



Defense Primer: Procurement

Background

While *procurement* implies a process of obtaining goods or services, the word also refers to a specific title and associated accounts within the annual National Defense Authorization Act (NDAA) and defense appropriations legislation.

Appropriations for Procurement

The Department of Defense (DOD) procurement appropriations title provides funds for non-construction-related *investment costs*—the costs to acquire capital assets, such as an F-35 Joint Strike Fighter aircraft or a Virginia-class submarine. Investment costs are distinguished from *expenses*—the costs of resources consumed in operating the department, such as food and fuel. DOD uses procurement appropriations to obtain various categories of materiel, including

- new military hardware (e.g., aircraft, ships, armored vehicles, radios, and satellites);
- upgrades to existing equipment, including service life extension or remanufacturing programs;
- weapons and ammunition (e.g., air-to-air missiles and rifle rounds); and
- spares and repair parts.

Procurement funding provided to the department in a given fiscal year can usually be obligated over a period of three years. The most prominent exception is Navy Shipbuilding and Conversion funding, which is available for five years. The FY2022 President’s budget request included \$132.5 billion in procurement funding for DOD (see **Table 1**). The budget submission discontinued requests for Overseas Contingency Operations (OCO) as a separate funding category for various appropriations accounts, including procurement-related accounts. As of the date of publication, Congress has not passed an FY2022 defense appropriations act.

NDAA and Defense Appropriations

CRS In Focus IF10515, *Defense Primer: The NDAA Process*, by Valerie Heitshusen and Brendan W. McGarry, and CRS In Focus IF10514, *Defense Primer: Defense Appropriations Process*, by James V. Saturno and Brendan W. McGarry.

How is DOD Procurement Funded?

In general, Congress appropriates money for defense procurement under a policy of *full funding*, which requires funding the entire procurement cost of end-items (such as AIM-9 Sidewinder missiles or KC-46A refueling tankers) in one fiscal year. In other words, the total funding

necessary to acquire a useable end-item is approved by Congress in a single fiscal year, even though related work may span many years. In some cases, programs have been procured using *incremental funding*, a funding policy typically associated with research and development activities. Under incremental funding, a system’s cost is divided into two or more annual portions, or increments, that can reflect the need to make annual progress payments to the contractor as the system is built. Incremental funding has principally been used to procure certain ships and submarines.

Table 1. FY2022 President’s Budget Request for DOD Procurement Appropriations Accounts

Account (Acronym)	\$ (billions)
Aircraft Procurement, Army (APA)	\$2.8
Missile Procurement, Army (MIPA)	\$3.6
Procurement of Weapons and Tracked Combat Vehicles, Army (WTCV)	\$3.9
Procurement of Ammunition, Army (PAA)	\$2.2
Other Procurement, Army (OPA)	\$8.9
Aircraft Procurement, Navy (APN)	\$16.5
Weapons Procurement, Navy (WPN)	\$4.2
Procurement of Ammunition, Navy and Marine Corps (PANMC)	\$1.0
Shipbuilding and Conversion, Navy (SCN)	\$22.6
Other Procurement, Navy (OPN)	\$10.9
Procurement, Marine Corps (PMC)	\$3.0
Aircraft Procurement, Air Force (APAF)	\$15.7
Missile Procurement, Air Force (MPAF)	\$2.7
Procurement of Ammunition, Air Force (PAAF)	\$0.8
Other Procurement, Air Force (OPAF)	\$25.3
Procurement, Space Force (PSF)	\$2.8
Procurement, Defense-Wide (PDW)	\$5.5
Defense Production Act Purchases	\$0.3
TOTAL	\$132.5

Source: CRS analysis of FY2022 Department of Defense budget justification documentation; H.Rept. 117-88; and explanatory statement accompanying Senate Appropriations Committee-released Department of Defense Appropriations Bill, 2022.

Note: Total may not sum due to rounding.

Figure 1. Milestones for Major Capability Acquisition



Source: CRS graphic based on DOD Instruction 5000.02, “Operation of the Adaptive Acquisition Framework,” January 23, 2020, p. 9.

Exceptions to Full Funding

- **Multiyear Procurement.** Under 10 U.S.C. §2306b, Congress sometimes authorizes *multiyear procurement* (MYP) for programs. MYP can achieve savings by committing to buy items from a contractor over multiple years for a reduced price per unit. Qualifying for MYP requires a program to achieve savings in estimated costs, receive sufficient funding, and procure items unlikely to substantially change over the multiyear period. Recent examples include Virginia-class submarines, DDG-51 Arleigh Burke-class destroyers, UH-60 Black Hawk helicopters, MV-22 Osprey tilt-rotor aircraft, and C-130J Super Hercules cargo planes.
- **Advance Procurement.** More commonly, programs receive *advance procurement* funds for components of a unit that need to be purchased long before the unit itself is purchased. For programs using MYP, advance procurement may also be used to achieve economic order quantity, which is defined as buying enough of an item to minimize the total cost.

When Does a Program Enter Procurement?

Programs that produce a major capability (e.g., an aircraft carrier or armored fighting vehicle) officially enter procurement after they receive Milestone C approval in the Defense Acquisition System. Prior to moving to procurement, programs are considered to be in development and generally funded through the Research, Development, Test and Evaluation (RDT&E) appropriation title. Some programs will receive procurement funds before a formal Milestone C approval. See **Figure 1** for a high-level overview of milestones associated with major capability acquisition, one pathway within DOD’s adaptive acquisition framework.

How Else Does DOD Purchase Goods and Services? How Does DOD Procurement Relate to Defense Contracting?

DOD is authorized and appropriated procurement funding for non-construction investments. DOD uses funding other than procurement to purchase services (e.g., research, architectural design, or cleaning services) and smaller goods (e.g., gauze or light bulbs) because such purchases are considered to be expenses rather than investments and are funded in other parts of DOD’s budget.

Goods and services from the private sector are purchased through contracts and accounted for as contract obligations.

These individual activities—most of which are too granular to be captured in appropriations data—are tracked at the level of obligations. *Obligation* is the term used when agencies enter into contracts, employ personnel, or otherwise commit to spending money.

Relevant Statutes

Title 10, U.S. Code, Part IV—Service, Supply, and Procurement.

CRS Products

For information on the Defense Acquisition System, see CRS Report RL34026, *Defense Acquisitions: How DOD Acquires Weapon Systems and Recent Efforts to Reform the Process*.

For information on the full funding policy in DOD procurement, see CRS Report RL31404, *Defense Procurement: Full Funding Policy—Background, Issues, and Options for Congress*.

For information on special cases of procurement, see CRS Report R41909, *Multiyear Procurement (MYP) and Block Buy Contracting in Defense Acquisition: Background and Issues for Congress*.

For information on RDT&E funding see CRS In Focus IF10553, *Defense Primer: RDT&E*.

For general information on defense procurement and contract acquisition, see CRS In Focus IF10600, *Defense Primer: Department of Defense Contractors* and CRS Report R44010, *Defense Acquisitions: How and Where DOD Spends Its Contracting Dollars*.

Other Resources

Department of Defense Comptroller, Defense Budget Materials, <http://comptroller.defense.gov/Budget-Materials>.

DOD 7000.14-R, “Financial Management Regulation,” *Budget Formulation and Presentation: Procurement Appropriations*, vol. 2B, ch. 4, November 2017, at https://comptroller.defense.gov/Portals/45/documents/fmr/Volume_02b.pdf.

Heidi M. Peters, Analyst in U.S. Defense Acquisition Policy

Brendan W. McGarry, Analyst in U.S. Defense Budget

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.