

BUDGET AND PROGRAM

NEWSLETTER

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The south pole of the moon - the far side...is considered the most strategic location on the lunar surface.

Exploiting it...is the next friction point between East and West - the next space race.

This ambition...was made clear seven years ago - when China compared the moon and Mars to disputed Pacific shoals claimed by many countries. By 2021...Beijing and Russia had agreed to build a research base in the lunar south pole.

In the overall...Beijing intends to build permanent outposts there - with a timetable of landing astronauts by 2030, six years from now - and constructing its first lunar base by 2035.

The backdrop...is that the United States has undertaken 49 missions to the moon since 1959 - while Beijing's initial one was roughly 50 years later.

But more importantly...its lunar program has soft-landed on the moon four times since 2013. The latest and recent exploit - retrieving rocks near the south pole - is viewed as more difficult terrain to land on.

In that 11-year period...the United States has not had a single moon landing. Attempting to rectify that - one lander tipped over after touchdown this year and the other didn't attempt to land due to technical problems.

America...has somewhat pinned its hopes on the Artemis program - which has a crewed landing date of 2026, a timetable pushed back from earlier. For years, the program has faced repeated delays and cost overruns and some consider 2026 a bit optimistic. For their part, NASA has been contemplating changes to it including not landing astronauts.

The south pole...is believed to have resources that include water ice and oxygen that could be used by astronauts along with hydrogen for rocket fuel and perhaps even metal deposits.

As far as who gets what - sovereign claims - what's the outlook?

According to one expert on space law - whoever gets there first and builds a base could make the argument that under the early 1960s space treaty - which doesn't discuss two countries building a base in essentially the same location - that they are entitled to a 100-kilometer perimeter to protect it.

Described by Rep Frank Lucas (R-Okla) - if they are first, "you basically get to set the rules of the road for how to operate." There are only a few areas considered viable for a base.

U.S. rolled out a new treaty framework in 2020...called the Artemis Accords, which seeks peaceful exploration - has 40 countries signed on.

But not China - they have brought in 10 countries, including Russia and Pakistan, as partners in a potential south-pole moon project.

What's coming?

Before the recent return of its lunar lander - the probe drew the Chinese character for the country's name in the south pole lunar soil.

Last week...we reviewed the cybersecurity priorities concerning your FY 2026 budget submissions.

A central element tied to them, as was mentioned...is the National Security Memorandum (NSM-22) that deals with infrastructure security - a highly in depth read.

Let's take a look at some of the new responsibilities laid out in it.

First of all - what is critical infrastructure?

They are systems...whose incapacity "would have a debilitating impact on national security, national economic security or national public health security."

That's the baseline...which everything springs from.

Policy principles are explained - including a prioritization of national efforts that must be informed by the "relationship" between specific infrastructure and the impact of sectors being compromised - including the scale of dependencies and potential cascading effects across a range of them.

Central to this...are what's known as Sector Risk Management Agencies (SRMAs).
Who are these?

They are agencies/departments - that have been designated by law or presidential directive..."with responsibility for providing institutional knowledge and specialized expertise of a sector."

Each one of them...is to develop sector-specific risk assessments and management plans that include performance goals.

The directive...lists 16 critical infrastructure sectors, designating their SRMAs.

Who is responsible for what?

- 1) Chemical - Department of Homeland Security (DHS)
- 2) Commercial facilities - DHS
- 3) Communications - DHS
- 4) Critical manufacturing - DHS
- 5) Dams - DHS
- 6) Defense industrial base - Dept of Defense
- 7) Emergency services - DHS
- 8) Energy - Dept of Energy
- 9) Financial services - Dept of Treasury
- 10) Food & agriculture - Dept of Agriculture and HHS
- 11) Gov't services & facilities - GSA and DHS
- 12) Healthcare & public health - HHS
- 13) Information technology - DHS
- 14) Nuclear reactors/materials/waste - DHS
- 15) Transportation systems - Dept of Transportation and DHS
- 16) Water & wastewater systems - EPA

In the immediate...each SRMA must identify a senior leader who will serve as the day-to-day coordinator of the SRMA function - if it hasn't already.

Dept of Homeland Security...which is a central overseer - is directed to issue guidance on nat'l priorities and provide a format for SRMAs to use in development of risk management plans.

By Nov 30...each SRMA is to submit their sector management plans to DHS. After that, submission is due every two years by Feb 1.

There are a number of additional federal roles/responsibilities involving State, Justice and Commerce - and overall, federal departments are to evaluate their own associated infrastructure that supports essential mission functions.

Many deadlines - many responsibilities - many details...NSM-22.

Your initial FY 2026 budget submissions...are due in September.

So far...no revisions to last year's A-11 Circular have been released.

In the meantime...let's take a look at some of the basic justification materials you should be aware of.

- The relationship of the policies/resources requested...to OMB planning guidance for budgetary resources. Your estimates should be consistent with theirs.

- All budget submissions...must be consistent with economic assumptions provided by OMB. The latest figures will appear in the upcoming OMB mid-session review. You want to look at them...be up-to-date.

- Prepare your justification...in "concise, specific terms" and cover all program/activities in your agency.

- Your agency estimates...should reflect the "commitment to completing the transition" to next-generation Internet Protocol Version 6 (IPv6) - which is designed to replace version 4 (IPv4) that has been in use since 1983. As of Oct, 2024 - at least 50% of IP-enabled assets are to be operating on it. Note, this does not apply to nat'l security systems.

- Clarify the evolving incorporation of cybersecurity improvements...as laid out in OMB memorandums and executive orders.

Always keep in mind...the general reorientation of cybersecurity is around prevention rather than crisis response. Key components of this modernization include the full adoption of multifactor authentication and data encryption. Also foundational...is the evaluation of commercial security hardware - its integrity - along with its supply chain. Your justification should reflect the progress in these areas and the urgency/funding needs to address any possible gaps in doing so.

- When major programs in your justification materials...don't coincide with the budget account structure - prepare a table to the relationship - along with a short narrative to accompany the table.

- Your submission...should be structured as a performance plan.

- An "annual evidence plan submission"...which should include priority funding proposals to conduct evaluations of program operations. This is to include proposals that will further develop your agency's capacity to build/use statistics and other analysis. Essentially...you want to strengthen the "use of evidence." Emphasize this push.

- Funding for capital acquisitions...needs to be justified - "a sound business case is a best practice for providing justifications and assurance."

- Look for "opportunities to redirect resources" from lower priority activities to higher priority ones. To do so - "closely scrutinize" current spending in budget preparation.

- Be aware of the importance of climate change considerations in your justifications - in planning; budgeting; priorities; initiatives; financing; management; etc.

Agency financial management...is to integrate climate-related risks into their systems - their measurement, assessment and mitigation concerning possible threats to gov't programs/assets. In the longer term - OMB has emphasized that the federal gov't has "broad exposure" to increased costs.

Refer to OMB circular A-11...the authoritative guide.

What is the general rule...for incurring obligations?

Don't do so...prior to appropriation enactment, unless specifically authorized by law. Must be tied to budget authority in a Treasury account that belongs to your agency.

If you exceed those amounts by incurring an obligation...you are in violation of the Anti-Deficiency Act.

Financial managers...need to be especially aware of the compliance issues with federal appropriations law - steering clear of violations.

If you want a definition of what an appropriation is - it "represents the legal authority granted by Congress to incur obligations and to make payments from the Treasury for specified purposes."

Within this world...contract authority is an exception to the above rule - that appropriations provide budget authority to incur obligations - including additional obligations.

That is because contract authority itself...is not an appropriation, consequently it has no Treasury support symbol.

Instead...it is apportioned budget authority which can be legally obligated for contract purposes but does not include statutory language that allows for actual outlays to be incurred. So - on the one hand, it allows agencies to enter into binding contracts but on the other - provides no funds to do so.

As it stands...Congress must pass another appropriation - a "liquidating appropriation" to grant authority to use offsetting receipts or collections or Working Capital Funds or other cash balances - to liquidate the obligated contract authority.

Involves over \$700B/year...DOD accounts for more than half of contract spending. Top six from there, all under \$60B, VA; Energy; HHS; GSA; DHS; NASA.

What are the consequences...of holding to the FRA statutory cap of a 1% increase for non-defense spending in FY 2025?

According to the Senate Appropriations Committee:

- Could require Dept of Justice to furlough attorneys, agents, intelligence analysts, other personnel - "as a 1% increase in funding is still significantly below what is needed to maintain current services. DOJ *could lose or freeze 4,800 positions* - in this scenario.

- Could require the FBI...to reduce its workforce by 1,350 positions - as a 1% increase in funding would leave it with a *\$590 million current service requirement shortfall*.

- Would not sustain key federal firefighter pay raises - critical for addressing staffing challenges *as more than a quarter of the Forest Service's wildland firefighting jobs are currently vacant.*

- In FY 2025...the Cures Act which is tapering off, provides \$127B at NIH - *leaving a \$280 million shortfall* that a 1% increase isn't going to fix.

- Would prevent the FAA from hiring...while it is already short 3,000 controllers.

- Would likely further delay NASA missions.

- Will likely cause rolling shutdowns as some nat'l parks, staffing there is already 20+% lower than it was pre-pandemic.

Consider...the battle is over \$13.5B, 5 1/2 days of servicing debt interest.

The Gaza pier floating dock is to be permanently dismantled. Cost to build it was \$230 million, in operation about 3 weeks, it managed to deliver thousands of tons of aid. Sea conditions were difficult, led to mechanical failures.