

BUDGET AND PROGRAM

NEWSLETTER

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Cosmos-2553.

What is it?

According to the chairman of the House Intelligence Committee - it represents no less than the "Cuban missile crisis in space."

The Russian satellite...was launched in Feb, 2022 - designed to evaluate the elements for a possible killer-satellite weapon that could carry a nuclear weapon. It is still out there - in what's termed an unusual orbit.

In recent months...there has been a rising concern surrounding it - as the program's progress has been better understood. Earlier this year, the White House called it "troubling." In February, the intelligence chairman stated it was a "serious national security threat." That is - the potential eventual ability of Moscow to obliterate hundreds of U.S. satellites in low-earth orbit with a nuclear blast.

He emailed all members of Congress, encouraging them to come to a "SCIF" ...a secure area to review the intelligence.

Moscow...claims it is designed for scientific research - "equipped with newly developed onboard instruments and systems for testing them under conditions of exposure to radiation and heavy charged particles."

That explanation...was countered just this month by Assistant Secy of State, Mallory Stewart - "The orbit is in a region not used by any other space craft - that in itself was somewhat unusual. And the orbit is in a region of higher radiation than normal lower Earth orbits but not high enough of a radiation environment to allow acceleration testing of electronics as Russia has described the purpose to be."

The backdrop...is that satellites have long been considered a possible vulnerability in any major conflict with Russia or China.

The 2020 Defense Space Strategy - cited both countries as being the greatest strategic threat in space due to their aggressive development of counter technologies - and also their military doctrine seeking to extend conflict into space.

Over time...the Dept of Defense has become more dependent on commercial satellites which are not battle-hardened as are military satellites - to survive a high-level of radiation in the case of a nuclear explosion.

The United States...has nearly 6,700 satellites in low-earth orbit, a far greater number than Russian satellites in that circuit.

Created in Dec, 2019 - Space Force has as one of its primary missions - to defend U.S. satellites from attack.

Any such weapon...would violate the 1967 Outer Space Treaty - which prohibits deployment of nuclear weapons in space. To shine a light on this, last month the United States and Japan requested the U.N. Security Council vote on a reaffirming resolution - Russia vetoed it.

Looking out...Moscow is intent on challenging U.S. space supremacy.

Capital investments.

The federal budget...makes no distinction between them and operating budgets.

As it is...you live in a cash-based system, tied to a questionable premise - that all outlays are the same. They aren't...because capital investments, whether for bldgs, loans, R&D - produce future streams of benefits to the gov't or the economy - including dollar flows. And they also must be counted up-front in their entirety, creating a bias against investment. It distorts planning decisions.

Unfortunately...the lack of a specific capital budget is likely making things harder on you - annual net capital financing requirements amount to at least a half-trillion dollars.

Adoption of a capital budget - would move this money out of the operating deficit, making the resulting annual red ink significantly less.

But OMB has never favored it...worries about maneuvers to shift programs over from operating to capital categories - might go on ceaselessly.

So don't hold your breath for relief or a modernized budget structure.

U.S. troops...will leave Niger by Sept 15.

The forced exit...ends a decade-long partnership that was viewed as the anchor of counter-terror operations in the Sahel region of Africa before a coup last year.

The withdrawal...is described by one high-ranking U.S. official as "not a good outcome." U.S. trained forces in the country were seen as the most effective in Africa.

The vacuum...leaves the door ajar for Moscow to increase its presence, their "Africa Corps" (successor to the Wagner Group) has stated plans to deploy to Niger - as it seeks to exert more direct control over operations in Africa.

U.S. influence...on the continent - is visibly weakened.

House subcommittee and full committee mark-up of the Military Construction-VA appropriation bill has been approved. Set to advance to the floor.

Within the 92-page House subpanel report - members direct DOD to "promptly provide" a classified briefing that was instructed in last year's committee report regarding military construction needs at strategic remote Pacific locations - Wake Island "due to the major infrastructure failures" (from a series of very high waves over days in January that DOD says could take months or years to recover from); Midway; "unresolved typhoon Mawar damage on Guam" from last year; Marshall Islands; Palau and other locations in the Pacific Islands.

House appropriators...also revised the just-previously released 302(b) allocations, cutting \$2B from the FY 2025 Commerce-Justice-Science cap and shifting that funding over to the Labor-HHS-Education bill. Moreover, Transportation-HUD would lose \$800M,, which would move to the Interior-Environment measure.

In addition, this past week...House Armed Services marked up its annual National Defense Authorization bill, that details funding levels and policies for the Pentagon - vote was 57-1.

Several of the provisions -

- 15% pay hike for junior officers, ranked E4 or below, beyond the 4.5% defense budget pay increase requested by the White House.

- Procures two Virginia-class submarines, not one as requested by Navy.

- Requires the Army...to establish a drone corps as a basic branch of the service to serve as a command center - "reflective of the battlefield changes occurring in real time on the Ukraine battlefield."

- For the first time - each military dept would be required to implement an electronic management system to track how funds are spent and keep current records of facility conditions.

The bill is ready for floor debate...Senate Armed Services mark-up is in June.

Let's take a look...at Dept of Transportation funding for FY 2024.

Office of the Secretary...skids to \$1.1B due to its largest program by far, Nat'l Infrastructure Investments - falling 57% to \$345M. The purpose of this grant program is to invest in a "variety of transportation modes." President requested \$1.2B.

DOT's funding structure is unusual.

Its discretionary budget - is drawn from the general fund of the Treasury.

The remaining larger amounts - are mandatory budget authority known as "contract authority": - the level of which is set in authorization acts and drawn from trust funds...while contract authority is controlled in appropriation acts thru a mechanism known as "limitation on obligations."

FAA provided \$15.7B (+\$564M). Its operations budget climbs \$815M higher to \$12.7B of which nearly all is to be derived from the Airport/Airway Trust Fund.

Of note...outside of this spending bill exists a whole other funding stream. It benefited heavily from the Infrastructure Investment and Jobs Act (IIJA) - which provided \$184B or \$36.8B/year from FY 2022-2026. Equates to over 1/3rd of all DOT funding this year.

Of note...within the conference report, every IIJA allocation for FAA facilities & equipment is displayed...93 of them ranging from \$585M (replaces terminal/air traffic control facilities) down to \$750,000.

The table below only reflects FY 2024 enacted amounts (in \$ millions) for Dept of Transportation...is separate from IIJA monies.

	<u>Enacted FY 2023</u>	<u>Request FY 2024</u>	<u>Enacted FY 2024</u>
Office of the Secretary.....	<u>1,523</u>	<u>2,101</u>	<u>1,088</u>
Salaries and expenses	171	220	191
Research and technology	49	67	49
Nat'l Infrastructure Investments	800	1,220	345
Advancement Initiatives for Thriving Communities	25	100	0
Cyber security initiatives	48	49	49
Office of Civil Rights	15	29	18
Planning, R&D, community project funding	37	25	24
Working capital fund	(505)	0	(522)
Payments to air carriers (Airport & Airway Trust)	355	349	349
Essential air services (overflight fees)	(122)	(154)	(154)
Electric vehicle fleet	0	26	0
Other	23	16	63
Federal Aviation Administration (FAA)	<u>15,674</u>	<u>16,458</u>	<u>16,732</u>
Operations	<u>11,915</u>	<u>12,741</u>	<u>12,730</u>
Aviation safety	1,631	-	1,746
Air traffic organization	8,813	-	9,439
Commercial space transportation	38	-	42
Finance & management	918	-	948
NextGen	66	-	68
Security & Hazardous Materials Safety	153	-	162
Staff offices	298	-	325
Facilities & equipment (Airport/Airway Trust Fund)	2,945	3,462	3,192
R&D, (Airport & Airways Trust Fund)	255	255	280
Grants-in-aid for airports (General Fund)	559	0	533
Federal Railroad Administration	3,404	4,770	2,970
Federal Highway Administration - General Fund	<u>3,418</u>	<u>-105</u>	<u>-68</u>
Highway Trust Fund - limitation on obligations	(58,765)	(60,096)	(60,096)
Highway Trust Fund - exempt contract authority	(739)	(739)	(739)
Nat'l Highway Traffic Safety Administration	210	304	223
Limitation on obligations	(992)	(1,015)	(1,015)
Federal Transit Administration	3,334	3,038	2,614
Limitation on obligations	(13,634)	(13,990)	(13,990)
Maritime Administration	896	980	941
Pipeline & Hazardous Materials Safety Admin	291	340	324
Office of Inspector General	108	121	116

Budget reviews.

They will be going on in the months ahead...between field offices and headquarters, within departments and agencies and OMB.

It's a tough environment...that requires the utmost effort to keep current and offer the best justification. But it's important no matter where you are located.

The backdrop...is that you never know when a new or amended budget deal is going to be written in Congress - which eases or increases pressure on your agency dollars.

When facing OMB reviews...try to tie your program together with a theme that can help sell it. You need to push the right buttons...make it tougher for OMB "reviewers" to say no.

Your program analyst at OMB...is a key person in this chain - not to be overlooked. They provide specific guidance for you - handle problems - clarify new provisions.

Your agency also deals directly with Program Associate Directors. They are politically appointed...and one saying is they "project the President's policies into agencies." Of note - it means they are extremely familiar with White House priorities - particularly as they are transmitted through their boss, the OMB director.

Each of the them heads one of the five resource management offices (RMO)s - organized by agency and program area. And it is these offices that account for nearly half of the OMB staff, numbering between 30-60 per RMO - evaluating the effectiveness of agency programs, reviewing funding proposals/policy initiatives.

The neutral competence of the staff is well known - their knowledge is a repository of institutional memory - as is their passion for accuracy of figures.

In the overall...getting the President's agenda realized is at the center of the PAD's mission.

So political priorities of the Administration...offer important insights to the entire process.

If you can relate any element of your program to a recent Presidential statement, executive order, OMB memorandum, or listing of White House concerns - it can help. And you want to stay current on the latest pronouncements of your Secretary.

Somewhere in there...you might find the right key to turn.

Veteran suicide.

It is a problem that has seemingly defied answers - while being named the top clinical priority at VA (2018-2024).

At 16.8/day...over 6,100 did so in a recent year, far above civilian ratios.

In Sept, 2022...GAO released a report discussing what's called the REACH NET program - which applies a suicide prediction model to help flag VA patients at elevated suicide risk by using VHA electronic records.

It used 381 variables (since winnowed down to 61) and found that observed suicide rates were 30 times greater in veterans in the top 0.1% of the "calculated risk strata" compared to an overall validation sample of VA patients.

Here is how that is determined - GAO - "documented suicide attempts" fell.

The 61 variables - fall within six categories - a few of the sub-elements: *demographics* (age, race, gender, marital status, region) - 2) *diagnosis* (suicide attempt within last 18 months, depression diagnosis w/in 24 months, substance abuse, bi-polar diagnosis); 3) *homelessness* (in prior 24 months); 4) *medications* (many listed such as anti-depressants or mood stabilizers); *utilization* (number of emergency room visits in past 2 years, outpatient VHA care in last 15 months); 6) *interaction* (marital status - divorced [Y or N] and gender).

If your work is tied to this - report # GAO-22-105165, "Veteran Suicide Risk."