latest R-Form instructions.

Some general instructions:

1. Exhibits should display the actual fiscal years rather than template entries (e.g. "FY 2010" rather than "BY" and "FY 2012" rather than "BY+1").
2. Budget justification material should be unclassified.
3. Component-generated exhibits can be used in lieu of the FMR exhibit templates as long as such exhibits contain all the information required.

R-Form Flow

The following Figure shows how information relates between the R-Forms.

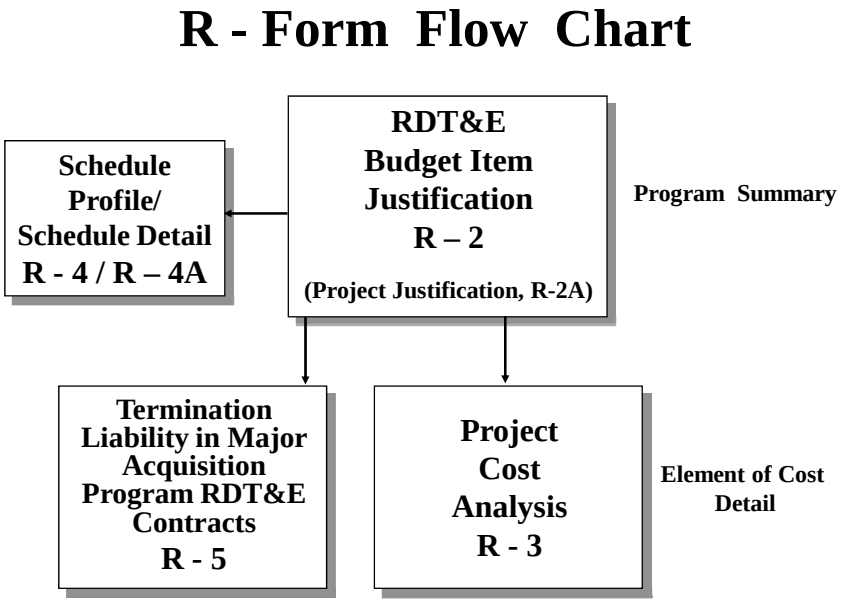


Figure 1

R-1 – RDT&E PROGRAMS

The R-1 exhibit is a listing, by program element, (budget "line items" for RDT&E are at the program element level) of Research, Development, Test and Evaluation requirements supporting budget requests submitted to Congress. Each program element defines a development effort (or efforts) with specific design, cost, schedule and capability parameters. All costs of basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, and lease/operation of RDT&E facilities and equipment will be included. The R-1 exhibit will also contain the following information: program element title and number; approved funding for the past year (PY), the current year (CY), budget year (BY); summaries by (1) Budget Activities and (2) FYDP Programs. R-1 Forms are prepared at the Component level and represent the total RDT&E requirements from each Component/Agency.

Handbook Usage

Examples of the R-Forms are provided in this order: R-2, R2a, R-3, R-4, R-4a, and R-5.

R-2 - RDT&E BUDGET ITEM AND R-2a - RDT&E PROJECT JUSTIFICATION

A. Purpose

These exhibits provide a narrative description of the RDT&E program and individual projects, accomplishments to date, summary funding information, and budget justification. An R-2 shall be prepared for each program element (PE). An R-2a shall be prepared for each project even if there is only one project and even if a project is funded only in a Prior Year (PY) and/or Current Year (CY), regardless of funding amount. To provide full funding visibility, every program, project, and activity **specifically added by Congress** to President's Budget Request (a.k.a. Congressional Adds) shall be identified within an Exhibit R-2a. The programs, projects, and activities may be treated as individual projects, grouped, but separately identified, in one or more "Congressional Adds" projects, and/or included within "core" projects. Classified material will be submitted separately. Required information includes:

Resource Summary: The R-2 shall include a fiscal resource summary total for the total PE and, if there is more than one project in that PE, a fiscal resource summary for each project in that PE. Ensure funding matches the RDT&E PRCP (R-1) data base lock position and that total costs for ACAT 1 programs are consistent with Selected Acquisition Reports (SAR). For ACAT 1D programs, identify Cost to Complete and Total Cost for the program and all projects; otherwise, the appropriate value shall be "Continuing." RDT&E Articles (R-2a only): Identify the test articles (engineering development models, test articles, low rate initial production test article, government furnished equipment articles, etc.) that are being procured and why. Test articles can be identified for a project and/or for activities identified in Accomplishments/Planned Programs.

Mission Description and Budget Item Justification: The R-2/R-2a will include a description and justification of efforts included in the PE/specific project. reflected in bullet narratives should match the total of PE (or project) funding. (see further guidance on sample R-2 and R-2a)

Program Change Summary: If there have been changes to the total funding, schedule, or technical parameters since previous President's budget, the Exhibit R-2 shall include a concise narrative summary explaining changes in the total PE for PY, CY and budget year (BY). Further adjustments will be broken out into the categories listed in section B. on the sample R-2 format.

Congressional Add Details (Exhibit R-2): Each Congressional Add will be identified separately by project and may be included as: (1) and individual project, (2) as groups in one or more "Congressional Add" projects, and /or (3) within "core" projects. The title (provided by Congress) and the funding for PY and CY will be listed in a bullet format. Congressional Adds should include only funding provided by Congress.

Change Summary Explanation: Provide a concise narrative summary explaining the changes in the total program element.

Accomplishments/Planned Program (Exhibit R-2a): Provide a concise narrative summary and associated funding for each project for PY, CY, and BY in a bullet format. The total funding reflected should match the total project funding.

Other Program Funding Summary (Exhibit R-2a): Development projects often lead to subsequent development phases, production, and military construction. Also, some projects may depend on concurrent development in other projects. These related efforts and the funding profiles for other appropriation efforts shall be identified by appropriation, budget activity, R-1 line item and program element, and P-1 line item title and number. If

there are funding dependencies among related RDT&E programs, then funding profiles for these related programs shall be included.

Acquisition Strategy (Exhibit R-2a): An explanation of acquisition, management, and contracting strategies shall be provided for each project. This section is not required for Budget Activities 1, 2, 3 and 6.

Major Performers (Exhibit R-2a): This data is required for the program budget review submission only.

Performance Metrics: Components shall use performance metrics to justify 100 percent of the resources requested in the BY. The Office of Management and Budget (OMB) has directed the use of the Program Assessment Rating Tool (PART) for some programs. Absent a PART or performance measures prescribed in other chapters of the FMR, the Components existing, or create new, performance measures. See sections 010109 (FMR Vol 2A, Ch 1) and 050302.A.6 (FMR Vol 2B, Ch 5) for additional guidance.

B. Common Errors

1. Program Element number, title, and project number are inconsistent with information on the R-1.
2. Math errors or other funding inconsistencies within a form. Also, funding *must* be consistent between the R-1, R-2, R-2a, and R-3. Check this!
3. Incomplete/inadequate description of the purpose (military requirement), planned efforts and accomplishments pertaining to the program element and/or project(s). Insufficient justification endangers program funding.
4. Changes in program funding or effort since the last President's Budget not explained.
5. Mission description or justification inconsistent with recent changes to the program.

C. Items To Check For Program Review

1. Mission description and justification must be easily understood by someone unfamiliar with the program or project. Misunderstandings can lead to loss of funding. Clearly explain the operational requirement the effort fulfills.
2. Ensure description is updated to reflect recent events. Reviewers read the Early Bird to keep up with programmatic events.
3. Description in sufficient detail to justify budgeted amount.
4. An apparent decrease in effort in the justification without a corresponding decrease in funding will draw attention and should be explained.

Exhibit R-2, RDT&E Budget Item Justification: BES/PB 20xx Service/Agency | **DATE:** Month/Year

APPROPRIATION/BUDGET ACTIVITY

Appropriation Code: Appropriation Name
BA Number: Budget Activity Title

R-1 ITEM NOMENCLATURE

Program Element Number: Program Element Title

COST ($ in Millions)	FY PY	FY CY	FY BY Base	FY BY OCO	FY BY Total	FY BY+1	FY BY+2	FY BY+3	FY BY+4	Cost to Complete	Total Cost
Total Program Element											
Project Number: Project Title 1											
Project Number: Project Title N											

Note

Identify when a Program Element or a Project: 1) is a new start, 2) was terminated/completed, 3) was previously funded, or will be funded, in a different Program Element, or 4) has had a Title change.
For Program Element or Project transfers, include the current and previous Program Element number and title, and Project number and title, if applicable.

A. Mission Description and Budget Item Justification

The R-2 shall include a general decription and justification of the efforts included in the program element.
The R-2A shall include a detailed description and justification of the efforts included in the specific project.Every Project shall include an R-2A exhibit; including where a Project is an aggregate of Congressional Adds. An exception may be to create an R-2 without an R-2A for Single Project PEs.
For ACAT 1D programs, identify Cost to Complete and Total Cost for the program and all projects; otherwise, the appropriate value shall be "Continuing".
An R-3 Exhibit must be provided for Budget Activity 4, 5, and 7 Programs.

B. Program Change Summary ($ in Millions)	FY PY	FY CY	Base FY BY	OCO FY BY	Total FY BY
Previous President's Budget					
Current President's Budget					
Total Adjustments					
Congressional General Reductions					
Congressional Directed Reductions					
Congressional Rescissions					
Congressional Adds (appropriated)					
Congressional Directed Transfers					
Reprogrammings					
SBIR/STTR Transfer					
Other Adjustment Title 1					
Other Adjustment Title N					

Congressional Add Details ($ in Millions, and includes General Reductions)	FY PY	FY CY
Project Number, Project Title 1		
Congressional Add Title:		
Congressional Add Title:		
Subtotal for Project 1		
Project Number, Project Title N		
Congressional Add Title:		
Subtotal for Project N		
Total for all Projects		

Change Summary Explanation

Exhibit R-2A, RDT&E Project Justification: BES/PB 20xx Service/Agency										DATE: Month/Year	
APPROPRIATION/BUDGET ACTIVITY Appropriation Code/ BA Number					R-1 ITEM NOMENCLATURE Program Element Number: Program Element Title					PROJECT Project Number: Project Title	
COST ($ in Millions)	FY PY Actual	FY CY Estimate	Base FY BY Estimate	OCO FY BY Estimate	Total FY BY Estimate	FY BY+1 Estimate	FY BY+2 Estimate	FY BY+3 Estimate	FY BY+4 Estimate	Cost to Complete	Total Cost
Project Number: Project Title											
Quantity of RDT&E Articles											

Project Articles are optional. If none are included, the Articles row is not required.
Article Quantities can be included at the Project level and/or Accomplishments/Planned Programs level.

Note

Identify when a Project: 1) is a new start, 2) was terminated/completed, 3) was previously funded, or will be funded, in a different Program Element, or 4) has had a Title change.
For Project transfers, include the current and previous Program Element number and title, and Project number and title, if applicable.

A. Mission Description and Budget Item Justification

Provide a Project overview. For BAs 1, 2 and 3, specify the technology area as defined in annual budget guidance.
Provide a description and justification. Identify the military requirement(s) that this Project will meet. Identify new start efforts for the budget year(s) within the Program Element and new start efforts since the previous President's budget. New start details shall be displayed on the R-2A rather than the R-2.

B. Accomplishments/Planned Program ($ in Millions, Article in Whole Units)".	FY PY	FY CY	Base FY BY	OCO FY BY	Total FY BY
Title: Accomplishment/Planned Program Title 1					
Articles					
Description:					
FY PY Accomplishments:					
FY CY Plans:					
Base FY BY1 Plans:					
OCO FY BY1 Plans:					
Total FY BY1 Plans:					
Title: Accomplishment/Planned Program Title N					
Articles					
Description:					
FY PY Accomplishments:					
FY CY Plans:					
Base FY BY1 Plans:					
OCO FY BY1 Plans:					
Total FY BY1 Plans:					

Provide a brief description using key terms of the Accomplishment and/or Planned Program. Include objectives, output or end product, and specific program name or major technology effort.
For BAs 1, 2, and 3 also include specific technology terms as defined in budget guidance or provided by the DDR&E.
Accomplishments/Planned Programs Articles are optional. If none are included, the row is not required.
Accomplishments/Planned Programs Descriptions are optional.

Congressional Add Details ($ in Millions, and includes General Reductions)	FY PY	FY CY
Congressional Add: Title 1		
FY PY Accomplishments:		
FY CY Plans:		
Congressional Add: Title N		
FY PY Accomplishments:		
FY CY Plans:		
Congressional Add Subtotal		

Exhibit R-2a, continued

C. Other Program Funding Summary ($ in Millions)

Line Item	FY PY	FY CY	Base FY BY	OCO FY BY	Total FY BY	FY BY+1	FY BY+2	FY BY+3	FY BY+4	Cost to Complete	Total Cost
Line Item #/Title											

Note: P-1 Procurement Line Item No./Name; C-1 MilCon Project No./Name; Related RDTE: PE Number/Name (it is not necessary to include the related RDT&E funding profile unless there is a funding dependency between the RDT&E programs).

D. Acquisition Strategy

Note: Acquisition Strategy is NOT required for BA 1, 2, 3, and 6.

E. Performance Metrics

Narrative description

F. Major Performers

Narrative description

Name	Description	Location	Award Date	Funding
Name	Description	Location	YYYY/MM	
Name	Description	Location	YYYY/MM	
Name	Description	Location	YYYY/MM	
Name	Description	Location	YYYY/MM	

Major Performers is required for the BES cycle only.

List major contractors, universities, colleges, government facilities, federally funded research and development centers, laboratories, centers, or other organizations contributing to this effort through BY 1.

List only those who were primary recipients of funds (e.g., received 15% or over $10 million, whichever is less).

Include name or titles, locations, and brief description of work performed. Include actual or projected award date (month/year).

Tabular data is optional, and can be included in addition to a general description.

R-3 RDT&E PROJECT COST ANALYSIS

A. Purpose

This exhibit provides detailed breakdown of project costs. Specific information required includes:

- Four sections for: Product Development; Support; Test and Evaluation; and Management efforts.

Product Development should include all efforts associated with the delivery of a fully integrated system that are in direct support of the system and essential to the development, training, operation, and maintenance of the system. Include all efforts directly supporting system development and delivery to include primary contracts, major component contracts, contracted services, in-house support, and government furnished property.

Support Costs should include efforts not directly associated with the delivery of the primary product, including technical engineering services, research studies, and technical support not related directly to product development or to testing and evaluation.

Test and Evaluation should include all efforts (other than those included within contracts or government efforts included above) associated with engineering or support activities to determine the acceptability of a system, subsystem, or component.

Management Services should include efforts associated with services provided in support of program office management and administration processes such as: program oversight, resource justification, budget and programming, milestone and schedule tracking. Federally Funded Research and Development Centers (FFRDCs) are in this category.

- A column which breaks down the project by WBS element or other cost categories used by project office in project execution.
- Columns associated with each WBS element/cost category which provide:
  - Contact Method and Type and Award Dates
  - Performing Activity and Location
  - Prior Year, Current Year, and Budget Year Costs
  - Cost to Complete, Total Cost, Target Value of Contract
- Some Components may require separate columns for Contractor and Project Office Estimates at Completion (EAC).

B. Submission Requirements

The R-3 exhibit is required for ACAT 1D programs funded in the Research, Development, Test, and Evaluation (RDT&E) appropriation Budget Activities 4 (Advanced Component Development and Prototypes), 5 (System Development and Demonstration) and 7 (Operational System Development). A separate R-3 exhibit shall be prepared for each project in an applicable R-1 line item. When applicable, DoDFMR 7000.14-R requires these additional comments on the R-3 exhibit:

1. Government Furnished Property. Property, such as hardware, software, or information, which the government is contractually obligated to furnish a contractor or government performing activity shall be identified. Provide a brief identification of the item to be provided, and the contractor or government activity providing the item. Provide estimated date that the government furnished property will be provided to the requiring contractor or activity. Provide the name of the requiring contractor or activity.

2. Award Fees. Identify amounts budgeted for award fees and indicate contractor performance and percentage of award fees actually awarded in past award fee periods.

3. Total Cost. Provide a comment in the Remarks section when the Project Office Estimate at Completion (EAC) differs from the total cost. Also provide a comment when the Performing Activity EAC differs from the Project Office EAC.

4. Target Value of Contract. Identify the target value of the contract and explain those cases where total cost differs significantly. For example, if the budget is at ceiling value of the contract vice target value or if budget is "program manager's best estimate" vice target value, then explain.

C. Items To Check For Program Review

1. Numbers must add up and funding must be consistent with the R-1 and R-2.
2. "Cost to Complete" numbers are carefully scrutinized. Ensure numbers are consistent with information in other submissions to OSD and Congress. If both the contractor and Project Office EACs are higher than the budget to complete, expect some questions.
3. Review contract information for inconsistencies between contract type/method and your funding profile.

A sample R-3 exhibit follows.

Exhibit R-3, RDT&E Project Cost Analysis: BES/PB 20xx Service/Agency														DATE: Month/Year
APPROPRIATION/BUDGET ACTIVITY Appropriation Code/BA Number						R-1 ITEM NOMENCLATURE Program Element Number: Program Element Name								PROJECT NAME AND NUMBER Project Number: Project Title
Product Development ($in Millions)				FY CY		FY BY Base		FY BY OCO		FY BY Total				
	Contract Method & Type	Performing Activity & Location	Total Prior Years Cost	Cost	Award Date	Cost	Award Date	Cost	Award Date	Total Cost	Cost To Complete	Total Cost	Target Value of Contract	
Cost Category Item 1	See notes below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Cost Category Item N	See notes below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Subtotal:														
Remarks: Typical Cost Categories are: Primary Hardware Development, Ancillary Hardware Development, Systems Engineering, Licenses, Tooling, GFE, and Award Fees.														
Support ($in Millions)				FY CY		FY BY Base		FY BY OCO		FY BY Total				
	Contract Method & Type	Performing Activity & Location	Total Prior Years Cost	Cost	Award Date	Cost	Award Date	Cost	Award Date	Total Cost	Cost To Complete	Total Cost	Target Value of Contract	
Cost Category Item 1	See notes below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Cost Category Item N	See notes below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Subtotal:														
Remarks: Typical Cost Categories are: Development Support, Software Development, Training Development, Integrated Logistics Support, Configuration Management, Technical Data, and GFE.														
Test & Evaluation ($in Millions)				FY CY		FY BY Base		FY BY OCO		FY BY Total				
	Contract Method & Type	Performing Activity & Location	Total Prior Years Cost	Cost	Award Date	Cost	Award Date	Cost	Award Date	Total Cost	Cost To Complete	Total Cost	Target Value of Contract	
Cost Category Item 1	See notes below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Cost Category Item N	See notes below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Subtotal:														
Remarks: Typical Cost Categories are: Developmental Test & Evaluation, Operational Test & Evaluation, Tooling, and GFE.														
Management ($in Millions)				FY CY		FY BY Base		FY BY OCO		FY BY Total				
	Contract Method & Type	Performing Activity & Location	Total Prior Years Cost	Cost	Award Date	Cost	Award Date	Cost	Award Date	Total Cost	Cost To Complete	Total Cost	Target Value of Contract	
Cost Category Item 1	See notes below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Cost Category Item N	See notes below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Subtotal:														
Remarks: Typical Cost Categories are: Contractor Engineering Support, Government Engineering Support, Program Management Support, Program Management Personnel, Travel, Labor (Research Personnel), and Overhead.														
				CY Cost		Cost		Total Cost	Cost	Total Cost	Cost To Complete	Total Cost		
Project Total Cost:														
Remarks:														

An R-3 Exhibit shall be provided for BudgetActivityNumber 4, 5, or 7 PEs.
The Project Total Cost shall equal the Project Cost on the R-2A.
Contract Method may be any one of: C, SS, TBD, or Various.
Contract Type may be any one of: CPAF, DPFF, DPIF, FP, FFP, FPI, TBD, or Various.
Funding Vehicle may be any one of: Allot, BPA, FFRDC, MIPR, PO, Reqn, RO, TM, or Various.

General guidance for "Remarks" boxes: Explain any unusual items, differences between Total Cost and Contract Target Value, and differences among EACs or between EACs and Total Cost.

R-4 RDT&E Program Schedule Profile and R-4a RDT&E Program Schedule Detail

A. Purpose

The R-4 and R-4a exhibits provide a display of applicable milestones and other programmatic events significant for covered programs and projects.

B. Submission Requirements

The R-4 series exhibits are required only for all programs or projects funded in the Research, Development, Test, and Evaluation (RDT&E) appropriation Budget Activities 4 (Advanced Component Development and Prototypes), 5 (System Development and Demonstration) and 7 (Operational System Development). Separate R-4 and R-4a exhibits are to be prepared for each project in an applicable R-1 line item. If a program element (PE) is not divided into projects, then the PE itself is defined as a project for purposes of submitting the R-4 and R-4a exhibits; in such a case, the exhibits apply to the entire PE.

- For the Schedule Profile (R-4), the schematic display of major program milestones should reflect engineering milestones, acquisition approvals, test and evaluation events, and other key milestones for program events. The schedule should cover not only the budget years but also the program years. Stub entries for the form should be tailored to the events and activities of the reported program or project (i.e., entries on the sample form are for sample purposes only). Congressional 'staffer day' briefing formats are acceptable. Software for this display should be embedded for web site formatting.
- For the Schedule Detail (R-4a), there should be a tabular display of the major program milestones identified on the R-4 as well as any additional programmatic events that contribute to and support the schedule profile identified on the R-4.

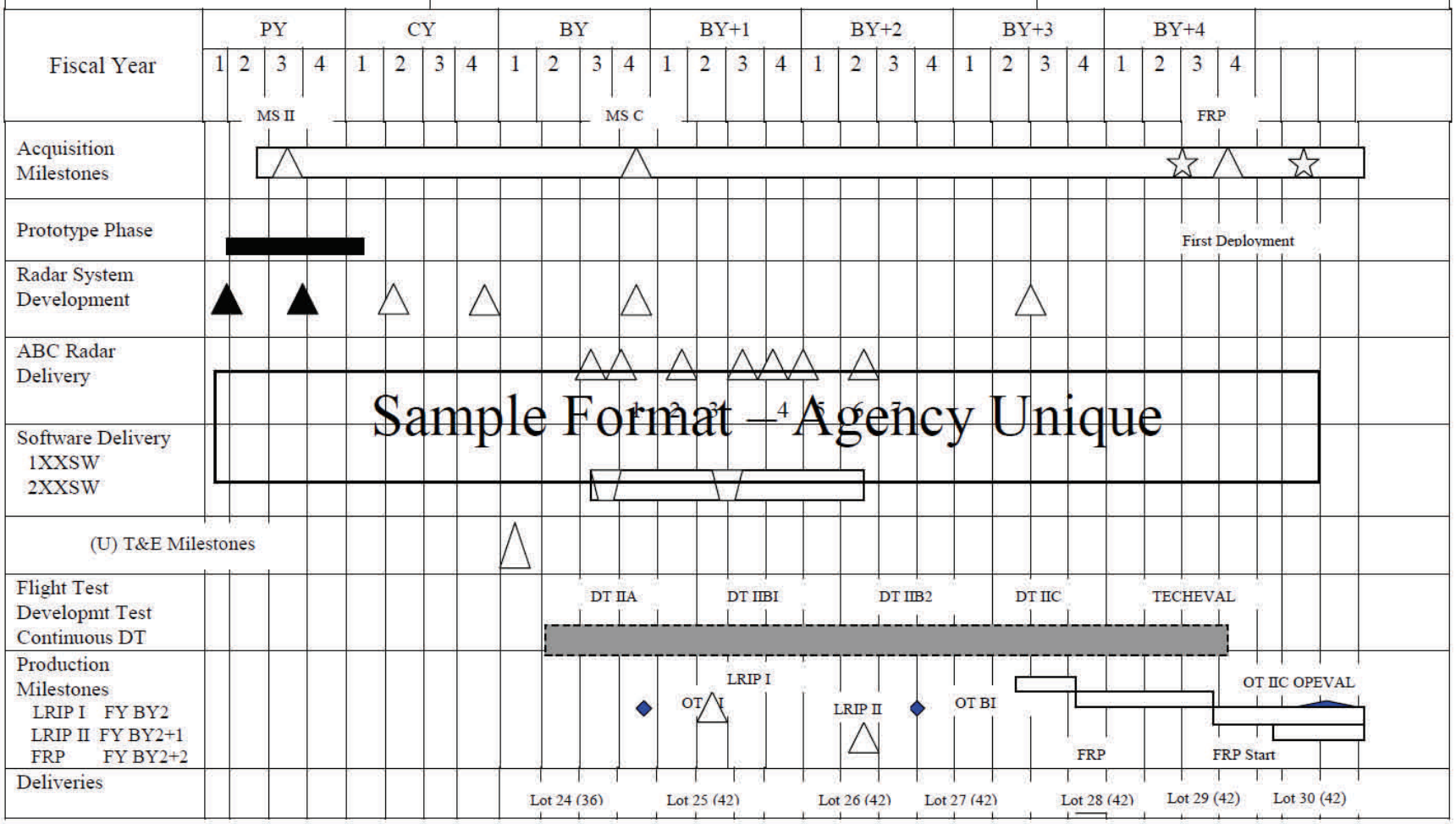
C. Items To Check For Program Review

- Ensure the correct month and year of submission (appropriate for the purpose for which the exhibits are being submitted) are shown in the date block.
- Identify the appropriation and budget activity; the budget activity must match the RDT&E service annex and the data base lock position.
- Identify the program element number and nomenclature on each page of the exhibits.
- Identify the project (if there is one) number and nomenclature on each page.
- Ensure consistency between the purpose of funds requested in the other exhibits and the events identified in the R-4 and R-4a exhibits.

Sample R-4 and R-4a exhibits follow.

Exhibit R-4, RDT&E Program Schedule Profile	Date: (Month and Year)

Appropriation/Budget Activity	Program Element Number and Name	Project Number and Name



Sample Format – Agency Unique

R-1 Line Item No. XX

Exhibit R-4A, RDT&E Project Cost Analysis: BES/PB 20xx Service/Agency		**DATE:** Month/Year
APPROPRIATION/BUDGET ACTIVITY	**R-1 ITEM NOMENCLATURE**	**PROJECT NUNBER AND Title**
Appropriation Code/BA Number	Program Element Number: Program Element Title	Project Number: Project Title

Schedule Details

	Start		End	
Event	**Quarter**	**Year**	**Quarter**	**Year**
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY

Within a Schedule Detail, the Start and End elements must be chronologically correct (value of Start <= value of End).
Within a Schedule Detail, the Start and End elements cannot refer to years before the PriorYear and after the last budget year (BudgetYear 5).

R-5 Termination Liability in Major Acquisition Program RDT&E Contracts

A. Purpose

The R-5 exhibit provides information about funds budgeted for termination liability within ACAT I (Major Defense Acquisition Programs - MDAPs) RDT&E programs. Guidance for budgeting for termination liability on incrementally funded RDT&E contracts is found in Volume 2A, Chapter 1, Section 010214 of the FMR. This exhibit is to be submitted as part of the Budget Estimate Submission (BES) but is not required for the Congressional justification materials that accompany the President's Budget.

B. Submission Requirements

The R-5 exhibit is required only for ACAT I Programs with RDT&E funding. The exhibit is to indicate – by fiscal year – the dollar amount of funds budgeted for termination liability of RDT&E contracts for such programs. If termination liability funding is not budgeted, the reporting Component is to provide a copy of the appropriate waiver authority along with the R-5 exhibit submitted as part of the BES. For programs with waiver authority, the reporting Component is to identify – by fiscal year – the amounts specified in the contract.

A sample R-5 exhibit follows.

Exhibit R-5, RDT&E Budget Item Justification: BES/PB 20xx Service/Agency					**DATE:** Month/Year		
APPROPRIATION/BUDGET ACTIVITY Appropriation Code/ BA Number					**R-1 ITEM NOMENCLATURE** Program Element Number: Program Element Name		
COST ($ in Millions)	**FY PY Actual**	**FY CY**	**FY BY**	**FY BY+1**	**FY BY+2**	**FY BY+3**	**FY BY+4**
Program Termination Liability							
Remarks:							

For all ACAT I programs with RDT&E funding, indicate the funds, by year, budgeted for termination liability
If not budgeted, provide the appropriate waiver authority.
For programs with waiver authority, identify the amounts on the contract, by year.
This exhibit is to be submitted for the Budget Estimates Submission only and is not required for the congressional justification materials.
Note: Statutory Waivers. The Department is not required to budget for, or obligate funds sufficient to cover, termination liability in connection with an incrementally-funded RDT&E contract if Congress has expressed exempted the program or contract from that requirement. When this situation arises, however, the budget exhibits for the program shall clearly indicate the value of the unfunded termination liability by year for the current year, budget year, and the out years covered by the FYDP. (DoD Financial Management Regulation Volume 2A, Chapter 1, October 2008)

APPENDIX E

OPERATION AND MAINTENANCE (O&M) EXHIBITS

In addition to Procurement and RDT&E exhibits, a number of other exhibits are required for inclusion in budget submissions to the Office of the Secretary of Defense (OSD) and to Congress (President's Budget). O&M exhibits, or O-Forms, provide back-up budget justification information, many for areas of special interest to OSD and/or Congress. O-Forms are prepared centrally at the Component headquarters level based on information provided by subordinate commands. Subordinate commands may be asked to provide additional information when required by their Component. O-Forms provide budget data similar to that provided by P-Forms and R-Forms for areas such as civilian personnel, training, fuel and energy consumption, communications, and depot maintenance. O-Forms generally of concern to the acquisition community are the O-1, O&M Funding by Budget Activity/Activity Group/Subactivity Group; OP-5, Detail by Subactivity Group; OP-8, Civilian Personnel Costs; OP-14, Individual Training Data; and OP-30 Depot Maintenance Program. Similarly to P-Forms and R-Forms, O&M exhibits that are ambiguous, erroneous, or inconsistent may contribute to programmatic decisions made in error.

Instructions on completing the various O-Forms are provided in the DoD FMR, Volume 2A, Chapter 3. These instructions are available from the Internet version of the FMR available at http://www.defenselink.mil/comptroller/fmr/.

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