



MILITARY SEALIFT COMMAND

MSC Engineering Budget Development

Prepared for Military Sealift Command
by Emprise Corporation

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Learning Objectives

- The overarching objective of this module is to introduce you to MSC's policies, practices, and considerations for developing engineering and M&R budgets
- At the conclusion of this module, you will understand and be able to describe the following:
 - Budget development and performance management
 - Engineering budget development considerations
 - M&R budget development considerations



Budget Development and Performance Management

- Budget development is an integral component of an organization's performance management process
- Performance management is a cyclical process consisting of:
 - Strategic planning
 - Performance measurement
 - Budgeting for results
 - Performance review
- N7 personnel are responsible for preparing annual budgets for their assigned ships, programs, projects, or functional areas



Considerations for Development of Engineering Budgets

- Engineering budgets typically consist of personnel billets, and funding for procurement of materials, equipment and subcontractor support
- Important considerations when preparing out-year engineering budget estimates include:
 - Lead/ lag relationship between the Program Objective Memorandum (POM) and availability of funding and /or billets
 - Inflation
 - Effects of aging fleet
 - Projected fleet gains / reductions
 - Projected programmatic changes
 - Projected organizational changes
 - Projected equipment / system / technology obsolescence / changes
 - Projected optempo changes from year-to-year
 - Projected changes in requirements from year-to-year
 - ROM nature of budget estimates
 - Discretionary nature of certain engineering programs / projects / functions / maintenance



Considerations for Development of M&R Budgets

- M&R budget is a specialized form of engineering budget that typically consists of funding for procurement of industrial services, materials, equipment and subcontractor support services
- M&R budgets are more complex in nature and have more significant potential to affect ship material readiness and ship readiness for tasking (RFT) in comparison to many other engineering budgets
- Important considerations when preparing out-year M&R budget estimates include:
 - Planned availabilities (ROH, MTA, VR periods)
 - VRRs
 - CASREPs
 - TRANSALTs
 - Life cycle maintenance plan
 - PMIA



Considerations for Development of M&R Budgets (cont.)

- **Inspections / surveys**
 - **ABS**
 - **USCG**
 - **SMART**
 - **OCI**
 - **Command**
- **System / equipment certification / grooming requirements**
 - **Flight deck**
 - **Ammunition handling / stowage**
 - **UNREP systems**
- **Underwater husbandry requirements**
- **Geographic locations in which maintenance will be performed**
- **Sponsor requirements**



Budget Development Challenges

- **Commonly encountered budget development challenges include:**
 - **Changing requirements**
 - **Changing priorities**
 - **Inadequately defined requirements**
 - **Uncertain future resource constraints**
 - **Future uncertainties**



Best Practices for Budget Development

- Automate budget development process
- Be realistic
- Be honest
- Focus on major cost drivers
- Analyze return on investment for expenditures
- Track and report actual versus planned expenditures, and make adjustments, as necessary
- Identify major strategies and priorities to be executed and link budgets to achieving them
- Use analytics to support data-driven decision-making
- Focus on overall goals and priorities of the organization, rather than departmental goals and priorities
- Limit details to where they matter the most
- Consider “what if” scenarios to account for uncertainties



Let's Review

- **What are some important considerations for developing engineering budgets?**
- **What are some important considerations for developing M&R budgets?**
- **What are some best practices for budget development?**



Summary

- **During this module, we have discussed:**
 - **Budget development and performance management**
 - **Engineering budget development considerations**
 - **M&R budget development considerations**



Additional Information

- **For additional information, please refer to:**
 - **COMSCINST 7130.34H, Administration of Military Sealift Command Navy and Transportation Working Capital Fund Budgets**
 - **Practical Financial Management – A Handbook for the Defense Department Financial Manager**



Final Questions





Revision History

Date	Version	Description	Author
5/13/19	0.0	Draft presentation	Gary Fields
7/31/19	0.1	Incorporated COMSCINST 7130.34H	Gary Fields