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**Ellen Lord, Vice-Chair**

**Congressional Commission on Planning, Programming,**

**Budgeting and Execution Reform**

**Defense Writers Group**

**Project for Media and National Security**

**George Washington School of Media and Public Affairs**

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**Moderator:** It is my great honor to welcome Bob Hale, the Chair; and Ellen Lord, the Vice-Chair, of the Congressional Commission on Planning, Programming, Budgeting and Execution Reform.

I don’t want to embarrass you, but since I’m no longer a New York Times reporter I’m allowed to have opinions. One of the reporters I was talking to about this event said it’s great to be at a meeting with Bob and Ellen because you know there are at least two grownups in the room. [Laughter].

**Mr. Hale:** I hope we can live up to that.

**Ms. Lord:** Yeah.

**Moderator:** This report is so important and so breathtaking in its sweep that I’ll ask a small question and let you both have a moment to have a big answer.

Even though you’re not supposed to have a favorite among your children, I do want to ask about which of the recommendations you think are the most important and the most significant.

**Mr. Hale:** I’ll start. There are 28 recommendations. We think actionable recommendations. We’ve tried hard to make them specific. Fourteen of those, the Commission --

**Ms. Lord:** And they are listed, by the way, on the back here.

**Mr. Hale:** The Commission selected 14 of those, which I think are shown in bold on the back of your sheet, that we believed were key.

But going beyond that, to pick one or two, I think it depends where you are in the PPBE ecosystem, if you will. I mean if you’re a Comptroller maybe you care most about carrying over five percent of the money, of operating dollars, so you don’t have the year-end spending. If you're a program manager you might care a lot more about adjusting thresholds so that you can move money around faster and foster innovation.

So I couldn’t pick one or two, but I think the 14 move toward [inaudible]. Ellen, do you want to add to that?

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

Thom, thank you very much for organizing this and thank you everyone for getting up and being here today. We’ve spent about two years on this and we had a lot of dynamic debate, if you will, but we do have a consensus report which is great and we think that if the department adopts what we’ve recommended here -- we’d love to see all 28 recommendations adopted, but any of them are a step in the right direction.

If asked about personal favorites here, I will pick two. One is actually replacing the PPBE process as we know it today with the new Defense Resourcing System. Obviously 60 years ago when PPBE in general was developed and hasn’t changed all that much, it met a lot of needs and does a lot of good things. It convenes many stakeholders, it allows a venue for a lot of issues to be brought forward, and people can weigh in. However, the environment in which we live right now is very, very different than 60 years ago for a variety of reasons. We have a complexity of multiple geopolitical threats emerging different places. We also have a technology ecosystem that is very, very rapidly evolving.

Back when PPBE was first developed government basically did or drove a lot of the major innovations. That has changed dramatically in the last 60 years, and industry has most of the commercial innovations. Obviously exceptions. Things like nuclear propulsion or hypersonic weapons which are high value but low numbers in terms of what’s being done. Industry is really driving cybersecurity, AI, quantum, a lot of other areas, yet our systems doesn’t allow the building to take advantage of that very easily. In fact there are many work-arounds that are very, very creative that have been brought forward, like the Rapid Capabilities Office or the Defense Innovation Unit. All great organizations but not organizations that are easily scaled. And we believe that there is enormous opportunity to change the PPBE system to be able to allow the warfighter to adapt much more readily, to have new warfighting systems -- whether that be hardware or software, whether that be services, if we change fundamentally how this process works.

So I am a huge advocate of making big changes. I think there’s been a lot of very good work over particularly the last 10 years or so, making incremental changes. However, given strategic adversaries, given the posture around the world right now, I’m not sure our current system is able to meet the current threats.

So the DRS system is going to allow a much more streamlined set of processes to engage all of DoD earlier in the cycle. No longer will we have to wait two years because of some of the flexibilities in the year of execution that we’re talking about. And if you look at who the operators downrange really depend on, it's the PMs and the PEOs, and right now the PMs and the PEOs don’t have as much discretion as I personally would like them to have, to be able to make changes in the year of execution, to be able to do reprogrammings, to be able to carry over funds, to be able to around milestones be able to move quickly from RDT&E into procurement and so forth.

Probably too much information on that one, but I like the big system.

The other one I will pick at the other end is incredibly foundational and that is really changing our business systems so that we have a common platform to look at DoD budgets and the submission to the Hill. We have taken on the technology side digital engineering to heart and we’re doing a lot of fantastic things. Transforming how we engineer products. However, we have not done that with business systems. And in this day and age we really need systems that are searchable and sortable both for ease of use within DoD as well as by the Hill.

So I am a huge advocate of common platforms. It doesn’t mean that you need one system, but in order to leverage data analytics provided by AI and other mechanisms, we need data legs and we need data that is transparent and accessible.

So I feel strongly about making sure we have digital submissions of J-books, for instance, so that we’re not putting such an onus on staffers to try to figure out what’s in there. There are a lot of other things that go behind that that will make it easier, but if we had common platforms so that whether you’re at OSD, you're at an agency, whether you’re in military service, you could dig down and really understand. That would be important.

**Moderator:** Thank you so much.

The first of the folks who emailed me for a question is Tony Bertuca of Inside Defense.

**DWG:** Thank you so much. It’s great to talk to you guys about this after two years of morphing it.

I want to talk about the Continuing Resolution recommendations, because we’re in the middle of yet another CR. And what you hear from congressional appropriators who are the ones who are going to have to respond to this recommendation and provide and sort of loosening some of these restrictions with a lot of these, one of the things you hear is that they don’t want to make a CR less painful, and if you talk to Pentagon officials they’ll say a CR is already very, very painful. But they don’t want to make it less painful by granting more flexibility because they think that sort of draws them out, it makes it more likely that they won’t ever get to a deal politically.

What is so reasonable about this recommendation in here when it comes to new start authority under a CR and in-production quantity increases under a CR?

**Mr. Hale:** First off, we had a brisk debate on this topic in the Commission. You want to mitigate adverse effects which is, as you say, make them more likely. And I think what we concluded is that these things become a way of life. We’ve had one budget in the last ten years that’s been approved on time. Also they’re caused by factors outside not only the Commission scope, really outside the DoD budget. Fundamental disagreements about where we ought to allocate federal funds.

So our feeling was that we needed to pick some areas that would give DoD some more flexibility particularly as it relates to innovation and speeding up the process. The two that we picked did that in our view. More importantly, we tried to maintain congressional oversight by saying that you couldn’t do either of these, a new start or an increase in the program size, unless all four committees and subcommittees had passed the budget, and none of those budgets restricted what you’re doing.

So we thought we balanced congressional oversight against some needed flexibility and it’s worth it in the Commission’s view because it’s so important to not stop new starts for four to six months, which we’re doing right now.

**Ms. Lord:** Just to build on that a bit. CRs, unfortunately, are a reality. I don’t think we can ignore that any longer. Given the threats our nation faces, frankly, our government is one of our largest deterrents in terms of modernizing our military’s capability, and that’s our mandate as a Commission, to modernize the department.

So given that reality, which I don’t think we can debate, we tried to find a balance in the dynamic tension between DoD having its primary mission to deter and then to fight and overcome if that becomes the situation; and Congress’ oversight responsibility to be great custodians of the taxpayer dollar.

So as Bob mentioned, we think the fact that all four subcommittees -- SACD, HACD, SASC and HASC -- they basically are in agreement on something we should be able to move forward. That way you are preserving the main mission of both groups. Obviously we’ve seen strong signals from the building, Secretary Kendall, what he came out with.

This is a dire situation so it’s time to do something.

**DWG:** And to follow very quickly, because it seems like the relationship, obviously, between DoD and Congress is key to getting any of this done. What does DoD have to give and what does Congress have to give to get to these 28 recommendations?

**Mr. Hale:** Well DoD has to start by giving support. I think they will. They’ve shown at senior levels a willingness to endorse our past recommendations in the interim report in a way that I think even surprised some of us on the Commission, and they are starting with implementation.

Congress has got to recognize some kind of a balance between the need for flexibility to foster innovation and adaptability, and oversight. We kept that in mind, or tried to, in all of our recommendations. This one is good -- mitigating the effects of CRs is a good one, but we offered, for example, in another one that has been contentious in the past, carry-over authority for the operating funds, five percent, so that you don’t get that year-end spending spree. We offered an option to Congress. It wasn’t in our base recommendation, but said look, if you want more oversight over the money that’s obligated in that second year, require that it go through a reprogramming process. I’d like to avoid that from the standpoint of workload in the department, but if I could get that passed, personally I’d take it in a moment because I think year-end spending spree is a bad thing. We end up obligating funds to lower priority projects just to avoid losing the money and it’s something we want to avoid.

**Ms. Lord:** I’m going to answer that in a little bit different way. Obviously the entire ecosystem being government, whether it’s the executive branch or legislative branch, industry, academia, many, many people have been generous with their time and thoughts meeting with this Commission. So we believe we have a substantive document here with 28 very important recommendations. That will all be for naught if we do not have implementation guidance from the department as well as language from Congress.

So those are overarching, very important next steps.

That being said, at a tactical level, there are going to be contentious communications unless we have a very data-driven discussion. And fundamental to much of what we’ve done here is talking about the skepticism with which Congress often looks at the department because a lot of conversations happen that aren’t substantiated with supporting data in a timely fashion.

So in order to make this happen we need a lot of transparent data transmission on a frequent basis, and you will see that mid-year updates, and we can debate what mid-year means given our CR way of life. But the point is, we need a cadence of communications that is backed up by data so that we can have data-driven discussions versus opinions.

**Moderator:** Next was John Grady, I don’t see him. He must be stuck in traffic.

Josh Luckenbaugh, National Defense Magazine.

**DWG:** Hi, thank you so much for doing this.

Can you kind of just parse out, you mentioned [inaudible] that some of the things that you need [inaudible] through those barriers to reform that you guys see. How these 28 recommendations, kind of the ways you would recommend the Defense Department or Congress to overcome those challenges?

**Mr. Hale:** The first thing, and this was our 28th recommendation that we would suggest is creating an implementation team. We tossed these 28 recommendations into the laps of staffs in both DoD and Congress that are already I think close to overwhelmed in some cases by day-to-day activities. It’s going to be hard to get enough time for them to oversee implementation.

So our recommendation is that DoD create an implementation team. It should be cross-functional because there’s more than resource management involved here. It should report, in the Commission’s view, to the Deputy Secretary of Defense because she’s the only one that can issue directions to cross-functional areas effectively in the Department of Defense, and it should be temporary. But our thought of temporary is at least three years because it’s going to take a while to implement some of these.

One more thing that maybe we should have emphasized more in the report. That is this team has to integrally involve the Congress, whether or not there are members on the team -- I’ll let DoD figure out the separation of powers issues -- but we absolutely, this team, if it’s a DoD team, needs to be meeting regularly with staff and members to say where they’re headed and to see if that’s going to be acceptable to Congress. If we don’t do this joint between Congress and DoD, a lot of it will never happen.

**Ms. Lord:** One of the things that we have done over the past 24 months to help ensure that these recommendations are carefully considered is to meet on a quarterly basis with SACD, HACD, SASC, HASC, Comptroller, CAPE, DepSecDef -- not quarterly with the DepSecDef, but have kept her informed through the others.

So while the final report packages things in a way that might be a little bit different, there is nothing in here that will be a surprise. So we are hoping that we will see exactly what we saw after the interim report which we put out in August, for the very purpose of saying here are some actions that can be implemented now. Here are some potential recommendations that require stakeholder involvement to flesh out and make sure they are particularly meaningful, and then get all the stakeholders engaged. So we have done that. And Kath Hicks in August actually put out a memo giving guidance to implement, an implementation plan for the actions that were ready now. We’re hopeful that we will see that type of direction again, but as Bob mentioned, with a cross-functional team including Congress so we really can get it done.

**DWG:** Can you give some examples of some of those recommendations that you think can be implemented by the Defense Department immediately versus some that you think might need congressional legislation or oversight -- what are the realistic ones that can be enacted sooner? What are some of the more --

**Mr. Hale:** I’ll give examples on either end. Some of these recommendations can be done by the department internally. For example, we recommended they delegate more authority for reprogramming to the services and the services in turn to their PMs and Program Executive Officers. The hope here is that if you feel you control it then you’ll work harder to get it done. And the big problem in reprogramming is finding the resources. Everybody’s willing to spend more money. Not too many people are willing to give up any money. Our hope is that if they have more control they will more willing to do it and they’ll do it faster.

That’s something that can be done very quickly if the department decided to do so.

At the other end is the recommendation to transform the structure of the defense budget, which is high payoff in my view because it would make it easier to relate the budget strategy, and it’s the case right now. I mean right now we talk basically about appropriations like procurement. We would move to a situation where we’re talking about capability areas. DoD would have to pick these but it could be things like ground maneuver units, tactical aviation. That’s not a strategy, but it’s a lot closer to a strategy than procurement. And it also is high payoff because it’s the way we talk about defense. You go to somebody and say what’s in the defense budget, they probably aren’t going to say $175 billion of RDT&E. I hope not. They will probably say, well we’re buying certain weapons and we have this in mind for threat, and so forth. The budget would look more like that.

That’s the payoff part, but it’s going to take time. For one thing, DoD has to pick these capability areas and that’s not easy. It’s easy for us to give examples, it’s harder for them to pick a set.

There will be transition issues like you’re suddenly going to destroy all the historical data that you have for trend analysis, and that’s important because that’s part of how we judge the correctness of budgets. So DoD will have to figure out some way to go back and restate some of that data.

They’ll have to make specific decisions about reprogramming. What categories. We made some suggestions, but they’ll have to figure it out, what categories will fit. We offered a way of handling the operation and maintenance account. They’ll have to decide whether that’s right.

It’s going to take time. You have to go with that one to the Hill and you probably have to show it to them before they’re going to be willing to accept it. We’re talking years to really make that happen.

So those are the extremes. There’s a bunch in between.

If I were DoD, I think I’d pick a few that I was comfortable with that I could do fairly quickly and try to get some momentum, but get started on the bigger issues like I they’re going to support it, transforming the structure of the budget because it will take time.

**Ms. Lord:** Two easy to implement ones, and two more complicated. One is rather technical, but incredibly important for speed. An overarching premise of everything that we did in the Commission was the need for speed in all things resourcing.

Number 15 on your list here of recommendations is rebaseline OSD obligation and expenditure benchmarks. This is really getting to the fact that there’s sort of an old methodology used to look at obligation rates and getting that changed is very hard. Assuming that every program executes the same way over its life cycle.

Obviously that’s not going to be the case, and that lower level of detail has never been looked at. Bob and I were just chatting before coming in this morning. He said he was pushing on that back in --

**Mr. Hale:** Well, I as asking about it. I didn’t push hard enough when I was --

**Ms. Lord:** Anyhow, he’s been looking at that. That’s really an easy mechanistic thing to do that would allow execution flexibility. The department can do that on its own.

Secondly is the whole issue of all of the asks from Congress for reports and data. There is a rather tortured process right now that includes a lot of fat fingering these requests in to databases and then it’s painstakingly gone through at DoD. This leads to slow responses and one of the areas of contention, if you will, relative to congressional/DoD relations is the lack of agility in responding to data requests.

So if we just implemented very basic digital systems to pull out all those requests from the bills and then track them, we could do things much more comprehensively, much more transparently, and dare I say, much more quickly.

So those are easy to do things that I’d say do it tomorrow type of things. Take a win.

A little bit trickier in terms of the complexity and the amount of interaction needed between Congress and DoD would be restructuring the justification books. We heard over and over and over again since day one, that on the DoD side the individuals who actually write the J-books and all of our staff -- and we’re lucky to have a very strong staff here -- has incredible amounts of experience doing that and basically we’re told day one, here’s the old one. Good luck. Go do it.

So there’s not training, but then there’s also a difference in the structure of each of those critical budget books that puts the onus ln professional staffers to figure out the differences between them and adjudicate and so forth. So if you standardize them, if you digitize them, that would make a world of difference. But what it takes is really collaboration and a cross-functional team between DoD and Congress.

Additionally, on the DoD side which will take quite a bit of negotiation between the military services, the agencies and OSD, is coming up with a common analytics platform. This gets back to the notion of digitized budgets and so forth so that essentially all the data is accessible and you can do analysis, what-if scenarios. So if we toward [d-mags], you know, are saying what about this outcome versus that outcome, force structure here, hardware here, you could do tons of scenario planning if you had the analytics to do it and come out with, again, much more data driven decisions.

**Moderator:** Jim Garamone, DoD News.

**DWG:** You guys have so many [inaudible], so I don’t know what to say, so I’m just going to say ma’am and sir. [Laughter].

It was 1961 when this came out and I looked at it back in Thom’s old newspaper to see what sort of comments there were, and everybody was against this. Oh, my gosh, the end of the world is coming. It’s going to ruin the Department of Defense. It’s not meant to do this sort of thing.

Fast forward to two years ago when you guys were set up. Not a lot of real pushback on it.

Do you see this as sort of a wedge for bipartisanship in the government? What do you think? Is this something that both parties can agree on and perhaps drive the ideas forward?

**Mr. Hale:** This is not a partisan issue. If you're going to pick one, I think process would be one that isn’t partisan. And you see that -- we saw that in our Commission, which had people on it who were appointed by Republicans of Democrats, but I don’t think that issue ever really came up that I can think of.

**Ms. Lord:** No.

**Mr. Hale:** So yes, I think this won’t be a partisan issue, I think they can agree. The problem isn’t going to be partisanship. The problem will be the balance between congressional oversight and flexibility that the department needs, especially as Ellen described well, an environment where the threats are changing rapidly and technology is changing rapidly. That will be the challenge to getting these implemented, not partisanship.

**Ms. Lord:** I think transitioning from the PPBE process to the Defense Resourcing Guidance, or the Defense Resourcing System process is an enormous opportunity for bipartisan and bicameral activity. And we need that right now.

**Moderator:** Wouldn’t that be nice.

**DWG:** I’ll drink to that.

**Moderator:** Valerie Insinna, Breaking Defense.

**DWG:** When I talked to you in the hall you mentioned that you had already briefed this to DoD on Friday, to Kath Hicks, I think.

Can you talk a little bit about how that went. Did she indicate any areas where the DoD would have some opposition or have more questions or would these need clarification?

**Mr. Hale:** I want to let the department speak for itself on this one. But I think in general, she was quite positive towards the report. And I think suggested that they would look toward implementation. I think she cited her memo issued after the interim report saying that they would direct implementation.

Are there areas where the department, at least some portions of the department, have concerns? Absolutely. But again, I believe we should let them -- you ought to ask them. And I assume that you will do that. I also assume they may issue some statements about it.

**Ms. Lord:** I think it speaks volumes that the DepSecDef’s office and then she herself called to push to get a copy of the report prior to the meeting on Friday so that she could be prepared for it. So I take that as a very positive sign that she was highly engaged and actually insistent that she get the report before the meeting so it could be a more constructive meeting and more focused.

**DWG:** A separate question, you talked a couple of times about needing that common analytics platform. Did the Commission do any sort of research or look into the potential cost or potential platform and what it would take resource wise to implement something like that?

**Ms. Lord:** What we did was talk to an enormous number of industry partners as well as data analytics providers. We did not see it as our place to recommend any one system or the other. And while we didn’t come up with any budget suggestions, what we did strongly advise in a lot of our briefings was that the department refrain from developing the spoke or customized systems for DoD. But they, like industry, take standard systems and do the least amount of modification and utilize them for a couple of reasons. One, it’s the most cost-effective way to move. Two, you want to be able to implement the new upgrades when they come out. And if you overly customize, you can’t. And three, we have a challenge attracting, developing, and retaining employees within DoD in the area of data analytics. And if individuals are going to be working on 20, 30 year old systems or a one-off system, it doesn’t always speak well to their future ability to obtain other jobs, both within and outside of DoD.

So I think our biggest push was let’s be cost-effective by looking at commercially available systems.

**Mr. Hale:** Let me just say quickly, a different approach to that.

If you’d asked me two and a half years ago when I first heard about this commission if business systems and modernizing them would be a big issue, I would have said I don’t think so. I’ve learned a lot about that, and through Ellen’s good work and others on the Commission, and certainly our staff. I think we’ve come up with some good ideas that maybe things that are not only bipartisan but relatively easier to implement, and maybe I’m being naïve. I hope so. Because I think as Ellen suggested, they would be helpful.

**Ms. Lord:** The challenge is that everyone loves to talk about technology innovation. It’s cutting edge, it’s kind of sexy. You talk about business system innovation, and it’s hard to get that same response but we want to change that.

**Mr. Hale:** If you're a Comptroller you like to talk about carry-over authority and operating costs, not -- [Laughter].

**DWG:** You just made that up.

**Mr. Hale:** That’s true of a lot of what I’ve been saying. [Laughter].

**Moderator:** It’s a great honor to be the first place where you roll out this important report, and I appreciate the sense of humor that you bring to this very, very important job.

We skipped over John Grady who’s now here. John?

**DWG:** Two quick questions.

I see in DRS similar indications of what JROC was supposed to do. And the resistance within the services to JROC continues to today. They don’t like it now, they didn’t like it when it was imposed.

The other side of it would be this capabilities part, I see Marine Corps Aviation, for example, saying we can get cut out in this roll-out.

**Mr. Hale:** You mean in terms of there wasn’t an example?

**DWG:** The JROC - DRS.

**Mr. Hale:** I see DRS as a process, the JROC as a decision, a body -- what we’re looking for in DRS is one, some streamlining because there’s some duplication that has developed in the PPBE process and I think we can get rid of it and we suggested specific ways to do that. Combining, for example, the programming and budgeting phases of PPBE.

Also stronger guidance to the services that’s not consensual in nature as it has been in some past years, and it’s on time so that we get budgets that are closer related to strategy. And it would embody, DRS would embody all of our 28 recommendations, so there’s a lot of executionary issues that would be met.

I see it as a process primarily, not a decision-making apparatus. I think the opposition to it will be inertia. It’s hard to change from what you’re used to for 60 years almost, and I think that may be an issue.

**Ms. Lord:** The JROC is an important process, obviously led by the Chairman of the Joint Chiefs of Staff to engage all of the components of what are critical requirements. And for large complex systems, JROC works very, very well.

I look at DRS as a much more comprehensive resourcing system that responds to requirements yet today we can’t wait for the JROC process for a lot of emerging threats. So there needs to be a scalable, tailorable resourcing process that can respond to different kinds of requirements.

For instance, if you look at the middle tier of acquisition, that allows a Service Secretary or the head of an agency to declare a requirement and go ahead and execute, yet that takes care of the JROC type process in terms of requirements. It’s necessary but it’s not sufficient to move quickly in terms of getting funds and executing. This process is much more comprehensive than that and frankly, given world events, given where we are as a nation relative to overmatch, I think it’s clear that not only do we need to look at how we generate requirements but how we allocate money and execute on those critical programs, whether they be large, complex platforms or whether they be large, volumes of attritable drones, for instance, because we know, given Ukraine, that volume, the number of items has a quality all of its own. So quantity matters sometimes in the lower cost systems.

Our old PPBE process, and dare I say the JROC process, doesn’t adequately address those high volume, low cost, cutting edge technology systems and we believe DRS does.

**Moderator:** Thanks.

Noah Robertson, Defense News.

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

I wonder if you can go into the five percent rollover number for the ones that you're talking about there. How did you arrive at that number? Was there skepticism on the part of [inaudible] briefed on it?

**Mr. Hale:** It’s interesting, because we’ve had that conversation several times. We wanted a number that was sufficient in size to be meaningful, and by that I mean if a commander, say training was put off and so the money couldn’t be obligated in that first year, it would be enough that he or she could maintain it into the second year big enough to do that. But also recognizing this is operating money. Most of it’s going to get spent. By the last couple of weeks of the year, you’re not going to have 50 percent left. Maybe in a select program or two, but overall. So it kind of arrived roughly at two weeks. There was no science to this.

**Ms. Lord:** There wasn’t an algorithm. It wasn’t too big and it wasn’t too small.

**Mr. Hale:** That’s about five percent.

**Moderator:** That’s the Goldilocks rule, right? [Laughter].

**Mr. Hale:** Yes, that’s another good rule.

**Ms. Lord:** But it’s reasonable as Bob said. That’s where we depended on Laura and Liz and Annie, our staff who have been practitioners, to really talk through what makes sense. And a lot of this has to be common sense that we can explain.

**DWG:** A secondary question is on implementing DRS. If you get buy-in from the relevant stakeholders, I’m wondering what you see as the actual time horizon that that would take. Is that the three to five years you sketched out --

**Mr. Hale:** It wouldn’t be five. I’m trying to remember. We’ve got a nominal, notional timeline in the report. I want to say it’s three years.

**Ms. Lord:** For the budget restructure it was three years. I mean DRS, they can start making changes tomorrow. [Laughter]. There are things that can be done immediately which we alluded to a few, and then there are some that are going to take this integrated product team, if you will, from the Hill and the building.

But we would like to see language be drafted today to go into the bills. We would like to see the DepSecDef put out a directive memo saying tell me in 30 days how you’re going to implement some of these in the next 12 months, the next 24 months, that type of thing. But I believe this gives the potential for this administration to really have some wins at reform. And we have a lot of stakeholder buy-in to it, so it should be very doable.

**Moderator:** Jared Serbu, federal News Network.

**DWG:** I wanted to talk a little bit more about colors of money and how they would work under DRS versus capability areas. Definitely some tension between those two things it seems like, right? So you didn’t do anything as radical as completely getting rid of colors of money. It seems like there’s just a little bit less prominence in the process if that’s a good way to think about it. How do colors of money exist in DRS and are there still firm boundaries?

**Mr. Hale:** If you transform the budget structure the way we recommended, colors of money would still be there but in the transformed structure they would be well down the list and wouldn’t require, for example, reprogramming to move money from procurement to RDT&E in what we recommended.

So we didn’t get rid of them, because they are useful in understanding, for example, the mix between operating costs and investment is not, is something you should sorry about in the Department of Defense. Be sure you’re buying enough stuff and not just spending all your money operating it. So they’re useful, but they shouldn’t be, in our view, the lead item. It should be capabilities, the lead item.

So they’d still stay. They wouldn’t go away.

**Ms. Lord:** My good friend Bob and I have a slight difference of opinion here.

**Mr. Hale:** That usually means she disagrees with me strongly. [Laughter].

**Ms. Lord:** Capability elements are incredibly important because the level of specificity of line items are a huge constraint to PEOs and PMs in terms of executing their programs. However, the color of money is a little bit different in that we first, about four years ago, got BA8 for software color of money, recognizing that if you use contemporary coding practices you are developing, producing, and sustaining software all in one day. Therefore, you’re artificially constrained and frankly slowed down if you have to worry about RDT&E procurement and [O&F].

So BA8 has not been as widely embraced as I would have hoped and I think that’s a function of lack of training and lack of leadership to push to get this done. Because again, one of our overarching goals is speed to need here.

Now we think that there are some other areas where particularly between RDT&E and procurement, or you want that carry-over as well, where it would be very, very useful to not have these colors of money. But again, this is where the Commissioners in large part really depended on our staff who have been the practitioners.

So I don’t know if you want to give a few more details on that, Laura.

**Laura:** Absolutely. I think maybe you were referring to the budget restructure versus the other recommendations that talk about colors of money.

So the colors of money and the budget line item rationalization that’s in the innovation section is really an interim step that you can execute towards now versus the budget restructure in three to five years.

When we talk about colors of money we really want the Department and Congress to embrace the idea that you should fund something with one color of money based on its primary mission or activity. So if I’m a weapon system that has software within it, say in an aircraft program, then I’m going to find out early on [inaudible] procurement, and I’m not going to mess with this piece is for RDT&E, this piece is procurement, this piece is O&M. You’ll still describe the whole suite of what you’re doing. So that sort of takes the steam away from BA8 and lets you use even O&M for the whole software or digital, whichever [inaudible]. Does that help?

So while you might look at, on the surface, they’re really complementary between those recommendations.

**DWG:** To follow really quickly, when you’re talking about your -- that represents a pretty big change of what the J-books look like when they get to the field. We talked about last time, I think it was the Air Force that tried consolidating a whole bunch of program elements and the Hill just --

**Ms. Lord:** That was the beginning of Space Force.

**DWG:** How do you avoid that kind of thing happening again?

**Mr. Hale:** Well, you start out by a working group that has, in that case, both DoD and Congress represented. If you don’t do that I think you almost guarantee yourself to fail. And that working group then needs to look through where they can make these combinations or changes, I should say, in the J-books, and reach an agreement. If they can’t, then you’re probably not going to be able to do it. But I think they can if they talk about it.

I might add one more thing that we recommended and it was really I think Laura’s idea initially, and that was once you get that restructuring done, you want a formal training program that teaches people how to write these things. Some of that could go back to fostering innovation. Sometimes I think there’s too much detail put in the J-books that maybe even Congress doesn’t demand, but once it’s in there now you’ve got a situation where kind of by congressional policy you’ve got to execute the money that way.

So I think a formal training program rather than the on-the-job training we have now would be a good idea. Once there’s some agreement about what ought to be in J-books and how they ought to be structured.

**Ms. Lord:** But building on that, and key to consolidating some of these line items is the fact that we have to have data-driven transparency. So if we have consistent J-books where there are fields to provide descriptions and backup data, if you will, then the transparency would be there in terms of what is in this line item. Again, a lot of the skepticism over consolidating line items in the past has been around what I’d say a fear of understanding what’s really there or not.

So I think it’s a trust by verify situation and until we have consistency in J-books with an adequate amount of description, because there’s a huge range right now, along with the training on both the DoD side as well as the congressional side. Until we do all that it’s going to be hard to implement. But it should be very doable. And this should really serve us well in terms of moving forward without being held up by what I’ll call artificial administrative kind of burdens that can be enormously long while allowing communication between all of the stakeholders.

**Laura:** There are actually pockets of great examples in the department where they have [inaudible] to restructure line items. The Special Operations Command has been over the years, a year’s worth of communicating with all the committees. And then when the budget comes over with the new structure it’s not a surprise. It’s the surprise in the J-book, that’s usually why something fails.

**Moderator:** We’re pushing the ten minute mark. We have two questioners still to go. I always save time at the end for our guests and a final comment.

Next question is Lauren Williams of Defense One.

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

A random comment on BA8. I’ve heard that one of the issues with that program is it really wasn’t big enough or it wasn’t taking in enough programs to actually see any sort of results.

**Ms. Lord:** That was a DoD leadership decision.

**DWG:** Okay. Good to know.

I’m curious, there have been like a lot of acquisition reforms in the last several years, and how would those, especially now that the services are very comfortable with NTA and like other transaction authorities, how that would be affected under this new resourcing system.

**Ms. Lord:** This is much more than acquisition, right? It was planning, programming, budgeting and execution, where acquisition’s kind of on the execution side.

This does not take away from any of those reforms. IT builds on them. And in fact this number 27 here, improve training for personnel involved in defense resourcing, one of my concerns has been that although Congress has given DoD many authorities on the acquisition side, in terms of implementing those, it hasn’t been as broad and deep as it could have been because there hasn’t been as much training and actual training in an experiential learning manner that could have been done.

So we have fantastic examples of PEOs and Oms taking authorities using what I call critical compliance. Looking at using just the authorities they need, being totally compliant. But not checking every box just because every box is there.

I think that the acquisition reforms can be further used in conjunction with everything here, but this does not constrain that at all in any way.

The acquisition reforms are a subset of all of this and this should enable many more of those to be used.

**DWG:** And on the software side, how, like when would the timeline be? I know there’s a lot of concern about being able to update quickly enough.

**Ms. Lord:** You’re talking about the business systems within the Pentagon?

**DWG:** Yes.

**Ms. Lord:** There’s actually some great work that has been done. Right now CAPE and Comptroller are working together but two concerns. One, there’s still a proclivity for custom-built solutions. We would like to see a diversion from that. Two, it’s just not moving quickly enough and that’s why this implementation team is so critical along with leadership oversight. We really think the DepSecDef’s office has to have a cadence of review as to where we are on the implementation of these because unless you have that senior leader engagement, it’s hard to drive this given all the demand signals on the building.

In a perfect world at the senior leadership conferences, the SLCs that are held twice a year, there would be a dashboard saying where are we on the 28?

**Moderator:** John Tirpac, Air and Space Forces Magazine. Last question.

**DWG:** Thank you.

You mentioned Mr. Kendall’s recent reforms. I wonder how well do those align with what you’re proposing here?

**Mr. Hale:** We didn’t see a lot in them that -- and nothing to really interfere I think between what we’re proposing and what he is proposing. His were more organizational realignments and not specifically related to PPBE. We pre-briefed him and he certainly didn’t raise any concerns about our recommendations compared to his.

**Ms. Lord:** There’s no conflict. We all have the same end goal in mind.

**DWG:** The other one, just because people like to have some frame of reference, are there any programs or organizations -- you mentioned the RCO -- that are kind of leading in producing the kinds of changes you’re looking for here? Or are you looking for a real [inaudible] break --

**Mr. Hale:** We need a cross-functional team, as I said, because it’s more than just resourcing management. But resource management, financial management will obviously be heavily involved in that team, and I think organizations like CAPE and the Comptroller at the OSD level and analogous organizations at the service levels will need to be heavily involved.

**Ms. Lord:** The RCOs, SCO, DIU, all of these siloes of excellence in terms of speed of execution, if you will, do not have unique authorities. What they have is access to senior leadership and the ability to get decisions made quickly.

What we’re trying to do with this system is have much more delegation of authority, if you will, relative to reprogramming and other things. So we want to try to scale what’s been done in small areas to make it accessible to more of the workforce and impact more of the budget, have different outcomes.

So we talked to a lot of past leaders of these organizations and it’s really being able to make timely decisions and move money quickly.

**DWG:** Just a quick one.

The upcoming [inaudible] market process, does the community kind of view that as a key marker, a major marker for affirming that there’s a sense of urgency for getting after these recommendations? And should we expect at least some of them to be proposed for that legislation?

**Mr. Hale:** Well that will be both the authorizers and the appropriators that need to be involved. There’s a fair amount of appropriations language that would be needed to sustain some of these changes. But obviously the authorizers were interested in this topic and so we would look to them to make positive statements about what they think are most useful.

**Ms. Lord:** I have very high expectations that both authorizers and appropriators will embrace what we have here because, frankly, this has not been a stand-alone effort. There are a lot of efforts around town that have been ongoing, whether it be the [Atlantic Council] task force and others. So I believe that we have been a channel for a lot of discussions around town. It’s just not 14 Commissioners and a staff making things up in a vacuum. This has been an extremely collaborative, engaging process and hopefully we’re just channeling what the ecosystem is demanding.

**Moderator:** There’s an old TV show called the A-Team, and the motto was, I love it when a plan comes together.

We’re at the five minute mark which is exactly what I reserve for our guest speakers and your final comments. So I love it when a plan comes together. Over to the two of you.

**Ms. Lord:** I just want to really thank our staff. We were very, very fortunate to have practitioners that have decades and decades and decades of knowledge as well as reach-back into all of the organizations, along with the intestinal fortitude to tell us when we as Commissioners had things wrong, and told us what we needed to hear, not what we wanted to hear, which is exactly what you want in a staff. So that has been really important.

And I am energized and excited about the potential here because the number of people who have approached me to say we have a moment in time to make a difference here for resourcing DoD and never have we been at a moment where reform of our resourcing system is so badly needed. We have many, many, many individuals and companies out there along with academia and others that want to work with DoD. It’s just really hard to work with DoD.

So hopefully we will give everyone the opportunity field capability to the warfighter much more quickly, while providing the oversight that Congress is charged to have.

**Mr. Hale:** I’m going to join Ellen in thanking our staff, but also thank our Commissioners. We had 14 people, all volunteers, all unpaid I might add, who almost all of them had full-time day jobs, who went through 40 Commissioner meetings and about 140 hours of Commissioner deliberations. And clearly had an influence on every one of our recommendations, so I want to thank them.

I’ll finish up by giving a personal thought. Two and a half years ago or so when I first heard about this Commission, I think my reaction was come on, process? Let’s focus on the substance of the budget. There are lots of issues there.

Well, I was wrong. I think the process definitely needed a look-see and that hasn’t happened in my memory, and that goes back a ways, now decades. There have been lots of commissions on the substance of the budget. I think we were one of the first to focus entirely on process.

We didn’t say anything about how much to spend in defense, but I think we have put our recommendations that will give you more bang for whatever bucks Congress and the President agree to provide the Department of Defense.

So I think it was a good thing to set up and do. I’ve enjoyed it. I’ve learned from it. And I appreciate all your questions, which were good.

**Moderator:** I thank your staff. I specifically thank the two of you. Ellen, you talked about how hard it is to work with DoD. Journalists feel that same way. And I just want to say that sessions like this where senior leaders engage in an honest and forthright manner make the process work. So thank you both very much.

**Ms. Lord:** Thank you.

**Mr. Hale:** Thanks.

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