

BUDGET AND PROGRAM

NEWSLETTER

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Question: What does the United States face?

Answer: History.

Over the last 47 years...Iran has clearly demonstrated its intentions regarding the United States.

The lesson began on Nov 4, 1979 - when the U.S. embassy was seized in Tehran by perhaps as many as 3,000 militant students. 52 U.S. diplomats were held hostage - for an interminable amount of time.

This was after President Carter...sought to open diplomatic channels with Ayatollah Khomeini - the architect of the revolution, and the newly appointed Supreme Leader who founded the Islamic Republic of Iran.

Their 444 days of captivity - was a severe blow to U.S. morale and prestige.

The hostage crisis - saw Khomeini voicing the slogan "*America can't do a damn thing against us*" which became the unofficial mantra for the Iranian Revolution.

In an eerie echo across time - the present circumstance feels somewhat akin to it.

Were finally freed...minutes after Ronald Reagan was sworn in on Jan 20, 1981.

But he would soon face growing threats from the Middle East. In April, 1983, a suicide car bomb took 17 American lives at the U.S. embassy in Beirut...up until then, the deadliest U.S. embassy attack ever.

Five months later... Iran carried out the catastrophic Beirut barracks truck bombing that killed 241 U.S. service personnel via its terror network in Lebanon. It was the deadliest single day for Marines since the Battle of Iwo Jima in WWII, who were there as part of a multinational force (MNF) peacekeeping mission.

The U.S. response - was withdrawing U.S. forces from Lebanon, ending their direct role in the MNF, which itself was disbanded the next year. And it resulted in a turning point regarding U.S. Middle East policy.

The attack - also marked a major escalation of Tehran's proxies targeting U.S. troops...becoming the prototype to sow revolution across the Middle East.

That has been ongoing/expanding ever since - with a succession of U.S. Presidents attempting to somehow modify their behavior via the imposition or lifting of sanctions - deals made/broken - freezing or releasing of monetary assets - appeasement or military actions, cease fires, etc.

Now...Tehran has new-found influence over the Strait of Hormuz - and is attempting to position itself to manage it. They estimate that revenue from it could total up to \$40B/year. The White House deal offers them a say over management in the long-term. Gives Tehran possible leverage, like a hovering shadow which could quickly morph to threats on shipping and by extension, global oil. From their chief negotiator - "Everyone needs to know that management of the strait will never return to the way it was before."

And with this...it has cemented a reputation of not yielding no matter what - while the great nuclear question hangs in the wind. It makes them more dangerous than decades past - from a time when their script was originally written - and has now been greatly bolstered by their recent tenacity. This half-century of history is not lost on them...any agreement has that to contend with.

Four appropriation bills...were scheduled for Senate full committee mark-up this past week - and then abruptly postponed. As it is...these were some of the least contentious ones...Agriculture; Military Construction-VA; Commerce-Justice-Science; Legislative Branch.

It was the chamber's third attempt this month to hold mark-ups - with no success.

The central hangup...is deciding on a spending topline. Democrats won't move forward without one, while Republicans want to press ahead and sort out each bill.

The major obstacle...is that Democrats want matching increases in non-defense spending vs defense spending. Republicans refuse to do so. Some policy issues are also "miles apart."

Faced with this deadlock...Republicans are evaluating whether to forge ahead on their own - aware that each of the above bills were negotiated over a period of months within each subcommittee in a process that lawmakers said went smoothly.

GOP would be able to get each bill out of committee without Democrats' support but the appropriations would likely fail on the floor as they need 60 votes. So - a CR is a real possibility, short of a partial shutdown.

Utterly different story in the House...where two bills have been passed and the remaining 10 are thru full committee mark-up.

America stands - "at the cusp of a quantum revolution."

So begins a new executive order - which instructs how the federal gov't intends to usher it in - many responsibilities are laid out.

First priority...is updating the Nat'l Quantum Strategy by supporting quantum-enabling technology and its commercialization/deployment. Who's involved? The Asst to the President for Science & Technology (APST) is to coordinate with DOD, Commerce, Energy, DNI and NSF. Deadline - 180 days.

30 days after this updated document is written - "relevant" agencies are to submit a summary of the steps taken to align their policies with it.

Moreover...there is now established - the Quantum Computer for Application Development and Discovery Science (QC-ADDS) Effort. Its objective is to pursue the creation of a quantum computer "at a scale intended to initiate the era of quantum-enabled scientific discovery" - with the goal of delivering at least one to a Dept of Energy facility. NASA and NSA are also to be part of this effort.

By end of September...Dept of Energy is tasked with identifying the "technical specifications" required for this quantum strategy to succeed.

By end of August...DOD is to identify at least three next-generation quantum sensor projects to prioritize "in order to field these sensors by Sept 30, 2028."

By end of Sept...OPM is to write quantum recruitment guidelines.

By end of Oct...Labor is to ensure that quantum-relevant industry needs are prioritized in workforce training and develop a tracker for assessing such.

Within 180 days...DOE - is to explore possible private-sector partnership models "to understand the potential cost, scope and timeframe" for delivery of at least one quantum computer. Moreover - DOD is to designate/create programs "necessary to advance readiness for national security applications."

The following...are to develop five-year plans for advancing quantum sensing/networking - Commerce (advancing commercial readiness); Energy (to measure complex systems); NSF (to develop applications of quantum sensing); NASA (developing quantum networking for space applications).

The FBI...in coordination with State; DOD; Commerce; Energy; DNI; NSA; and Homeland Security - is to propose staffing requirements to expand the protection of the quantum ecosystems - especially as it relates to cybersecurity threats.

All hands on deck - executive order #14413.

A war supplemental package...has finally been submitted to Congress.
It totals - \$87.6 billion.
What's in it?

Most - (\$67.1 billion) of it involves war expenses - among them: munitions recoupment, (\$21 billion); operational costs, (\$17.3B); readiness needs, (\$1.7B); drones, (\$2.4B); classified programs, (\$12.1B); fuel costs, (\$1.5B); unspecified "Administration priorities," (\$1.2B); airborne target indicator systems, (\$4.1B); National Guard, (\$800M).

The supplemental...is also expected to support DOD's launch of an AI Acceleration Strategy involving seven projects with tight deadlines. Among others - it includes creating warfighting drone swarms, AI-driven battle management support, and rapid conversion of intelligence into "capabilities" at unprecedented speed.

Notably absent from it - is any funding for military construction to rebuild bases damaged during the Iranian campaign - meaning, no details to Congress about what installations were hit and what is needed to repair them.

As it is...it's believed that Iranian strikes have damaged/destroyed at least 20 U.S. military bases - with some left "all but uninhabitable" since the war began - forcing thousands of personnel to relocate and degrading U.S. forward presence in the region.

Bases in Kuwait...were a prime target, suffering the most severe impact due to its proximity to Iran and concentration of U.S. forces there. Bases in Saudi Arabia and Qatar also faced critical losses affecting operations.

At the same time...the package does seek \$300M for restoring damaged embassy facilities.

Beyond the defense request - \$2B for Coast Guard to support operation Epic Fury efforts and to also have them fill in where/when DOD assets are not available to support certain operations such as those on the U.S. southern border.

Moreover...\$768M to NNSA "for complete and verifiable information of Iran's ability to acquire a nuclear weapon"

Remainder of the request...would go to priorities such as disaster & farm relief and aiding the Ebola crisis in the Congo & Uganda, (\$1.4B).

Republican response...was supportive overall.

Democrat response...was strongly opposed. From ranking Senate Appropriations chair, Patty Murray (D-Wash) - "I will . . . ensure we take care of our service-members, but I will not rubberstamp tens of billions more for this disastrous war of choice."

The backdrop to the package - is the recent Senate vote to pass a war resolution (50-48) which would restrict the White House from conducting military operations against Iran without congressional authorization. As such, to restrict U.S. forces from combat unless an ally is under "imminent attack."

The previous eight attempts in the chamber...failed.

But it carries no legal weight - is a nonbinding concurrent resolution.

Regardless...many Senate Republicans have sought more details on Iran - and are distressed with what they have heard concerning possible terms of the shaky peace agreement which includes unlocking/returning many billions in frozen monies and relaxing sanctions.

The fault line is reflected by one GOP member - "Right now, Iran is ending up stronger than they started"

But from Jim Risch (R-Idaho) - chairman of the Foreign Relations Committee - "If this passes, the Iranians are going to simply stand up and walk away from negotiations. They're going to say this thing's over."

Now - for the first time...it has passed both chambers.

What exactly - is cryptography?

It's derived...from the Greek word *kryptos* - meaning hidden - involves techniques for encoding and decoding messages to protect them from unauthorized access.

More specifically...it works by converting readable data (plaintext) into an unreadable format (ciphertext) using algorithms. And you have to have the right decryption key to unlock the plaintext.

A new executive order...clarifies the potential threats posed by the arrival of large-scale computers, particularly in the hands of adversaries - as it concerns cryptographic security systems.

The risk...is that they collect U.S. data now - and decrypt it later once large-scale quantum computers are operational.

As such - the order mandates a transition to NIST-approved post-quantum cryptography (PQC) so the algorithms are "resistant to attack" in protecting data, critical infrastructure and the digital economy from quantum-computing enabled threats.

The instruction...sets a number of deadlines.

First up...within 30 days, agencies are to identify their PQC mitigation lead (the individual responsible for overseeing cross-agency coordination and who reports to the CIO) and provide their name & contact details to OMB.

Within 90 days...agencies can expect OMB guidance requiring they review their inventory of high-value assets (sensitive information via OMB memo M-19-03) and high-impact systems (excluding nat'l security systems)...with an end-goal of transitioning them to be quantum resistant by Dec 31, 2030. A plan to accomplish this is also due in three months.

Within 180 days...a test run will begin with NIST initiating a pilot program for PRC migration regarding an "appropriate subset of information systems" operated by them.

Other deadlines are laid out - engaging foreign gov'ts to transition to NIST standardization; assisting critical infrastructure owners; requiring contractors to comply with the PRC compliant algorithms 2031 deadline.

It is...executive order #14412.

On a related note...China holds claim to the world's fastest supercomputer as of this past week.

And not just by a little...the tennis court-sized behemoth is 22% faster than the #2 contender, El Capitan at California's Lawrence Liverpool Nat'l Laboratory.

In an unexpected pivot...their champion relies on domestically developed central processing units instead of graphics processing units (GPUs) which power most supercomputers around the world (think Nvidia) and which former President Biden blocked them from having and the tools required to produce them. Faced with that, Beijing also found a way to produce its own memory, network & cooling systems.

Of interest...despite U.S. restrictions, China has built a highly functioning independent hardware/software ecosystem, a self-reliant model seemingly insulated from global intrusion/curbs.

This is the final weekly issue...of the Budget and Program Newsletter.

It has been published on this schedule since 1976.

At that time...the entirety of federal outlays was \$372 billion while gross debt stood at about \$3.4 trillion.

We've been here ever since.

From this point forward - we will be shifting to a twice-monthly publication - at a reduced cost to you.