Testimony of Michael McCord

Under Secretary of Defense (Comptroller) and Chief Financial Officer

House Appropriations Committee, Subcommittee on Defense

Full-Year Funding vs. Continuing Resolution Funding

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Chair McCollum, Ranking Member Calvert, and distinguished members of the committee/subcommittee. I appreciate the opportunity to appear before you today, along with our Military leaders, to discuss the importance of getting full-year appropriations rather than seeing any further extensions of the current continuing resolution, or CR. In particular, I want to express our concerns about the potential for a full-year CR in lieu of full-year appropriations for the Department of Defense, which is something the Department has never been forced to operate under.

Our Military leaders will speak in more detail about the specific impacts on their services and their people. Let me begin with some points that are of concern across the Department, in support of and to amplify the points Secretary Austin made in his statement of December 6, 2021, which I ask the Chair to allow to be inserted in the record of this hearing.

A full year CR would move us in the wrong direction and leave us stuck in the wrong place on multiple fronts.

Congress, in passing the recently enacted FY 2022 defense authorization act, was voting in part for a funding level higher than the Department requested. If that is what Congress wants, enacting a full-year CR would send our topline in the opposite direction.

- If you want us to be more competitive with our adversaries, it would make us less so.
- If you want us to be more agile, a CR is counter-productive.
- If you support our men and women in uniform and our families, a full-year CR will undermine that support.

Let me briefly expand on a few of these concerns.

First, as I believe you are all aware, a full-year CR would reduce our funding below what we requested and believe we need. On the surface, at the Department level, the reduction would appear to be about $8 billion below the request. The actual reduction in practice will be significantly greater.

One reason is that some funds that would appear to be legally available under the CR are actually not useable. For example, there was $3.0 billion appropriated in FY 2021 for the Afghanistan Security Forces Fund known as ASFF. After the collapse of the Afghan government , there is now no legal way to execute that funding even if the funds are technically available for obligation under the CR. So that is an additional $3 billion impact.

To cite a second major example, although it is a different subcommittee, I expect all of you are very familiar with the fact that virtually all specified military construction projects in each year's budget, including the FY 2022 budget, are "new starts" that cannot be executed under the CR. In this specific case, that is over 100 projects and over $5 billion in funding that would be unusable.

Under such a full-year CR scenario, our Guard and Reserve components would have no military construction projects this year, and our active duty components would only be able to continue a handful of incrementally-funded projects.

If you add that $5 billion in unusable military construction funding to the $3 billion in unusable ASFF funding, now our $8 billion reduction has doubled to $16 billion in lost purchasing power. Then we can start going into the procurement and research and development (R&D) accounts to calculate all funding tied into the individual program rate increases or new starts that we would be unable to execute, leaving those funds stranded.

I am not asserting that every acquisition program would be restricted. Some, such as the Ground Based Strategic Deterrent program, would be delayed with CR levels of funding, while others, such as the procurement of two Virginia-class submarines, would be relatively unaffected.

The most damaging impacts would be to those who deserve it least – our service members and their families. The biggest holes would be in our military personnel accounts and our training and readiness accounts.

Our military personnel accounts would be funded $5.0 billion below our requested level, yet inside those flat funding levels we would have to absorb the cost of a well-deserved pay raise and statutory housing and subsistence increases for the troops. This means that our services would be forced to take actions such as delaying and suspending permanent change of station moves for our people, and delaying accessions, which will disrupt our training pipelines.

In the operating accounts, where a CR would leave us another $5.3 billion below our requested levels, we would almost certainly have to defer training and readiness and take greater risk in our facilities maintenance, especially if we try to avoid any furloughs of our civilian workforce.

Section 112 of the current CR encourages us to avoid furloughs, which is something we all wish to avoid. We understand the intent of that provision in the context of a temporary CR, so as to avoid that kind of harm to our workforce while we are waiting for the final answer. But if the CR is extended and becomes the final answer for FY 2022, furloughs may be necessary. None of us want to see hard-working employees furloughed, but if those are off the table we still have the math problem of insufficient resources in our operation and maintenance accounts, and the pressure on us to curtail direct readiness activities such as flying hours and steaming days will then increase.

We also have an issue with military health care. This account would be short by over $1 billion compared to the requested level, yet we have no ability to control the demand for health care by our beneficiaries, nor would we wish to do that, especially during a pandemic.

Some might say well you can address these issues by reprogramming funds to solve your biggest problems. However, our committees have never approved a prior approval reprogramming during a continuing resolution, and it is not clear our four committees agree that general transfer authority exists during a CR. And even if we get past that issue, as we would need to, just to fix one high-impact problem, the billion-dollar shortfall in the Ground-Based Strategic Deterrent program, would consume 25% of the $4 billion in general transfer authority available to me for the entire Department for the year, and yet I would still have dozens of other CR-imposed funding shortfalls to address.

Although a long-term or even a full-year CR is preferable to the absolute worst-case of an extended lapse of appropriations commonly known as a shutdown, that does not make it desirable or the right thing to do.

The idea that being under a continuing resolution into January and February is not unusual, and that a full-year CR is even considered a serious possibility, did not come from nowhere, and I believe it is important to put this current situation into a broader context. We have been slowly boiling the frog for a number of years, and we may not understand the damage.

For 20 years following the end of the Cold War, from fiscal years 1991-2010, the date of enactment of the Defense Appropriations bill averaged 29 days into the fiscal year, or about 9/10 of a month late. But since enactment of the Budget Control Act in FY2011, the ten years of the Budget Control Act that followed, and now this first post-BCA year, that average has ballooned to 118 days or four months late over the past dozen years.

We have turned a 12-month fiscal year into an 8-month fiscal year, in terms of our ability to initiate new starts and enter contracts. This should be unacceptable, not the new normal. You don't necessarily notice the full impact or inefficiency of this process from the outside, because the organization has adapted to its circumstances. Nobody plans to enter into contracts in the first quarter of the fiscal year these days, because the odds that we will have new funding in place and be in a position to execute new contracts is so low. Therefore, we have no significant contract delays to report from a two- or three-month CR.

In this past dozen years, CRs extending well into the second quarter are not unusual. Imagine if, a few years from now, the Department has further adapted by no longer planning to award new contracts in the first half of the fiscal year, not just the first quarter. We cannot be the dynamic, competitive enterprise that we want to be and you want us to be under those conditions.

In addition to the direct consequences of an extended CR, starting with the inefficiency, disruption to our people and operations, and reduction in available resources that I have described, we should not forget that inflation is also eating into our resources as our funding remains on hold. For example, I have had to approve two increases in our FY 2022 fuel prices – a first increase on October 1, 2021 and a second on January 1, 2022 – to keep our working capital fund solvent in response to higher fuel prices. This has created a bill of $1.5 billion for the services in FY 2022, in addition to the O&M reductions that flow directly from the CR.

And to be clear, the Defense Department is not alone in this regard, and in fact we have been treated better than some agencies. In a world where the Department of Health and Human Services is on the front lines against the COVID-19 pandemic; where we have attacks on our critical infrastructure and natural disasters (e.g., hurricanes) that the Department of Homeland Security must address; where we have to ensure our children get the quality education and training they need to become the world-class workforce of tomorrow, we cannot afford to run the federal government on a year-long CR.

One of the central insights for me, when serving on the Commission on the National Defense Strategy for the United States, is that our competitors, China and Russia in particular, use all the pieces on the chessboard against us, not just their military assets. We are competing on the diplomatic front, the economic front, the military front, the cultural front, the innovation and technology front. If we take this competition seriously, as we should, as our adversaries do, then we cannot afford the inefficiencies that this pattern demonstrates and enables. Time is money, and year after year we give away time in lengthy CRs. We do not have such an insurmountable edge that we can afford to fritter away one third of our time, year after year, while our competitors move as fast as they can.

Let me close, and turn to our Military leaders for more specifics, by quoting what Secretary Austin said last month:

> “Again, I strongly urge Congress to seize this opportunity to sustain American competitiveness, advance American leadership, and enable our forces by immediately reaching a bipartisan, bicameral agreement on full-year 2022 appropriations. It's not only the right thing to do, it's the best thing they can do for our nation's defense.”