

**Bob Hale, Chair  
Ellen Lord, Vice-Chair  
Congressional Commission on  
Planning, Programming, Budgeting, and Execution Reform**

**Defense Writers Group  
Project for Media and National Security  
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**Moderator:** Welcome to this Defense Writers Group session, really one of our more unusual and therefore important. We're convening today to chat with Bob Hale, the Chair, and Ellen Lord, the Vice-Chair, of the Congressional Commission on Planning, Programming, Budgeting and Execution Reform. I hope the meaning of execution is not the one where I end up hanging -  
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**Mr. Hale:** I can tell you're all excited already.

**Moderator:** It really is an important topic. I do a lot of public speaking and people say well what are the greatest threats to our national security? You can talk about China and climate and Russia and all that, but if our systems are broken, if we're polarized, we're not efficient in building the national security machine, then we are really, really in trouble.

As always, today's session is on the record but there's no rebroadcast of audio or video. I'll ask the opening question and we'll go around the table. Any of you who emailed in advance are on the list. We'll get to as many as there is time, and then we'll reserve the last few minutes for Mr. Hale and Ms. Lord for closing comments.

To get started, I did stay up late last night reading your --  
[Laughter] -- report.

**Mr. Hale:** Glad to hear it.

**Moderator:** I didn't read it thoroughly, but I did read it. But I did want to use this opening question to ask you to describe to us from the interim report and all that's there, what do the two of you see as the major takeaways and the major priorities?

**Mr. Hale:** Let me start and then I'll turn to Ellen, of course.

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We spent the last year and a half on what I like to call a listening and learning tour. Lots of interviews -- more than 560, some research by our own staff, FFRDCs and others. And also rely on the expertise and experience of 14 commissioners and our staff.

I'd say that I've come away with a takeaway that there are strengths in the current Planning, Programming, Budgeting and Execution Review system, but, but it can certainly be improved.

I was struck by the interviews we had, even with a number of senior officials who I respect who said hey, don't throw the baby out with the bathwater here. There's a lot of good things about this, but all of them also agreed that it could be improved. I think the commission agrees with that, and we are looking at a lot of improvements. You've seen a number of them.

I'll take just one category and mention it, and that is can we make PPBE better able to foster innovation? Because we know how important that is to national security. And to adapt more quickly to changing requirements. That's one of our five goals in the report that you saw. I think it's one we heard most about. So I would put a fair amount of emphasis on that. All of the goals are important, but I think that one stands out, and there are a number of proposals in this interim report that try to move in that direction.

Let me stop and turn to Ellen.

**Ms. Lord:** Thanks, Bob.

I think getting back to the key question, what I take away is that we need a cadence of communications that's much more data driven between DoD and the Hill. The frequency of the dialogue, if you will, could be enabled by electronic transmission of data that is consistent across the military services as well as the agencies. And then the ability to communicate back and forth in secure enclaves with consistent budget information. For instance, J-Books, Justification Books, are one of the areas that we've looked at. But it's really that cadence of communications and being extremely data rich I think is the overarching message for me, and that's to be able to enable flexibility in the entire cycle.

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I think sometimes people get confused that the PPBE Commission is all about acquisition. That's certainly a portion of it. The execution side. But what we're really talking about is flowing down from the National Security Strategy to the National Defense Strategy to the Defense Planning Guidance and then how do you translate that into actionable guidance so that we really are linking our budgets to strategy? And then when geopolitical events change, when technology innovations come up, how do we quickly adapt to be able not only to innovate but to field those innovations, and how do we look at our force structure and make sure we adapt our force structure as well?

**Moderator:** Thank you so much.

The first is to Tony Bertuca of Inside Defense.

**DWG:** Thank you for being with us.

One of the narratives that seems to be coming from the report when I look at what some of the interviewees said, is that the PPBE process is a technical way to address what is essentially a political dynamic.

So we're having this meeting, Congress is in recess, but people are actually rooting for the DR so there won't be a shutdown. So it seems like the appropriations process has become really mired in its own form of political dysfunction. That if we're cheering for a CR, which is what everyone agrees is not an efficient way to run the department or other parts of government, that the process has really broken down.

So it seems like to be able to reform the PPBE process that you as a congressional commission, you've got to be able to sell this to Congress, to sell it to the appropriations committees who are sometimes hesitant to give the department more flexibility.

It seems like this communication that Ms. Lord talked about is really key to that. Could you break down a little bit for me how that when you come up with your final recommendations we hope to be able to sell them to the lawmakers who actually established the commission, because that's what's going to make this matter is will they listen to their own commission?

**Mr. Hale:** First off, we're not going to wait for the final

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report to do that sales effort or really education and discussion effort. We have met frequently already with the staffs of the four defense committees and also some former staffers to get a sense of the issues that are important to them and we pre-briefed them on this report and got some initial feedback that said hey, we want to come back and see you in September and October.

One of our approaches that I think is a little different than some commissions I've been on is to lay out these potential recommendations, as you've seen, things where the commission hasn't made a decision, but it has thoughts and we laid them out and we are asking for stakeholder feedback certainly including Congress.

So I think we have been open in our communication with them.

Also with DoD, I would not underestimate some of the concerns in DoD with regard to some of these changes. There will be concerns there too, and we have done the same things there. We have met extensively with the senior people and also I call them senior working level people, trying to both hear from them but also communicate our thoughts.

So we're working on it. It will take some time. I would not expect to see instant results from this report or our final report because people are going to have to mull them over, but I do think there's some appetite or willingness to consider changes in PPBE and I'm hoping that we can move toward that with this report.

**Ms. Lord:** Building on what Bob said, essentially up to this point in time we've been on a listening tour and we're very fortunate that our staff has a strong background in financial management so they give us a lot of credibility and help us really formulate the tough questions, if you will.

Now we've taken all of that input and synthesized it and come up with our interim report and very clearly laid out the areas that we believe warrant further investigation.

So we will have many meetings that will have substantive dialogue versus just listening which is where we were before, to really flesh out what the art of the possible is. Because it's relatively easy to write a report. It's much tougher to

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implement it. And we want to make sure that we have the stakeholder engagement so that when that final report comes out it's not a surprise to anyone and it is actionable.

There are some things I our interim report that can be acted on now and we think that many potential recommendations that will begin a dialogue. And it's not just us and our commission doing work. I think you'll see the whole ecosystem has been working on this issue of how do we react to world events, how do we react to technology developments in the commercial sector, and bring those to the warfight very quickly.

So what we're doing really builds on what the Atlanta Council Commission did, for instance, but it's the engagement that will make the difference. And once we write that final report we then are going to work hard on trying to get that implemented as well.

**Moderator:** Next is Marc Selinger of Janes.

**DWG:** I was wondering how much you looked at what other departments in the US are doing in this regard and also other countries, and if you found any sort of good solutions in some of the other countries' departments.

**Mr. Hale:** We did. We were directed to look at partner nations and also near peer competitors -- we looked at China and Russia and the partner nations, we looked at Australia, UK and Canada and have some further work on other countries as well. As well as non-DoD agencies.

I'll start with China and Russia, they're fascinating. But frankly, their governmental systems are so different than ours that it's hard to see us copying any -- I sure don't want to copy their government system and I don't think many people do. I think the best takeaway we got there is they have some flexibility that would be very helpful. We just have to find a different way of initiating it rather than accepting their form of government.

In the partner nations, they're parliamentary nations the ones we've looked at so far, so the big difference is there's vastly, I'd say vastly less legislative oversight because the Minister of Defense is a member of their parliament.

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There are a few takeaways there. They interestingly are struggling with a lot of the same problems that we are in terms of being innovative. They tend to favor, and I'm generalizing now because we only looked at three so far, three nations. Stability, perhaps they have more stability in their budgets than we do.

I think we probably learned most from the non-DoD federal agencies. There we looked at HHS, NASA, DHS and the Office of the Director of National Intelligence. There are a couple of takeaways there.

Some of those departments have flexibility that DoD badly needs, at least I think the commission agrees with this, and that is the ability to carry over funding in its operating accounts. In the case of DHS they can carry over 50 percent of their unobligated balances into the second year. NASA has almost all two-year money. That would certainly be helpful, I think, in improving the execution of the budget in DoD and it's one of our potential recommendations.

The other one I'll note is the ODNI, the Office of Director of National Intelligence has actually renamed the E in BBPE if you look at assessment of execution. I think from what we've learned, they're struggling a bit because it's hard to do but it's the right thing to try to do and something that I think in our final report we will be looking at.

So we learned something from them. They were certainly fascinating, especially China frankly, but we have a governmental system that's sufficiently unique to us that we're not going to be able to just copy any of it. There are things that we can learn and have and have used in formulating our recommendations.

Ellen, do you want to add to that?

**Ms. Lord:** Just very briefly.

We used FFRDCs in addition to our staff to do research and Rand is the group that looked at other countries. They did an excellent job.

Australia has more stability as Bob said. I would also call it the predictability of longer budgets. That's particularly

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important to the defense industrial base and those potential new entrants to the defense industrial base to understand there will be a demand signal for more than one year and things might not change.

I think it's also very good news that we have precedent within other federal agencies to have a little bit more flexibility with budgets in terms of an ability to execute on a longer timeframe. Again, perhaps drives better decisions, especially in years where we have CRs and we have to obligate money very quickly and spend it very quickly. Sometimes they're less than optimal decisions that are made in those last few months of the budget year.

**Moderator:** Next is Patty Nieberg of Bloomberg.

**DWG:** Thank you for doing this.

One of the things that I pulled out [inaudible] was under the structure section, and the quote is, "The commission also recognizes that this proposal [didn't] use the schedule disruption to the financial structure of departments."

I guess I'm wondering how much of this is [inaudible] system, how much of this is taking pieces that are broken and trying to make it work. You're trying to get both sides, Congress and DoD, to try to come together on this. It's a hard task. So I'm trying to [inaudible] balance of just taking it on and starting over, or trying to make what we have work.

**Ms. Lord:** I think we think it would be irresponsible to throw everything out, as appealing as that might sound to people. So what we're trying to do is take what works and streamline it so that we have a relevant timeframe. So I would say we are trying to make sure individuals are trained, that budget structures are easy to understand, that both within DoD, decisions are made quickly and that then that information is presented to Congress and we have more iterations.

So we want to take the current structure and streamline it and bring modern techniques to the building particularly, as well as Congress. Because if you look at the business systems that are used for instance, they are typically not contemporary, secure systems that individuals that might want to come into DoD and work for a couple of years feel will enhance their personal

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knowledge and their career potential. We want to take commercial systems, adapt them if possible, to DoD and raise the whole level.

So it isn't throwing it out but it's definitely modernizing it, streamlining it and making sure that we have the right billets in the right places.

**Mr. Hale:** I agree with everything Ellen said, especially throwing it out and starting over. One of the reasons we looked at other countries and agencies is, is there something better? I think the answer is that we haven't found it.

Let me take two examples though of specifics in terms of transforming the budget structure. One we think is an action that could be started now and that would be to review and potentially consolidate what are called budget line items. This is the detail level of which Congress actually appropriates.

In the RDT&E account alone are about a thousand of these little guys. You've got to wonder whether that is so many that it's difficult for DoD to manage let alone perhaps for Congress to execute oversight. So we recommended that DoD, and they've got to work with Congress on this one, look at a potential consolidation of budget line items throughout the budget, but RDT&E would probably be a good place to start.

It's been tried before and not successfully because managers in DoD and certainly people in Congress want to be able to manage at a detailed level, they want to see that information. The question is can you restructure it to be a little more flexible for the department but still maintain oversight?

The other one is a much broader potential transformation, and this is one of these potential recommendations where the commission hasn't made a decision. We've laid out the ideas and we are looking for feedback. That is an attempt to restructure the budget so the dollars are expressed in a more mission-oriented fashion, and perhaps Congress even eventually appropriates in a more mission-oriented fashion. I'll spare you the details unless you want to hear, but it would be far-reaching, it would show the budget by agency and something called mission capability area, or major capability area. And we need help from the department in figuring out what that would be. But the goal is to be more mission oriented and so make it



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easier to relate strategy to budget.

**DWG:** You mentioned it had been tried before [inaudible].

**Mr. Hale:** Help me. Anybody know when we last looked at --

**Voice:** The last two budget cycles, I think Air Force and Navy tried to consolidate their PE systems, but they just [inaudible] in the budget submission but had the conversation, so [inaudible].

**Mr. Hale:** This helpful lady down here is [Inaudible], our executive director. And we have Liz [Beery], our research director, and [Inaudible] who is working for us on a variety of issues, and Rachel Conway who is our outreach person and set up this meeting or helped set it up. So thank you.

**Moderator:** Next is Briana Reilly, CQ Roll Call.

**DWG:** Thank you both for doing this this morning. I really appreciate it.

To what extent do you see the action items in this interim report shaping the NDAA conference committee negotiations and potentially the defense appropriations process? I believe the report mentioned that you could [inaudible], but how would you communicate, to what extent would you communicate a sense of urgency to Congress in moving out on these interim recommendations?

**Mr. Hale:** I think we've started to try to do that by having meetings both of us have spoken about before. I don't personally expect -- there's so much going on and some of our proposals are sufficiently far-reaching, I just don't expect we're going to see real quick action.

What I would like to see is good questions from them related to this interim report and then hopefully we can take those into account and provide, as Ellen said, actionable and potentially acceptable changes to improve the PPBE. But I think it will take time. The building is going to also have to review and accept these. And frankly, there's going to be a bandwidth problem for the Department of Defense. They've got so much going on in some of the key areas where we would, that would have to take charge of making some of these changes, I think

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particularly the Comptroller's office, but CAPE as well. I think they'll have to attach some priorities and say hey, this is what we're going to go after first, and I also hope they can reach out and find some ways to get themselves some additional help.

So I don't expect to see a lot, frankly, in the legislation this year. It's well along and they're in conference in most cases, but I do hope to see comments, and we're seeing some already in the Hill, some indication of willingness to consider changes.

Does that answer your question?

**Ms. Lord:** I have very high expectations that some of these actions that can be implemented now will be. The reason I say that is ever since we stood up the commission on a quarterly basis we have been meeting with staffers, four separate meetings each quarter with HASC, SASC, HADC and SACD. And we've had over 500 engagement with multiple people. I think there's a demand signal for change given what we've seen in Ukraine -- that was a wakeup call -- that the world is changing around us. And then obviously everyone has eyes on China.

Given where we are with gray zone warfare and so forth, there are some challenges to not only our national security but our economic security. I believe many in the building and on the Hill believe we need change. It's just not clear what the path is. That's why we thought we should start with actions that could be implemented now. They won't be surprises to any of those four key committees. And we hope there will be a dynamic discussion going into conference and that we'll see some of those, and that our potential recommendations which are more mid and long term will foster discussions during conference as well, but also be informed by the engagements we plan to have. But we see this as a multi-step process, kind of a crawl, walk, run. I believe we can crawl with the actions we say are ready to be implemented now.

**DWG:** I guess the other thing that's maybe [inaudible]. There is [inaudible] as well [inaudible]. A lot of us [inaudible] for defense committees. Do you think that [inaudible]? Obviously there's a lot of conflation between the work that the PPBE reform commission is doing and the [inaudible] not the same at all, but efficiencies could follow if some of these recommendations were put into place. Do you think that

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environment helps make it more conducive?

**Ms. Lord:** Absolutely. One of the biggest challenges both within the building and on the Hill is a lack of understanding about the overall budget and what we are capable of doing and not doing. That's not surprising because it's huge when you're talking about an \$800 billion budget. However the actions and the potential recommendations that we are talking about, we believe get at a more rapid communication of the critical information that will inform decisions that perhaps will make both the executive branch and the legislative branch more comfortable with change. Because there's always a risk factor and it's the risk of the unknown. We hope that we are informing what this entire process is, what the strategy if you distill it really means in terms of force structure and warfighting capability.

If you do all of that, then you can focus on the critical few and perhaps you cannot have so much administrivia if you will taken up on non-value added items. I think they all go hand in hand.

That being said, the changes we're talking about in terms of structurally how we communicate budget data for instance, Justification Books. Those in the long run will inform much better data analysis, allow big data analysis, and will allow I think people in billets that were basically being data entry people and so forth to be able to do more value-added tasks. But there will be a non-recurring cost for the switching of the current system to a new system.

**Mr. Hale:** You've heard it before about the [inaudible] Department of Defense to absorb these changes. They are so busy with the day-to-day issues of oversight and then the financial crises that seem to be unending. Ukraine right now which takes up a lot of time. I'm concerned. And they're already understaffed, and they need to improve their recruiting and that's one of the suggestions that we made. But I am concerned about their ability to absorb these changes.

**Moderator:** Bryant Harris, Defense News.

**DWG:** Thank you so much for doing this.

One of your recommendations is putting the Comptroller's office

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and CAPE on the same data set. I think the House and DA has a slightly different idea which is that it wants to abolish CAPE altogether. I'm wondering what effect abolishing CAPE would have on the PPBE process if anything.

**Mr. Hale:** I don't know. If they just abolished CAPE and didn't provide those functions it would be a disaster. The process couldn't work without it.

But let me back up a bit and say the interim report says that both CAPE and the program budget organization within the Comptroller have provided strong support to PPBE. I think the commission agrees with that.

We decided specifically as a commission not to take a stand on the difference in the House and the Senate on the future of CAPE, but I think the commission also believes that the functions that CAPE provides are essential to making PPBE work. It leads the programming process and supplies analytic information in most of the phases of the PPBE process. So we absolutely need those functions. Congress could mandate some differences in how they're done and we will leave that to them, but we absolutely, I think the department needs the functions that CAPE is carrying out.

**Ms. Lord:** CAPE and Comptroller have done some good work in terms of trying to use the same business systems, if you will, and one of the things we talk about in the report is we believe that should continue. In fact it should be accelerated and commercially available sort of COP systems should be used wherever possible.

So I think a lot of the concern comes down to data transparency and the Hill understanding the work CAPE is doing and what it means for the overall budget and how you link that budget to strategy.

**DWG:** The House still says abolish CAPE but put its function elsewhere. Do you have any ideas where [inaudible] would go?

**Mr. Hale:** I think we'd have to leave that up to the Department of Defense to figure out where they ought to be. But I'll just repeat what I've said before, that functions are essential to the good functioning and the PPBE system, what CAPE does is essential. As is true for the Comptroller, policy and planning

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session. But CAPE obviously is the one that's up for debate right now.

**Moderator:** Next is [Alice Pasilla Otis] of [GOV-CIO].

**DWG:** Thank you for doing this.

Could we go back to the conversation of [inaudible]. I was wondering when you're getting your feedback, could you talk a little bit more in-depth about the gaps, the feedback on the gaps that you were receiving. Also there are reports that the commission has been hearing several alternatives to modify your programming policies. Could you give an example of such alternatives?

**Mr. Hale:** I'm not sure I fully understood --

**Ms. Lord:** First of all, relative to innovation, there's a challenge typically when smaller companies are trying to go from SBIRs to a program of record or any type of constant funding. So what we're trying to do is make the system more flexible, to move money more quickly when a new technology comes along and it applied to a warfighting gap in capability.

So what we're talking about is raising the thresholds for below threshold reprogramming so that you essentially are delegating more authority to the building to do that. We also are strongly considering whether or not more authority should be delegated to the PEOs and the PMs so that they could move more quickly.

This goes along with what Bob mentioned earlier about collapsing some of the program element into capability element. The idea being that we really have the pace of innovation far outstripping the pace of business system innovation. And we need, because the threat is moving quickly and we have the ability to implement new technology, but our systems are holding us back. If you go through the JROC and the JSIDs process and so forth, it could be three years.

We do have the capability to do things quickly, whether it be the Joint Rapid Acquisition Cell, JRAC, whether it be the Rapid Capabilities Offices, whether it be DIU -- Defense Innovation Unit. The issue is we have not been able to scale those to really make a difference across the department.

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So what we're trying to look at is all the mechanisms we could sort of echo and amplify throughout the entire system to allow us to move more quickly to take this innovation and get it translated to true warfighting capability. And there are many, many different ways that could be done, but the challenge always is that particularly in DoD the system is set up to be very risk-averse for a lot of good reasons, and it appears that every time we have had a major misstep, which usually comes out during an acquisition program, we go and put 25 Band-Aids on it that hold everything else back.

So what we're trying to do is say let's look at the forest versus the trees and streamline this to allow these especially small companies that want to be part of the defense industrial base but give up on it because they have cash flow issues. They have to make payroll and they can't wait for another 18 months to go from demonstration or SBIR phase one to more significant money.

**Mr. Hale:** Let me add one more example in the innovation area. That is how we handle what's called color of money. As I think you all know, the department has to spend funds -- if they're buying something it's got to be procurement, typically operation and maintenance if they're operating; in RDT&E -- Research Development Test and Evaluation if it's research.

One of our potential recommendations, and I highlight again, this is not something the commission has decided on, would be to allow selected organizations that do a particular type of function, to pay for all of their expenses using one color of money.

For example, if it was an acquisition organization it might be allowed to pay for all of its expenses using procurement even if some of it would normally have been research or operating money. That would make it less common that programs are slowed because the program manager hasn't been able to foresee exactly how much money they needed in a procurement pot versus the research pot.

This would have to be accompanied, I think, by a set of rules that provided for congressional oversight, or it's not going to be acceptable. For example, prohibiting probably new starts without congressional approval. And importantly, the agreement that the department would execute the budgets consistent with these justification books that they send up every year saying

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how the money's going to be spent. They couldn't take this flexibility and invent a new program, but they could use it to avoid slowing down what they've already said they were going to do.

Again, this is a potential recommendation. We're looking for stakeholder feedback here. I'm guessing we're going to get some.

**Moderator:** Next is Chris Woody of Insider.

A no show.

Shawn Carberry of National Defense Magazine.

**DWG:** Good morning.

Just to continue on where you just were on innovation and looking for flexibility. Obviously one of the problems is the desire for oversight. So what do you see in terms of ways to I guess address those concerns, sort of anticipate where you're going to get pushback on some of these things and the steps that can be taken to say look, we can raise the threshold, we can allow wider color of money, and here's how that will still be protected from that money being misused or funneled into things that it shouldn't be.

**Mr. Hale:** Some of the things I've already mentioned. I think the commission's got a lot of members, a lot of commissioners who have had significant congressional experience. So I think this is in their mind. It's in my mind too. I mentioned a couple.

I think the new start provisions, although we may, we have some suggestions on how they may be changed, but a fundamental notion that Congress will get a say in new starts is probably something that we've got to find a way to maintain. Terminations of systems certainly would be of great concern to Congress. And executed the way you said you were going to, these justification books I think is a strong area that could guarantee oversight even if Congress is willing to give the department some more flexibility, and the color of money flexibility that I mentioned for example.

I think everything that we do that potentially affects oversight

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we've got to do or make recommendations that are consistent with reasonable congressional oversight, but they're just not going to be accepted by the Congress and therefore they're not going to go into place.

**Ms. Lord:** I believe it all comes back to data transparency and the rapid transmission of that data. So I go back to the idea of secure enclaves to provide not only the initial data on the budget but then updates on that. We've talked about how DoD has made good use of [Advana] to pull up a lot of stoplight charts, if you will.

As to execution on programs, I think we have a great analogy in the public sector where you take publicly traded companies and they have secure enclaves, if you will, to be able to transmit the most sensitive data between the company and their board of directors. Obviously that can't leak or that would move markets and that would be an extremely problematical thing.

There is no reason that we cannot take the electronic transmission of J-Books and then provide updates on a regular basis. And I believe if the Hill saw that execution data, both in terms of where the budget is and where the degree of completion as to the key requirements are, then if you had that type of actionable intelligence, if you will, you could really have this flexibility and be funding the programs that are moving along and perhaps stopping the ones that aren't and make more time-relevant decisions. Also build the trust between the two groups.

**DWG:** Part of what you're talking about is essentially modernizing IT and data systems.

**Ms. Lord:** Exactly.

**DWG:** The department has been its own long-running challenge. So to what extent are you getting into looking at how to break through some of the barriers that have preempted IT improvement writ large? Or are you just --

**Ms. Lord:** Let me be very clear. I am not talking about revamping what DISA does or others do. We are talking about a very specific IT segment of DoD that relates to PPBE. So it's how do you distill the initial programming and planning into a budget and how do you make very clear to the Hill what that



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budget is with consistent explanation across military services and agencies as a first step. Then allow markups to come back on that.

As a second step, then essentially have a digital twin, if you will, of the internal DoD system. So you're not allowing any burrowing into DoD systems, but providing the execution updates to allow an understanding for both DoD and the Hill to understand where the execution phase is. That way if you're talking about reprogramming and looking for sources everyone has the same data set.

**Mr. Hale:** Let me just say, I am pleased and I think the commission commends the department for finally having some success on one system called the Next General Resource Management System which has been in gestation since I was there, but will finally and is now in place and being used, will finally have one system that has data for both the programming and the budgeting process.

This new system's birth, you had to switch the data between systems as you move from programming to budgeting which really doesn't make a lot of sense. It produces errors, takes time, and I think the department has hopes that this new system or one similar to it will be adopted by the services, so we may get some common systems or at least systems that can talk to each other electronically.

Finally, you could put, hopefully using COTs kind of products, you could put the data analytic ability into this system because it will have access to a lot of data.

So there's progress being made. It's painfully slow at times on this particular one. But at least I think they're moving in the right direction. As I say, I commend them for it.

**Moderator:** John Grady, USNI News.

**DWG:** A two-part question.

The first one is, I like the idea of the mid-budget year review. But I did think it was interesting, and it was kind of [inaudible] in the last quarter of the supposed budget. That's the first question, what's the justification for that?

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Secondly, I read in a number of these things the department saying you're already asking for so much information. Now you're asking for another set of information. So do you get rid of all these congressional questions that [inaudible]? It is a recurring thought through every one of those things. You hear it from DoD, this is yet another, another, another request.

But start with mid-year budget review. Why is that important? And I agree with you on the transmission of the data having to be very close-hold. But explain that. What's the rationale for it? And then t request for information.

**Mr. Hale:** I think what we heard from congressional staff, and we talked to a lot of them, is they get an avalanche of information when the budget is submitted in a "normal year" and in many of these days that would be in early February. But after that they information they get is episodic, only when they ask for it, sometimes it's not consistent with information they've gotten before, and so the commission recommends -- and something I think they could start doing right now, this mid-year budget update, which would cover two parts. One would be the budget execution year, and there it would presumably focus on the so-called omnibus reprogramming or large reprogramming that they do, that DoD submits every year. And part of the reason for June or July is the omnibus isn't done until then. So that was part of the reason for the suggested date.

It would also look at the budget submission as well that Congress is debating. This has to be done with care, because this is the President's budget, not DoD's budget. But they could raise issues. Hey, this system has some new ability to implement innovation but we didn't anticipate it when we put the budget together more than a year ago. If You want to do something about that, Congress, you can. And similarly, some systems may be slower or faster than had been anticipated when the budget was put together a year or so ago.

If we can get this dialogue going I think it would one, help improve relationships between DoD and Congress on PPBE related issues, and hopefully limit the amount of changes that have to be made. Congress may agree with some of these and make some of these changes in their markups, in their conference, so fewer changes would have to be made in execution.

I think this was an area where the commission, especially its

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members who had served in Congress, felt this could be a step in the right direction. So it was one of those that we designate in the commission as a key recommendation. And one, again, I think they could get started on now.

**Ms. Lord:** A mid-year budget update would allow data and information to be transformed into knowledge. And there would be a useful forcing function, if you will, to have DoD align amongst the military services and agencies for that update because by the time the budget information gets to Congress it's a bit old. There's a lot that [TAP] and fact of life changes, geopolitical events, technology changes. So as Bob said, the ability to talk about the year of execution as well as the upcoming budget submission we think would be an efficient and effective way for the building to communicate with Congress and have a dialogue.

**DWG:** How about the congressional questions? Every year you hear well we're --

**Ms. Lord:** That's a fact of life. We believe that perhaps if the mid-year update was presented that might get ahead of some of those questions and again, be more effective and efficient for both sides.

**Mr. Hale:** I agree with Ellen. You're not going to stop that.

**DWG:** And you are adding things to it.

**Mr. Hale:** Yeah.

**Ms. Lord:** But this is structured versus unstructured.

**Mr. Hale:** Right, and hopefully -- the problem is now that Congress asks for information from the services, they get, it's kind of episodic. Sometimes it's late. Sometimes it's not consistent with other things they've heard. Hopefully there would be one form in which, led by the Comptroller and the senior service agencies. There was a discussion between DoD and the congressional committees about some of these issues. It will be a fair amount of work for both sides, probably particularly DoD, and that will be this bandwidth issue. But if they could pull this off, I think it does have the potential to improve relationships between Congress and DoD on related issues.

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**Moderator:** John's point about definitions. Whenever I was reading the service budgets they talk about requirements. Those are really desires.

We have time for one question from the floor and it's yours.

**DWG:** Brian Everstine with Aviation Week.

You mentioned new startup authority, [preventing] that for a while. Secretary Kendall [inaudible] a head start on [inaudible] up through preliminary design review. Is there any appetite for that on the Hill? Any possibility? And why not?

**Mr. Hale:** We haven't, at least in the meetings I've had, no specific discussion I've certainly read, but there are concerns on the appropriators' parts about it. We certainly are aware of Frank Kendall's proposal, and if you said is this a good idea, the answer would be it certainly would improve flexibility. I think the question is whether or not you're going to get Congress to accept it.

So far, and the commission will continue to look at that idea, but so far I think we're looking in other directions in terms of flexibility. For example on new starts trying to be more consistent in how they're defined in the justification books perhaps. One of our potential recommendations was rather than send them up one by one as typically is done now, the new start requests, to do a quarterly briefing in hopes that you might get more senior involvement and speed the process.

And one of our, again, potential suggestions or recommendations, and we want feedback, would be to allow new starts during, under a CR, but with the proviso that all four of the defense committees had acted on the budget, passed a bill, and none of them had prohibited that new start. So the goal here is to not take away power from Congress, but if they've agreed to it, all of them, then maybe it could go forward under a CR as a way of mitigating adverse effects.

So we're thinking about CRs and I think we'll continue to do so as we head toward our final report.

**DWG:** Out of the [inaudible] you talk about, how much of that would be giving up line item authority? If you look back at

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[inaudible], the reason the Air Force was able to go so fast in [inaudible] series is they had authority for aircraft as supposed to specific mods for specific aircraft.

**Mr. Hale:** You could do it in a way, if Congress chose to, of -- first off, you could present the budget in this fashion which would allow I think more visibility of mission and therefore more chance to connect potentially budget strategy.

If Congress chose to appropriate based on these major capability errors they could go lower and appropriate by program, and I suspect with the big programs they surely would, even down to the detailed areas in RDT&E. And you would still at least have -- it would be more obvious, I think, what the mission, how the budget affects missions, and therefore make it somewhat easier to relate budget strategy.

**Ms. Lord:** We heard an example of that. HACD has asked Space Force to submit as usual their budget this round, but to present it in a way that you could link down through. So that might be something to follow.

**Moderator:** A last question before we turn the floor to our guests?

**DWG:** Matt Beinart from Defense Daily. Just a quick one.

I'm not sure if this is in the report but was part of the commission's work providing estimated cost savings? You know, get the efficiencies created with the implemented proposals, and get a percentage of what could be saved with some efficiencies?

**Mr. Hale:** We didn't try to do cost estimates, and it would be very difficult to do because these are process changes. I think there would clearly be some extra labor required on the department's part to implement these and you've heard me speak of concerns about bandwidth before. If you got an improved innovation because the system was more flexible, I don't know that you could put a dollar on that but I think its value would be great to the Department of Defense, but we did not try to do cost estimates and I don't think we'll try.

**Moderator:** Before I turn the floor over to the two of you for final comments, let me thank you for a thoughtful and thought-provoking discussion about very difficult issues but which are

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extremely important.

The floor is yours for closing thoughts.

**Mr. Hale:** When I first heard about this commission I thought to myself, why are we doing this? I mean the process changes by themselves are not going to solve some of the pressing budget problems that face the department. But then I thought about it and it occurred to me I'd spent 12 years at the most senior levels in DoD financial management and I'd used PPBE constantly to try to meet the department's needs, and I think generally successfully. But I never had time with rare exceptions to step back and say hey, could this process be improved?

A year and a half after having that time and a lot of help from a lot of interviewees and a good staff and commissioners, I am definitely convinced that the process has strengths and we need to keep those, but it can be improved. And I think the commission has endorsed that as well.

We laid out these five broad goals that you'll see if you want to read in the report, the areas where we think improvements could be made. I've highlighted one that I think is particularly important, but they're all important. But finding ways to improve PPBE's ability to foster innovation and to adapt more quickly to changing requirements is hard but I think it would be particularly a high payoff area.

So over the next six months as we head towards a final report, and then six months after that we can still exist to try to help answer questions and maybe promote some of our ideas, I certainly intend to do all I can to help the commission move toward improving this process because it is important. And I can't put a dollar savings on it, but I'm convinced that it would pay great dividends to the Department of Defense if they could have a more agile, flexible PPBE system. One with better business systems, one where the relationships between Congress and DoD were somewhat improved.

So that's my mission over the next six months and I'll do my best.

**Ms. Lord:** The commission so appreciates you all taking the time to come here first thing in the morning and do this, because the challenge really is communicating what we're thinking and where

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we have to go from here.

We are very, very fortunate to have an extremely strong staff that has worked incredibly hard to bring about this interim report. However, the interim report is really only the beginning and it's between now and the end of the year that I think our most substantive work will happen because we are having multiple engagements both with DoD stakeholders as well as the Hill to make sure that we come up with implementable solutions that are really going to make a difference in terms of our nation's capability to maintain a significant overmatch versus strategic competitors.

So the dynamic tension we consistently see is obviously Congress is mandated to have oversight. They need to have an understanding of what the department is doing. The department wants to move out crisply and make sure they have the right force structure and the right warfighting capability to protect the homeland and support allies and partners and so forth.

So our challenge, I believe, boils down to coming up with systems where we have the data and information provided consistently on a timely basis to allow both the DoD to generate the most meaningful resourcing decisions and then allow the Hill to understand what those are and how they were derived and then be able to adjust very quickly. Because we are in an era where everything is dynamic.

So our real work is ahead of us and as Bob said, once we come out with the final report in March 2024, the big work begins in terms of how do we get this implemented? How do we make sure that what we have produced actually has a meaningful outcome?

Thanks again.

**Moderator:** My calendar goes through March 2024, so I hope we'll be able to invite you back.

Thank you all for coming. Have a great day, and please stay safe out there.

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