

**BY ORDER OF THE
SECRETARY OF THE AIR FORCE**

**AIR FORCE INSTRUCTION 65-601,
VOLUME 1**

24 OCTOBER 2018

Financial Management

**BUDGET GUIDANCE AND
PROCEDURES**



COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

ACCESSIBILITY: Publications and forms are available for downloading or ordering on the e-Publishing website at www.e-Publishing.af.mil.

RELEASABILITY: There are no releasability restrictions on this publication.

OPR: SAF/FMB Policy & Fiscal Control
(P&FC)

Certified by: SAF/FMB
(Maj Gen John M. Pletcher)

Pages: 9

Supersedes: AFI 65-601V1,
16 August 2012

This instruction implements Air Force Policy Directive (AFPD) 65-6, *Budget*, by providing general budget policy and procedures for Airmen, Commanders and Directors regarding the use of appropriated funds, ensuring regulatory and statutory compliance and standardization Air Force-wide. The instruction applies to all Air Force military and civilian personnel, all Air Force organizations and activities, including the Air National Guard, the Air Force Reserve, and the Civil Air Patrol (when performing Air Force assigned missions in its role as a volunteer civilian auxiliary of the Air Force). Specific guidance is located in other SAF/FMB publications. In cases of conflict with other Air Force Instructions (AFI) the funding propriety rules stated here and in Air Force Manual (AFMAN) 65-605, Volume 1, *Budget Policy and Technical Procedures*, take precedence. This publication may be supplemented at any level, but all supplements must be routed to the Office of Primary Responsibility (OPR) of this publication for coordination prior to certification and approval. Refer recommended changes and questions about this publication to the OPR using the Air Force Form 847, *Recommendation for Change of Publication* ; route AF Forms 847 from the field through appropriate functional's chain of command. The authorities to waive wing/unit level requirements in this publication are identified with a Tier ("T-0, T-1, T-2, T-3") number following the compliance statement. All Tier 3 level requirements in publications are now waivable at the squadron commander or equivalent level, unless specifically retained by the appropriate wing commander. See AFI 33-360, *Publications and Forms Management*, for a description of the authorities associated with the Tier numbers. Submit requests for waivers using

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SUMMARY OF CHANGES

This instruction has been significantly revised and should be read in its entirety. Major changes include: removing technical procedures to provide basic fiscal information such as regulatory, statutory, and General Accountability Office (GAO) guidance, and information on common appropriations. See AFMAN 65-605, Volume 1, *Budget Policy and Technical Procedures*, for more specific guidance.

Chapter 1

FINANCIAL MANAGEMENT IN THE AIR FORCE

1.1. Overview. Financial management is the process of determining funding requirements, obtaining resources and applying those resources legally, effectively and efficiently to meet the Air Force's direct mission and support responsibilities. Financial management also includes oversight responsibilities to include evaluation of internal controls, procedures, and protection of government assets. Airmen, Commanders and Directors are responsible for this process.

1.2. Roles and Responsibilities. The following roles and responsibilities are established:

1.2.1. The Assistant Secretary of the Air Force for Financial Management (SAF/FM) is responsible for directing and managing the financial management activities and operations of the Department of the Air Force. This responsibility includes, but is not limited to, setting and supervising the execution of policies and procedures governing the expenditure of Air Force funds. *See* 10 USC § 8022, 10 USC § 135(c) (3) and Headquarters Air Force Mission Directive (HAF MD) 1-12, *Assistant Secretary of the Air Force (Financial Management and Comptroller)*.

1.2.2. The Deputy Assistant Secretary, Budget (SAF/FMB), is responsible for issuing guidance on organizational and appropriation funding responsibilities and the proper use of Air Force funds.

1.2.3. Airmen, Commanders and Directors will ensure all activities that prepare, justify, or execute (i.e. carry out) Air Force appropriated funds requirements, (including Air Force business areas of the Defense Working Capital Fund) will:

1.2.3.1. Approve and use funds only for Congressionally authorized purposes. **(T-0)**,

1.2.3.2. Program, budget and administer appropriated funds in accordance with this Instruction and AFMAN 65-605, Volume 1, *Budget Policy and Technical Procedures*. **(T-1)**.

1.2.3.3. Determine funding priorities, approve execution/spend plans, and ensure funding resources are allocated and executed in a legal, effective, and efficient manner. **(T-1)**.

1.3. Key Statutory References.

1.3.1. Airmen, Commanders and Directors shall obligate and expend funds only for the purposes authorized by law **(T-0)**, and departmental policies. **(T-1)**. In determining whether an obligation or expenditure is authorized, Airmen, Commanders and Directors must determine that the funds are to be used for a purpose for which the appropriations were made except as otherwise provided by law. **(T-0)**. Using appropriated funds for any purpose other than one authorized by law can constitute a violation of 31 USC §1301(a), commonly known as the "Purpose Statute." *See* [paragraph 1.4](#), below for more information on determining whether a proposed expense or obligation falls within the purposes of a particular appropriation.

1.3.2. Airmen, Commanders and Directors also must ensure the obligation and expenditure of appropriated funds are accomplished to fill a bona fide need of the period of availability of the fund or appropriation, as required by 31 USC §1502(a). **(T-0)**.

1.3.2.1. A “bona fide” need is a legitimate mission requirement arising in, or in some cases arising prior to but continuing to exist in, the period of time within which the appropriation is legally available for obligation. In other words, an appropriation (money appropriated by Congress to the Air Force for a specific purpose for a specific period of time) may be obligated or spent only to meet a legitimate (bona fide) need existing in that same period of time. **(T-0.)** Airmen, Commanders and Directors should contact their local Judge Advocate and Financial Management offices for assistance in determining whether an obligation or expenditure will meet a bona fide need.

1.3.2.2. The “period of availability of the fund or appropriation” refers to time period for which Congress has made a fund or appropriation available to an agency for obligation. When Congress appropriates funds to the Department of Defense and its components, it stipulates a period of time (generally one year or a number of years) during which those funds must be obligated. That period is referred to as “the period of availability.” Airmen, Commanders and Directors must ensure they only obligate appropriated funds during the appropriation’s period of availability - either to pay for expenses properly incurred during the period of availability or to pay for contracts properly entered into during that period of availability. **(T-0.)**

1.3.3. Airmen, Commanders and Directors must ensure expenditures and obligations are not made “in advance of an appropriation” (in other words, before Congress has enacted an appropriation, unless otherwise authorized by law) or in excess of the amount of the appropriation available. **(T-0.)** Specifically, 31 USC §1341 prohibits any officer, airmen or employee of the U.S. Government from obligating, expending, or authorizing an obligation or expenditure of funds that exceeds the amount available in the relevant appropriation or fund. **(T-0.)**

1.3.4. Airmen, Commanders and Directors must ensure invoices are approved and paid in accordance with agreed upon terms. **(T-0.)** Failure to pay in a timely manner invoices for the acquisition of services or property including those for the rental of real or personal property, can cause the Air Force to violate 31 USC § 3901, a statute commonly referred to as the “Prompt Payment Act.” Violations of the Prompt Payment Act can result in the assessment of interest penalties and forfeiture of discount rates.

1.3.5. Airmen, Commanders and Directors must become knowledgeable of the basic Antideficiency Act (ADA) statutes, the types of violations that can occur in the organization and their causes, and methods for preventing future violations. **(T-0.)** The Antideficiency Act, codified in 31 USC Sections § 1341, § 1342, and § 1517, prohibits federal agencies from obligating or expending federal funds in advance or in excess of an appropriation, and from accepting voluntary (free) services. Consult Department of Defense (DoD) 7000.14-R, *Department of Defense Financial Management Regulation*, Volume 14, Chapter 2, for a non-exhaustive list of examples of reportable violations of the Antideficiency Act.

1.3.5.1. A violation of the Purpose Statute may also result in a violation of the Antideficiency Act if an obligation or expenditure is made for a purpose for which the agency was given no appropriation.

1.3.5.2. 5 USC § 3107 prohibits using appropriated funds to pay publicity experts without specific statutory authority to do so. This is in addition to the Anti-Lobbying Act, 18 USC § 1913, which makes it a crime to use appropriated funds to influence a Member of

Congress or other government official. A violation of the prohibition in 5 USC § 3107 may also result in a violation of the Antideficiency Act if the agency has no authority to spend appropriated funds on publicity experts.

1.3.6. Airmen, Commanders and Directors may place orders for materiel, work, or services with another DoD component or another government agency when it is in the government's best interest. Specifically, 31 U.S.C. § 1535, commonly known as the "Economy Act," is statutory transfer authority that allows government agencies to enter into transactions with each other, on a reimbursable basis, under certain circumstances. Economy Act authority may be used to authorize the placement and financing of orders between Air Force activities and other U.S. Government departments, or between Air Force activities and agencies outside DoD. Airmen, Commanders and Directors must apply this Act absent a more specific source of legal authority for the targeted transactions. (T-0).

1.3.7. Airmen, Commanders and Directors must ensure project orders are valid obligations. **(T-0)**. A project order, as used in this context, is defined as a specific, definite, and certain order. When placed with, and accepted by a separately managed DoD-owned establishment, 41 USC § 6307, commonly known as the "Project Order Statute," directs that a project order obligates an appropriation in the same manner as an order or contract with a commercial enterprise. *See DoD 7000.14-R, Volume 11a, Chapter 2, for additional information.*

1.4. Key Supreme Court and General Accountability Office (GAO) Guidance on Purpose Matters.

1.4.1. Established Rule. Unlike in many operational areas, where actions taken in the course of accomplishing the mission generally are permitted unless affirmatively constrained by law, regulation, order or binding policy, the opposite rule of analysis applies to Airmen's use of appropriated funds. Specifically, the Supreme Court established long ago that, "[t]he expenditure of public funds is proper only when established by Congress; not that public funds may be expended unless prohibited by Congress." *See United States v. MacCollom*, 426 U.S. 317 (1976). That rule is binding on the entire Federal Government.

1.4.2. Purpose Determination. In determining the purpose of an appropriation, the language of the appropriation act itself is the first place to look to determine the authorized purpose(s) of an appropriation. Where an appropriation act is specific in stating what the funds are to be used for, the Purpose Statute then restricts the use of those funds to that specified purpose. Where the appropriation act has broad language or is unclear, other legislation (e.g., organic legislation, authorization act, or other related statutory provisions), the legislative history of the appropriation act and budget request documents should be examined to ascertain an appropriation's purpose.

1.4.3. Necessary Expense Rule. In determining whether a particular item or effort falls within the purposes of a particular appropriation, Airmen, Commanders and Directors must first consult the appropriation, itself. **(T-0)**. However, Congress is not required to specify every acceptable expenditure item or effort within an appropriations act or statute. *See GAO, Principles of Federal Appropriations Law*, 4th ed., GAO-17-797SP (Washington, D.C.:2017 Revision), Chapter 3, (*Availability of Appropriations: Purpose*). The purpose of the GAO, *Principles of Federal Appropriations Law*, is to describe existing authorities and as a teaching manual; it should not be regarded as an independent source of legal authority. If the particular item or effort does not clearly fall within a stated purpose of an appropriation, act or other

statutory authority, Airmen, Commanders, and Directors will need to determine whether the proposed expenditure or obligation is for a “necessary expense.” **(T-0)**. The GAO’s “Necessary Expense” test directs Airmen Commanders, and Directors to establish that the following three conditions are met (taking into consideration the facts of each specific case) in determining whether a particular item or effort falls within the purposes of a particular appropriation:

1.4.3.1. First, the expenditure must bear a logical relationship to the appropriation being used, making a direct contribution to carrying out the purpose of a specific appropriation. **(T-0)**.

1.4.3.2. Next, the expenditure must not be prohibited by law. **(T-0)**.

1.4.3.3. Lastly, the expenditure must not be provided for within the scope of another appropriation or statutory funding mechanism. **(T-0)**.

1.4.3.4. Airmen, Commanders and Directors should contact their local Judge Advocate and Financial Management offices for assistance regarding necessary expenses.

1.4.4. Personal Expenses. Appropriated funds are not available for personal expenses unless Congress has enacted specific, statutory authority permitting the same. In the absence of express statutory authority, an appropriation would only be available for personal expenses upon a documented legal determination, by a local Judge Advocate office, that the expense is essential to the effective accomplishment of a statutory responsibility and the proposed expenditure primarily benefits the agency, notwithstanding any collateral or incidental benefit to the employee. *See, GAO, Principles of Federal Appropriations Law, 4th ed., GAO-17-797SP (Washington, D.C.:2017 Revision), Chapter 3, (Availability of Appropriations: Purpose)*. Airmen, Commanders, and Directors should contact their local Judge Advocate and Financial Management offices for assistance regarding personal expenses.

1.4.5. Advertising/Promotional Items. In determining whether an appropriation may be used for advertising and promotional purposes, Airmen, Commanders and Directors must examine the agency’s statutory authority, and statutory objectives **(T-0)**; this examination also should include an assessment of existing Air Force and functional policies and guidance (other AFIs, etc.) that address mission specifics. *See, GAO, Principles of Federal Appropriations Law, 4th ed., GAO-17-797SP (Washington, D.C.:2017 Revision), Chapter 3, (Availability of Appropriations: Purpose)*. Airmen, Commanders and Directors should contact their local Judge Advocate and Financial Management offices for assistance regarding advertising and promotion.

1.5. Most Common Types of Appropriations and Funds.

1.5.1. Annual Appropriation. An appropriation that is available for obligation only during a specified fiscal year and expires at the end of that year. Examples include the Air Force Operation and Maintenance (AF O&M, 3400) Appropriation, and the Air Force Military Personnel (AF MILPERS, 3500) Appropriation.

1.5.2. Multi-Year Appropriation. An appropriation available for obligation for a period in excess of one fiscal year. Examples include the Air Force Research, Development, Test and Evaluation (AF RDT&E, 3600) Appropriation, available for two fiscal years, the Air Force

Other Procurement (AF OPAF, 3080) Appropriation, available for three fiscal years, and the Military Construction Appropriation, available for five fiscal years.

1.5.3. Working Capital Fund. A fund not restricted to a particular year that operates on the basis of a buyer and seller relationship. In other words, the working capital fund obtains its funds by “selling” goods or services to other agencies. Working capital funds are created by statute; an agency cannot simply decide to establish one. Examples include the Air Force Working Capital Fund (AF WCF, 4930) Appropriation.

1.5.4. Foreign Military Sales (FMS) Fund. The Foreign Military Sales Trust Fund is used to hold payments received from purchasers and to make disbursements in fulfillment of implemented Foreign Military Sales cases.

1.6. Expense and Investment.

1.6.1. Air Force activities at all levels must determine whether costs are properly classified as an expense or an investment. **(T-0)**. This determination is critical to determining whether to budget or execute an effort within the Operation and Maintenance appropriation (as an expense) or within a Procurement appropriation (as an investment). **(T-0)**. The Research, Development, Test and Evaluation appropriation may be used for both expenses and investments. *See* DoD 7000.14-R, Volume 2A, Chapter 1, for detailed guidance in this subject area. Airmen, Commanders and Directors should contact their Financial Management organizations and servicing Judge Advocate office for questions in this area.

1.6.2. An investment item that would otherwise be funded from a Procurement appropriation may be funded using the Operations and Maintenance appropriation if the item’s cost is less than \$250,000. This is known as the “expense/investment threshold” which is established by law (Annual Appropriations Act, General Provisions), and is subject to change. Requirements cannot be split to remain under the threshold. **(T-0)**. Airmen, Commanders and Directors will ensure that equipment and items with system unit cost in excess of \$250,000 are funded in the Procurement appropriations (not with the Operation and Maintenance appropriation). **(T-0)**. *See* DoD 7000.14-R, Volume 2A, Chapter 1, for further, detailed guidance in this subject area.

1.7. Frequent Areas of Fiscal Missteps. **Table 1.1** identifies a number of areas that are prone to misuse or mismanagement of appropriations. Follow the guidance in this AFI and AFMAN 65-605, Volume 1, *Budget Policy and Technical Procedures*, before making an expenditure or obligation in any of these areas. **(T-1)**. Airmen, Commanders and Directors requiring assistance in analyzing the propriety of an expense or obligation should contact their Financial Management office or servicing Judge Advocate office for additional legal or policy assistance in this area.

Table 1.1. Frequent Areas of Fiscal Missteps.

Honoraria – Approving/Thresholds
Ethnic and Holiday Observances, Traditional Ceremonies, and Entertainment
Awards, Coins and Gifts (Promotional Items)
Civilian Performance Awards
Flags for Retirees
Refreshments at Awards Ceremonies
Appliances and Furnishings
Meals at Conferences, Training and Fees

Use of Appropriated Funds to Purchase Food For Official Events
Membership in Professional Organizations
Special Drinking Water, Sports Beverages, Bottled Water
Licenses and Certificates
Funding for Athletic Supplies and Fitness Equipment
Budgeting and Funding for General Purpose Information Technology Equipment
Air Navigation, Overflight Fees, Landing and Parking Fees
Personalized Stationary
Business and Greeting Cards
Commercial Printing of Business Cards
Buying Books, Periodicals, Newspapers and Pamphlets
Reporting House Appropriations Committee Survey and Investigation Staff Visits
Reporting Visits by Representatives of Office of Management and Budget, Office of Secretary of Defense, or Congressional Appropriation and Budget Committees
Disaster Relief and Civil Disturbances
Procurement Appropriations
Military Construction Appropriation
Operation and Maintenance Appropriation
Military Personnel Appropriation
Research, Development, Test and Evaluation Appropriation
Military Family Housing Appropriation

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Attachment 1**GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION*****References***

Title 10 United States Code Section 135(c)(3), *Under Secretary of Defense (Comptroller)*

Title 10 United States Code Section 8022, *Financial Management*

Title 31 United States Code Section 1301(a), *Application*

Title 31 United States Code Section 1341, *Limitations on Expending and Obligation Amounts (Antideficiency Act)*

Title 31 United States Code Section 1342, *Limitation on Voluntary Services (Antideficiency Act)*

Title 31 United States Code Section 1502(a), *Balances Available*

Title 31 United States Code Section 1517, *Prohibited Obligations and Expenditures (Antideficiency Act)*

Title 31 United States Code Section 1535, *Agency Agreements (Economy Act)*

Title 31 United States Code Section 3901, *Prompt Payment*

Title 41 United States Code, Section 6307, *Contracts with Federal Government-owned Establishments and Availability of Appropriations*

Department of Defense 7000.14-R, *Department of Defense Financial Management Regulation*, (Volumes 2A, 11,14)

HAF MD 1-12, *Assistant Secretary of the Air Force (Financial Management and Comptroller)*, November 25, 2015

Air Force Instruction 33-360, *Publications and Forms Management*, 1 December 2015

Air Force Manual 33-363, *Management of Records*, 1 March 2008

Air Force Manual 65-605, Volume 1, *Budget Policy and Technical Procedures*, 24 October 2018

Air Force Policy Directive 65-6, *Budget*, 19 January 2017

GAO, *Principles of Federal Appropriations Law*, 4th ed., GAO-17-797SP (Washington, D.C.:2017 Revision), Chapter 3, (*Availability of Appropriations: Purpose*).

Adopted Forms

Air Force Form 679, *Air Force Publication Compliance Item Waiver Request/Approval*

Air Force Form 847, *Recommendation for Change of Publication*