

Legislative Update

Jimmy Thomas
Director, Legislative Policy

Monday, May 18, 2015

DEFENSE FUNDING REMAINS DEPENDENT ON OUTCOME OF LARGER FISCAL BATTLE

Republicans control Congress for first time during Obama presidency

- » Leaders have criticized the budget request
- » Budget resolution will reflect their policies and agenda
- » Still need Democratic support, at least in Senate, to pass bills
 - Reconciliation process could be used to advance proposals with simple majority

Debate about spending caps will have to be joined

- » White House has proposed ways to pay for it
- » Republicans may propose more for defense, cuts to nondefense
- » Consensus that further cap increases should be deficit-neutral will prompt offset fight
 - Entitlement cuts or revenue increases could pay for more defense but neither side wants to budge on these issues
 - Nondefense discretionary spending approaching historic lows as percentage of GDP – tough to find more savings here

Events to watch

- » Debt limit: comes back into effect March 16, action needed by late summer/fall
- » Defense appropriations and authorization hearings

Source: Bloomberg Government, [Debt Ceiling, Shutdown Deadlines Converge Setting Up Fall Fights](#); Congressional Budget Office

15

Bloomberg // DEFENSE DEPARTMENT 2016 BUDGET —
GOVERNMENT // ARE HAPPY DAYS HERE AGAIN?

International Pressures

- ISIS/IRAQ
- RUSSIA – UKRAINE
- CHINA
- IRAN
- SYRIA
- ETC.....

Issues Facing Congress

- GOVERNMENT FUNDING AND THE BUDGET
- ACQUISITION REFORM
- ENERGY
- DEBT CEILING
- HEALTH CARE
- FEDERAL INTEREST RATES
- TRADE PARTNERSHIP (Trans-Pacific Partnership)
- EXIM BANK REAUTHORIZATION
- TRANSPORTATION/INFRASTRUCTURE

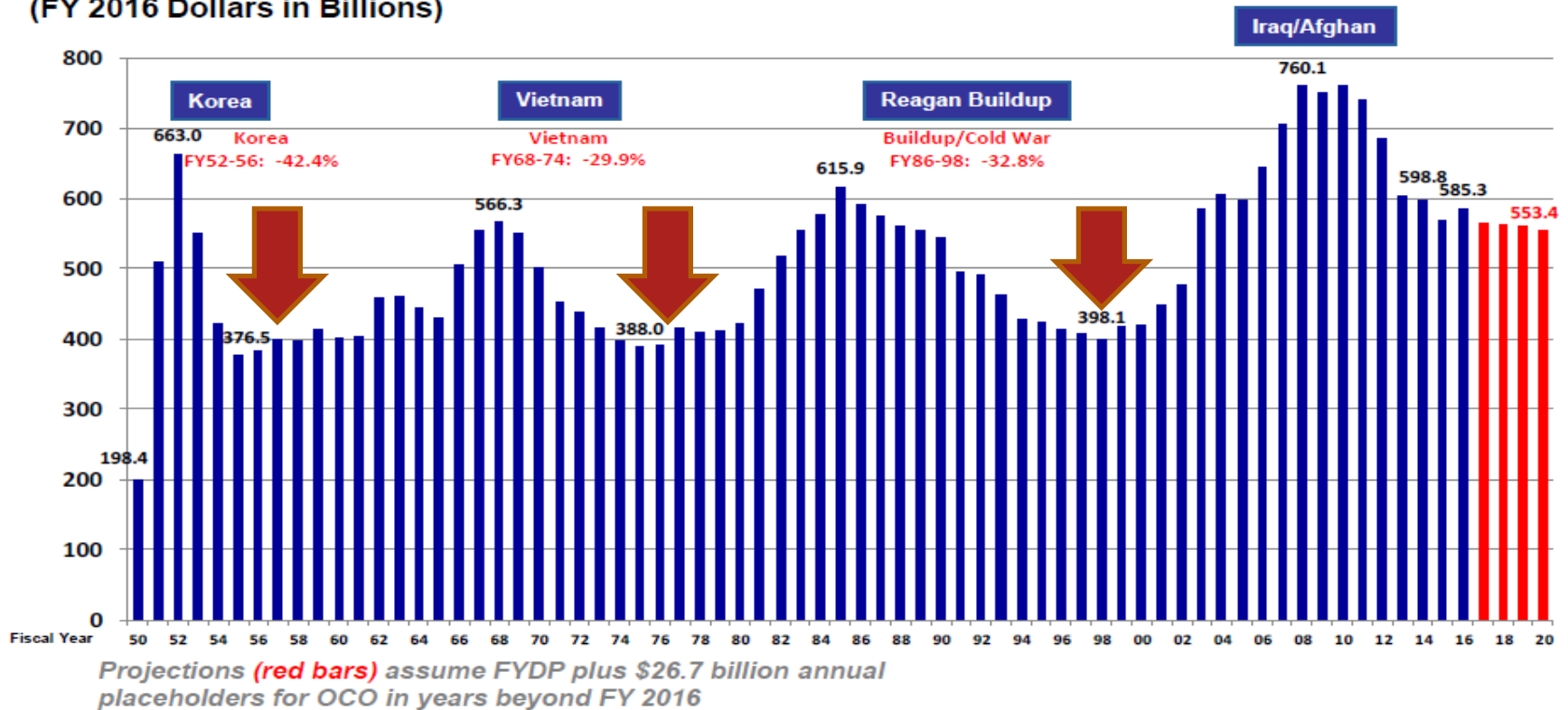
Upcoming Military Nominations

- Terms of four members of the Joint Chiefs of Staff expire this summer and fall
 - Chairman, Joint Chiefs of Staff (Gen. Joe Dunford)
 - Vice-Chairman, Joint Chiefs of Staff (Gen. Paul Selva)
 - Army Chief of Staff (Gen. Mark Milley)
 - Chief of Naval Operations (Adm. John Richardson)
- Additional vacancies will be created at the COCOMs and possibly at the services depending on who is nominated for CJCS and VCJCS.

Total Budget Trends

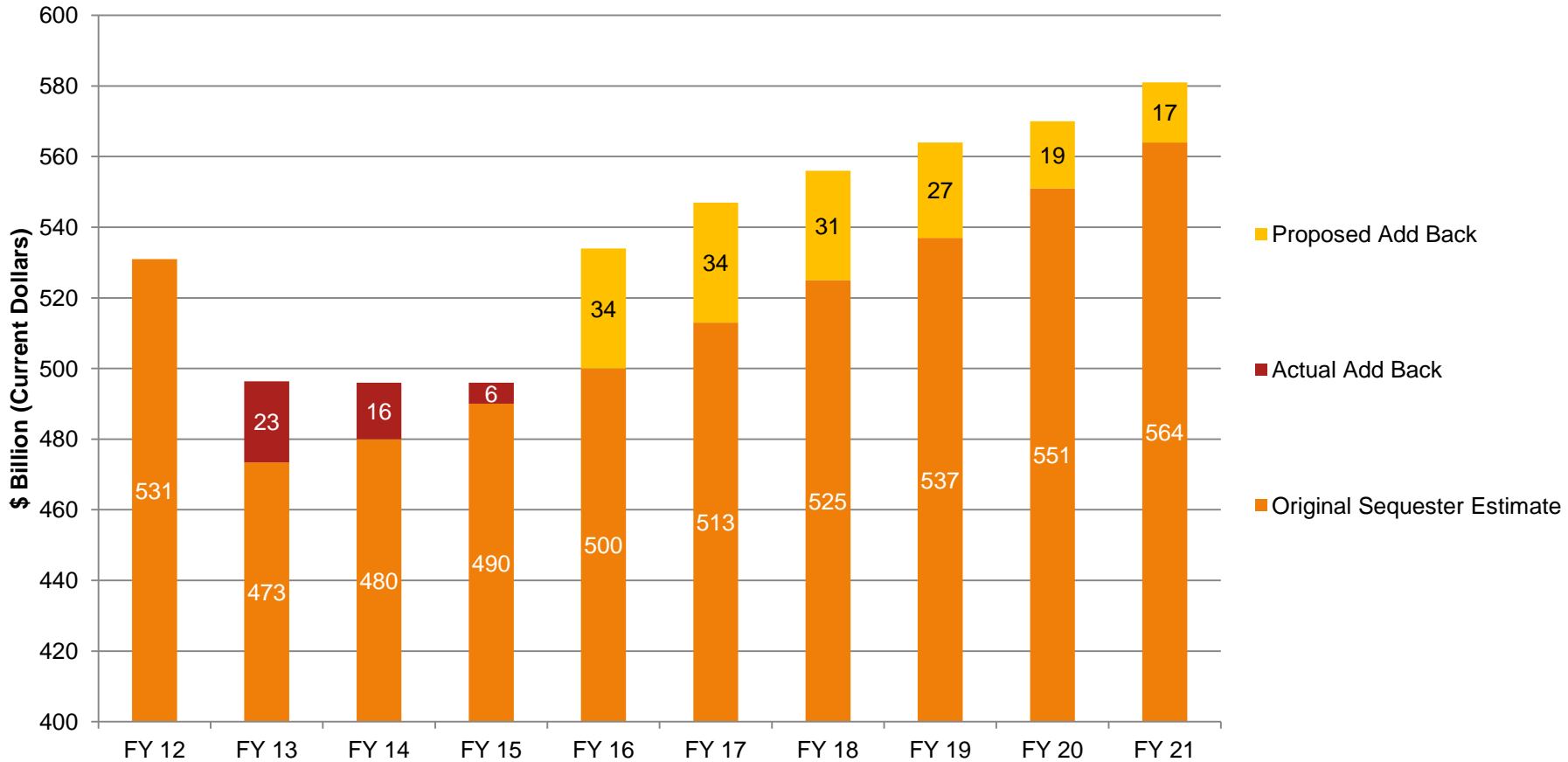
(Including supplemental and OCO funding)

(FY 2016 Dollars in Billions)



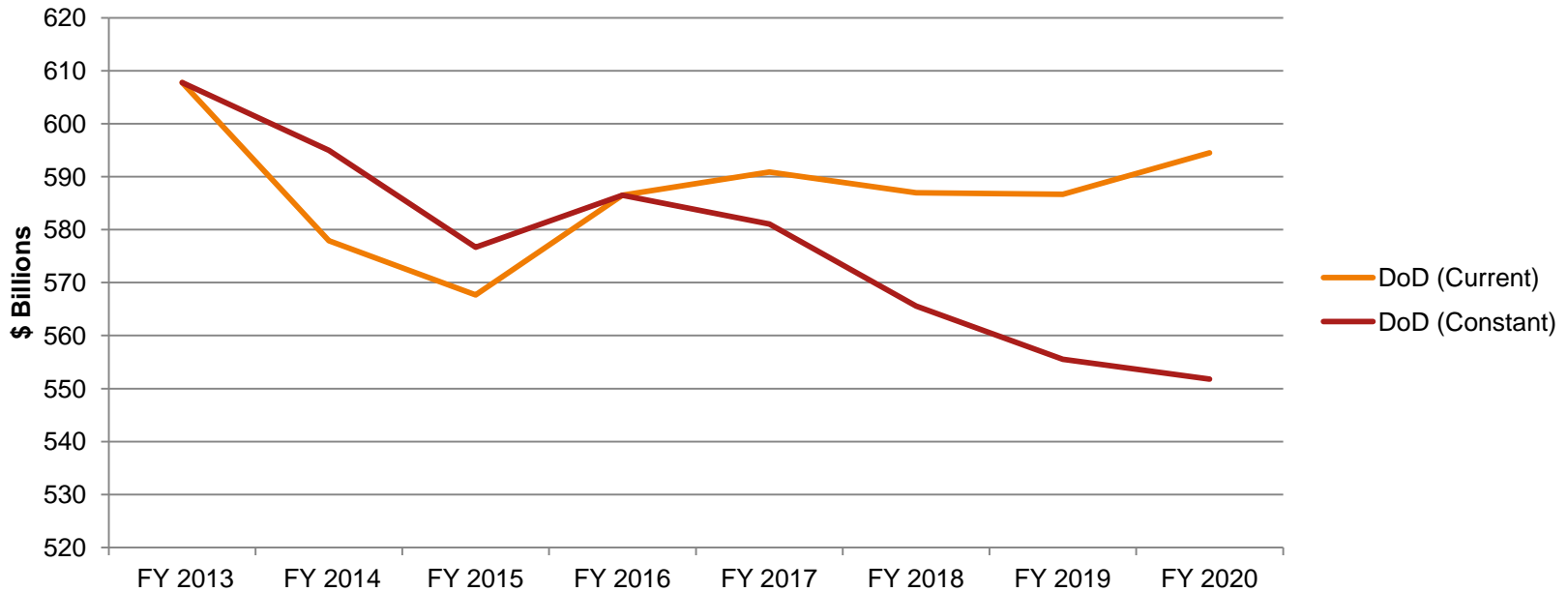
DoD's Actuals & Projected vs. Sequester

DoD Discretionary Base Budget Compared to Sequester



Defense Base + OCO Discretionary Outlays

Comparison of DoD Discretionary Outlays



- In both current and constant dollars, outlays are projected to increase in FY16 given the large increase in requested base budget funding.
- Outlays grow and remain constant through the FYDP in current dollars, but in real terms decrease each year. This could easily change since FY17 and beyond are based on an OCO level of \$26.7B in new authority each year.

FY2016 Budget Resolution

- BCA limit for defense in FY16: \$499B
- President's base defense budget: \$534B
- President's FY16 OCO request: \$51B
- Total: \$585B

- The House and Senate Passed Budget Resolution increased the President's OCO requests to \$96B;
 - BCA limit for defense in FY16: \$499B
 - Joint Budget Res. For OCO: \$96B
 - Total: \$595B

WHAT'S NEXT IN THE FEDERAL BUDGET PROCESS

<p>PRESIDENT'S REQUEST: First Monday in February, by law</p>	<p>President submits budget request to Congress, often late; includes funding requests for each department and agency, reorganization proposals and revenue proposals</p>
<p>CONGRESSIONAL HEARINGS: Under way</p>	<p>Agency officials testify before authorizing and appropriating committees to justify requests</p>
<p>BUDGET RESOLUTION: April 15, by law</p>	<p>The House and Senate Budget committees are supposed to produce budget resolutions, called a "blueprint," that set revenue and spending targets for legislation; not always completed (no penalty) and don't have the force of law</p>
<p>APPROPRIATIONS BILLS: May and beyond</p>	<p>Subcommittee members and staff draft spending bills, which are generally considered by the subcommittee, then full committee, before going to the full chambers</p>
<p>FISCAL YEAR BEGINS: Oct. 1</p>	<p>Bills are supposed to be done. If not, a continuing resolution is enacted to fund departments and agencies as House and Senate try to reconcile bills. If appropriations aren't in place, there's a partial government shutdown</p>



NDAA

- The full House passed the NDAA last week 269-151.
- SASC reported it's version of the NDAA out of committee 20-4 last Thursday.
 - Senate Floor Consideration?

What should have happened with OCO

- The distinction between the base budget and OCO is artificial in the sense that it only exists on budget spreadsheets. There is not an actual OCO account from which the services draw funds to meet obligations.
- The goal is to keep the base budget at the sequester cap level and retain the FY16 increases for modernization and other high priority, multi-year programs in the base budget.
 - Mark up as much funding related to mission readiness, training, and war related costs in the OCO budget Operations and Maintenance account.
- To make room for the \$38 billion increase in the request over the sequester cap, a corresponding amount needs to be moved from the base budget into OCO.
- One area particularly ripe for movement out of the base budget into OCO is any Navy and Air Force O&M spending that funds the operational force or units that support the operational force.
 - The Navy's total O&M request for FY16 is \$50 billion in the base budget, and the Air Force's total O&M request for FY16 is \$48.6 billion.

Appropriations

House passed two of 12 spending bills last week.

- Military Construction – VA
- Energy and Water Development

Senate hasn't acted on any spending legislation.

H.R. 1731, National Cybersecurity Protection Advancement Act of 2015

TEXT OF H.R. 1731, NATIONAL CYBERSECURITY

PROTECTION ADVANCEMENT ACT OF 2015

[Showing the text of the bill as ordered reported by the
Committee on Homeland Security.]

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “National Cybersecurity
3 Protection Advancement Act of 2015”.

4 **SEC. 2. NATIONAL CYBERSECURITY AND COMMUNICA-**
5 **TIONS INTEGRATION CENTER.**

6 (a) **DEFINITIONS.—**

7 (1) **IN GENERAL.**—Subsection (a) of the second
8 section 226 of the Homeland Security Act of 2002
9 (6 U.S.C. 148; relating to the National Cybersecu-
10 rity and Communications Integration Center) is
11 amended—

12 (A) in paragraph (3), by striking “and” at
13 the end;

14 (B) in paragraph (4), by striking the pe-
15 riod at the end and inserting “; and”; and

16 (C) by adding at the end the following new
17 paragraphs:



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PROMOTING NATIONAL SECURITY SINCE 1919

April 22, 2015

The Honorable Michael McCaul
Chairman
Committee on Homeland Security
U.S. House of Representatives
H2-176 Ford House Office Building
Washington, DC 20515

The Honorable Bennie Thompson
Ranking Member
Committee on Homeland Security
U.S. House of Representatives
H2-117 Ford House Office Building
Washington, DC 20515

Dear Chairman McCaul and Ranking Member Thompson:

I write to you on behalf of the National Defense Industrial Association (NDIA) to express our full support for H.R. 1731, the National Cybersecurity Protection Advancement Act of 2015. The proposed legislation will play a critical role in strengthening cybersecurity, streamlining its implementation, and protecting companies from liability. The legislation goes a long way in addressing the need for a coherent cybersecurity policy that defense industry has repeatedly requested from the federal government.

NDIA is a non-profit organization, and is America's oldest and largest defense industry association, with more than 1,600 corporate members and nearly 90,000 individual members. Our members represent the entire spectrum of the Defense Industrial Base (DIB), from large to small businesses. Consequently, NDIA has a deep interest in the national defense aspects of cybersecurity, and its impacts on the DIB. NDIA's Cyber Division has identified the crucial need to achieve real-time information sharing between government and industry, and has highlighted this as one of the top issues within the DIB.

Still, concerns remain over the potential compromise of automated responses and the lack of specific language that addresses an extension of the Support Anti-Terrorism by Fostering Effective Technologies (SAFETY) Act as it relates to cybersecurity. We look forward to continued work with your committee to address these concerns.

Continuing the government-industry dialogue is extremely important. Thank you for your outreach to NDIA on this matter and your leadership. If there is anything more you need from NDIA please don't hesitate to contact me.

Sincerely and respectfully,

Jimmy Thomas
Director, Legislative Policy

Cyber Security Legislation

Among other items:

- Strengthens the NCCIC's role as the lead civilian interface for cyber threat information sharing.
- Providing liability protections for the voluntary sharing of cyber threat indicators and defensive measures.
- Allows companies to operate defensive measures.
- Bolsters privacy protections already in place at DHS.
- Preserves existing public-private partnerships to ensure ongoing collaboration on cyber security.

QUESTIONS?