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Executive Insight Brief

August 25, 2023

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View From The Hill



This week, the House Freedom Caucus formally [announced](#) unified opposition to a Continuing Resolution (CR) to fund the federal government beyond September 30 without significant concessions in the form of conservative policy riders and spending cuts. This development further underscores the challenge Speaker Kevin McCarthy (R-CA) faces when lawmakers return after Labor Day, as he seeks to avoid a government shutdown and keep his promise to pass all twelve fiscal year 2024 appropriations bills via regular order. Without winning over the Freedom Caucus, McCarthy will need to rely on Democratic votes to keep the government running. Within this context, a plum seat on the House Appropriations Committee will soon be vacant, once retiring Rep. Chris Stewart (R-UT) leaves Congress in mid-September. Several Freshman Members representing purple, majority-making districts are [jockeying](#) for the seat on Appropriations, while the House Freedom Caucus is also angling to add to its ranks on the powerful committee.

In congressional defense news, House Armed Services Committee Chairman Mike Rogers (R-AL) officially [called](#) on Pentagon officials to testify in the coming weeks on the Biden Administration's decision to headquarter U.S. Space Command in Colorado, reversing a Trump-era decision to permanently move Space Command to his home state of Alabama. On the NDAA front, Ranking Member Adam Smith (D-WA) [indicated](#) this week that Democrats could come to Speaker McCarthy's aid and help pass the rule for NDAA's post-conferencing final passage—a procedure usually left solely to the majority party—if culture war provisions are stripped out of the text. In the Senate, all GOP members of the Armed Services Committee, led by Senator Roger Wicker (R-MS), [sent](#) a letter to Defense Secretary Lloyd Austin demanding the Department of Defense halt ongoing attempts to auction off already-procured border wall construction materials. Notably, both the House and Senate versions of this year's NDAA include a provision requiring these materials be used for their intended purpose along the southern border. Senators have indicated they

may hold up the confirmation hearing of Derek Chollet as Undersecretary of Defense for Policy over the issue.

Aerospace & Defense

[US agrees to sell military aircraft tracking system to Taiwan \(Financial Times\)](#)

The US has agreed to sell to Taiwan a system with which its F-16 fighters can search and track enemy aircraft through infrared technology, a rare move by the administration of President Joe Biden to help Taipei push back against ongoing Chinese military pressure near the island. The \$500mn infrared search and track (IRST) system “allows us to more effectively deter Chinese air activity”, Taiwan’s deputy defence minister Po Horng-huei said. The planned sale, which was notified to Congress by the Pentagon after the State Department approved it on Wednesday, would be the first major deal under Biden to upgrade the peacetime capabilities of Taiwan’s air force. The new system, to be provided by Lockheed Martin, would better enable Taiwan to defend its airspace, provide regional security and increase its ability to operate with US forces through its F-16 programme, said the US defence department’s Defense Security Cooperation Agency.

[Army approves Sentinel A4 air defense radar for low-rate production](#)

[Lockheed, Pratt win \\$1 billion in Navy deals for F-35 parts, equipment \(Defense News\)](#)

The U.S. Navy this week awarded Lockheed Martin and Pratt & Whitney more than \$1 billion in contracts to buy parts and equipment for the F-35 Joint Strike Fighter. On Monday, the Pentagon announced Lockheed received a \$347 million firm fixed-price modification to a previously awarded contract to procure F-35 helmet-mounted display systems for the Navy, Marine Corps and Air Force. And on Tuesday, the Navy awarded Lockheed another modification to a previously awarded contract, worth up to \$607 million, to buy long-lead time materials, parts and components to build 173 F-35s for Foreign Military Sales customers and non-U.S. Defense Department participants. The Pentagon on Monday also announced Pratt & Whitney, a subsidiary of RTX — formerly known as Raytheon Technologies — had received a contract modification valued at more than \$59 million to procure advanced long-lead time hardware for the F-35’s F135 engines. This contract will support all U.S. armed services flying the F-35, as well as FMS customers and non-U.S. Defense Department participants.

[Indonesia commits to buying 'up to 24' F-15EXs from Boeing](#)

[Boeing Expansion in St. Louis Valued At \\$1.8 Billion \(Aviation Week\)](#)

Boeing has revealed plans to local authorities to spend \$1.8 billion to open three previously announced advanced-aircraft manufacturing facilities in St. Louis, which is the home of the company's fighter production lines and the Phantom Works unit focused on air-dominance programs. The St. Louis Airport Commission approved an Aug. 9 request by Boeing to lease immediately 154 additional acres to house the new facilities, with an option to add 24 more acres through the end of 2026, according to the commission's website. During an Aug. 9 commission hearing, a Boeing official estimated the redevelopment project would cost \$1.8 billion and bring in 500 new jobs. The capital investments by Boeing are supporting the company's "future franchise" programs, which possibly include ongoing campaigns to win Next Generation Air Dominance (NGAD) aircraft for the U.S. military and future commercial aircraft work.

Budget & Appropriations

[Senate mulls going first on stopgap, supplemental funds package \(Roll Call\)](#)

Senators are quietly discussing the possibility of moving first on a stopgap spending and supplemental appropriations combo package next month given uncertainty about how the House will proceed, according to sources familiar with the talks. After Labor Day, lawmakers will have just a few weeks to avert a partial government shutdown when current appropriations lapse on Oct. 1. Meanwhile, the Federal Emergency Management Agency's disaster aid fund is rapidly running out of cash and expected to defer longer-term rebuilding projects in order to respond to immediate crises on Maui, in Southern California and elsewhere. At the same time, it's not clear what Speaker Kevin McCarthy will be able to pass in his chamber given his fractious caucus is split over fiscal 2024 spending, policy riders and Ukraine funding that's part of President Joe Biden's recent \$40 billion request. All of these factors have led Senate Democrats, and some Republicans, to explore whether it's feasible for their chamber to move first.

[GOP debate's Ukraine rift previews Congress' upcoming aid fight](#)

[White House tells Ukraine, allies that Congress will back more war aid \(Axios\)](#)

The Biden administration has told Ukraine and other European allies that despite "dissonant voices" in the Republican Party, there is bipartisan support in Congress for continued U.S. military aid to Ukraine, White House National Security Advisor Jake Sullivan says. There are growing concerns in Kyiv and among U.S. allies in Europe that more and more Republicans on Capitol Hill will oppose aid to Ukraine as the 2024 election draws closer — potentially jeopardizing efforts to repel Russia's invasion there. Sullivan said in a briefing Tuesday there are "strong" Republican voices in the House and the Senate "in key leadership positions" who support continuing U.S. aid to Ukraine. A House GOP leadership aide told Axios that there may be enough votes from both parties to pass a resolution about aid to Ukraine in a "hypothetical scenario," but opposition within the party is likely too widespread for Republican leadership to allow it to go to a vote.

[McConnell concedes farm bill will be late \(Roll Call\)](#)

Congress will still deliver a farm bill but it won't be in September, Senate Minority Leader Mitch McConnell told the Kentucky Farm Bureau on Thursday, voicing what was already looking inevitable as Congress runs out of legislative days left before the Sept. 30 expiration of the current law. McConnell, a Senate Agriculture Committee member, is the most prominent lawmaker to date to say the timeline is shifting to beyond September for reauthorizing the five-year bill that sets policy for farm, conservation, nutrition, research and other areas overseen by the Agriculture Department. The current bill expires on Sept. 30, but the new deadline for a 2023 farm bill appears to be Dec. 31. On Jan. 1, 2024, some farm policy would revert to controls on production and costly price supports adopted in the 1940s. Even the final three months of the calendar year could prove a heavy lift as lawmakers work on fiscal 2024 spending bills and other high-priority legislation.

Advanced Technologies

[Pentagon space arm awards \\$1.5 billion contract to Lockheed Martin and Northrop Grumman for communications satellites \(CNBC\)](#)

The Pentagon's Space Development Agency on Monday awarded \$1.5 billion in contracts to Lockheed Martin and Northrop Grumman for prototype communications satellites. SDA said the 72 satellites will be for the Beta variant of its Tranche 2 Transport Layer

constellation, a network the U.S. military is building to provide encrypted communications through a fleet of hundreds of satellites, which it calls the Proliferated Warfighter Space Architecture. Lockheed and Northrop will each build 36 of the prototype satellites, scheduled to begin launching by September 2026. Lockheed's contract is worth \$816 million, and Northrop's is worth \$733 million. An SDA spokesperson told CNBC that the agency received six proposals for the contract. SDA has previously awarded contracts to build and operate satellites in its fleet to York Space, SpaceX, Lockheed Martin, Northrop Grumman and L3 Harris.

[NIST releases draft standards for 3 post-quantum encryption algorithms](#)

[DOD previews on-ramp for \\$48B tech research contract \(Nextgov\)](#)

The Defense Department has started to give industry some expectations and pointers on how it plans to conduct the on-ramp for a \$48 billion technology research-and-development services contract vehicle. A final solicitation to reopen the vehicle known as IAC-MAC and the associated requirements documents should go live on or after Sept. 5, DOD said in a presolicitation notice Monday. This window to join the Information Analysis Center Multiple-Award Contract will focus on its first pool, which is the unrestricted portion, and the second pool that is reserved for small businesses. Both pools are slated to expire in September 2027. DOD will make up to three on-ramp awards for Pool 1 and a pair for Pool 2. Small businesses may submit bids for either or both pools in the on-ramp process.

[Elon Musk's Shadow Rule](#)

[US seeks extension to controversial science agreement with China \(Reuters\)](#)

The United States is seeking a six-month extension to a decades-old science and technology agreement with China so that it can undergo negotiations with Beijing to "strengthen" the pact, the State Department said on Wednesday. The landmark deal, signed when Beijing and Washington established diplomatic ties in 1979 and renewed about every five years since, has shown that the geopolitical rivals could cooperate across a range of scientific and technical fields. But concerns about China's growing military prowess and theft of U.S. scientific and commercial achievements have prompted questions about whether the Science and Technology Agreement (STA), set to expire on Aug. 27, should continue. The department said the deal provides consistent standards for

government scientific cooperation, and if it lapsed each agency would have to negotiate individual arrangements with Beijing.

Military Installations & Communities

[Congressional watchdog 'expects' to open new investigation of SPACECOM basing choice \(Breaking Defense\)](#)

At the request of Rep. Mike Rogers, R-Ala., the Government Accountability Office (GAO) is likely to open yet another investigation into White House and Defense Department decision-making that led to President Joe Biden's declaration last month that Space Command's permanent headquarters will be in Colorado. Rogers' made the request in a letter today to GAO, asking seven questions about the circumstances surrounding Biden's move to overturn the last-minute decision by then-President Donald Trump in January 2021 to move the HQ from its temporary home at Peterson SFB in Colorado Springs to Redstone Arsenal in Huntsville, Ala. Rogers' inquiry includes questions about the role of Defense Secretary Lloyd Austin, Air Force Secretary Frank Kendall and outgoing SPACECOM head Gen. Jim Dickinson in the process. Rogers also intends to hold a public hearing on the issue, likely sometime next month, as part of the congressional investigation into the basing decision he opened in May.

[Naval Surface Forces get new commanding officer](#)

[Air Force Lays Out \\$1.6B Worth of Dorm, Child-Care Development Center Projects \(Military.com\)](#)

More than 60 Air Force and Space Force installations will see renovated dorms or new child development centers over the next couple of years as the Department of the Air Force prepares to sink more than \$1.6 billion into improvements. The Air Force Installation and Mission Support Center announced a roundup of all their ongoing and future projects between fiscal years 2023 and 2027 in a press release on Wednesday. Under the Air Force Installation and Mission Support Center's "Dorm Response Program," 170 dormitory projects will be funded through 2027, including four currently being taken on that are valued at \$76 million, the Air Force said. In an effort to help families, 19 new Child Development Centers also are being planned and designed to accommodate more children. Those are slated to start development between fiscal years 2022 and 2027.

[Navy Medicine Preparing to Care for Troops in a Pacific Conflict](#)

[Thousands of vets' disability claims delayed years because of glitch \(Military Times\)](#)

About 32,000 veterans' disability claims were delayed — some as long as five years — due to a technical flaw in federal filing systems, Veterans Affairs officials acknowledged this week. The total represents only a small fraction of the more than 7 million claims filed since the start of 2018, but has left some individuals waiting for years for answers on cases that are only just now being processed. Leaders called the problem an embarrassing oversight and have promised that veterans will be awarded back pay once their files are handled. The delayed claims — first discovered by staffers in February, but only recently resolved — are the latest technology misstep for a department already under intense scrutiny from lawmakers and advocates for ongoing challenges with its new electronic health records system, a 10-year, \$16-billion project that has been repeatedly stalled because of software problems.

Homeland Security

[‘A marriage of convenience’: Why the pushback against a key spy program could cave in on progressives \(Politico\)](#)

An unlikely coalition of progressive and hard-right conservative lawmakers came together this year to push for overhauling a powerful government spying authority. But as the time approaches to take action, cracks are starting to show. Republicans and Democrats who have backed each other's ideas in hearings and collaborated on working groups are starting to stake out different positions about what reforms are really needed for the program, which allows government spies to snoop on the emails and other electronic communications of foreigners abroad. Lawmakers have until the year-end expiration of the electronic surveillance power — Section 702 of the Foreign Intelligence Surveillance Act — to decide whether to renew it and with what changes. It's expected to get renewed in some form, but splits along partisan lines could sap momentum for some of the most ambitious changes privacy hawks are pursuing.

[House bill would require federal contractors to adopt cyber vulnerability disclosure policy](#)

[National intelligence office issues cyber warning for government and commercial satellites \(Nextgov\)](#)

Last week, the Office of the Director of National Intelligence, in coordination with the FBI, the National Counterintelligence and Security Center, and the Air Force Office of Special Investigations, issued a warning about increased attempts to attack both satellites in orbit and the intellectual property of companies developing space technologies. The warning comes just about a month after three teams at the DEF CON 23 convention in Las Vegas managed to successfully hack a government satellite in orbit. Those attacks were conducted with the full permission of the government as part of the U.S. Space Force's Hack-A-Sat competition. In addition to hacking, the recent warning points out that other less technical tactics are also being used to try and compromise or steal information about U.S. space technologies.

[Biden administration turning a lower percentage of border-crossing migrants back into Mexico](#)

[Homeland Security reveals new AI use cases \(FedScoop\)](#)

The Department of Homeland Security recently updated a list of AI use cases to add a slew of new forms of the automated technology — and remove references to others. New forms of AI listed in the inventory include a system called RelativityOne, which is described as “a document review platform used to gain efficiencies in document review.” That use case is similar to initiatives at other agencies, including the Department of State and the National Archives, that aim to use AI to search, track, and sort through troves of documents. Other new tools disclosed include a previously unlisted facial recognition system being used by Immigration and Customs Enforcement, as well as technology being used by Customs and Border Protection to identify “proof of life” and stop fraud within an app created by the agency. Some use cases appear to have been renamed; for instance, there is now a “Machine Translation” use case that was previously described as “Language Translator”.

Transportation & Infrastructure

[FAA Clears Boom Supersonic For XB-1 Flight Tests \(Aviation Week\)](#)

Boom Supersonic has received an FAA experimental certificate of airworthiness for its XB-1 technology demonstrator, clearing the way for flight testing to get underway at Mojave Air and Space Port, California. The FAA's permit to fly the 71-ft.-long, delta-winged aircraft comes as Boom begins high-speed taxi tests, with a run up to 60 kt. achieved on Aug. 23. Previously the XB-1 achieved a top taxi speed of 10 kt. at Boom's site in Centennial, Colorado, before the aircraft was transferred to California for the flight-test program earlier this year. Configured with three afterburning General Electric J85-15s, the slender delta-winged XB-1 is intended to pave the way for Boom's full-scale Mach 1.7 Overture airliner by proving out design processes, engineering software, digital modeling, production methods and flight-test procedures.

[FAA announces millions in airport funding to tackle near collisions](#)

[Boeing says a new 737 Max flaw will slow airplane deliveries \(CNBC\)](#)

Boeing said a new manufacturing flaw on its 737 Max will delay deliveries of the aircraft, the latest setback as the company tries to hand over more planes. The company said it found that fastener holes on the aft pressure bulkhead on some 737 planes were improperly drilled. Spirit AeroSystems, which makes the fuselages, said that because it "uses multiple suppliers for the aft pressure bulkhead, only some units are affected." The defect is the latest in a string of manufacturing flaws Boeing has disclosed on the Max and in other programs while it tries to ramp up production to meet strong demand from airlines short on planes during a travel boom. Last month, the company said it is transitioning to a production rate of 38 a month from 31.

[This \\$8 billion federal internet-access program is in peril](#)

[US Navy shipbuilders' union approves labor pact at Bath Iron Works \(Defense News\)](#)

The largest union at U.S. Navy shipbuilder Bath Iron Works in Maine overwhelmingly approved a new three-year contract, the union said, averting another strike like the one

three years ago that contributed to delays in delivering ships. The contract, which took effect Monday, raises pay from a range of 2.6% to 9.6% in the first year with differences due to a mid-contract wage adjustment that already took effect for some workers, and will be followed by a 5% increase in the second year and a 4% increase in the third. Workers are receiving an increase in contributions to their national pension plan while health insurance costs will grow. The tenor of negotiations was positive, with both sides agreeing at the outset there would be no attempt to reinstate subcontracting provisions that triggered a strike in 2020 in the middle of the COVID-19 pandemic.

Biotechnology & Healthcare

[White House to name first 10 drugs for Medicare negotiations early \(Politico\)](#)

The Biden administration is expected to disclose early next week the first 10 prescription drugs selected for Medicare price negotiations, ahead of a White House event Tuesday to celebrate the milestone. The announcement will mark a major step in a bid to lower drug prices through the first-ever direct negotiations between Medicare and pharmaceutical manufacturers over a set of medicines. Biden health officials are expected to reveal the initial list before the stock market opens Tuesday morning, because the impact on publicly traded companies that make any drugs on the list could affect their stock prices during trading. The White House is then set to tout the program on Tuesday afternoon. The Centers for Medicare and Medicaid Services is required to publish up to 10 Medicare Part D drugs that it selects for negotiation by Sept. 1.

[FDA taps new Human Foods Program head after baby formula crisis](#)

[Over 300 people charged in Covid fraud sweep targeting \\$830 million in stolen money \(CNBC\)](#)

Federal law enforcement authorities charged hundreds of people in a nationwide sweep targeting more than \$830 million in Covid-19 fraud, the Justice Department announced Wednesday. The DOJ filed criminal charges against 371 individuals and recovered \$231 million in stolen money, the department said in a release. More than 60 of the defendants had connections to violent crime and transnational criminal networks. Many of the individuals targeted in the sweep are accused of fraudulently applying for assistance through the Paycheck Protection Program and Economic Injury Disaster Loans used to support small businesses during the pandemic, according to a DOJ press release.

[CVS launches unit to market and co-produce biosimilar medicines \(Reuters\)](#)

CVS Health Corp said on Wednesday it has launched a new company called Cordavis that will work directly with manufacturers to commercialize and co-produce biosimilar medicines for the U.S. market. The company next year will partner with Swiss drugmaker Novartis' Sandoz unit to market Hyrimoz, a version of AbbVie's blockbuster arthritis drug Humira, at a list price that is more than 80% lower than the branded drug. Lawmakers and the Federal Trade Commission have been investigating the role of pharmacy benefits managers (PBMs), which negotiate drug prices with manufacturers, in rising healthcare costs this year.

Climate & Development

[Global fossil fuel subsidies and costs hit record \\$7tn in 2022 \(Financial Times\)](#)

Global fossil fuel subsidies hit a record total of \$7tn in 2022 as governments rushed to shield consumers from soaring energy prices sparked by Russia's invasion of Ukraine, the IMF estimates. The IMF study said subsidies for coal, oil and natural gas in 2022 were equivalent to 7.1 per cent of global gross domestic product. This represented more than governments spent on education, and two-thirds of what was spent on healthcare. The elevated figure produced by the IMF includes so-called implicit subsidies, which are the result of governments undercharging for the environmental costs incurred by burning fossil fuels. These costs include air pollution and global warming, the IMF said. The bulk of the global subsidies accounted for in the study fall into this category, the authors said, with the value forecast expected to grow as developing countries increase their consumption of fossil fuels.

[The search for winners in the new battery era](#)

[EPA punts ozone standard review \(E&E News\)](#)

EPA is restarting review of a high-stakes decision on ground-level ozone standards in a step that short-circuits the prospects for any imminent action to tighten limits on the lung-damaging pollutant. Like a similar move by then-President Barack Obama in 2011, the

delay could allow EPA to avoid a politically difficult decision until after next year's presidential election. In a newly posted letter to an expert advisory panel, EPA Administrator Michael Regan wrote that "it is clear" that the panel's assessment has identified several issues "that warrant additional evaluation and review" to the National Ambient Air Quality Standards for ozone. Regan's letter does not spell out a timetable for the new review.

[Biden urged to declare climate change a national emergency](#)

[Why Big Oil's carbon capture moves are drawing opposition \(Axios\)](#)

A multi-billion dollar federal spending commitment, a big corporate deal and one oil executive's provocative comment are fueling skirmishes about the promise and peril of nascent technology to draw carbon out of the air. Where the debate leads may shape the future of the direct air capture (DAC) industry, and the ability of countries to meet climate goals. The discussions are taking place at a time when, for the first time, large sums of money are starting to flow into the DAC industry. One of the main threads of the conversations has been sparked by the oil giant Occidental's \$1.1 billion purchase of the DAC firm Carbon Engineering last week.

Next Week's Hearings

Armed Services Committees

House: None Listed

Senate: None Listed

Appropriations Committees

House: None listed

Senate: None listed

Homeland Security Committees

House: None listed

Senate: None listed

The Senate and House are still in August recess. The Senate will reconvene on September 6th, and the House will reconvene on September 12th.



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