

PPBE Reform Commission
Interim Report Rollout Event
August 15, 2023

Ms. Lara Sayer: Good afternoon, everybody. Welcome to the Interim Report Launch Event for the Commission on Planning, Programming, Budgeting, and Execution Reform. We are excited to welcome all of you here in person at NDIA headquarters, as well as those of you who are joining us virtually. I know how very busy all of you are. I wanted to thank you for your time today and your participation in the countless interviews and for providing us with feedback, which has been integral to the development of our Interim Report. We are excited to share our findings and recommendations with you today. Now before I go any further, I want to thank NDIA for hosting the Commission and providing such a great venue for today's events. So just a little bit of the structure of how today's going to go- we're going to start off with opening remarks from our Chair, the Honorable Robert Hale, and Vice Chair, the Honorable Ellen Lord. We'll then proceed to discussion with a few of our Commissioners: the Honorable David Norquist, the Honorable Eric Fanning, and the Honorable Lisa Disbrow. Then we'll move to audience Q&A from the audience in the room, as well as the audience online. And with that, over to you.

Honorable Robert Hale: Okay, well thank you, Lara. Welcome all of you here, and our virtual audience. In the Fiscal Year 2022 NDAA Congress set up this Commission and tasked it to do a comprehensive review of all four phases of the PPBE system. Also to issue an Interim Report, of course we're doing that today, and a Final Report about six months from now. [Inaudible] I had some doubts, I confess, about the utility of this effort when we first started, but I have converted. [Inaudible] You are going to hear from my fellow Commissioners, some of us, about the Report's substance, but let me just say a few words about how the Commission got to this Interim Report. Over the past year and a half we've been conducting what I like to call a listening and learning tour. We've done over 560 interviews- a lot by the staff. And let me say, the staff have done a great job helping us. We've met with Congress, the DoD, and PPBE experts [inaudible], acquisition, and requirements. We've also done research, some by our own staff and some by FFRDCs who have been helping us, and we've relied heavily on the knowledge and experience of our Commissioners and also the Commission staff. We pulled that together and came up with 5 broad goals for improving PPBE. You're going to hear more about the substance, so I won't say too much, except- why did we do that? In my mind, we did it because we were directed to do a comprehensive assessment. I think the goals helped us to be sure we did that. And, it also helped to focus these results, so you'll see these five goals [inaudible]. With the goals in mind the Commission divided up by subgroups, debated root causes of why these goals were hard to achieve, and asked themselves as people who have tried to do this before and failed-"why?", and then turned to recommendations and came up with a package, which the subgroup chairs briefed to the full

Commission. And I can tell you- we had a rigorous debate over many, some of, the recommendations. There were edits, some changed, but in the end, we were able to reach a consensus among all 14 Commissioners on everything that you see today. In addition to the recommendations, we also were tasked to do a number of assessments- things like assessing the sufficiency of the PPBE workforce [inaudible]. So, I hope this gives you some idea of how we went about this Report. I'll end with just a little bit of [inaudible]. If we could improve one thing as a Commission, it would be in areas where PPBE can do a better job of promoting innovation [inaudible] and a better job of adapting quickly to evolving requirements. [inaudible] Oh, I'm sorry, my apologies to those online. I'm not going to repeat all this, but what I will do is turn it back over to Lara so you can hear from other Commissioners.

Ms. Lara Sayer: Ms. Lord, over to you.

Honorable Ellen Lord: Thank you Bob and thank you all for attending today. Just to build a little bit upon what Bob said- I think you know the FY22 NDAA established this Commission. We have 14 Commissioners, and where our focus is, is understanding the pace of technology innovation and quickly changing world events isn't always matched by the pace of business system innovation within DoD. So with that, we went on a listening tour for the last 12+ months, engaging with many stakeholders within the PPBE ecosystem, and heard what the issues and concerns were. We distilled what we learned into 5 key goals in which to frame the work we did. So, the first three are really broad. The first looks at how we can improve communications, and frankly the relationships, between the DoD and Congress. And the second was: how do we adapt to ensure that we actually field the innovative capabilities that are being developed; not only identify them, but to actually field them to the warfighter. And then we wanted to make sure we take what we have in the National Security Strategy, the National Defense Strategy, and the Defense Planning Guidance- and we really align that strategy to the budget in a relevant timeframe. We found that there were two critical enablers, which are the last two goals we identified in our work, that helped us think about this. One is that the way we communicate between DoD and Congress perhaps doesn't utilize most of our modern capabilities in terms of business systems. So we focused on how we actually use a digital framework and data analytics to think about the pace and comprehensiveness of how the DoD and Congress communicate. And then finally, we looked at the programming and budgeting workforce capability- how many billets are there, how are individuals trained, what are the tools they're given, what do we need to do in certain areas. So those are the five areas we looked at. Again, we really gathered a lot of information that we distilled into this Interim Report. The real work begins now, because between now and the end of the year we are having stakeholder meetings to talk about a lot of these potential recommendations as well, which are really the core of what we're trying to do. We know there are areas that can be improved, and are actually critical to be improved, but we don't want

to just lob recommendations out there. We want to sit down with DoD, we want to sit down with Congress, we want to engage with industry, academia, research organizations, and really mull over what is the best way to move at the speed of relevance here. So that will be our work between now and the end of December. Then we'll have our Final Report in March of 2024. Yet, the breadth and depth of what we're looking at, the majority of it, is in this Interim Report, because we want to get the dialogue going. We do have actions that can be implemented now. Those, we think, have very low hurdles. So we are pleased that we've been able to meet quarterly with DoD representatives, with HAC-D, SAC-D, HASC, and SASC professional staffers to talk about this. So nothing should be a surprise. It's all a work in progress, and we're very, very fortunate to have a talented staff that's contributed an enormous amount to the research, as well as FFRDCs. And with that, I'll hand it back to Lara and I think she's going to ask some questions, so I'll pass the mic.

Ms. Lara Sayer: Wonderful! Thank you so much, Ms. Lord. Okay, Mr. Norquist, this is for you. Much of our Interim Report explores ways to improve PPBE processes to promote innovation and adaptability. Can you talk about how colors of money and the overall budget structure play into this?

Honorable David Norquist: Sure. So when we did the interviews, we discovered a very common theme about how difficult it was for people to adjust to the speed with which technology changes based on where they were. So if you're in a field unit, you work on your part of what becomes a budget almost two years before you get the money. And different places and different offices have different windows when they can intervene. But technology is changing the ability to try and adapt what they're doing to where the technology is, is very challenging. There are windows, there are barriers to doing it, and as we went through this and we looked at where those barriers were created, we found six potential recommendations that, again as we mentioned, many of these have multiple ways to implement them, so we're going to lay out pieces of them and work with the Department and the Committees on the best way forward. So let me start with one of them, which is color of money. We all use this as an expression- our RDT&E, procurement, operations and maintenance- these are called colors of money, and they're frankly just paragraphs in an appropriation bill that lays out what's the time, purpose, and amount for which the money is set up. But the way it's used, the color of money is implemented at the contract level, which means whether something is procurement, or RDT&E, or O&M, depends on what that office is going to do with that particular contract. Now, this was originally set up when systems went through research. When you're done with the research, you then decide- I've got my prototype. I want it to be in production. It goes into production. You build one hundred. Put them in the field, and then you do maintenance. So the colors of money match the phase the systems went through. But that's not how things tend to be developed and fielded today. If you think of software- at the point you've finished developing the software,

you've already got it, right? There's no, "now let's go make a hundred of it"; you're just copying the file. In addition, if you're looking for an upgrade to your system, whether it's a patch to fix something which would be O&M, or whether it's an upgrade which would be procurement/R&D, it is probably not known to you at the time that you set out to do the work, and to try and slice it in such narrow ways doesn't really reflect the way industry works. And often you have offices that are shuffling multiple colors of money to do their mission. So there's a couple of ways that I will go through in detail in the Q&A section, so feel free to ask. But there are ways to do that where it's not focused on the contract- that you're backing it up either to the purpose of the organization or you're taking it closer to the mission area, and we'll walk through those. But just understand, no matter what change you make, Congress will still appropriate money by time, purpose, and amount. There's still the Article 1, Section 9 power. Of course, the question though, is how do they define the purpose? And how you define it is where you create the barriers and the walls. And the question is, is that what you're trying to control? Or is that a legacy design that you can move past? Other ones we looked at was reprogrammings- both below threshold reprogrammings and above threshold reprogrammings- the size of those, the ease with which we can do them, the difficulty of doing them, both inside the Department and the time on the Hill. All of those create disincentives for people to try and move things from lower to higher priority, because the time it takes, the risk that it doesn't end up happening, and yet they've set aside the money. Anything that can be done, and we have a series of them there, to try and increase the volume and the speed of those, helps. Third up- availability of appropriations. I think everyone here is very fond of and familiar with, the use it or lose it phenomenon. And if you get to the end of the year, and you haven't spent all the money, it goes poof! None of us have our bank accounts that go that way, hopefully. We don't try and run our bank account to zero on thirty one December, and then wait for the next paycheck before we start. We looked at other agencies. Other agencies don't all function this way. NASA uses almost exclusively two-year money. Other organizations have carry over authority. This is one where the nature of the rules is creating disruptive incentives that aren't the same thing as trying to execute Congressional intent. And so that's an area where we have some proposed changes. Mitigating continuing resolutions- this one's a little bit of a challenge, because there's a lot of drawbacks to continuing resolutions. If you pull my string, I can go for an hour on, and I've had to in hearings. But the challenge is, if you make it too easy to survive continuing resolutions you run the risk that they become easier to do. So, one thing we're trying to work through is, how do you make them less disruptive to the Department, and yet not change the incentive or the risk of having CRs. Another one to look at is RDT&E. Within that budget area there are eight budget activities, and each one is a barrier to moving through the stages. But when you look at what people care about, basic research, BA 01, and procurement, which is BA 05, in between are three different budget activities that are various forms of applied research and

prototyping. This is what we want people to move through quickly, and you have to say you, need to hold up. You're in a new color of money, or in this case a different BA, is unnecessarily disruptive. It's not clear there's anyone who benefits from having those extra barriers. So you can collapse some of those together. We mentioned actions that can be taken now. One of those is, we have seventeen hundred budget line items, and the question is, can you reduce the number? This is something that has been done in the past, but it's best done when the Department and the Hill work together. Why are there so many? Can we reduce? And what are the ones that most matter to the committees? And of course, along with all of this, there's a need to update the PPBE guidance that is going on inside the Department. We all feel a little bit awkward about this, because it's putting an additional task on an office that in our Report we're going to say is overworked because of CRs and everything else. And oh, by the way, it'd be really nice if you were able to spend some extra time on updating the documents. The core of all of this, though, is PPBE, through these changes and others, can contribute to accelerating innovation, making the Department better able to adapt. The goal is to focus where the processes controls on how it supports and executes the strategy and either leadership or congressional intent, and remove those places where we have legacy barriers that are creating obstacles that are not part of advancing that cause.

Ms. Lara Sayer: Wonderful. Thank you so much. I wanted to offer any other comments from the Commissioners before moving on. We're good? Okay.

Honorable Robert Hale: Okay, one actually. You heard me say before I think that if there was one area that we heard most about in our interviews, it was promoting innovation and changing PPBE more rapidly to changing requirements. So I think what David just went through are important, and I think they need to be the focus of the Commission as we move toward a Final Report to make sure we get a package of changes that help with innovation and adaptability.

Ms. Lara Sayer: Thank you. Okay, Mr. Fanning- can you talk about what the Commission discovered regarding PPBE-related relationships between Congress and the DoD, and what the Interim Report recommends we do to improve them?

Honorable Eric Fanning: Yes, thank you. And I want to thank the fellow Commissioners who are sitting up here in the front as well who are with us today. And Bob, I think it's better to be a skeptic of the Commission and to become a convert than the other way around. I, too, am one of those people who came in yearning for change and learning through this process that there is real value in the existing PPBE process that we need to protect. But that important need for change hasn't gone away, and we've tried to focus on that. And as Bob said, in the countless interviews, we've had a common theme that surfaced early was these need for innovation to be more agile. And so it was clear to us, as Commissioners, I think, just

based on our collective experience. Many of us, almost all of us, have worked in the Pentagon, many on the Hill, and even many in both. So we came in with our own collective experience. Heard current quickly in our interviews this notion that there needs to be some changes to the relationship between Congress and the Department of Defense. It was amplified in the interviews, as I said, and really probably not a surprise to anybody in this room. We're keenly aware that we were set up by Congress to look at the Pentagon's PPBE process, so we don't want to turn all of our recommendations out onto Congress. But in order for there to be agility, which is a part of this as technology iterates faster, as our adversaries move faster, we need to figure out ways to bring agility into the process. We had to focus too, we knew, on making sure Congress was able to perform its duties as one of the branches of government, particularly oversight duties; that, with increased agility for the Department of Defense would have to come new tools for transparency, so that hopefully in the end Congress could actually have an easier time in doing oversight over these things and working in partnership with the Department. And it starts in a good place. I mean we did learn from Congressional stakeholders that they didn't think they were getting the right information at the right time fast enough; that they were not getting it here in a way that would be helpful, they were not getting it a proactive way. They were getting it in response to requests for information, and those would take forever to get back to Congress. We heard from the Department of Defense that they didn't think Congress was always moving quickly or in a predictable schedule, CRs for example, and that the requests for information were increasing at a pretty noticeable pace over the years, which we document in the Interim Report. But we realized we needed to strengthen this partnership, and how they interact and communicate starting at a good place. Both sides are important partners, with a common goal for our strong national defense. So we're working from a good direction. But, the idea here that we couldn't really get what we needed for the Department for the speed that services need, at the speed relevance, as Ellen said, without again increasing the transparency. Or another way to look at it- as one of our witnesses said, we can't have more agility for the Pentagon just so the plan can be more feckless. So, as Lisa will talk about, the strategy to budget part is a critical part of this as well. And I'm going to talk through a couple of things we think that the Department can do now to help with that, but don't need to wait until the Final Report. But I'll also say that two of the five focus areas that are enabling areas- business systems and workforce- they're critical to all three of the focus areas we're talking about. Certainly, if the Department is going to find a way to be more transparent and faster with Congress, it has to have the right workforce, have it trained, and have the systems behind it to capture and share that data. So the areas where we thought that improvements can be made now, because as Bob and Ellen were saying, what should we be thinking through [inaudible] ...and ask them for further thoughts and reaction to what we're having to say, but we wanted also have some things that could be done now, because we recognize we are on a bit of a long timeline

here and wanted to have some impact while we're doing our work, not just at the very end. So the actions that we came up with that we think the Department and Congress can take right now to make a difference in the system are: First, we recommend that DoD provide a midyear update briefing to Congress. There are various types of updates, but something very structured that would talk about execution of the current year; how changes in the threat environment, or the technological space, or what have you are evolving as the budget's being created, so that Congress is kept in better touch with what the Department is thinking, realizing, and experiencing, and not having to wait until the full budget cycle begins. We also recommend improved training for the DoD liaisons to Congress and restructuring the Budget Justification books. This is no surprise either. There can be very long, detailed books for small programs and rather thin justifications for pretty large expenditures, and it's the inconsistency of it can be hard for Congress then to process. So coming up with some consistency, another area where, hopefully, as a win/win, something is produced that's easier for Congress to use, but also easier and more consistent for the Department to produce, and that includes better training once there's a new format for those justification books. And then, finally, just to repeat those two enabling buckets of workforce and business systems are also critical to this. Lara.

Ms. Lara Sayer: Thank you so much. Okay, Ms. Disbrow, for you. Another theme Commission addresses in the Interim Report is better aligning the Defense Department's budget to National Defense Strategy. Would you please talk about that?

Honorable Lisa Disbrow: So obviously this is a really critical area for reform. There are so many guidance documents that come out from the leadership that one of the issues and challenges is timing those guidance documents to the milestones in the PPBE process. So when the documents come out, they're such a broad scope to what's needed to be communicated often that there's not a lot of clarity on the specific scenarios that the force must be ready to execute, the simultaneity of those scenarios, the size and shape of the forces, and capability shortfalls that are there that need to be invested in or divested from if overages are found. So clarity and actionable translation of what is prose, into action for programming. The feedback of what's going on in execution year is also a challenge- to get the progress that's actually happening on these objective areas translated into a format for decisions for future program years is a challenge. And then making sure that all of the documents have an analytic underpinning is just critical. So we reviewed a number, we had an enormous amount of outreach and dialogue on all these areas. Many of us had experience, of course, in doing different pieces of this, and we reflected on what can be done. What can we offer to improve the ability of the leadership to translate its objectives for national security into action? So one of the areas is just strengthening the DPG itself, because of all the national defense strategy and other documents, the DPG is the one that is specifically designed to give

guidance to the programming phase. So strengthening that by making sure it's timed to the milestones that are needed, making sure it's articulating that force sizing and shaping construct, so that as the military departments plan their force structure, they understand the capacity and the type of capabilities that will be required. Improving the feedback of execution here, bringing that data that, ADVANA quite frankly, will be helpful in doing that's financial transactions largely at its base, but it is reflective of progress that's being made and investments that are being made along the strategic objective lines. And then making sure that the document, the DPG, is articulating those areas where risk could be taken, because often it's more about investment and less about, to the services- where? Why? To be able to divest some capability, some capacity. Another idea that we talked about was creating a more continuous planning phase that would have key milestones for all the other phases of the PPBE and all of the other processes, rather than creating an analytic piece of work that's really only good for one programming cycle. It would be a more ongoing, joint, analytic process with milestones, then output and insights, that then inform the key milestone decision points of PPBE. We also noted that there's an entire sector out there that executes on programs that has a hard time keeping up with the direction the Department's trying to take- and that's the industrial base. So, reaching out and having a dialogue to understand their key challenges and understanding it, and looking at different areas where a longer planning horizon is articulated. If you look in the US, the Navy Ship Building is one example where longer funding timelines are articulated to a sector, so that they are able to plan their investments accordingly. So what can we learn from that? And maybe institute that more broadly across the other areas of the defense industrial base. There are other allies and partners who are doing well in this area, too. So we have already started to look at some of our key partners and allies still learn lessons from what they're doing there. And then I mentioned improving the execution feedback loop, which we are looking at IT solutions to help that. But I have to really shout out to DoD. Obviously, the leadership of DoD is trying to make improvements here, and they are. An Analytic Working Group has been stood up. The Deputy Secretary has re-established that analytic underpinning, and they are intent on creating a base case for use for the services for planning and programming. So we look forward as we work towards our Final Report to learning from what they're doing there and then offering our perspectives. They are also improving ADVANA, so that the analytic community can pull from that system. The spheres, or the strategic portfolio reviews, continue a pace, and those are an annual process and effort that do help translate strategic objectives into programming. And then the office of DA&M has an effort to take the Strategic Management Plan, which is what we used to call the scorecard, in the past, more focused on business process scorecard, but really looking at metrics across the DPG and the business side, and trying to get that aligned more with what's going on in the program cycle. So we want to learn more about what they're doing

there, and offer our perspectives. I would just invite others if there's any others that have comments on strategy to budget.

Honorable David Norquist: I'll just add the one point. The whole purpose by which PPBS was originally set up was to make sure that the budget reflects the strategy, that going through all the phases there was a connection. So one of the reasons she emphasized the importance of that is trying to be able to pull all those pieces together.

Honorable Ellen Lord: I might just build on that, in that we found that communications were key in all of this, and data rich communications that allow data to be transformed, information and knowledge, and a clear cadence of communications. So one of the enablers we talked about was a digitized system to submit the justification books, as well as to get feedback from the Hill, as well as Lisa mentioned in terms of providing updates on execution. Because if you're going to have a well-informed midyear budget update discussion, you have to know how execution is going in the current year, both in terms of funds that are expended, and milestones that are met, as well as what is happening geopolitically, and everywhere else that imports the next budget cycle. Without those iterations in a digital manner that can be done, with the correct type of security, we can't move forward. And we have some very good examples of how that is done in the private sector with public companies that we think we can build on. Again, DoD has begun to do some of this and done it very well, we are just trying to really accelerate those areas of activity that we think we need towards this better communication, and frankly getting back to making sure we have the right force structure and we're fielding the newest capabilities. So Lara, back to you.

Ms. Lara Sayer: Wonderful! Okay. Now to the real fun. We're going to take some questions from the audience, so I'll do a couple in the room. I believe we have a microphone in the room, so if you have a question, please raise your hand. Gentleman in the back, in the white shirt.

Audience Question: Thank you. You all brought up at different times that there's some goodness in PPBE as it currently exists. But you guys never explain too much of it. So what are the good aspects of PPBE that you're trying to keep [inaudible]?

Honorable Robert Hale: Well, from the fifty-thousand-foot level, it was one of many processes that helped the Department win the Cold War, it handled financial activities in several wars, and I know from personal experience how hard it is to finance wars. It also provides a mechanism for raising issues and looking at alternatives, and importantly, I think, bringing analytic information to bear on those alternative- that's a hallmark of what McNamara wanted out of the PPBE system when he set up back in 1961. And finally I'll mention, and then I'm sure there are other thoughts that my fellow commissioners would have on this one, it provides a mechanism for the

senior leaders to oversee and control the budget, and that is much of the way that you manage the Department of Defense. So it's an organized way to get decisions presented to them where appropriate and their decisions are recorded and put into the budget. There are clearly some strengths process-wise, and I think overall what it's done. But I'll repeat what I said earlier- although we heard about those strengths from a number of our interviewees- and I think a number of our Commissioners would probably agree- all of those interviewees felt we could be better, that we could make improvements to PPBE.

Honorable David Norquist: So one of the things that came up in the conversation was, PPBE to some people is a process; to others it's a set of principles. And when it was originally set up, there were sort of six overarching principles that reflected the problems they were trying to solve from the previous system. The first one is: it's not a negotiated compromise between institutional interest; it should be decisions based on explicit criteria of national interest. And there's another one which is: you can't just say how much you need it. You have to compare needs and costs at the same time, and you have to compare them to valued alternatives. When we went through this one of the surprises, no one came back and said, "we disagree with the six principles." What they talked about was the process by which the Department goes through this. Frankly, one of the things you learn is, why this PPBS has been done a number of different ways, even during the time we use that acronym. The guidance came to the Secretary down, or the plans came from the services up. Programming and budgeting were simultaneous; they were sequential; they overlapped; they were done by the same office; they were done by two offices. We have gone through a lot of variations in how the system runs, but the stability has been in trying to live up to what the principles are. So, I think as we go forward you'll see there may be variations in the mechanics based on those lessons, but there's some very good of underwriting ideas that are trying not to go back to some of the problems that existed before and be able to move those forward.

Honorable Lisa Disbrow: I was just going to jump on, and David, you correctly said, it's not a negotiation or compromise amongst everyone, but one of the things we really want to preserve is the voice of the warfighter, because the whole system is geared to have an output that is force, you know, force and capability for national security. And so one of the things we do want to reserve is that mechanism for the Combatant Commanders to express their voice and their view on what is a shortfall, what's urgent, in their particular domain and with their missions. So that's one thing we want to preserve. And I think right now the system does have those mechanisms for input, whether it's their integrated priority list or whether it's the Chairman's assessment, that identifies key shortfall areas. But the voice of the warfighter, in fact the COCOMs also can write issue papers, against the service POMs. So we want to preserve the

ability of the warfighter to have a strong voice in that process and that decision making.

Honorable Eric Fanning: And I think, two other things riffing off what Lisa said. It is a disciplined process to bring in all the relevant voices. Warfighters, certainly, first and foremost. But then, sustainers, you name it- it makes sure that all the right voices come to the table as you're deciding, you know, where you can apply your budgeting and strategy. And, it has a disciplined way of forcing the Department to think about long term costs and making sure they're budgeting for long term costs, whatever aspect that is, it's not just thinking about each year inside that year. And so, you know, I had an early colleague from another partner I'll mention who said, "you may not like PPBE, but at least you have a process". And so you know I look at it as thinking about what are we protecting in here that is good, and looking for things that are unnecessarily slowing us down. Or if we change, we could get some more of that speed and transparency that goes along with it.

Honorable Ellen Lord: It's well-documented, and it allows everyone's voice to be heard, which is an incredibly important part of all of this. I don't think this one is working.

Honorable David Norquist: You were saying it allows everyone to be heard. [Laughter] This is a PPBE microphone.

Honorable Ellen Lord: I want to make two points. One, it is well documented, therefore it's clear. And that's important, because sometimes it's not so clear how critical decisions are made, and all voices from different parts of the Department can be represented.

Ms. Lara Sayer: Another question from the room. Yes sir, over there.

Audience Question: Hello, Tony Bertuca, Inside Defense. Good to see you again. I was wondering what level of confidence does the Commission have that Congress, especially the appropriators, will relinquish some of their power in order to give DoD the flexibility that it needs, because the recommendations, like, you know, changing the reprogramming thresholds, color of money, it all requires lawmakers, appropriators specifically, to relinquish some of that power. What level of confidence do you have that if DoD is more transparent- if you do this midyear review, if you can more rapidly provide lawmakers with information- that they'll respond and grant the Department this kind of flexibility?

Honorable Ellen Lord: I'll just begin with that and pass the microphone. The process that we are using, putting out this Interim Report, and then for the really strategic substantive potential recommendations, going back and engaging with key stakeholders, is for the very purpose you're talking about here- to get engagement and buy in. If we just sat in a room and had interviews with people and then wrote a series of recommendations, that might be somewhat

interesting. But I'm not sure how useful it would be. So we are doing the hard work of engagement over the next four months to talk about the art of the possible, the upside and the downside, with the objective of getting that buy in. Because there is this dynamic tension, the executive branch, the legislative branch- they have different roles and responsibilities, and democracy is a dynamic tension. So we understand that, and we want to develop recommendations that respect that, but also help make a more efficient system.

Honorable Robert Hale: I think in everything that the Commission is doing we're trying to keep in mind ways to preserve congressional oversight, because there is that Article 1, Section 9. I mean, they clearly have power of the purse according to our Constitution. And so it might take the form of, if we recommend additional flexibility, a requirement that programs are executed according to the justification books, which tell Congress how the money is going to be spent, you can't run off, if you have more authority, and create new programs, no new starts I suspect without Congressional approval. And the other thing is, I hope that by including in one of our broad goals improving Congressional-DoD relations, that Congress will realize we are trying to keep in mind their importance to this process. They are not formally part of PPBE, but they are certainly an important element of the overall resource allocation process. And so, for example, that mid-year update review is designed to try to give Congress the mechanism for talking with senior leaders at a specified point in time, and across both OSD and the services. So to all of those mechanisms it's my hope that Congress will see this, not as just a way to help DoD, but as a way to improve PPBE while maintaining their oversight.

Honorable David Norquist: So, a couple of thoughts. The first is, there's no ask for appropriators to relinquish that power. They get to write a bill every year, so if they are unhappy with the way something is going they can change it within twelve months. So the question is less about relinquishing power than- are the policies and the setup you have advancing the national security the way you want? And in many cases the appropriators have supported Department initiatives. Usually, when they can get an answer to the question, why? Why is this going to make a difference? Give me an example and then they will tend to be supportive. You start with the justification books- tens of thousands of pages. If you're still not happy, another five thousand probably isn't the solution. So can we go backwards to, what was put here by your predecessors that isn't of value to you? I'll just use one example. One of the things we talked about was color of money. One of the options we put in the paper is to not do it by contract, but to do it by missions, so a procurement office that builds a system would simply use procurement for everything- salaries, rent, training, travel- so that the Congress can see what is being spent on procurement. That's actually the way, by the way, the auditors look at it. So when they see it become a system they say, well, you have to tell me what all these other

expenses are. So it makes the audit easier. Well, the appropriators already do that for the research labs. The research labs pay their people with RDT&E, so they've recognized with the labs that a single color of money to allow an organization with a research function to be all research is more efficient than having them use three different colors of money to get through their day. So some of these things are items where the appropriators have used them in some cases, and the argument is this could be clearly useful in other places as well.

Ms. Lara Sayer: I'm going to take one from online. This one's for you, Ms. Disbrow. It's related to the defense strategy and related to service priorities. So how do we get defense-wide strategy and programming guidance to more clearly delineate between the strengths and primary missions of each service or agencies? So the individual service priorities might be slightly different from overall DoD or national strategies, but the sum provides a much better base to all.

Honorable Lisa Disbrow: That's a tough one, of course. But, the strategic objectives of the nation are the strategic objectives for the services. So the force planning construct that lays out scenarios, expectations about different planning factors, such as what is the deterrence posture of the United States military globally? What's the mobilization expectation in a certain type of scenario? If there's clarity on those joint warfighting areas, then each service knows how they fall into their components' contributions to those war fights. So the intent is to put more clarity on the scenarios, on the planning factors, and then have ongoing analysis to underpin those decisions then that are made during the programming, and that are brought forward by the services and their specific COMs.

Ms. Lara Sayer: I'll take another one from the audience in the room. George Kovatch.

Audience Question: I'm probably loud enough without this, but a question about the end of the year. We have a very hard time in the Department of Defense managing end of the year money, much of that is just the behavior that's been created because we're measured in spend-down as opposed to spending towards the goal and the strategy. I think a lot of good things are in the Interim Report, I think, that can help address those items. One of them, like the interim briefing to Congress, I think, is good, and perhaps a recommendation is, could we do a report like that to Congress towards the end of the year...to go down and sit down and say, here's our intention. We could spend all this money by September thirtieth. If you give us another thirty, sixty, ninety days, we will spend this portion of money for these specific items and, you know, put the power back onto Congress. And would you like to give us those extra days and we'll spend it according to our program of record, or would you like us to spend it, so as far as the communication thing, the metrics and stuff that we have, any thoughts on those?

Honorable Robert Hale: I think the Commission agrees that DoD very much needs some more flexibility in handling one year money. And the concern is primarily the operating council, and MILPERS has to be obligated in the year it was appropriated, and it causes lots of problems. It causes a year end spending spike, which I think, probably means some of this money is getting spent on lower priority items. A Commander out there, who's going to lose the money...if he had the option, or she had the option, of doing training next year, they might well take that option. If they're going to just lose the money they may just buy office furniture, and we see some of that, I think, occurring. And also it's a problem for the contracting officers. They are overwhelmed during those a couple of weeks, and then there are some, at least one study I'm aware of, that suggests that the contracts aren't as good during that time, and it makes common sense because you just don't have time. This is one where the Commission laid out a couple of options, and we are seeking stakeholder feedback. One of them would be to just make O&M and MILPERS two-year money, that would certainly solve the problem. Another one would be more focused and modest, to allow some carryover, five or ten percent, into the second year, which might work better with the appropriators. But we're, I'm, anxious, to hear what they have to say about this issue, because I think if we could fix this one, we would have made a substantial improvement in the way the effectiveness of DoD's execution of operating budgets.

Honorable David Norquist: So the specific challenge with what you've laid out is Congress can't change the law in five September. So, even if they were totally persuaded, if the mechanism isn't already set up in advance, the money will expire because of a law that was passed before. So you have to build in where the money can go to in advance in order to have a chance. You laid out a couple of different ways to do that. And I think, you know, everyone we talked to had a story from their time doing year end close, and they're not all inspirational.

Honorable Robert Hale: Were any of them inspirational?

Honorable David Norquist: Oh, yes. If you were in Hawaii, all of the money rolls...For those of you who don't know, year-end depends on what time zone you're in. So when I was at a small base in England, we got all of Germany's money when Germany went to 11:50, and it rolled over to the UK. And we have a list of projects. Now, they were only the types you could execute at that time, but they were projects. And when we couldn't do anymore it went to the east coast, and it all ends up in Hawaii. So for those of you who didn't understand why we pivoted to the Pacific, rolling colors and money- it's exactly that, they are the upside beneficiary.

Ms. Lara Sayer: Another question from the room.

Audience Question: Nice to see you guys again. Patty with Bloomberg Government. A lot of what I hear from, at least from the industrial

base and private industry, is kind of that DoD has a cultural problem when it comes to the innovation question. So I'm curious if there's anything in this report that kind of points to a cultural shift, or anything that kind of gets into that, or the Final Report will kind of go into any of those questions.

Honorable Ellen Lord: I think we've all noted that there are pockets of excellence in a variety of areas across DoD, and unfortunately it often depends on leadership and training to take advantage of the flexibilities and the opportunities to do the types of things that we want to get done more quickly and more efficiently. We talk about training of the workforce, and we talk about trying to get people in with diverse backgrounds that would bring different skill sets. I think this is an area that you will see us delve into more, because in a few instances, particularly on the acquisition side of things, there are a lot of authorities that Congress has given DoD, but they haven't perhaps been as widely implemented as they could be. And then often, when they're implemented, and reports are written up, for a whole variety of reasons, that feedback on how the successful implementations have been carried out, say on BA 08, the software color of money, that's not getting all the appropriators and authorizers, that information for them to be able to act on. So we're trying, we have a scale issue here that goes back again to this communication challenge we have, and finding ways to communicate more effectively, more quickly on really where we are with some of those things, so that there's the art of the possible. There's precedent. There's more opportunity for different individuals to learn and really emulate good behavior.

Honorable Lisa Disbrow: I would just add- there's some misunderstandings and miscommunications, I think, out there with industry that has great solutions that are innovative and new. And then, on the military side, they know they have to execute large unit formation and warfare, and unless it's integrated into systems they've been trained on, sometimes that might be interpreted as hesitance. When really it's, that's a great technology- how does that integrate more broadly across forces that need to be trained to operate together?

Honorable Eric Fanning: I think that's the reason innovation is one of our five focus areas, for that reason- there's a lot of innovation in the Department. We're trying to get the things that are precluding innovating. But it could be a cultural issue. But innovation, there's lots of different kinds of innovation, and we talked earlier about the important partnership between Congress and DoD. But there's an important innovation partnership between industry and DoD, which brings different perspectives and different needs to it. And so our focus is on trying to make sure we can knock down those things internal to DoD for innovation, but also, as Ellen said, we'll be diving into how we can access more of that from the outside better.

Honorable Ellen Lord: I think that the whole area of risk tolerance is a challenge in this area and that gets translated into culture as well. It's hard when you're talking about critical missions to allow people to fail. I think that fear of failure sometimes holds back people from trying new and innovative things. So if we could figure out how to allow the system to fail fast, fail small, that would be helpful as well. So this is all context, if you will, to the things we're looking at.

Ms. Lara Sayer: Okay, there's one question from online that I'm just going to answer. How do we ensure our agency has a voice in stakeholder feedback? I think this applies to everyone in the room as well. We have an inbox email, as well as LinkedIn and Twitter. But you can certainly email me, Lara Sayer, the Executive Director, so lara_sayer@ppbe.senate.gov. If you go to our website you can find it on there, but we would be happy to set up engagements with the staff and some of the Commissioners. I thought I saw one more hand in the room. Sir.

Audience Question: Thank you all for being here. Troy Thompson, Defense Fellow for Senator Susan Collins. I wanted to ask a question related to kind of the do no harm principle in this subject matter. Innovation is critical, but innovation at the behest of processes that are working now, such as multi-year procurement, things that are working on those lines, is there a balance for the Commission's proposals to ensure that those things that are working for the long-term, long lead time procurement needs aren't changed or modified in the sake of innovation, or things that need a shorter lead time.

Honorable Ellen Lord: Sure. I think we are very conscious of the fact that there are some short-term things, some medium-term, some long-term things that need to be done. But multi-years that you pointed out, I think we have all seen how that's incredibly helpful in terms of providing a demand signal to industry, and therefore allowing industry to build the capability and the capacity, whether it be munitions or other things that are so critical right now. So I think we tend to be pretty thoughtful, because the Commissioners here, we have a lot of Commissioners here in the front row, have lived through a lot of this. But I would say, we also need engagement and input. So those areas that you think are working well, that are serving the purpose- we want to hear from you about what those are, as we make sure that we don't do any harm, as you said.

Honorable Eric Fanning: It's a good question, because it highlights something- that it's not one hundred percent of the defense budget that is moved around every year. Parts of it are very stable year to year, and over long periods of time. Human capital, for example. And so we sort of realized that quickly. And I think that the Interim Report reflects that, that we appreciate we're talking about certain aspects of the budget that don't have the flexibility that many think it needs. We had witnesses that suggest we should blow the whole thing up, and that there should be one color of money, and it should

be the Secretary of Defense's to do as he pleases every year. So we didn't even go in that direction. But it's a good point, that we're talking about certain parts of the budget where we think there needs to be more agility to reflect the changing threat environment, or the rapid iteration of technology these days.

Ms. Lara Sayer: Alright, we're down to the last couple of minutes, so I'll offer Mr. Hale and Ms. Lord any last comments.

Honorable Robert Hale: So, as I said at the beginning, I think this is a unique, not unique, but it's an unusual opportunity to look over all of the processes of PPBE...something I never had time to do while trying to make this system work to meet the Department's needs. And I think that we need to take that opportunity, and I hope that you'll see this Interim Report an effort to do just that, to lay out five broad goals and specific recommendations that go with them; some that we can implement right now, others, these potential recommendations, where we're seeking stakeholder feedback. And we need to keep in mind the measure of our success as the Commission. Tactically, it's, you know, are any of our ideas adopted? But I think, broadly, it's: can we do something to the PPBE process that helps the warfighter? And I think we all need to keep that in mind, and I believe we will. Ellen.

Honorable Ellen Lord: Thanks, Bob. First, I just wanted to highlight that we also have four other Commissioners here today: Peter Levine, John Whitley, Jen Santos, and Arun Seraphin. So I think this is pretty good engagement. We have some west coasters that couldn't be here. But this is really just the beginning of the substantive work now that we've scoped the problem, if you will. And we are very much looking forward to the continued engagement from DoD and the Hill, and we really appreciate that, and we see ourselves as part of a larger ecosystem here, looking at how we can do better in terms of both our national security and our national defense, and we are very hopeful that we can make a difference. So thank you all.

Ms. Lara Sayer: Alright, thank you everyone for joining us today. We look forward to the continuing dialogue. Out here.