

UNITED STATES MARINE CORPS
Supply School
Marine Corps Combat Service Support Schools
Training Command
PSC 20041
Camp Lejeune, North Carolina 28542-0041

STUDENT OUTLINE

BUDGET FORMULATION

GSOC 0402

GROUND SUPPLY OFFICER'S COURSE

M03C061

REVISED 20040604

APPROVED BY: _____

DATE: _____

1. **LEARNING OBJECTIVES.**

a. **TERMINAL LEARNING OBJECTIVE.**

(1) Given local budget guidance from the comptroller, commodity manager's resource requirements, Budget Execution Activity (BEA) management reports, past spending history, previous year's annual and midyear budget, budget documentation, access to an automated system with applicable software and internet connectivity, and the references; prepare an annual budget per the references. (3002.03.01)

b. **ENABLING LEARNING OBJECTIVES.**

(1) Without the aid of references and given a written situation, identify in writing, the two types of funding authorization categories per the NAVMC 2664. (3002.03.01a)

(2) Without the aid of references and given a list of customer demand, select from a list, which demands are purchases using Planning Estimate (PE) funds or Requisition Authority (RA) funds per the references. (3002.03.01b)

(3) Without the aid of reference, identify in writing, the month in which a Mid-Year Review is conducted per the references. (3002.03.01c)

(4) Without the aid of reference, identify in writing the six major steps in formulating a budget per the references. (3002.03.01d)

(5) Without the aid of reference, identify in writing, the purpose of each of the six major steps in formulating a budget per the references. (3002.03.01e)

(6) Without the aid of reference, identify in writing, three documents you will use to fully assess the needs of a unit for an upcoming fiscal year per the NAVMC 2664. (3002.03.01f)

(7) Without the aid of reference, identify in writing whose non-written guidance will determine a units spending priorities per the NAVMC 2664. (3002.03.01g)

(8) Without the aid of reference, identify in writing, the four steps that must be completed before a budget can be submitted to the Commanding Officer for approval per the references. (3002.03.01h)

1. FUNDING FLOW FROM HEADQUARTERS MARINE CORPS.

a. Annually, Congress appropriates funds to all of the services in order to provide for the personnel, training, and equipment needs identified for the year. As such, a pipeline exists for that money to filter down to you, the using (unit) supply section.

b. Marine Forces Atlantic/Pacific will receive their respective funding and pass along the allocated monies to the subordinate Marine Expeditionary Forces (MEF's). At this stage, the operating force portions are divided up and earmarked for their destination accounts.

c. At the Major Subordinate Command (MSC) level, the monies are specified by using unit account and electronically inducted to provide for the needs of the identified units.

d. Financial management chain of command. As opposed to an operational chain of command, the financial side runs a different course. Starting from the your highest operational level:

- (1) HQMC
- (2) LANT/PAC Comptroller
- (3) MEF Comptroller
- (4) MSC Comptroller
- (5) Regt./MAG SupO
- (6) Unit SupO/SupChief
- (7) Unit Fiscal Clerk

e. What's the point of knowing this? You need to understand that while you have certain command responsibilities for reporting, the above pipeline clarifies where your fiscal guidance and plans of action will come from. Always remember though that your operational level commanders need to remain in the loop in order to assure you of the proper support for funding issues as well as providing the internal guidance essential in formulating and executing your unit's budget.

2. YOUR ROLE AS THE UNIT FUND MANAGER.

a. **Defined.** The fund manager is a department, battalion, regiment, staff section, etc... that receives a funding authorization from the commander. The MSC comptroller provides oversight.

b. **Appointment.** The unit commander appoints the fund manager, in writing. Within the appointment letter, the responsibilities and duties will be clearly identified.

c. **Legal responsibility.** According to NAVMC 2664, Financial Guidebook for Commanders page I-2&3, the commanding officer maintains the ultimate legal responsibility for administration and execution of the unit's annual budget. As the fund manager you maintain functional responsibility for the daily processing, tracking, reconciliation, and creation of the unit's budget. As such you inherit many additional duties beyond the usual management of a using unit supply account. These include:

(1) Compiling and executing the budget in accordance with the financial plan for the current fiscal year.

(2) Monitoring the execution of the financial plan for all fiscal years available for obligation and five additional years thereafter.

(3) Preparing source documents.

(4) Recording accounting transactions into the financial system.

(5) Reconciling the accounting system with source documents on a cyclic basis.

(6) Maintaining financial records and source documents IAW DOD 7000.14-R DODFMR VOL. 1, CH. 9.

(7) Identifying and providing information to the comptroller on Unmatched Disbursements (UMD's) and Negative Unliquidated obligation's (NULO's) on error and exception listings.

(8) Conducting Unliquidated Obligation (ULO), Outstanding Travel Order (OTO), and Undelivered Order's (UDO) validations. Reference: MCO P7300.21 pg. 1-4

3. **THE COLOR OF MONEY.**

a. Military money isn't quite like civilian money; green, embossed with a government official's face, and showing its worth. Military money comes in several shapes, sizes, colors, and uses. As such, a basic understanding of our "colors of money" will assist you in determining how to fund operations and equipment, and simplify the accounting process when you have to reconcile your budget with the comptroller.

(1) Everyday money:

(a) **GREEN DOLLARS.** These dollars are your "bread and butter." They are the funds used for unit exercises, replacement of allowance items and additional demands, trips to the self-service center, and open purchases. This money is uniquely Marine Corps. The term *Operations and Maintenance, Marine Corps* (O&M, MC) is frequently used to identify this pot of money.

(b) **BLUE DOLLARS.** These dollars are used by all United States Navy activities, and Marine Corps aviation activities. Your use of this pot of money is strictly limited to operations in *direct support* of Marine Corps aviation organizations. Should you have access to this money, remember, it WILL NOT fund your unit's self service and open purchase requirements, unless they specifically support the aircraft. Your major subordinate command (MSC) comptroller will notify you of any blue dollars used by your unit.

(c) **PURPLE DOLLARS.** These dollars are also called "*Joint dollars.*" Joint money is used for operations conducted by multiple services or nations. Your MSC comptroller will notify you of any purple money to be used in an operation. They will assign all Cost JONs and provide you with very specific guidance on when and how to use the money. Additionally, the reporting requirements once the mission is over will be more detailed.

(2) What type of funding to use:

(a) **REQUISITIONAL AUTHORITY (RA).** A statistical dollar amount available for use in requisitioning all supply system items. RA, often referred to as "*soft dollars*", is spent through the use of Cost JONs via the intermediate level of supply support.

(b) **PLANNING ESTIMATE (PE).** A "*hard dollar*" amount provided to you for use in purchasing via the internet, self-service, non-supply system items, or other expenses when the payment to seller will be immediate. PE has greater flexibility due to its immediate availability to the buyer. However, this pot of money carries a greater administrative burden, as purchases made through PE are not usually refundable.

(c) **MERGING THE TWO.** Colors and types are interchangeable. Regarding formulation of your budget, you will focus on *green dollars* for both RA and PE.

(3) What my spending categories are called:

(a) **SUB ACTIVITY GROUP (SAG).** The SAG identifies into what major category of spending the money was obligated. For example, SAG 70 refers to Maintenance of Equipment, while SAG 77 deals with Replenishment and Replacement.

(b) **BUDGET EXECUTION ACTIVITY.** The using unit below the MSC level, with authority to obligate funds in the conduct of operations, maintenance and any other approved purchases as directed by HHQ. The code assigned to your unit is determined by the MSC Comptroller and is letter/number (F2) for RA, and number/number (26) for PE.

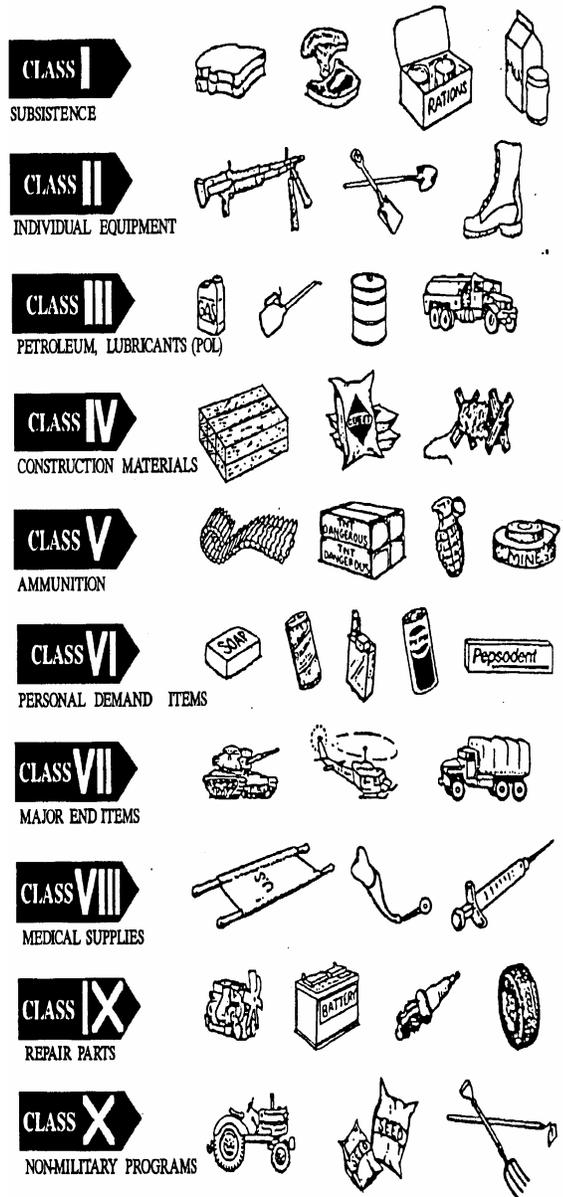
(4) **BUDGET EXECUTION SUB-ACTIVITY.** The BESA is a two number designator for each of your sections/commodities within your unit. They are used to signify what section/commodity spent the funds designated, to ensure the proper debiting of their account by DFAS Kansas City. Examples include 05-S-1, 10-S-2.

b. **What Type of Funding?**

All Classes of Supply are requisitioned or procured through various systems. It is important to remember that when requisitioning supplies, you are able to identify the type of funding required to make the purchase. In addition, you will also see that some requirements are neither funded by RA or PE funds, these items are N/A and are therefore funded by Headquarters Marine Corps.

Examples of types of funding used:

Class I - MREs	N/A
Class II - 782 Gear	RA
Class III- POL	PE
Class IV -Engineer Stakes	PE
Class V - 50 cal rounds	N/A
Class VI - Diapers	PE
Class VII - M1A1 Tank	N/A
Class VIII - Medical Kits	RA
Class IX - Alternator	RA
Class X – Tractor equip	PE



4. FINANCIAL CYCLE.

a. As the commanding officer's financial manager, your responsibility is to ensure adequate funds are available to support all training, equipment readiness, and organizational support requirements identified. This is an ongoing process which officially starts on **1 October**, the start of the **FISCAL YEAR (FY)**. The fiscal year concludes on **30 September** of the following year.

b. The fiscal year is broken into four quarters; 01 October thru 31 December (First Qtr), 01 January thru 31 March (Second Qtr), 01 April thru 30 June (Third Qtr), and 01 July thru 30 September (Fourth Qtr).

c. Significant events occurring throughout the quarters include, **INITIATION** of annual spending plan (October). **MID-YEAR REVIEW** (February). **BUDGET CALL FROM HIGHER HEADQUARTERS** (June). **FISCAL CLOSEOUT** (September).

d. If you haven't been working to prepare for the next annual budget submission, June becomes a very busy time for you. In mid-June, the comptroller's office will publish your unit's **FY-XX (O&M, MC) BUDGET CALL**. This is the official beginning of the budget formulation process.

e. Upon completing the formulation steps, receiving the commanding officer and comptroller's approval, and Congressional authorization, the spending phase will take over. During this timeframe you're executing the budget and beginning to prepare for the next most significant event in the fiscal year; mid-year review.

f. Mid-year review is your first formal opportunity to address funding shortfalls and submit a request to the comptroller to provide increased funding. Typically, the shortfalls result from an increased operational tempo, higher than normal wear and tear on organizational equipment, or the command's identification of non-mission critical support issues, i.e. additional T/E equipment, and/or replenishment of pre-expended bin stocks. The mid-year review is conducted in the month of February.

g. Funding is not guaranteed at the mid-year review conference. Timely submission of well-constructed proposals, backed with solid quantitative data or evidence of operational tasks that, if not funded, will impair operational readiness, will give your proposal the best chance possible of being approved. Communication with the MSC comptroller's office prior to the start of the mid-year review process may result in targeting funding requests in such a way as to say what the comptroller "wants to hear." Although the mid-year review process is the formal time for seeking additional funding, as your requirements change, your unit can submit funding requests to the comptroller's office for approval.

h. Following the budget call of the third quarter, fiscal closeout becomes your last great challenge for the current FY. At this time, the comptroller will have directed you to meet specified spending goals, leading up to a 100% obligation rate, in order to prevent their withdrawing your remaining funding. However, during this same fourth quarter period, additional funding typically becomes available as the comptroller seeks to get their MSC up to 100% obligated. We'll discuss, in greater detail, how to prepare for midnight spending requests from the comptroller.

i. The best remedy for getting caught off guard and missing a spending opportunity is to continually identify deficiencies or enhancements to your unit which, if funded, will improve readiness, reduce T/E deficiencies, or provide a cushion in conducting commanding officer mandated operations, at the end of the fiscal year.

5. **STEPS IN BUDGET FORMULATION.**

As mentioned before, building the budget is a continuous process. To assist you in logically and efficiently completing this task, the following steps are provided:

- Acquire the right tools
- Build the trial budget
- Staff the trial budget
- Incorporate section changes/finalize budget
- Obtain Commanding Officer's approval
- Obtain MSC Comptroller's approval

6. **ACQUIRING THE TOOLS.**

Having the right tools for the job is a commandment as old as knowing your enemy's habits better than they do. In budget formulation, the same applies. Instead of someone aiming in your direction with a loaded weapon, they're shooting funding reductions or increases. It's your responsibility to prepare, and be ready, for the call to submit the following years budget. In order to do that you need to know what the "right tools" are. The following will provide a solid framework from which you can formulate a spending plan that your unit can live with and you can execute.

a. **Past budgets.** Pulling from history your unit's budgets covering the previous one or two fiscal years provides a deep enough base from which to pull the final allocations for those years, any spending increases or reductions, and a snapshot listing of how the quarterly breakdowns were decided. Since these are matters of fact and not opinion, they are definitive resources from which to begin formulating the future year budgets.

b. **Marine Corps Training, Exercise & Employment Plan (MCTEEP).** Obtaining the MCTEEP from your S-3, going back at least two years, and projecting ahead into the following year, will provide you with the bones from which to hang the money meat. The MCTEEP is the "where" in your spending plan. As such, it shows you

the spikes and dips in spending, as well as those occasions when higher headquarters elements funded your unit's training or deployments. The MCTEEP is especially significant if your unit is projected to engage in the unit deployment program (UDP) or a Marine Expeditionary Unit (MEU) operation.

c. **Fiscal Year XX Budget Call.** Every year, typically in June, the major subordinate command (MSC) comptroller will publish their requirement for your unit to submit funding requirements for the following FY. They will provide you with the dollar amount authorized for the current year and mention any funding considerations to factor in, e.g. mandatory reductions due to funding shortages, anticipated exercises funded by the units, etc.... If you belong to a regiment or MAG, you will receive the comptroller's guidance attached to the regimental supply officer's guidance. The regimental/MAG supply officer will provide details of your projected spending authorizations for the following year, since the regiment actually controls the dispersion of funds to the subordinate battalions. Separate battalions directly receive the comptroller's guidance.

d. **Standard Accounting Budgeting Reporting System (SABRS) Reports.**
Using 3270 or your history files, you will pull the appropriately numbered SABRS reports that reflect year to date expenditures, covering the major categories of spending you are required to track. The following reports will be used for Formulation: DFBR 029/30, 031/32, PRTFLSOC.

e. **Commander's Guidance.** **The only non-written source for your budget formulation package will be from the commanding officer.** You need to brief the CO prior to the receipt of the budget guidance and obtain his thoughts on the priorities for the upcoming year. Before an audience with the CO, do your homework and have the previous years' spending plan, TEEPs' both current and past, and any other significant correspondence available. These tools will assist you in briefing the CO on where you're at and giving him a clear focus on where the unit can go in the future.

7. **BUILDING YOUR INITIAL BUDGET.**

Once you've filled up your "tool box," The second phase constitutes the actual construction of your trial or draft budget.

a. Where do I start? The first step in preparation was to gather all of your tools. Now step two: As the supply officer you need to establish a timeline. This is done through backward planning, the most effective method, and one frequently used in all facets of the Marine Corps:

- (1) Date budget due to Comptroller
- (2) Date final draft to Commanding Officer
- (3) Date final draft reviewed by S-4/XO.
- (4) Date section critiques/input due
- (5) Date draft budget submitted to section
- (6) Date draft budget completed by Supo/SupChief

- (7) Date staff meeting scheduled for distribution of draft budget
- (8) Date source information collected by
- (9) Date budget call received from regiment/division
- (10) Date budget call expected from regiment/division

b. Put together your spreadsheets. By creating visual depictions of what you believe your budget will look like for the next year, you're providing two things; an easy to read slide for your sections to see, and a graphic portrayal of any problems you might have missed in the research phase. Graphs say a lot with just a few words.

c. The percentage (%) technique. While many mathematical programs exist on the free market and within the creative minds of supply officers and chiefs, by far the simplest and most time efficient method is the percentage technique. No Marine Corps order exists mandating this but it's proven, consistent, and available.

(1) Pull out last fiscal year's annual budget, by PE and RA. Refer to the SABRS reports *DFBR029, 030, 031, 032, PRTFLSOC* for the separate listings.

(2) Build a chart providing a section breakdown by amount spent and % of total for both categories. Make a photocopy for use in drafting the new budget.

(3) Enter the total dollar amount authorized for each section in column identified by Quarter.

(4) Using a calculator, divide the amount each section received by the total dollar amount authorized for the unit.

(5) Enter the percent obtained, in the column entitled *%/TOT*.

(6) Using the blank copy created in *part ii*, pencil in the projected budget, according RA or PE at the bottom.

(7) Multiply the converted percentage obtained in *part viii* by the total dollar amount in RA or PE in order to obtain the projected allocation for the next fiscal year.

d. **Graphing What You've Created.** As noted by the slide, you can depict the relative expenditures of your unit's sections in a variety of ways. The slide serves as a quick reference for your sections should any of them question why they're receiving the dollar amount you project, once they're provided the draft budget.

Another method of portraying your unit's budget execution is by creating a quarterly breakdown by event, plugging in all unit events. Charting events By charting the events your unit is slated to conduct this coming year, you have a visual depiction of the probable spending highs and lows.

e. **Accounting For Unfunded Deficiencies.** Within every organization are "wants" that exceed "needs." These "wants" become unfunded deficiencies. An easy way to visualize this is to provide another column on your spreadsheet, by section, that shows what a particular section asked for, and what, if any money, it received. This will form a solid basis for the sections to update, revise, or eliminate, previously identified deficiencies.

8. **CREATING THE TRIAL BUDGET.** Armed with your charts and graphs it's time to build next years budget. You've already produced the spreadsheet depicting the relative percentages, graphed out how the unit will operate next year, and looked at wants vs. needs. These documents each section will be allocated. An allowance is made for dates at this time in order to simplify the process and provide you with a solid foundation. Taking the figures from your future year budget, build a graph that shows the sections where their money will go for the next year. You can attach a cover letter to the charts created giving some background and guidance.

9. **STAFFING YOUR TRIAL BUDGET.**

If you've done your homework, laid a solid foundation for review by the staff, and clearly communicated your intent by their review, then this phase should be quick and painless. This constitutes phase three in the budget formulation process. The efficiency of effort by your unit is directly related to the preparation by yourself and your supply chief.

a. **Setting the meeting time.** Work closely with your S-4 and XO, you can drive the timing of the budget staffing meeting, as well as enforcing the timelines for return of the budget and submission of any new funding requests. A solid briefing to the S-4 and XO, at least a week prior to the scheduled meeting will provide the support and command emphasis you seek. The following steps will assist in properly staffing the trial budget:

- (1) Contact the S-4/XO to schedule the internal budget-staffing meeting.
- (2) The guest list should include: *Xo, S-Shops, Company Commanders, Commodity OIC/SNCOIC'S, Supply Officer & Chief, Fiscal NCO.* "Actuals" need to be there vice representatives, as this will dilute the effectiveness of the meeting.
- (3) Show the S-4/XO your budget and slides prior to the meeting.
- (4) Clear your calendar for the day of the meeting. This is THE event for you on that day.

(5) Ensure the room is arranged, enough copies of the budget are present, and the media is working.

(6) Draft notes to assist in presenting the historical budget and projected new budget.

(7) Own the meeting! It's your only opportunity to set the tone for the sections reviewing their portion and providing input to make a solid budget for approval by the Commanding Officer.

(8) Emphasize two types of costs that Supply Officer's/Chief's must account for: **Fixed and discretionary costs.**

(9) Keep the meeting to less than one hour. Their attention span for fiscal mumbo jumbo won't last past that.

(10) Speak in everyday English. Avoid all of the supply acronyms. They'll get frustrated and not pay attention.

(11) Hold all questions until you've had a chance to brief the entire proposal. Once you've given your guidance, entertain their questions. This will reduce the lost train of thought syndrome and prevent tangents that are geared to the needs of only a particular section.

(12) Emphasize, and provide an example, of the proper submission of new unfunded deficiencies.

(13) Upon conclusion of the meeting, establish a firm cutoff date for return of budgets with comments and funding requests. Adherence to this timeline will provide you sufficient opportunity to modify the budget and incorporate any newly recognized needs for the unit.

b. **Compiling the unit's input.** Once you've received your section's input, or when time is up, whichever comes first, your next job is simply to take their input, measure it against any known funding limitations, i.e. contractual obligations, mandatory sources of supply, restricted purchases, newly fielded equipment, etc...and modify the budget accordingly. The following steps should make this phase quick and painless:

(1) Check off all sections submitting recommendations/changes.

(2) Validate their responses against specific guidance from the commanding officer and comptroller. Specifically look for illegal or unauthorized purchases.

(3) Review their unfunded deficiency justifications. Ensure they are clear, simple, and articulate the negative effects on their section or the entire unit, if not funded.

- (4) Revise your trial budget.
- (5) Submit the revision to the S-4/XO.

10. **CONSTRUCTING THE FINAL BUDGET.**

At this stage, your budget should be comprehensive, explainable, and most of all, concise for a commander to understand. Nothing will hurt your case more than to mumble incoherently at your CO about a budget for which you don't have the majority, if not all the answers to his questions. First and foremost, ensure his guidance was adhered to. In the event any deviations occurred, this is where the support of the S-4/XO comes into play. They can deflect blasts at you and assist in discussing that the "commander's intent" was met, if not the letter of his intent.

a. **Materials for the CO.** Nothing aggravates a CO more than to be bombarded with paper assembled in a haphazard fashion, without explanation, and lacking clarity. Based on your knowledge of your CO, the briefing for his approval should take less than 30 minutes. More than that it is probably an indication that he/she has lost interest in what you're talking about.

- (1) The comptroller's budget call guidance.
- (2) Clean, grammatically correct, copy of the proposed budget, broken down by PE/RA, SAG, BESA. This will involve three separate spreadsheets. Don't mash together into one giant spreadsheet.
- (3) Listing of all unfunded deficiency proposals submitted by the sections.
- (4) Maintain, in your own folder, graphs depicting all of the above information. If your CO is a visual learner, he/she may only want the graphs and not the spreadsheets. This is your call. You work for them.

b. **Briefing the CO.** Most commanders want the condensed version. Don't freely volunteer every fact, challenge, deficiency, field exercise, etc...for the upcoming year. They already know the calendar. Provide them with a brief introduction to the process you went through, emphasize any spending limitations/increases the comptroller provided, highlight significant spending events, and then step back and open the floor to the CO for questions.

c. **Obtaining CO's Signature.** You have **Gather the tools, built the budget, staffed the budget and revised the budget.** Now it is time to obtain the CO's signature. Once he has had a chance to review your budget, pending any questions or revisions he wants, your budget is ready for signature. Once obtained, make two copies, one for your files, and one for the fiscal NCO's files. The original is sent to the comptroller.

11. **SUBMISSION TO THE COMPTROLLER.**

At this stage you've taken a fresh look at the budget, contacted the comptroller prior to submission to check for any last minute changes, and then prepared the document for submission. Once received and inducted by the comptroller, the easy part of budget formulation is over. The hard part is running out the rest of the year while waiting for approval/recommendation for revision from the Comptroller's Office. This being the final phase of the formulation process, you need to take a few steps back after submission and review your work to see if you can find any areas in which your budget could be better. Finding none, or correcting those areas identified as problems, put it away until you receive your budget for the next year. There's no such thing as a perfect document.

12. **SUMMARY.**

Budget formulation is nothing more than common sense applied to historical fact and future predictions. Armed with the tools for success, past budgets, fiscal reports for SAG, BEA, BESA, the unit's past, current, and future MCTEEP's, guidance from the comptroller and commanding officer, and a clear vision of what type of budget you want to construct, nothing should prevent you from producing a product that is reasonable, easy to understand, and most importantly, executable.

13. **GLOSSARY OF TERMS.**

- a. BEA
- b. BESA
- c. SAG
- d. RA
- e. PE
- f. FIXED COSTS
- g. DISCRETIONARY COSTS
- h. O&M, MC
- i. TEEP
- j. ULO
- k. NULO
- l. FY
- m. CALENDAR YEAR
- n. GREEN DOLLARS
- o. BLUE DOLLARS
- p. PURPLE DOLLARS
- q. FUND MANAGER

REFERENCES:

MCO P7100.8_, Field Budget Guidance Manual

MCO 7300.21, SABRS Financial Procedures Manual

NAVMC 2664, Financial Guidebook for Commanders

NAVSO P3006, Navy Supply Order

NavSupInstr- 4200.94, Navy Supply Instructional

NavComptMan- Navy Comptroller's Manual

DOD 7000.14-R Department of Defense Financial Management Reference (DODFMR)

SABRS Execution User's Manual

SABRS Reports Inquiry User's Manual (DRAFT): SABRS III

SABRS Spending Transaction Process User's Manual (DRAFT): SABRS III

REFERENCE PAGE GUIDE

MCO P7100.8K FIELD BUDGET GUIDANCE MANUAL CHAP. 2

**MCO P7300.21 MARINE CORPS FINANCIAL EXECUTION
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