

Center for Strategic and International Studies

## Online Event

# “Priorities and Challenges for the FY 2022 Defense Budget

RECORDING DATE:

**Wednesday, May 12, 2021 at 10:00 a.m. EST**

FEATURING:

**Representative Anthony Brown (D-MD),**

*Member, House Armed Services Committee;*

*Co-Chair, New Democrat Coalition National Security Task Force*

**Eric Fanning,**

*President & CEO of the Aerospace Industries Association;*

*Former Secretary of the Army*

**Mackenzie Eaglen,**

*Resident Fellow,*

*American Enterprise Institute*

CSIS EXPERTS:

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*Transcript By*

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Todd Harrison: Good morning, everyone. Welcome to this last-minute event that we put together to talk about what's going on in the FY '22 defense budget. We're really honored to have a great set of guests today to talk about this interesting subject.

I know a lot of people are getting anxious about the upcoming budget request, but we're fortunate to have Congressman Anthony Brown from Maryland – I think the Fourth Congressional District in Maryland – who is a member of the House Armed Services Committee. Also previously served in the Army National Guard. We'll hear next from Eric Fanning, who is currently the president and CEO of the Aerospace Industries Association, and previously served in a variety of positions in DOD including his last position was the secretary of the Army in the Obama administration. And then we will hear from my good friend and think tank partner in crime, Mackenzie Eaglen, who's a resident fellow at the American Enterprise Institute. So welcome to all of you.

Before I hand it over to Congressman Brown, I want to let everyone in our live audience know that we're going to take questions from you later in this panel discussion. And so there is a "ask questions live" button on the web-streaming page. You should see that appear there now. If you click on that button you can type in your question. We're going to see it in the backend, and we'll be sorting through those questions, and I will try to work it into the discussion later on. So as folks are talking, go ahead and start putting your questions in there.

So without further ado I want to hand it over to Congressman Brown for some opening remarks.

Representative  
Anthony Brown  
(D-MD):

Hey, thanks, Todd. And let me say good morning to everyone. Thank you to CSIS for hosting today's panel and for your efforts to create forums and discussions like this to advance ideas to address security issues. I also want to thank my fellow panelists, Eric Fanning and Mackenzie Eaglen, for sharing their expertise, and critical insights, and their thoughtful contributions.

Our country is confronted by a multitude of complex domestic and global challenges – Covid-19, disruptive technologies, climate change, systemic racism, and domestic extremism. And of course, right now our competition with China and Russia, just to name a few. Now more than ever Congress has a responsibility to ensure that we are robustly funding our national security strategy and priorities, even as the cost of doing so rises every year. I firmly believe that we maintain our national security not only with the military dollars that we spend, but also through the resources we dedicate to diplomacy, and development, and the investments we make here at home – investments in infrastructure and education, in public health and public safety, in strengthening our democratic institutions and processes.

I also believe that with ample defense and nondefense spending, we're better able to secure our nation, revitalize our economy, defeat the pandemic, and restore U.S. global leadership. As we make long-overdue investments in infrastructure, innovation, our workforce, and in communities – as is the goal of the American Jobs Plan and the American Families Plan – we will, in turn, promote American competitiveness and security. But we cannot rob Peter to pay Paul. We can't look to the defense budget or cuts to the defense budget as a way to pay for these domestic priorities.

We shouldn't view the nondefense and defense budgets as opposite sides of the same coin, nor accept them as a false choice between two competing options. We should recognize and accept that domestic programs and spending bolster our national security. And conversely, investing in our military will help promote, protect, and preserve the opportunities that we seek to create right here at home.

So we need a well-funded military. We ask our men and women in the armed forces to do more today than ever before. Our military helps deter aggression from Russia and China and the threats they pose to our allies and partners. Our military defends us against rogue actors like North Korea and Iran, nonstate aggressors and terrorist networks wishing to do us harm.

So we have a responsibility to our national security and the international order as a global leader to field a force capable of deploying to where it's needed most, one that's ready and provides the necessary presence to deter war and maintain peace in the global commons. And to do that, we need a well-funded military.

But the defense budget is more than that. The Pentagon's \$8 billion in research spending invigorates our academic and tech sectors right here at home, resulting in technologies like GPS, radar, and the internet, all of which have uses and benefits beyond our armed forces. The Moderna vaccine, so critical to coming out of this pandemic, saving lives, was developed in record time. And it was originally seeded by a DARPA investment in 2013.

The Pentagon's budget funds everyday needs for servicemembers and their families, including health care, childcare, retirement for veterans, K-through-12 education. We see our servicemembers are not just in frontline places far away in Afghanistan and Iraq. They're right here in our communities in times of need. Think Hurricane Katrina, and also think about all the National Guard members who are assisting with coronavirus testing and vaccinations across the country. And these men and women are at the center of our worldwide mission and meeting so many needs right here at home.

So we have a responsibility to equip and train them to successfully carry out their missions and ensure that they return home safely to their families and the country that they love and defend.

And before I turn it over, I do want to make a comment about extremism and diversity in the military, because I think that's fundamental to any discussion about our armed services. Just as our national security depends both on our defense and nondefense budgets, the strength of our military isn't simply defined by the planes and ships we fund, but in the values we uphold for our military and as a nation.

Violent extremism, white supremacy and hate groups run counter to the values of our Constitution. These corrosive ideologies are spreading throughout the ranks and, if unchecked, will undermine unit cohesion, good order, and discipline, posing a threat to military readiness. The alarm bells have been ringing for years, and it's long past time that these threats were addressed.

I salute Secretary Austin for issuing a standdown order to address extremism within the ranks. But that's only just a start. We have to root out of the military those who not only participate in but who are members of extremist groups. We need to clarify that the president and the secretary of defense and commanders have the inherent authority to exclude and remove members of extremist organizations. And we should provide the department with the resources they need to understand the problem and implement measures to combat racism.

And along with that effort, we always need to be focused and take deliberate actions to improve the diversity and inclusion within our military ranks. Every institution is strengthened by diversity, and that's no less true for the military – diversity in backgrounds and experiences. And I think that that diversity in our armed forces is one of our greatest strengths. We need to leverage that so we can solve the problems, big and small, facing our warfighters.

We took a number of steps during last year's Defense Authorization Act; represent, I think, a new and important starting point for the work we need to do on diversity and inclusion and taking some of the most significant steps, I believe, forward that we've seen in a long time. The department needs to continue to build on and implement these initiatives, both inside the department and within the defense-industrial base.

So thanks again for having me as part of the conversation. I look forward to hearing the opening from my fellow panelists and then getting on to the Q&A.

Mr. Harrison: Thank you, Congressman Brown. And I should note, I think I said that you had retired from the Army National Guard. It was the Army Reserve, right? Got to get my components correct here.

Rep. Brown: But all of them are important – one force.

Mr. Harrison: Absolutely.

Next we'll go to Eric Fanning. I should also note that Eric not only served in a senior civilian position in the Army as secretary of the Army, but also served in senior civilian positions in the Navy and the Air Force as well. So it's kind of a Pentagon hat trick. But over to you, Eric.

Eric Fanning: Thanks, Todd. And thanks to CSIS for pulling this together.

So, quickly, it's not easy to follow Congressman Brown, but at least I don't have to follow Mackenzie, whose work I've been reading for years, all the way back to when we did some work together when I was in the Air Force job.

I'll keep my remarks brief because I think the Q&A is the interesting part of the program, but some thoughts about the defense budget and framing the defense budget. We tend to immediately hone in on the topline – you know, what is the number going to be – and I think there's lots of other interesting ways to look at the budget and factors that we have to keep in mind when we think about the budget.

In no particular order, but first for me is that strategy should be first. That doesn't mean that we can create a budget that's resource-unconstrained, but we have to think about what we're asking the Department of Defense to do and then we've got to fund it in a way that helps – that allows the department to stay whole. I often would get this question: Why does the U.S. have to pay as much for defense as the next X countries combined? And I think that's sort of a backwards way to ask the question because the Department of Defense is asked to do more than those next X countries combined are asked to do. It's an enormous set of tasks that we give to the Department of Defense, and we have an obligation to make sure that we resource that.

There are new threats in a traditional sense – Congressman Brown talked about them; many do – an emergent China, a revisionist Russia, countries that are investing in technology – China in particular really advancing the ball on technology – and have been watching us very closely for a very long time and wargaming against us, something that we maybe weren't as focused on as we should be now that we realize with the wars we've been at in the last 20 years.

But there are new threats, too. Congressman Brown mentioned the DOD contribution to Moderna. We had something – we’re going through something, hopefully getting to the end of something that had an impact on our country in ways that few other things have. And the Department of Defense is in the middle of any crisis that this country has, and this was – the response to the pandemic was certainly not an exception to that. Remarkable to see how the department stepped up and the contribution had to get us to where we are today.

That’s not to say that there isn’t room for cuts or more efficiencies inside the Defense Department budget, but it’s often hard for those to be realized. The political process makes it difficult for the department to cut through some of the things that it’s put on the table. For example, infrastructure. There hasn’t been a BRAC in a long time, and any single report you look at talks about excess infrastructure the department has.

But I would – I would caution that I wouldn’t think of these things, if we ever get them through, as cuts. The department wants to use them and should use them as reinvestments because it’s easy to make the case right now that for years the department has had a hard time balancing ops tempo, force structure, modernization, and readiness. Something is always a bill payer for the other.

If you cut – because there are some people suggesting that we should cut radically and cut quickly – keep in mind that when you cut quickly you just create enormous bills for yourself in the future. There’s only so many places the Department of Defense can go for a quick cut just in terms of what’s in the art of the possible. And then when you add the political calculation on top of it, the department starts – has to cut things, we saw in sequestration, that take years and a great deal of money to fix.

And then, finally, when thinking about the defense budget, especially something that I have learned since leaving government and working with industry, is we’ve got to get back to some regular, dependable, predictable budget cycle. The way we budget now, especially with CRs, is enormously expensive, actually, for the taxpayer, for the Department of Defense. And it’s very confusing for partners in industry, who you want to have invest R&D, capital expenditures, workforce. They need to know where they’re moving in order to plan on their side to be the most effective partner that the Department of Defense can have. And so if I had one thing to say today, it would be we’ve got to get back to some budgeting process that allows the Department of Defense and industry to think in the long-term and make the necessary investments for success.

Mr. Harrison: All right. Thank you so much.

And last but not least, over to my friend Mackenzie.

Mackenzie Eaglen: Thank you, Todd. And thank you, Congressman, and Mr. Secretary.

So we know the priorities for the Defense Department leadership in this administration and we know the threats, and in some cases they are slightly different. So the priorities for us are the pandemic, Covid relief and response. The Army's about to roll out its very own organically developed vaccine, for example. And then, of course, climate change and extremism, radicalism, diversity, and sexual assault, right? So these are – these are all health of the force issues, by extension health of the department, and, frankly, more widely the nation. All of these are going to be confronted and are taking up a significant amount of time of the leadership team.

But we know they're also confronting a readiness question, right, in terms of looking at what are the tradeoffs. As Eric just mentioned, you know, there aren't a lot of fast and easy places to go for money. So much of the department's budget is fixed annually and you're really just playing on the margins. But there is a high operations tempo across the services, particularly in unique specialties like air and missile defense, for example. They're really on, like, a wartime footing in terms of, you know, one year home, one year deployed, and yet, we don't have 250,000-plus forces in Iraq and Afghanistan. So this is a challenge leaders are going to have to deal with as they're trying to, you know, restrain the appetite from combatant commanders and get the force healthy and modern for the future.

Speaking of combatant commanders, the Afghanistan drawdown is underway but it's more dangerous than had been anticipated. It's going to be slowed down by our allies. They're already asking us to go a little slower, which is a totally understandable thing to do. But some in Washington are banking on this windfall of money to free up as a result of that when a lot of the bills are going to continue into fiscal year 2022 – not just on the actual withdrawal, but the ongoing bills to, you know, support the Afghan security and defense forces, 300,000 large, to do distance contracting of those same units, for example. So a lot of that money is going to continue, but it's unclear that enough has been budgeted for that in the '22 request that we'll get here any moment.

Then there's all the sort of bureaucratic, behind-the-scenes processes that are under scrutiny and review because the urgency of the competition with China. I think that's starting now to look like the threat list. It's tops for the department, but we are not going to be able to complete well if we can't get at a lot of the sort of backend challenges – appropriations and authorization reform, software purchases, for example, reprogramming requests for the department, now long it takes and how small they – the asks are. On the acquisition process, you know, the fast-track versus the traditional system. The planning, programming, budgeting, and execution. All of these are, again, sort of bureaucratic processes, but they're very important to how Congress and the department do their business. In many cases, they slow it down.

Then, of course, we have a new defense strategy, perhaps somewhat, maybe a less ambitious one, and a joint concept that will flow from that. And then questions about what do you want to do with technology, and research and development, and trades in legacy weapons systems? That's also going to, of course, impact service, you know, budget shares, potentially. You know, are we going to favor one priority or one capability or one service over another? And if so, you know, what's the justification for that? The last team left Battle Force 2045 for the Navy on the table, but this team has to figure out what to do with it. The U.S. Army's role in the Pacific, the bills for the nuclear modernization, the triad, and of course, the tri-service modernization – by the way, Todd, that you and I have talked about for many years – it's finally here now, in what we call the terrible '20s.

And then, lastly, overarching all of this, of course, the congressman knows well, you know, it's the fiscal Wild West. There is not a budget deal framework for this year that sets discretionary spending levels for all federal agencies. That tends to slow down the ability to have regular order on the floor in the House and the Senate, which delays appropriations enactment on time. And then, you know, the lack of budget (inaudible), I mean, and the lack of a two-year budget deal, plus a debt-ceiling increase later this year, all of these question marks push legislation to the right and then make the likelihood not just of a continuing resolution guaranteed, but also a longer one, which wreaks unique havoc on the Defense Department.

So I don't envy the new team. I think they have a lot on their plates that we could talk about. Thanks.

Mr. Harrison:

Great. Yeah, so I've got a few follow-up questions before I turn to questions from the audience. And I see some great questions coming in already but, you know, folks, if you want to ask a question you just hit that "ask live question" and that'll go through our system.

You know, first to you, Congressman Brown. You know, my former boss here at CSIS, now Deputy Secretary Kath Hicks, she has framed, you know, the hard strategic choices that you have to make in defense strategy and budgeting in the past as the iron triangle of painful tradeoffs, where you have to make trades among force structure, modernization, and readiness. Those are kind of the big buckets that you can make trades among within the defense budget.

I want to know, how do you think about those? First of all, do you accept that framework? And you know, how do you think about making those trades where we are today and given the likely topline we're going to end up with for FY '22? Which of those would you, you know, prioritize trying to protect? Is it force structure, is it modernization, is it readiness? You know, what's your kind of rank order and how do you think about it? Over to you.

Rep. Brown: Yeah. All of the above, I guess.

I do accept the framework that, you know, historically those have been the tradeoffs, right? Force structure, that's a big driver of probably one of the biggest components of the defense budget, which is sort of payroll and the, you know, retirement, health care, educating, you know, DOD dependents. It's a huge cost. And think – look at the challenge here, right, where we're talking about increasing the size of the Navy, whether it's 355 ships or, you know, something around that. It's not just ships and submarines; it's sailors, right? So here you're talking – and that's a modernization effort, expanding capacity and capability, but also you would have to increase force structure in the Navy. So if the traditional tradeoff is sort of modernization and capability, what's the tradeoff there for that big investment in the Navy?

And that's why I think Army leadership is rightfully concerned that they may be the bill payer. We see the Marines are being proactive. And the commandant in his guidance, he proactively looked to reduce the size of his force, to lighten the footprint by reducing the number of field artillery units and the heavier amphibious units so that he could invest in modernization and the investment accounts.

So I do accept it. And I think that it is – you know, it's finding the sweet spot, the right balance. You don't want to sacrifice readiness, but you do have to invest in a modernization effort, particularly when we're focusing on our two greatest adversaries/competitors, and that's China and Russia, because they are – they are beginning to outpace us in their investments in modernization and the capabilities that they're ready to bring and they're able to bring to the fight.

Mr. Harrison: And, Eric, I want to go to you next and ask you also about making these tradeoffs. And using a slightly different framework that Congressman Brown was using there is the tradeoff among the different services. And in particular, you know, do you think we're at a point where we need a roles-and-missions review to relook at how we allocate roles and mission among the military services to reduce some duplication of effort and ensure that we don't have gaps in some key mission areas for the future? How do you see those tradeoffs working out?

Mr. Fanning: Well, I do think some type of review of roles and missions is warranted. It should just be a regular thing. And sometimes you want duplication. Sometimes competition is good among the services. There probably should be some more, actually – put the target set in front of them, let them experiment, and come back with solution sets and see where you're going to invest. But I think a regular review of roles and missions is always a good idea, especially as the strategy has pivoted to great-power competition from what we've been doing in the last couple of decades. I

think it's important to take a look at where we are as each individual service has been doing that.

It's natural for an individual service to look at itself, take actions to justify itself and its share of the pie as the strategy changes. And so you've got each of the services making some changes. You made a big change in the Air Force, which we now call the Department of the Air Force – you know, Department of the Navy so you're not talking about the service. Now DAF, Department of the Air Force. DON and DAF, unfortunate acronyms. But I do think with a – with a strategy shift, it's important to look at how those align and are there gaps and seams, but again to remember that sometimes competition is a healthy thing. It's one of the benefits of having the multiple services.

Mr. Harrison: Mackenzie, I got a similar tradeoff question for you. You brought up the modernization bow wave. And you released a great report on this just recently, you know, quantifying how big that modernization bow wave is. How do you think the department needs to approach that modernization bow wave, especially if they're not going to have the topline to be able to do everything they plan on doing? How should they think about making those strategic tradeoffs in the budget to conquer that modernization bow wave?

Ms. Eaglen: So thanks, Todd. And thanks for reading the report and reviewing it ahead of time.

Right. So it's a tri-service bow wave. It's the terrible '20s for acquisition. And it's each service. It's roughly – you know, slightly overlapping, but all of – all of this decade. And it's basically these deferred – constantly and regularly deferred modernization priorities to update the fleets and inventories of the services, as well as the nuclear triad and its components supporting the system.

So the first point is some honesty about kind of what got us here and just to state the challenge ahead for defense budget issues. There are some problems you can buy your way out of. I know that's not a popular thing to say, but in this case you could. But we won't, so – because we have a topline. I don't see that changing much. It could go up a few billion dollars, but that's about it. And so some honesty is required in thinking about the scope of the problem.

I think the roles and missions question, Todd, is really important because, for example, as the congressman noted, when you look at the guidance from the commandant of the Marine Corps and look at the proposed divestitures, and then you see potentially in the '22 budget, for example, I know the House is worried about the Army, not just end strength but capabilities that could be lost, you know, in terms of trades. And one of those capabilities could be tank brigades. Well, I don't think the Congress is going to be

comfortable with the Marines and the Army giving away that type of capability at the same time.

And so it's also, you know – I know we probably can't afford duplication, but we've got to have clarity on this question of is it – is it deterrence by denial, in which case – which is the centerpiece of the Navy and their new strategy or not. And if it is, the – (inaudible) – needs lots of duplication. We can't afford it. It's sort of further down the mission set. So that's another way to think about it.

The third one is one something the deputy knows well, Todd, as you noted from our time at CSIS. You have to make tradeoff choices early, right? So take, for example, the ICBM, the ground-based leg of the triad, right? That is such a difficult question. It is so expensive. The ground-based strategic deterrent is, yes, a program of record. Yet, there is a lot of questions about the future of that. And so Washington is wrestling with the potential extension yet again of the Minuteman, when you have commanders testifying saying it can't be extended anymore, and if you do you've wasted your time and it costs more than just buying a new replacement, which is better.

If we had just made that choice – if we, the proverbial we, had made that choice a lot sooner instead of sort of passed the hot potato or musical chairs or whatever your metaphor, it would have made things easier. So this team's going to have to make those unpopular choices and be ready to fight and use some political capital to ensure that they have trade space even more in the '23 budget to implement their strategy.

Mr. Harrison: All right. And I want to go to some questions from the audience here. And this one I'm going to direct to you, Congressman Brown. What's your take on the standup of the Space Force? Do you think it's making the most of the money it has? And have you seen bloat and bureaucracy taking over what was supposed to be, you know, an initiative to make us more agile when it comes to space and space acquisitions?

Rep. Brown: Sure. Definitely we're supportive of the standup of the Space Force. I think, you know, organizing our space mission, coordinating, you know, acquisition, mission, and just all the resources that are dedicated to this, you know, very important new domain of space, particularly given the challenges and threats rising from China primarily, I thought it was a good move. And we in Congress are very concerned – we were at the outset when we authorized its creation – that it doesn't take on a large bureaucratic burden.

You know, we've seen the growth of the fourth estate, which I do think, you know, it plays a lot of important back-office roles. But what we don't want to see in the Space Force is a burgeoning headquarters and fourth estate.

You know, I also believe that – and I'll just, you know, add that I think Colorado is the – is the place for it to be headquartered, given the constellation of assets and facilities that are already in Colorado. But I think overall a good development, and we're keeping an eye on its growth.

Mr. Harrison: A quick follow up there, if you will. So, you know, the headquarter location decision for U.S. Space Command, that was made right at the tail end of the Trump administration, of course, moving it to Huntsville. It's got to go through all sorts of environmental review, so, you know, no money is really being spent on that yet. Is that an issue that – if the Biden administration doesn't reverse the decision and keep it in Colorado, is that something where you think Congress might take action and force it?

Rep. Brown: You know, as a general matter I sort of steer away from those decisions. Look, I had a preference for the Army Futures Command coming to Maryland given that, you know, its single largest, you know, sub-element or activity is out of, you know, Aberdeen Proving Ground in Maryland. And we made a great case. We pitched it. We thought we had the – an advantage in that decision. We lost in that sense. But I would have never thought of Congress going in and sort of overturning that decision by moving it statutorily anywhere. I don't think that's the way that we should be micromanaging the department.

Mr. Harrison: And, Eric, another question from the audience here I think you'd be well-positioned to answer. So, you know, back in the Obama administration, DOD placed a greater emphasis on combating climate change, particularly in the Navy with the Great Green Fleet, I think, that Ray Mabus called it. It looks like the Biden administration's also placing much more emphasis on climate change as a threat to national security. You know, do you see significant new investments, you know, coming down the pipeline as part of this renewed emphasis on climate change in the military? And are you concerned that that is going to compete for funding with modernization programs?

Mr. Fanning: So I don't – I don't know that you have to think of it as a competition, actually. I think they can align pretty nicely. It is one of the questions that we all have, is what does it mean for the Department of Defense to prioritize climate change. There are a few ways I think you can look at this.

First of all, there's absolutely no question that climate change is impacting DOD infrastructure globally. In the Arctic, Navy ports, this is going to become – it is already a major expense for the Department of Defense. We know that climate change is going to change – is going to – is going to create new causes of strife in new regions of the world, so it definitely impacts strategy.

But as you think about investment, that is a question. The department can move markets because of its scale, whether we're talking about electric cars

or investing in new types of fuels. What we know historically from the Department of Defense is that a number of things it does, because of scale, can help impact the nondefense world – the commercial, the civilian world. So we are looking to see what they mean by that in terms of investment, but I suspect it has to do with using the scale of the department to help move certain things forward like electronic – like electric vehicles.

Mr. Harrison: Mackenzie, I want to go to you with this one. Let's talk about the Air Force, all right? You know, it looks like the Air Force is going to be asking again to divest some legacy aircraft. You know, we've been down this road before. Each time they ask they usually get a similar answer from Congress, which is no and don't ask again and we're going to specifically prohibit you from doing this. You know, it does seem like there's more urgency behind the request now. What do you think the Air Force has to do and DOD has to do to get Congress onboard with retiring legacy aircraft?

Ms. Eaglen: Oh, the Air Force, the underappreciated, overwhelming bill payer for the last two decades in all of the other investment that's needed around.

You know, so the Air Force is doing, I think, well so far what it needs to be doing, which first of all is being thoughtful and open with Capitol Hill, with making its case to civilians in the Defense Department for, you know, why they need to get onboard with this. As Eric knows and the congressman, absent support from the secretary and the deputy, the chiefs can go tilt at windmills all day long but they're going to need, you know, ultimately White House support in, for example, the statement of administrative priorities and in the behind-the-scenes meetings to move some no's into the "yes" column when it comes to retirement and divestment of particular legacy aircraft. But this really isn't unique to the Air Force. The Navy has to get more yesses as well on this front.

But the most important thing, they need to have a plan. So when I went through last year's defense authorization and appropriations bills and I read the report language, which was, frankly – you know, it's very powerful. Congress is very honest about its opinion – low, high, or otherwise – about what the services are doing. And in almost every case for the Air Force you could see Congress was concerned about two things.

One, the Air Force has too often tried to divest to invest but doesn't have – they have the bird in the hand, but not in the bush, so with nothing to follow on. Todd, you and I have talked about this. There's no follow-on capability in hand, something they can actually see, touch, feel, demo, prototype, fly, watch, whatever.

And then two is then how that impacts combatant-commander demand, right, meeting those global requests for forces. I would argue that demand is a little unsatiated and it needs its own check. That's slightly separate, although related to this challenge. And so the Air Force needs a compelling

case to have a question of that bridge, but too often there is a gap between giving up something today and the promise of when the tomorrow will be fielded. And in the absence of that gap, Congress is going to go low risk every time and we really can't blame them for that.

I will say the chiefs have aligned on this question. You know, the Air Force chief and the commandant have written publicly twice now making the case for this divest to invest, talking about how readiness is also, you know, a five-year question and a 10-year problem. It's not just the fight tonight that equals readiness. I think they're making some headway, but it would be better to have unity, I think, among the chiefs, and that would be even more compelling.

Mr. Harrison: Yeah, no, I totally resonate, you know, with the idea that you've got to have a bridging capability. You can't say I'm going to retire something now and then I'll buy something, you know, come online a few years from now. You've got to have a bridging capability and show how you're going to meet the near-term demand in the meantime. And there are a lot of ways of doing that, including some of the leasing opportunities that the services have been pursuing.

I don't know, you know, Congressman, Eric, do either of you have any thoughts on that, on, you know, the dilemma here of retiring legacy systems to fund modernization?

Rep. Brown: You know, let me just add this, and I think Mackenzie makes a good point. I mean, you know, the Air Force, I mean, they've got to be clear. They've got to be as open and transparent to make their case to Congress, whether they want to retire a system or whether they want to, you know, modernize and move to another platform.

And I'll just – one example where – and this is not a comment about the particular platforms and the merits of them, but the kind of confusion that as a member of Congress – and this was early in my term. You know, I come into Congress, I'm now in my third term, and I'm sort of introduced to the F-35. And you know, great, fifth generation, all the strong, persuasive arguments for the F-35 and that's sort of the sole direction we need to go. And then, you know, a year and a half ago or so – I know with the pandemic I lost track of time; maybe two years ago – the F-15EX was put on the table. Again, I'm not commenting on the merits of those platforms, but for many of us in Congress we're sort of like, wow, where did that come from? That's a new dimension to the conversation. Are you all being thoughtful? Is this – was this a – I mean, it almost felt like it was a last-minute decision.

Again, I'm not commenting on the mix of aircraft. I'm a – I'm a big believer in the F-35. I do see a role for the F-15EX. But just the way that the Air Force sort of presented it to the Armed Services Committee, I – you know, I don't – sometime last Congress – took a number of us by surprise.

Mr. Harrison: I don't know – Eric, do you want to jump in on that?

Mr. Fanning: Yeah. There's a – there's a lot there.

First of all, I think maybe it's time to retire the word "legacy" because I think that we look at, like, something's old, it's bad, we've got to get rid of it, and there's quite a few aged platforms that are still very important. I mean, you know, one way to look at it might be rack and stack it against near-peer competition, what can be seen, what can't be seen.

But the longer – this is sort of a – it becomes a self-fulfilling prophecy in a way. The longer you go with that gap that Mackenzie's talked about, that you talked about, the worse it becomes year after year after year because the existing fleet can become increasingly expensive to maintain, to modernize to a point where you can't schlepp it anymore. And then you just – you're kicking a bigger problem down the road.

And so we need to think about that because readiness – you know, modernization is future readiness. And what's our readiness posture going to be in the future if we don't figure out how to bridge these gaps, to maintain something, to keep low risk for fight tonight but to allow for that gap to get to the next level of technology? And what also happens in that cycle is what Congressman Brown talked about. And I'm not going to talk about specific platforms, based on the job I have now – (laughs) – but the longer that gap takes place the more desperate, strident, or what have you, the service becomes, the more they wed themselves to a platform. And then that's what they take to the Hill, which is just a real sort of strident marketing or advocacy for a certain type of platform.

Many have said this. I agree. There are really good legislative affairs professionals in the Department of Defense. (Laughs.) Oftentimes they structure themselves to protect their leaders from engagement. The department needs to do a better job of engaging earlier and really sharing and thinking of the Hill as a partner, because ultimately the Hill gets the vote. And so I think that's an important thing that the department needs to get better. And I see a lot of that. You mentioned the commandant and the chief of staff of the Air Force have done a lot of work, as have others.

Mr. Harrison: Yeah. No, I hear that from folks in the Pentagon a lot. They'll say, you know, well, we've done our analysis that we've decided we're going to retire this or retire that. And it's like, no, no. You're going to recommend it. (Laughs.)

Mr. Fanning: Yeah.

Mr. Harrison: But you didn't decide it. You don't get the last word here. So yeah, there's a lot of work to be done on the Hill to get people to buy into those choices. And fully agree, let's retire the word "legacy." It's a legacy word. Too imprecise. But you did bring up readiness. And I want to pull on that

thread a bit. And any of you, feel free to jump in here. You know, a lot of debate and handwringing about readiness. You know, we had readiness shortfalls in years previous. A lot of extra money's been put into operation and maintenance accounts to try to reduce some of those readiness shortfalls. It is hard to pinpoint, number one, where the money is going and what effect it has.

And in a panel discussion I was on yesterday this came up as an issue. Says, there's just not a lot of transparency in the way O&M funding is reported in the budget request. We don't get to see a FYDP – a detailed FYDP for O&M. And if you look at the budget justification documents that the service produce, there's not a lot of – there's not much detail. And so it is difficult to just be able to track like, OK, if we're putting in more money for more flying hours so that this flying unit will be able to improve its readiness, OK, can we see the result of that later? And they're just not – you're not able to make those connections in the data that's released to Congress.

I don't know, you know, open it up to any of you. Do you have thoughts on how can we improve the readiness reporting system? How can we improve the O&M budget reporting system to give Congress and the public more transparency and insight in how this funding's being used? Congressman Brown?

Rep. Brown: Yeah, I'll just start. You know, and I know this is difficult, but, you know, perhaps, you know, declassifying more and more of it. A lot of it that comes to Congress, it's classified. And not just in a pandemic but even outside of the pandemic. Once you start putting things into a classified setting it's just so much more difficult, I think, for members to test the accuracy, the completeness of the information we get. Staffs are not – our staffs, you know, personal staffs, are not participating in that review as, you know, like so many others. Difficult to get security clearances for them.

So that's just one kind of small suggestion. Your question was about how we can change reporting, and that's just one way, I think, that it would help certainly members of Congress. This is a staff-driven organization. Most of the professional staff on the Armed Services Committee, no doubt, have classification – have security clearances. But I just think that it does somewhat, you know, create an obstacle, a hurdle, for some of the members.

Mr. Harrison: I don't know, Eric or Mackenzie, I see you unmuted. Mackenzie.

Mr. Fanning: Yeah, I – well, Mackenzie, go ahead. Sorry.

Ms. Eaglen: Sure. Thanks. You know, I just – I want to foot-stomp, you know, trying to address readiness without addressing operations tempo – this continued, sustained unyieldingly high operations tempo of the force around the globe – then you're just going to keep pouring money into the black hole. And you

may not get the force ready – or, healthy, I guess, is a better term. They might be ready on paper, but then what you see is that they're not healthy in terms of then you put them out forward.

So, for example, we saw this with the Navy in the late 20-teens, right? So the assumption was that the forward-deployed naval forces were the most ready. They were also the most used, under the most churn, and have been most operational. Turns out they were the least ready. Sailors couldn't even – they lacked basic skills like being able to drive ships, and it led to disastrous consequences of troops dying in peacetime at rates much higher than conflict. And that – those are the kind of things that happen. We have to address both.

Readiness in the absence of operations tempo is just a way to spend more money. And that might be good, but it's not going to solve the problem.

Mr. Harrison: Fine.

Mr. Fanning: Yeah. No, I agree completely. I think it's completely baffling to people that operating the force actually degrades readiness. I think if you're out doing something, is that's the definition of readiness? (Laughs.) You're staying skilled at it. So that's a message we have to get across. I would say, to the department's credit or to give them a little bit of credit for the situation, part of what's complicated in this is – are the O&M accounts become the sort of modulating accounts to deal with the budget irregularities. When the department is asked to operate on a CR – and we have a whole generation of contract officers that know not to let big contracts in the first quarter of a fiscal year just in preparation. That becomes the place you can go to for quick adjustments in your budget to deal with lack of stability in the budgeting process, which is unfortunate because that just compounds the problem.

I think the bigger – I wish I had an answer to your first question. Better transparency starts with better data. It's a really hard story to tell. I think even uniformed leaders would like to have more information about readiness. It's very complex. It's not just the fighter jet is capable of flying. All the different parts that go into that – the supply chain, the training, family issues, base issues, fuel – you name it. It gets enormously complex. And I think everybody would like to have a better sense of where readiness really is and what the input data and metrics are that actually impact it, because we're solving it with a lot of money, because people inside the Pentagon – civilians and uniform – want to be able to tell this story. Readiness suffers in part because it's easier to share the data on your force structure and on your modernization than it is on readiness.

And so when we get that balance wrong, readiness tends to suffer because we don't have good metrics and a good way of explaining it. And therefore, there's no readiness caucus in the House or the Senate.

Rep. Brown: Let me add one thing, if I can, on that. I think sometimes the military is also a victim of their own sort of enthusiasm and commitment to getting the job done. And what I mean by that is – and I've said this to – you know, to service chiefs. I've said this to combatant commanders. You know, every so often you've got to send a signal up the chain that we're just not ready to do this. And if you're constantly sending the signal that we're willing and ready to do it, but then you see the results like, you know, Mackenzie mentioned, the naval vessel collisions. When we see the rising rate of tactical vehicle fatalities in noncombat operations or in training exercises, that speaks to readiness.

And at some point, you know, the service needs to come back to the SecDef, who needs to come back to Congress and say: We're not ready to do what you're asking us to do. We've got to – we've got to look at this. If it's constantly a can-do, we'll get it done, if it results in unnecessary and avoidable mishaps, accidents, and deaths, then that's just not good communication between Congress and the department.

Mr. Fanning: I think that's – I think that's absolutely true. Part of the – part of the issue there is not signaling to the adversary that you're not ready. But I remember – you know, this is when Mackenzie and I first met, when I was in the Air Force job. Sequestration hits. And we said that. And people were like, well, I see the plane and I see the pilot, so everything is OK. And well, you see the plane and the pilot because they're not flying. They're grounded. I mean, we've had to cut O&M so substantially. So I think it's saying it and having something to actually prove it so it's believable. The person and the platform are believable things. The whether or not they're ready to be used, or fight, or be effective is a harder thing for people to grasp.

Mr. Harrison: It's almost like we need performance metrics rather than input metrics – (laughs) – where we can actually show, hey, when we've done training exercises, a red flag, an NCT rotation or unit-based training show that performance has degraded, vary the inputs in a controlled way and try to figure out what inputs are going to achieve, you know, the output that you want, that's most important to you. It's a hard problem to tackle.

I want to go to another question from the audience. This is really about the topline defense budget. So we'll take it up a level here. And it's directed at you, Congressman Brown.

In your opening remarks, you really, you know, argued a defense of the defense budget and, you know, maintaining a robust level of defense funding. And that does cut against some of the more progressive elements of the Democratic caucus that have been seeking to significantly reduce the defense budget.

So, you know, given the makeup of Congress today, you know, what do you think the odds are of, you know, getting a \$715 billion defense budget this year or higher? And, you know, how do you see that working out, you know, within your own caucus, and then with Republicans?

Rep. Brown: Right. So, I mean, look, on the one hand, you have members of the Democratic caucus calling for, in some cases, as high as a 10 percent cut. I think that's – that would be devastating, I think, to both readiness and future readiness or modernization. On the other hand, you have Republicans calling for 3 to 5 percent growth above the inflation rate. That's not going to happen either.

I think where the administration has come in and what they're proposing, 1.7 percent to address inflation over last year's level, I think that's where we're going to be. I mean, that's what Adam Smith seems to support. Jack Reed seems to support it. And I think that's a good place to be.

Would I support going higher? Absolutely. But I think, you know, you also have to consider the full context of what I said. You have to also make those investments in the nondefense programs that support our national security. If we're making major investments in defense, traditional defense, and we're not investing in our workforce, then we may not have the skilled workers to deliver the systems, the programs, the platforms, the facilities that the Department of Defense needs.

So I really do think that you've got to invest in the workforce. You've got to invest in research and development, beyond just the aerospace and defense industries. I think it was yesterday, 70 or so CEOs sent a letter saying, hey, we need more federal investments in research and development, semiconductor manufacturing. Republicans consider that nontraditional infrastructure. That's part of the American Jobs Plan.

So I'm all for a robust defense spend. I think that President Biden is coming in at the right level. I could certainly support an even higher investment, but I also think we can't ignore the provisions in the American Jobs Plan and the American Families Plan.

Mr. Harrison: Eric, Mackenzie, I don't know if you guys have any thoughts on that. Eric?

Mr. Fanning: Yeah. I mean, I've always thought the divide between defense and nondefense discretionary spending is arbitrary. I agree, there's a tremendous amount of overlap. NOAA, FAA, NASA, these are important enablers and partners to our national-security establishment, the national-security side, investing in technology, for example, in NASA aeronautics. That definitely has an impact on the defense side of the house.

I think, you know, when you make it a budget drill, saying we're going to take the budget and cut it by 10 percent, first of all, we know, those of us

who have been through these exercises, how devastating that really is to the department, to do it quickly too. But second of all, it's decoupled from strategy. You know, show me a strategy that we can meet with 90 percent of the current budget and that's a more interesting conversation.

But I – you know, the congressman said you can't rob Peter to pay Paul. We can't pay for even a noticeable fraction of what we're talking about this year in all of the bills with a budget exercise with the Department of Defense, a department that has – is facing new threats and is participating in all of the crises that we're going on – going through right now.

Mr. Harrison: And Mackenzie, you know, what are your thoughts on the topline here? How do you think Republicans, especially on the Hill, are thinking about it? Is 3 to 5 percent real growth, is that a red line that they don't want to go below? And, you know, how do folks on the Hill have the tools and, you know, understanding to figure out, well, exactly how much topline do they really need?

Ms. Eaglen: So great point. What we do know is that Republicans don't need to see the new team's defense strategy. What they're talking about is saying two things.

One, there's a bipartisan consensus if you want it – for example, the Senate minority has said this to the White House – to work together on the China competition and it'll be manifest through robust defense spending. That means sort of what's necessary. So no more, no less. I don't think it's necessarily a hard redline of 3 to 5 percent growth because I do think the team will change its strategy, but what it is linked to, in the absence of knowing that strategy, is buying back some of that readiness lost under the Budget Control Act.

So definitely not losing ground, for example, to inflation. That's when the department loses buying power. So while flat sounds OK for maybe you and me to survive a pandemic, flat for the department is lost buying power to the tune of \$5-plus-billion. Then they're going to lose more buying power for all the reasons Eric talked about earlier, for the reasons I mentioned. The Afghanistan drawdown taking longer than expected, that's going to eat away at man, train, and equip money in the base budget. So flat is bad for the department.

So I do think there – you know, there's just a push to keep the department – the ability to tread water. And I think that's where Republicans are looking to find common ground.

I totally agree with the congressman. Safety and security are not mutually exclusive, but complementary mission sets. The department has to look outward. We need all our, you know, local and state and nonprofit

organizations and more so industry working here at safety in America, and we need both – doing them both well.

But, you know, it's interesting, both the chairman of the Senate Armed Services Committee yesterday at the Reagan Institute and House Armed Services Committee at AEI recently both said two things. Chairman Smith said, you know, the White House won't take my calls. We really need a public deal. They're not listening. And then Chairman Reed said we need help making the case we're not getting our bang for the buck out of defense dollars. And what he meant was all the backend, back-office processes they don't talk about, the kind that people like Eric have to work when they're in the department all the time. You know, just a department not set up for success in buying, for example, technology quickly and getting it fielded forward into the force in warp speed. That's the kind of challenges they're dealing with.

So this is kind of linked to the topline. If there's a genuine effort to work all of these together, I think – you know, I don't see the '22 number going down. So that's the good news. I think there's only an effort to work at maintaining this fund and maybe even propping it up a little.

Mr. Harrison: And, Congressman, I want to go to you – we're almost out of time here – with the last question. Timeline for this year. So what are you hearing in terms of when the FY '22 request is going to be submitted to Congress? When are we going to see the Armed Services Committee, you know, doing a markup, getting to the floor, and ultimately appropriators getting a bill enacted into law?

Rep. Brown: Sure. So I'm standing with my committee chair, calling on the White House to get us that budget. Look, there's a lot we can do before we receive the president's budget request. But certainly, we want to stay somewhat in alignment – some close alignment and fidelity with him, as best we can. So it would be nice to get it closer to the front than the end. So what does that mean? I think out of the committee late June, perhaps, early July. I know the Senate is saying July.

We've got a lot of big matters that we want to move out of the House before the August recess. The speaker's mentioned the American Jobs Plan. We've got a lot of other things that are going to take up some bandwidth in the weeks ahead, like police reform. The ball's in the Senate's court, but it's going to come back hopefully as a conference bill. So there are a lot of things going on. In terms of the appropriations bills and the Defense Authorization Act off of the House floor, I think we're talking obviously after the August recess. And like Mr. Hoyer said, I hope it's closer to October 1st than it is to January 1st. But there's no telling when it'll be.

Mr. Harrison: Yeah. And so anyone want to make bets here? We going to get the budget request released within the month of May? Anyone want to take the over/under on that? Mackenzie? (Laughs.)

Ms. Eaglen: Yes. They don't want to be worse off than the Trump budget request. They don't want to be later.

Mr. Harrison: That date is fast approaching. (Laughs.) Any final thoughts, Eric or Congressman?

Rep. Brown: Eric?

Mr. Fanning: I just – I want to pull on one thread from Congressman Brown. We've been talking a lot about taxpayer investment in the Department of Defense. But that also, when done well, clearly consistently leverages a lot of investment outside of taxpayer dollars. And that's in the private sector, in industry, in terms of investing in its workforce, growing its workforce, investing in facilities, investing in research and development.

And so I would just end that for the department, for its partners in industry, a consistent, long-term approach to budgeting would really help set a good demand signal that would allow people to invest and develop strategies that will help us bridge some of these gaps we've been talking about this hour.

Mr. Harrison: Excellent thoughts. And we're out of time. I want to thank all of our guests for joining us today. This was a great discussion. We've still got a lot more questions we weren't able to get to. But we'll have to keep the discussion going. So let's all stay in touch. And we'll like to have you back at some point in the near future. And for everyone in the online audience, thanks for joining.

Goodbye, everyone.

(END)