

Budget event audio

[00:00:37] **Fred Bartels:** Thank you all for joining me this morning to hear about improving the efficiency of defense dollars. My name is Fred Bartels and I'm the senior policy analyst for defense budget here at the heritage foundation. An integral part of the heritage foundation's mission is to support a strong national defense, which means both the resources allocated to the defense are sufficient and effectively, obligated.

[00:00:56] Today. I want to talk to you about a recent paper that is posted on the chat box, on the effectiveness of resources, obligated at DOD. In government. This has been called one-year money resources, which can only be obligated within one fiscal year. And after that period is done, they can not be used for any new obligations.

[00:01:14] This creates a time crunch, which combined with other factors though discussed today, creates the phenomenon of use it or lose it. Use it or lose it largely appears as a crunch to obligate a resource before the end of the fiscal year, which likely leads to less optimal spending decisions and definitely rushed decision-making. The current incentives in the system, push government financial managers towards accumulating some resources for at the end of the year and then all over obligating them before their expiration at the end of the year. The question then becomes how can Congress and the brother federal government better incentivize good steward ship of federal taxpayers' dollars.

[00:01:51] I believe that part of the answer resides in giving three measures of increased flexibility and financial management. , one giving , some carry over authority for DOD, , two, lessening to 80 20 time restriction and obligation rates. Andthree, speeding up reprogramming interests. Many agencies in the federal government can carry over a percentage of unobligated funds into the next fiscal year.

[00:02:14] DOD should be able to do the same. Even a 5% carryover would substantially increase the flexibility of the department. On the 80 20 rule. Currently DOD can not allocate more than 20% of its budget in the last two months of the fiscal year. the idea was to reduce the time crunch that creates use it or lose it. But the effect has been to create yet another time crunch and yet another deadline. Congress should test ways to change it and should start by studying effects that looser regulations on the 80 20 rule head in 2018. Last but not least Congress should speed up transfers and reprogramming.

[00:02:50] They usually take at least three months, which is unacceptably long when you're working within a 12 month time window. Most reprogramming requests are approved without any changes. And at a minimum, this could be fast-tracked enabling the department to better manage expiring resources. Congress could study what are the common characteristics of those requests that are approved without any changes.

[00:03:12] This is just the tip of the iceberg bird. And now I'd like to invite both panelists to turn their cameras. I'll introduce both of them, ask a few questions from each likely interject

some of my thoughts as well. And Dan, open up for questions from the audience. So please start sending those questions right now.

[00:03:28] It's on your chat box. Firstly, the distinguished bearded gentlemen is Phillip Candreva. His senior Lecter lecture of budgeting and public policy at the navel post-graduate school in California. So it's really early for him. So if he has multiple coffees during the event, He literally wrote a few books on defense budgeting and financial management.

[00:03:49] And he's teaching the current financial management professionals that are navigating these questions in real time. They are equally distinguished, but ungeared at gentlemen is Eric . Eric is a senior fellow at the center for government contracting in the school of business at George Mason university.

[00:04:03] He's also the host of a great podcast called acquisition talk, which after disadvantage is over, you guys should tell that. So kicking off the conversation, professor Candreva, how do you see the problems in budget execution at DOD as being a legal hurdle or more of a managerial challenge? Can you explain the difference between those two and how you understand the issue?

[00:04:24] **Philip Candreva:** Yeah. Eric, before Fred, before I start, I do want to thank you and the heritage foundation for inviting. To this panel and I have to give the usual disclaimer, as a federal employee, that these are my opinions and not those of the Navy, the department of defense or the federal government. I don't actually, like that distance legal versus managerial.

[00:04:43] I took a different approach to this issue, which I think is why you invited me. I view it as a governance issue. So managers manage organizations, governance manages managers. And so managers work within thisgovernance environment, which consists of four key things, laws, things like preparations, they need efficiency, act. Administrative rules, like the financial management regulations and spend plans and target rates obligation, institutional norms, and.

[00:05:12] Know I knew I was going to forget organizational structures. You have controllers, contracting officers, program managers, and this, network of people involved in spending money and those four things together do three things for that manager. They prescribe what that manager must do. They enable that manager to do those things, but they also constrain that means.

[00:05:35] And so in my view, this use or lose phenomenon is the natural result of this governance framework that the managers have to operate with them.

[00:05:44] **Fred Bartels:** Perfect. And Phil, I know that you have looked at the issue of use it or lose it from a very different perspective of mine and looking at solutions and ways to tackle it or when to tackle it. Can you talk a little bit about how you see the challenges and the possible solutions?

[00:05:59] **Philip Candreva:** Yeah, I think, I think it's important to not only understand that this is a multi-dimensional issue, right?

[00:06:06] We've got these four factors that are doing three different things to managers, but I do think we need to match the remedy to the cause. And I've not found much research looking at sort of root causes of this. And many of those that have sought it out or having trouble finding good empirical evidence that it exists, but just to rattle off a couple of causes and what sort of remedy may be appropriate if the cause is mismanagement then maybe we need more transparency up and down and across the chain of command to see what people are doing with your money.

[00:06:35] If the issue is a misallocation, then we need to understand requirements and costs better and maybe have more flexibility in the way we allocate that money. Late appropriations, right? There's two remedies for that. Congress can either appropriate it on time, but their track record is horrible. So my recommendation, the more pragmatic approach is build that into the budget.

[00:06:56] All right. Assume that appropriation is going to be late. The plan together. I think reprogramming rules are too strict as to you and they should be loosened a bit and I've got some ideas for that. I think contracting could be more flexible, more use of simplified acquisition procedures, more capacity to do anticipatory contracting, even if the money's not quite there yet.

[00:07:16] And finally, I think we need a mechanism to resurrect expired, but still open appropriately. For instance, FYI 20 money is currently expired, but FYI 20 procurement is not. And if we have an obligated balance and ONM, why can't we reprogram that into procurement and sort of resurrect that spending authority and put it to use.

[00:07:39] So those are rattling off a few ideas.

[00:07:42] **Fred Bartels:** Thank you. Mr. Lofgren from your workout, assume that the way to tackle, use it or lose it, it would be to manage for bigger portfolios that allow trade-offs between from different projects within that fiscal year. Is that a fair description of your

[00:07:54] **Eric Lofgren:** thinking? Yeah, no, definitely. Thanks for having me. It's great to be with you and Phil. Yeah, you hit the nail on the head on, in terms of my thinking on this. When I look at use it or lose it reprogramming authorities, continuing resolutions, a lot of the problems that we keep finding in these are actually symptoms of a much larger problem.

[00:08:15] So I wouldn't necessarily say like, if we tackle these things head on and increase. Our ability to reallocate money a little bit on the margins or improve some authorities, we're going to fix the fundamental issues. And what's at the root of all of this. And so what I think is actually the real problem is actually what the GAO found in their research.

[00:08:34] On expiring and canceled funds, which was one actual program needs being less than estimated, two agencies not having authority to redirect funds, and three unpredictable program costs. So it's no wonder that when they say, oh military personnel costs, those are pretty predictable, we're just paying for bodies. We don't really have as big of a problem there, but for like these really complex. Weapon systems for RDT and E procurement and maintenance as well of these things there is a ton of unpredictability. and

so the fundamental issue here is how the portfolio aspect of that is a way to manage the risk and manage uncertainty by providing options.

[00:09:13] And so the budget is a forward looking. It requires predictions about the future states of the technology operations and even the economy. And so when we make all of these budgetary decisions, it's all about what will be in the future. And we're trying to, and we're almost like locking that down and taking it out of the manager's hands to be able to manage by real ops.

[00:09:32] Actually I agree with what Phil said in term, in terms of governance, ? Managers manage the programs and governance manages the managers. I think he said something like that. And then the focus on misallocation and mismanagement, and we need more focus on the accountability piece. So I think, the key to this portfolio concept is , have high level mission command ability.

[00:09:53] Leave the execution to the people involved who might know the best, but then have a rigorous way for checking up on what were the spending allocations what did we get for those things? what is, what was, and then that will be able to help us figure out what will happen in the future.

[00:10:08] And so this portfolio management approach, I think is one of the things that will actually move us forward and solve some of these. Symptoms of that issue. Yeah.

[00:10:19] **Fred Bartels:** On that topic, especially the prediction element. One of the things that I was thinking recently is that if any everyone programs their budgets two years ago, everyone would have a cost overrun with face masks this year and GAO would come and say, oh no, you had a cost over on with face masks and PPE equipment.

[00:10:36] And that's how we do it on the brother. So Eric political leaders have been talking about improving and changing the defense acquisition process. Basically since the nation first started building ships. I know that you enjoy growing for history. Can you talk a little bit about a time in the United States history that we were better or good at buying military goods?

[00:10:57] What are the main lessons that you see?

[00:10:59] **Eric Lofgren:** Yeah, I think, there's definitely been a bunch of periods in the department of defense's history. And before it was department of defense, of course, the war and Navy departments where, things were just different now. **It's hard to say whether they're better or worse because we're from a different time now.**

[00:11:14] But we can also look at what the commercial sector and international nations are doing and to judge for relative performance. But one of the things that happened, was a big debate actually right around the time of those first six frigates was Jefferson and Hamilton, where they had a debate over appropriations. Should appropriations specified for every single thing government will do. And that was Thomas Jefferson's approach. We should have an appropriation for everything. And then Alexander Hamilton's view was, that's just not a

good way of managing. It takes too much management. We can't actually get anything done if we try to micromanage in that way.

[00:11:49] And actually Alexander Hamilton won out and Thomas Jefferson came to a grievance. He said, oh, this is too tight of specification of the appropriations does have its evils. So we've had been in this area of lump sum appropriation. From about that time to about the 1950s, and the budgeting and accounting act of 1921 was the first time we started to see the strictures on that, but really what we had was. And I think, again, this gets back to what Phil was saying. The appropriations were by object of expenditure and organization. So you had the armies. ordinance department a department of engineering at the bureau of ships in the Navy, right?

[00:12:28] These were organic items in the budget. So the budget focused on people and organizations, and then empower those people to actually create a lot of the pieces. So long as Congress and other folks in comptroller had like oversight over, where did that money go? Was it spent appropriately and those types of issues.

[00:12:46] And as we shifted to a programmatic budget in the 1960s, particularly even though that kind of got kicked up starting 1949, but really the 1960s were where it came home that. Really changed the paradigm of how the department of defense was run. And I think that we need to look to see what were those lessons of that change, because we haven't really had a big type of budgetary reform in this manner since that time.

[00:13:12] And so we should again, look at how do a commercial, how does the commercial industry work? How do other nations do it? What were the lessons from the past? And then see, how can we move forward in the department?

[00:13:23] **Fred Bartels:** And then you're going to write a rap about that. So you can win the argument between Madison and Hamilton, right?

[00:13:28] That's the theory from the Hamilton, the musical it got dropped.

[00:13:31] **Eric Lofgren:** unfortunately, right?

[00:13:33] **Fred Bartels:** It's yeah, usually a good sign of progress. When the chairman of the Senate armed services committee is explaining to you, items is what the PPB process is and talking about the need to update it. And just yesterday we saw on the highlights.

[00:13:46] Of the NDAA. It was approved by the SASC that there is a commission to discuss PPV reform. And those questions. If you were a Senator Reed's advisor, what would you be? The number one item that you would want to improve in the budget process? Being the commission or not

[00:14:03] **Eric Lofgren:** let Phil go first.

[00:14:05] **Philip Candreva:** Oh my goodness.

[00:14:06] First thing to do to approve PPBE probably would be to be in PowerPoint. Cause, cause it's just a horrible communication mechanism, but seriously, I think it needs to be

faster with fewer people involved. There's too much analysis for too little change. Only about 10% of the budget is really in play in any given budget cycle.

[00:14:26] If we have ships, we know what it's gonna cost to operate them. We have people, we know what it costs to pay, and we have installations. They have to be maintained. There's not a whole lot on the margin it's being adjusted every year, but we have tens of thousands of people, who are spending, millions of hours building briefs and writing draft budgets and defending things.

[00:14:45] And the change is not all that significant from year to year. And then if only with only about 10% of an in play, we then reprogram two or 3% during the year of execution. So I think we try way too hard. To find something optimal when it's not possible, because optimal requires that everybody agree on an objective and we don't all agree on the objective, right?

[00:15:08] So optimal is not even possible. So we should ban that word from our vocabulary too, but there should be fewer people involved, do it much faster and make it a little more flexible as Eric was saying, I also loved Eric's thought about fewer ex-ante controls and more ex-post controls. We don't do that very well.

[00:15:27] We try to manage it upfront when I think we should be giving people a little more flexibility, but holding them more accountable for the results.

[00:15:35] **Eric Lofgren:** Yeah. I would just add to that. One of the things there seems to be tenure of position, as a critical aspect to that accountability, because it's if I have a multi-decade program, where does accountability fall when this guy has only been here for three years and he's really just executing the plan and the budget plan that was actually put in place by his predecessor and his budget plan, he won't be executing on these successor.

[00:15:56] So that's one of the issues, but I agree again. I completely agree with that. That fixation on prediction and control of the future actually leads to these spiraling backend ONM costs through our poor program allocation decisions more than mismanagement my belief and then that spirals backward and gets us into this problem.

[00:16:14] So we need to make the department offense, look a little bit more like what technology is doing right where you actually have. Lower marginal cost of reproduction and higher fixed cost of investments. That's what, that's all that software is really about an AIML and Sr systems become software defined.

[00:16:32] We should expect that the processes of the department of defense should look more like that rather than an industrial era system of these linear walking through the stage gates of the budget activities and RD teeny, but then through the appropriations themselves. And so I'm not actually answering the question.

[00:16:46] The question was, what would I say to Jack Reed And what I would say to Jack Reed is, Hey, look, we actually already have some portfolio experiments going on in department of defense. If you just look hard enough, JIEDDO out of defense threat reduction agency has one the strategic capabilities office is another.

[00:17:03] They're kind of dispersed around to a degree, but you could even almost call the next generation air dominance program, a portfolio of itself. And now it's not really clear whether is that portfolio actually a family of systems that they're developing, or is it just one aircraft?

[00:17:19] Because we did hear about that one prototype that came out of it. And this is one of the issues. We might have some kind of portfolio in the uh, prototyping phase, but then we always kind of next down into like kind of a program of record. And I believe that this program of record concept.

[00:17:34] Yeah. You know, Fully integrated stack system that is managed by an organization dedicated to it. And thus does not have these types of inter communications. So we hope that the BBB would great join. Yeah. You said the department of defense, but actually by creating these programs, stovepipes and stopping people from having this horizontal communication, that was indicative of the political process, that really was department of defense and a budget building in the past.

[00:18:03] That is all gone away. Now we have interoperability issues. So anyway, I would just say you can't re you can't reform the department of defense as a whole instantaneously. Culture matters and there's this kind of chicken or the egg problem between technical competence and culture, along with the portfolio aspects to give them the flexibility to actually go out and implement that.

[00:18:23] So to get that flywheel started, where do you have the most talent?. Then start slowly aggregating some of these budgets into portfolios, experimenting with what contextual oversight looks like for them and not like some universal cost growth metric for them. And then start slowly building that out where it makes sense, rather than saying bang, like we're going fully to this new model and that's just never a good way of running such a complex organization as department of defense.

[00:18:54] **Fred Bartels:** And that leads to actually a question from the audience. That would be an interesting segue here. A member of the audience is asking if it's better to have the joint staff VAT in determined acquisition spending or leave those decisions to service. And I think Eric, you started touching on that in the sense of where is the expertise that would be like smart enough to make those decisions.

[00:19:15] Do you think it's a binary choice there or how would you go about. Taking those people that will be accountable and you're holding their feet to the fire on how the program

[00:19:26] **Eric Lofgren:** is going. Yeah the joint staff concept is it's actually very interesting, right? How it came out of a Elihu Root and the whole kind of progressive movement.

[00:19:34] So we didn't have a joint staff really in the 18 hundreds of, and the joint staff was actually pretty weak, especially in the Army. Up until the 1950s when they got control of the budget. And the budget was actually because you had these bureau and arsenals that had a direct line to Congress and defended their own budgets to Congress, we're actually in a way, fairly independent organism.

[00:19:56] And the, staff members were actually not able to get into procurement too much. And that kind of flipped, especially with in 1958 with the defense reorganization act and then with the PPBS, I think the proper role of the joint staff, it's interesting, right? Cause the perennial problem of the staff is like the more competence in things that needs, you want it to do the more it has to grow and the more it supplants the line organizations themselves.

[00:20:20] So I think one of the crucial concepts. From the forties and fifties that we can learn from is the dual hatting, where you had folks that were executing the programs, something like a program manager to program executive officer and their dual had it on these joint boards, like the research and development board, like the munitions board.

[00:20:37] And they would jointly come to decisions together where they had votes. And they knew what each other's interests were. And I think this was actually a smart, again, the political process of decision-making, rather than presuming that we can. Determined proper programs of the future through route analysis that any third party expert could then go and verify.

[00:20:59] So again, I think there's something to this kind of, and we see this at commercial industries where they have like scrum of scrums and Spotify has their, guilds and chapters and all of these. Trying to create these kind of matrix. Cross-functional like teams that spread information throughout the organization, such that others know what each other are doing.

[00:21:17] And I'm a very big fan of Michael Polyani's Republic of science, where he says, how does science progress? It's not because someone dictates that it will progress in such a way. Cause there was talk at the time in the fifties and sixties, like the department of defense of having someone centrally direct research programs.

[00:21:34] Yeah. He said, no, you got to let people the researchers themselves determine their own programs. The program is not determined outside the context of the individuals coming up with it. And it's through their network of overlapping relationships that they hold each other into account through reputation and test and verification of what works rather than a kind of central direction.

[00:21:56] And so I guess that's what I would say there the joint staff of course is very powerful. But I think, how do we make it more of a political process than a top-down hierarchy? Because we need to understand where does the knowledge reside in, in department of defense?

[00:22:10] **Philip Candreva:** Yeah I liked a lot of what Eric said there. The knowledge is not at the top, right? I'm a big fan of Bastiate. And, the idea that the information in the control really needs to be decentralized. I think the most successful businesses in the world have a really tight strategy and very loose execute.

[00:22:28] So that those who were executing while keeping their eye on the prize will adjust the organization in order to get to that strategic objective. And we see that in a lot of very successful organisms DOD, I believe does the opposite. Every change in leadership, we see

new strategy documents coming out, but we micromanage execution, really tight, far too tight.

[00:22:52] And I think we would do better if maybe the joint chiefs are very clear about strategy are very reluctant to change it. And then analyze the results of what's going on to see whether or not they're satisfied with that. Again, getting back to the exposure control and then let the services have a little more freedom to get to that objective in the way they know they can achieve it.

[00:23:15] As opposed to the way they've been directed to G.

[00:23:18] **Fred Bartels:** I think so. And I think that I have another question that you're going to enjoy as well. So in the current system that requires a lot of stability, predictability in very rigid, very planned way in advance. It's almost inevitable that because of that time lag, you would have unobligated budgetary authority at the end of any period of X.

[00:23:39] Should we not worry about unobligated budget authority and measure other things, maybe like output success?

[00:23:47] **Philip Candreva:** No, we should worry about unobligated budget authority for a couple of reasons. And this is where I'm going to take issue with one of your recommendations, Fred, and I know you knew I was going to do this

[00:23:57] I think. Rolling over any of the funds does violence to the core idea inherent in a budget that X number of dollars is sufficient to do Z level of activity for one year. And so if we have lifted over money, that means we either estimated wrong and could find no better use for that money. Or we didn't get Z done, which begs the following question of why not?

[00:24:24] You had the money. And the system of course, needs to be Trying to find the right word. It's not flexible, but it needs to forgive or realize that there are contingencies that come up like the face mask budget. And and so that's one issue I've got with that. The other issue is, if an organization can't effectively manage that budget from October to September, I don't have any more faith that can manage it from October to December.

[00:24:50] And what that rollover does and to use a sports analogy. The red zone offense for a football team is different than the, or offense when they're further back, because they have less fields. And so the way we manage the money is different at the end of the fiscal year, because we have less time.

[00:25:08] And I understand that proposal says, make the end zone bigger so that we can continue to manage, like we were managing earlier, but that completely disrupts the football game. It changes the game. And then really changed this idea of what is a button. Every calendar I've looked at as September 30th on it.

[00:25:25] So it shouldn't be a surprise that is coming up and we'd better get the money spent. So this is why I really advocate for more flexibilities, particularly late in the fiscal year. I understand Congress has the power of the purse. I understand that they have a right to see what we're doing with reprogramming and veto those if they wish.

[00:25:43] But I think in the last third quarter of the year, speed of that process, if we send over a reprogramming action and they take no action in 10 session days, then it should be automatically approved. Let us move on because the clock is ticking and there needs to be some recognition of that.

[00:25:57] We're increased the threshold so we could do more below threshold reprogramming at the end of the year. I think it's really important because we built that budget so long ago. That there has to be more flexibility in executing it so we can move those dollars to a place where they're better quit. By rolling over the money.

[00:26:14] I think it actually exacerbates the problem because now we have quantified and justified the cuts in the future. And I, yeah, I don't know. I think the idea of having a obligated balance is a good thing, but I think we need to change this governance structure so we can manage it down to zero more effectively.

[00:26:32] **Fred Bartels:** No, my idea is to actually give a hundred yards of field for them to play. Congress has taken away the first 25, maybe 50 yards. I just want to extend the field a little bit. So there is some rooms that you can actually pass and you don't have to run all the time.

[00:26:48] **Philip Candreva:** And I would love to see us send a budget over to Congress, says this budget assumes we won't see our money until 15 December, which is the historical average.

[00:26:55] But we're not gonna do that because we're too polite in our government.

[00:26:57] **Eric Lofgren:** I would agree with Phil there. I tend to believe that again, like whatever that time limit on the obligation for your appropriation. I think that's fine. That's about good governance and some of the issues like Phil pointed to are contractual in nature, right? Like I can't really get started on this long procurement action lead time.

[00:27:16] Because I don't have the money in the bank and I don't, or potentially this is a new start and I have a continuing resolution. So you'd have all these issues in the contracting realm, but the contracting realm, why are those procurement action lead times so long? Sometimes it's just because you have.

[00:27:32] These huge kind of programs and huge contracts, and you're piling all these requirements into a single thing. And so if, again, if we fixed the budget process at the front end and say Hey, you guys have portfolios, not only would they be able to redirect money more easily without those reprogramming. And I'm still a little bit scared because even with you raise the BTR threshold, it's more than 10 million or 20%, whichever is less. Even if you do raise that, you still hear people say it's very difficult just to get a BTR through. And sometimes Congress will even want to review that.

[00:28:05] So just because I raised the threshold, does it mean is actually going to. Potentially that much easier. So fixing some of these portfolio aspects not only can solve some of the ability to get contracts out faster, but it also restructures what we think of as a program, right? We are now potentially evolving independent systems of components and

then quickly integrating high TRL [technology readiness level] stuff, rather than having this big program with all these unique subsystems and hope to God, that they will all progress on schedule for integration at, five years when I need to get through OT and ne and then procurement money staring me in the face. So I will do anything and do any kind of quick fixes that might create high production or O and M costs. But as long as it gets me into an LRIP and gets me that procurement money, because changing that is so painful, even if there are other priorities throughout the department that money could be used for.

[00:29:00] It's not like you can just shift it over. So, Again, I'll just die on my sword, looking at portfolio management rather than like, how can we, use our political capital to solve these symptoms of issues. Let's go after the root cause and

[00:29:15] **Fred Bartels:** on the reprogramming thing questions. What is really interesting is that the time where you eat a lot of time is both inside the Pentagon.

[00:29:24] And after the request leaves the Pentagon it's the whole time from a manifestation of indirect here identifies that there's a need for reprogramming, or there is extra resources that could be reprogrammed for debt to travel all the way up to the contract. And then to Congress, or even if it's just to travel all the way up to controller, it gives a thumbs up in Trump on camera, and then it goes all the way back down to the financial manager.

[00:29:47] So there's that time lag that is going to exist. And also the secondary time leg. When you get it up to Congress. One question that came from the audience in speaking about Congress, I think it would be interesting to get your views on it. A lot of the elements that we have been discussing would be good for DOD.

[00:30:07] And there's usually a pendulum between the amount of flexibility that Congress is willing to give and the level of micromanagement. Do you see any incentives for Congress to let go a little bit of the micromanagement? What would make Congress team willing to become a little exercise, more oversight?

[00:30:27] Oh, after the program is being executed rather than on the front-end that both of you touched earlier in the program here.

[00:30:35] **Philip Candreva:** Yeah. So I'll go first, Eric . I see few incentives for Congress to reduce its oversight. It's part of it's. The Congress does two things, they legislate and they oversee.

[00:30:45] And so I don't see much of an appetite for reducing that. But, and there is competition, right? There's always been competition between the branches over the budget. Yeah just in a post world war two era. You have Nixon and pounding EPA. And leading to the impoundment control act.

[00:31:03] You've got, had the issue with president Trump or wall and in questionable use of authorities. And we do that a lot between the executive in the legislature. And that's part of the fabric of our country, right? The founding fathers almost designed a competition there, but it's checks and balances at the same time.

[00:31:20] You can go too far with that over some, if you go back and look at the 1980 defense authorization bill, it's 18 pages long. If you will. I look at the 2020 defense authorization bill. The table of contents alone is 39 pages. So they're in a total of 1,120 pages. So do we need 62 times more oversight and the authorization and build in 2021 than we did in 1980, when we actually had a follow force.

[00:31:48] I don't think so. Yeah there's a balance that needs to be there between flexibility and control. And I think we've gone way overboard on the control side.

[00:31:56] **Eric Lofgren**, I would frame it. I agree, but I would frame it slightly differently because the first thing I would want, folks to understand, especially in Congress is.

[00:32:04] We're not trying to reduce oversight. We're trying to change the game of what oversight is. And the current style of oversight is not actually getting you the results. And so we need to, again, we presume back in this 1950s, sixties era that we could financialize everything and use universal metrics and third-party neutral experts to come in and determine what is right or what is wrong.

[00:32:26] Objective. And that just turned out not to work, just because something had a cost growth, I don't care what the cost growth is on a program, honestly. It's what was the starting base cost? What were the alternative choices of programs that could have been.

[00:32:38] Could we have done it for cheaper in a different way, right? These are the questions that matter and not, did you execute to something that you said you would execute to 10 years ago? That kind of control and oversight. Isn't the style of oversight that I think matters in the digital era where we are going to be well first, right?

[00:32:56] We have to be able to leverage commercial technologies. We can't just . Pretend like DOD is going to pull all the technology from its requirements. Cause it's so domineering. And so far ahead anymore, that's just not the way it's going to be working. This commercial technology has a lot of investment in it.

[00:33:12] And of course the D needs is its own specific tailoring and its own research and development programs. But the ability to take advantage of opportunities is just as important as its ability. To predict and control what might happen in the future. And I think there's been some good comments, especially on the joint, all domain command and control front.

[00:33:30] It's like, how am I going to have a 5, 10, 20 year plan on jazzy too? When I don't know what commercial networking is going to look like five years. Technology is moving really fast and we have to be able to integrate what is working in the commercial sector more quickly. And so this gets back to what were the alternatives?

[00:33:48] What's the opportunity cost? I don't care about the money costs. I care about the opportunity cost and the opportunity cost is all contextual, so we need to change the game of what oversight is. Convincing members of Congress, the GAO, OMB, and folks in the OSD staff that this is in fact, the case is the first part, because I think everybody wants the same thing.

[00:34:08] Everybody wants a better for structure for cheaper, right? We want to do more for less than Alan endovenous as right, more for less. But how do we get there is the point of debate. And I think we just need to. Look, this oversight thing is actually the overarching structure that creates the incentives for the budget PBE requirements, the rest of those processes, and then filters down.

[00:34:31] So we need to look at that. And once we have a good framework for what oversight. Then we need to talk about what are the political incentives, that go along with this, that aren't necessarily, related to what is the optimal forest structure? And I know Phil says let's not use optimal word.

[00:34:47] We should be in that kind of word. Right. But everyone is going to have interests involved and we should also look back before, we didn't have an authorizations process until the 1960s. When did the authorization process come around is no, it's no coincidence at the same time that we had the

[00:35:02] planning programming budgeting system implemented, those things came hand in hand. What did we do before? I love how Truman and his commission during world war II literally would just have investigations after investigations and actually go into specific contracts. And they brought thousands of people to go testify, route out any kind of mismanagement.

[00:35:21] And it really hold people accountable in that way. But congressmen didn't have as much say over. Who's district and what programs actually get authorized. And they actually had, some kind of principled self-restraint before that where they wouldn't be directing dollars to districts in the same way.

[00:35:37] Now, of course, similar things did happen with the bureau in arsenal system as well. You know it, but like this kind of, principled restraint is an interesting comment.

[00:35:46] **Fred Bartels:** And on that point, if oversight is holding you accountable to a plan that you made 10 years ago, they were unable to execute in those 10 years.

[00:35:56] It's always going to be a judgment on your ability to predict things, not on your actual ability to execute anything. And I think that are actually touches what your broader point of like, how did, how does Congress understands its role of oversight? It's not about maximizing or minimum. But rather moving towards helping execute a program rather than just checking a box based on your plan, based on your 2010 plan, you said that you're going to weight 110 pounds.

[00:36:26] Now your weigh 115. So you have the five pound over run over there. And the last comment that I want to bring is. Comments from the audience, but it is from Pat Towell from CRS. And I read everything that pat runs and I think it would be a lead, a good last point for us to talk on. The fact of life is that people will use deadline for leverage, and that applies from both sides of the river and wearing all colors of uniform.

[00:36:54] And I think that's very true in that process, which goes to the end zone analogy that Phil mentioned earlier. So are those deadlines still appropriate? How should we think

about those deadlines? And my personal comment on that is that the human incentives ESL, that there will always be those deadlines for leverage.

[00:37:14] We have one coming out on the debt ceiling when Congress flight move some stuff. That's how you force congressional action. But I would like to hear from Eric and Phil, before

[00:37:24] we adjourn.

[00:37:25] **Philip Candreva:** . I tell my students when her homework is late to deadlines exist for a reason. And that's about as good an answer as I have right there, there are control mechanism and like many other control mechanisms we have in this system. And I think without deadlines things can get.

[00:37:41] A little out of control. Their needs, there need to be guideposts and mark. And, I think that's why we have the acquisition system we have. We like that we have these milestones and these gates and these decision points. You have the notion of a fiscal year has existed well longer than our country.

[00:37:57] And I think it is appropriate to just stop and take an account. Uh, Every view of the requirements, review the estimates and start a fresh right within a year. It would be nice if that transition was smoother and not sure how to, how they should go. But, honestly, for the vast majority of people in the department of defense, they don't notice my prefers.

[00:38:17] It's just the people who are the budget geeks like us, then notice that. And yeah, it is okay. I don't know. Eric, what do you.

[00:38:25] **Eric Lofgren:** Yeah. I think, deadlines are important. I think they should exist. I actually think when we look at the trajectory of project management, it has moved from, determined the technical baseline and then cost estimate and schedule that out.

[00:38:38] And what we've seen with agile development processes says I can't know exactly what the end product will be, and then work my way back from that. I actually have to fix these increments of schedule. And costs and then basically iterate through those and develop product. And so I think there's. Now that doesn't work for everything, but I think more and more things are going to be pushing in that direction as we move towards more software defined stuff and hardware starts to take on elements of software. And so I think we need to move in that direction.

[00:39:09] And what we've seen from companies moving towards agile enterprise is learning from the startups that have grown. But needing to re invigorate themselves is you move from a project focus and percent complete basis, which looks a lot like the department of defense to a persistent teams,

[00:39:26] persistent, agile TD fund those guys. And they might make some structure along with the operations, one of the things we might want to move to is this prediction and control thing, when you just look at the it was supposed to replace the ch 47 and it's just we plan to replace it by the mid eighties.

[00:39:42] And then we didn't, we had to go through several cycles of the V 22 and then it didn't actually come out like until its operational capability. So 2007, we predict that we're going to have these nice little follow-ons to our major programs, but they don't work out that way. We have these huge capability gaps, costs are higher, and now we're stuck in that kind of sole source program.

[00:40:02] And we believe the sunk cost fallacy. So moving to. This family of developments and you're dropping capabilities at regular time zones whatever those things are. I think that's a kind of interesting way, and I'm not saying that's a cure, but that's like an interesting thought and other programs can start moving to that to some degree.

[00:40:20] And I think that aligns with this whole kind of fiscal year concept. So I, again, I don't have a problem with the fiscal year. I think that's, I think all that stuff is fine. I think we just need to change the way. We do programmatic. And then it works within that construct

[00:40:34] **Philip Candreva:** exactly.

[00:40:35] A faster, more agile programming and budgeting phase would facilitate that kind of major.

[00:40:40] **Fred Bartels:** Yep. And at the end of the fiscal year, you can serve it as the natural end of a trial period that you can actually go back to your program and see how it actually performed in, on that. I would like to thank our panelists for sharing their insights in this conversation and thanks to the audience for participating in it as well

[00:40:59] and again, thank you. Thank you. So thank you, Eric. Thank you for a yard and have a great day.

[00:41:05] This concludes another episode of acquisition. Talk, if you have comments, interview recommendations, or just want to chat, please contact us@acquisitiontalk.com. Thanks again. And until next time. .