

BUDGET AND PROGRAM

NEWSLETTER

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Heading into the weekend... momentum appeared to be building to finish a border security deal that would pave the way for a final FY 2019 appropriations package.

As being discussed... it would be in the range of \$320 billion.

Pulling out all the stops... negotiators were to continue meeting over the weekend, with a handful heading to Camp David for a Friday overnight meeting with Mick Mulvaney - recent OMB director and now acting White House Chief of Staff.

The group's gravitas... was elevated in mid-week when Senate Majority Leader, Mitch McConnell (R-Ky), said he wanted the 17-member panel to agree on a spending bill - regardless of whether the President would sign it.

That stance... represented a shift. During the recent shutdown, Mr. McConnell repeatedly insisted that he would not bring legislation to the floor unless he knew Mr. Trump would approve it.

Furthermore... House Speaker Nancy Pelosi (D-Cal), said she planned to let the conferees work their will - "If they have a bipartisan agreement, I will support it."

As for negotiators... at one point they held a closed-door conference meeting with a group of CBP agents - to get their views on specific security requirements concerning a mix of issues - barriers, fencing, technology and personnel.

Senate Appropriations Committee chairman, Richard Shelby (R-Ala), called his meeting with the President on Thursday - "productive" and "positive" - saying Mr. Trump wanted Congress to wrap it up, "to get a legislative solution."

Denoting urgency... conferees hope to have matters ironed out by early this coming week to allow for the legislative text to be released in time to get the conference report to the House floor by Thursday - in keeping with the chamber's 72-hour rule - followed by quick Senate action.

At the same time... some significant loose ends still exist.

No specifics were revealed but lawmakers indicated they were discussing between \$1.3B-\$2B for border barriers and other measures - but still working out the type of structures and location. This would be far short of the \$5.7B requested by the White House, which GOP lawmakers have stepped back from.

Another friction point... involves ICE average daily population detection bed limits.

Lots of back-and-forth on this. A Senate full committee version of the FY 2019 Homeland Security bill was approved 26-5 last June and would have provided 40,520 beds.

House Democrats want that cut to 35,520, while the President seeks 52,000.

Within that... Democrats seek a cap of 16,500 beds for undocumented immigrants arrested while already in the U.S. - as opposed to those arrested while trying to cross the border. Republicans strongly disagree with that ceiling.

With the weekend looming... this was one of several major issues on the table.

President's FY 2020 budget... will be five weeks late.

Everything is set way back. For one thing... only about 1/3rd of OMB staff were working during the partial shutdown.

It is to be rolled out in two stages.

The first... is now expected during the week of March 11 and include the main budget document, top priorities, along with summary tables.

The following week... other supplemental materials will be released, including the Appendix which contains detailed line-item information for each agency, the Analytical Perspectives - which includes information on a variety of subjects such as cybersecurity funding, R&D, performance & management, etc and a "major savings and reform" document.

Within the aggregate... defense-related dollars will be proposed far above the current statutory cap. Nothing definite but numbers as high as \$750 billion are floating around, although it's not clear how much of would be overseas contingency operations money.

Drilling down - when the Army unveils its budget - it will emphasize the six modernization priorities that Secretary Mark Esper has focused on:

- Long-range precision weapons
- Next generation combat vehicles
- Next generation vertical lift aircraft
- Army communications network
- Air & missile defenses
- Soldier lethality

In 2017... when DOD unveiled these, they called the modernization system at that time - an Industrial Age model.

Soon after... Army Futures Command was stood up - which will focus on rapidly developing new equipment & weapons tied to the above priorities.

Linked to this... the budget "will mark a significant shift in resources" in accordance with the Nat'l Defense Strategy.

To find the money - Mr. Esper and the Army Chief of Staff, ran "night court" where a small group systematically analyzed over 500 Army equipment programs looking for savings.

The result... is that Army budget personnel have put together an assortment of topline - some a little more, some a little less - than the service expects in each scenario.

To prepare for whatever happens... a list of equipment programs - ranked from most needed to least needed, has been written.

If the money doesn't materialize... the list is to be referred to and cuts are expected to make way for modernization priorities.

The Secretary... notes that for the last 18 years the U.S. has been fighting insurgents while Russia and China have been investing in new systems. He eyes them both as potential war adversaries in the future.

Compounding matters... Mr. Esper says most of the equipment force is aging - came out in the 1980s... "The Abrams, the Bradley, the Apache, the Patriot, the Blackhawk."

On the modernization front - the Secretary plans a lot of money for science and technology - wanting to "put the pedal down on procuring the next generation."

He says the FY 2020 budget... will take care of immediate needs but also lay the foundation for future procurement to ramp up intensely by 2022 or 2023.

As for non-defense totals... the President's budget will be proposed at the original statutory cap set in 2011, which for FY 2020 is \$55B under the FY 2019 levels approved in the previous two-year spending pact.

Federal departments... are operating under a new law.

Enacted last month... P. L. 115-435, has as its primary statutory intent - to significantly advance evidence-based decision-making within your agency.

This is to more heavily involve information... produced by “statistical activities” with a “statistical purpose” that is potentially useful when assessing government programs.”

The motto - “Evidence is an objective description of what is - whereas policy-making is the subjective determination of what ought to be.”

To tackle this... Congress has created a new framework for data-level governance.

Central to it... agencies are to designate a *Chief Evaluation Officer* - to coordinate/monitor evidence-building activities. It is to be established in tandem with a professional occupational job series. Congress views this as creating a new core capacity for shepherding such evaluations.

Moreover... lawmakers want a new focus on increasing access to gov’t data. As such, agencies are to also designate a *Chief Data Officer* to conduct inventories of current information, and generally make it open by default in PDF format to encourage data sharing. This is statutorily grounded by dramatically modifying the gatekeeper language from “no access without explicit authorization” to “presumption of access unless prohibited.”

In the overall - you want to strengthen the connection between evidence and data... to the management of actual programs.

Also... a statistical officer is to also be chosen to advise on issues.

OMB will be heavily involved in matters. Look for it to examine if evidence is being increasingly used in all stages of policy development. This might include the eventual use of scorecards to assess progress.

Congress... may seek to bolster the importance of the law through future appropriation committee report language - deadlines, requirements concerning how an agency is progressing, etc.

For more... refer to House report 115-411, for a detailed overview.

A new executive order... directs relevant federal departments to maximize the use of goods & materials produced in the U.S in procurement contracts and in terms & conditions linked to federal financial assistance awards.

Within 90 days... agencies administering any “covered” - [infrastructure] - programs are to encourage recipients of financial awards to “use to the greatest extent possible” - iron, aluminum, steel, cement, glass, plastics - that is manufactured in the U.S. “in every contract, subcontract, purchase order, or sub-award.”

Within 120 days... a progress report on implementation of this order is due. It is E.O. #13858.

In another Presidential document - “Taking Additional Steps to Address the National Emergency with Respect to Venezuela” - the White House builds on previous executive directives concerning actions in response to the “illegitimate Maduro regime.” It is Executive order #13857.

Syria.

DOD... is preparing to withdraw all U.S. troops by end of April - with a significant portion out by mid-March. Set to occur even as the State Dept maintains there is no timetable.

This is in the works... even though no agreement to protect Kurdish allies from being attacked by Turkish forces has been arrived at.

The military withdrawal... is on a faster track than the political one.

Are Russia's S-400 anti-aircraft air defense systems... a potential game-changer?

Some observers - believe so, that it may challenge decades of absolute U.S. air dominance in certain regions, such as the Middle East and eastern Europe.

Over 300 of such S-400 divisions are deployed. Many are near the Russian western NATO border, some are located in Crimea, also Syria, four are in its Arctic territories.

While it hasn't been tested in battle... it currently wards off coalition aircraft in Syria, as soon as it's realized they are being tracked. DOD has acknowledged that it has necessitated changes to air operations.

On paper - here is how the basic S-400 unit, which has four 33-foot launchers carried on a mobile transporter - stacks up against the U.S. Patriot missile system:

	<u>S-400 system</u>	<u>Patriot system</u>
<u>Maximum targets it can track.....</u>	300	100
<u>Maximum target flight altitude....</u>	17 miles	12 miles
<u>Radar detection range.....</u>	373 miles	93 miles
<u>Anti-aircraft range.....</u>	249 miles	43 miles
<u>Ballistic missile range.....</u>	37 miles	12 miles
<u>Tracking target speed.....</u>	3 miles/sec	1 mile/sec

Moscow seeks any neutralizer - as its military budget is about 1/10th the size of the Pentagon's. Its only aircraft carrier - is under repair, its Air Force comes up far short of U.S. air capabilities.

However... the S-400 gives it a deadly threat - to counter U.S. power in a defensive mode, not prevail over it in a forward battle.

Creating further worries - Russia is selling the S-400 system around the world. Purchases of it by China, India - as well as a pending deal with Turkey, are creating consternation not only in the United States but also NATO.

Essentially... such actions allow Moscow to spread the expense of limiting U.S. forces.

Washington objects to the purchase by Turkey because it would provide Moscow with too familiar a view of NATO operations/assets in Ankara and also potential insights into the radar-evading F-35 fighter capabilities.

In 2015... U.S. -operated Patriot missiles in Turkey were removed by Washington. Now, offers to sell the system to them are being discussed. However, Turkey has made clear it has no intention of not going thru with S-400 buy - initial delivery is expected in July, 2019.

This in turn... has created broader concerns over Turkey's relationship with Moscow, increasing dependence on them and the possible implications for NATO.

Looking forward... the Russian arms maker who built the S-400 states that a more advanced S-500 is being designed to counter next-generation hypersonic missiles.

According to the statement... it is due to start production in 2020.

The evolving backdrop... is that the U.S. annual intelligence assessment is warning of closer cooperation between Beijing and Moscow. In fact, being more aligned now than any time since the mid-1950s.

Risks of regional conflicts could rise as a result.

One great purpose... they are spending heavily in a "race for technological and military superiority" that will define this century.

As this dynamic appears - the U.S. and its Western alliance have weakened, according to intel analysts.

Some members of the Senate Intelligence Committee appeared to be taken aback. One of them - "If those two countries begin to work together systematically, that could be a big problem for us."