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Executive Insight Brief

June 14, 2024

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View From The Hill



As summer heats up, so does a busy work period on Capitol Hill. After spending two days debating and voting on amendments on the floor, the House will attempt to pass its version of this year's National Defense Authorization Act (NDAA). Most or all Democrats are expected to oppose the measure, as the GOP voted on the floor to add several controversial amendments aimed at the Pentagon's abortion, transgender, and diversity policies. Apart from those additions, this year's bill focuses heavily on improving the quality of life for servicemembers and their families, with a litany of provisions aimed at improving spousal employment, childcare, and healthcare across the Department of Defense. However, absent much or any Democratic support, GOP Leadership can only afford to lose a handful of Republicans, so it remains to be seen if the House will ultimately pass the bill on Friday. While hundreds of amendments were submitted for full House consideration, GOP Leadership opted to significantly curtail amendments that actually made it to the floor for a vote. The Senate Armed Services Committee also met in closed session this week to consider that panel's FY25 NDAA bill.

The House Appropriations Committee also passed three additional fiscal year (FY) 2025 spending bills this week, including funding legislation for the Departments of Defense, Homeland Security, and State. The House Republican Majority is working furiously to pass as many of these bills out of the lower chamber as possible by the time lawmakers leave town for the long August Recess. In a political victory for Speaker Mike Johnson (R-LA), the House passed a contempt resolution targeting Attorney General Merrick Garland, over his refusal to turn over recordings of special counsel Robert Hur's interview of President Biden for mishandling classified information.

Senate Democrats blocked a Republican-led bill to protect access to IVF treatments nationally, saying the bill, sponsored by Sen. Ted Cruz (R-TX) and Sen. Katie Britt (R-AL), did not go far enough in its scope. Republicans returned the favor and blocked Democrats' IVF bill, leaving the issue unresolved in what is proving to be an increasingly important issue in the 2024 election cycle. The Senate Finance Committee is expanding an investigation into the German automaker, BMW Group, after learning the company imported thousands of vehicles from its Mini Cooper line that included banned Chinese-manufactured parts. According to the committee's Chair, Sen. Ron Wyden (D-OR), the vehicles include electronic components made by a Chinese supplier banned by the 2021 Uyghur Forced Labor Prevention Act.

Former President and 2024 presumptive GOP presidential nominee Donald Trump paid a visit to lawmakers on both sides of the Capitol this week, addressing both House and Senate Republicans in separate meetings. Trump's visit was largely seen as an attempt to rally Members around his candidacy heading into election season, while also offering support for Republicans running for reelection.

In an era of sharp partisanship, a longstanding bipartisan tradition took to the field this week, as Republicans and Democrats played against each other in the annual Congressional Baseball Game to raise money for charity. This year, Republicans emerged victorious, with a final score of 31-11.

Aerospace & Defense

Congress still waiting on Osprey crash, safety documents from Pentagon (Defense News)

On June 12, the Subcommittee on National Security, the Border, and Foreign Affairs conducted an oversight hearing on the Department of Defense's V-22 Osprey Program. The hearing focused on recent fatal crashes involving the aircraft. The Osprey has had maintenance and safety issues for decades - 62 service members and civilians have been killed in Osprey accidents since 1992 - and the most recent crash in November 2023 resulted in the death of 8 service members. Subcommittee members, especially Chairman Glenn Grothman (R-WI) expressed concern over a pattern of the Department of Defense withholding information from the Subcommittee. Namely, the Subcommittee has yet to receive wear and replacement rates on Osprey proprotor gearboxes - which is what led to the Nov. 2023 crash - as well as internal safety investigation board reports which include testimony from surviving air and ground crews and witnesses. Grothman articulated that while Subcommittee staffers had received 3,500 pages of documents, important information was redacted which prevented the Subcommittee from conducting oversight. Although the Marine Corps plans on utilizing the Osprey through 2050, Naval Air Systems

Command boss Vice Adm. Carl Chebi announced in the oversight hearing that the Osprey fleet wouldn't fully resume normal flight patterns until the middle of 2025, as safety precautions and investigations take place. This oversight hearing occurs just a few weeks after Osprey's manufacturers, including Boeing Co., were sued in a lawsuit from the families of five Marines killed in a 2022 Osprey crash.

Air National Guard gets service's first combat-ready F-15EX

U.S. Army Debates Path to buy Long-Range Precision Munitions (Defense News)

For five years, the U.S. Army has investigated the possibility of helicopter-fired, long-range precision munitions. Moving towards this goal, Lt. Gen. Karl Gingrich stated that the Army has procured an interim non-line-of-site missile - entitled Spike - from Israeli company Rafael Advanced Defense Systems for its Long-Range Precision Mmunition Program (LRPM). The service is currently fielding this new technology on a portion of its AH-64 Apache attack helicopters. Gingrich notes that while the Spike has a large range, many of its capabilities seem to be eclipsed by Launched Effects-Medium Range machinery, which have targeting, reconnaissance, surveillance, and network extension capabilities. As the Army continues to prioritize the development of launched effects that fly at differing ranges, and can deploy from both air and ground vehicles, Gingrich is preparing for a June 28 meeting with the Army Requirements Oversight Council. The upcoming meeting seeks to solidify and consolidate requirements and preferred capabilities for launched effects: the decisions made in this meeting will not only clarify the Army's needs in the sector, but also provide guidance for the private sector, which will participate in the Army's aviation experiment event, Edge, this fall.

Budget & Economy

World Bank Raises Global Economic Forecast, Citing U.S. Strength (US News)

In updating its January projection on Tuesday, The World Bank stated that "the global economy is poised to do better in 2024 than earlier thought, approaching the soft landing dreamed of by economists where recession is avoided". The World Bank moved the global growth rate up to 2.6% from 2.4% in January, a .2 percentage point increase driven by the strength of leading economies, most notably that of the US. This move by the World Bank comes as the Atlanta Federal Reserve Bank has second-quarter growth in the US at 3.1%, a big change from the first-quarter growth, which was recently revised downward to 1.3%

by the Bureau of Economic Analysis. Additionally, this week, the National Federation of Independent Business released its business optimism index for May, reporting that it reached the highest level of the year, and the Labor Department reported that an additional 272,000 jobs were added in the month of May, mostly in the fields of healthcare, education, and social assistance. The World Bank, in its statement Tuesday, stated that it sees the global growth rate at 2.7% in 2025 and 2026, a rate below the 3.1% growth rate prior to COVID-19, which means that the growth will still remain somewhat constrained even if major central banks cut interest rates.

Federal Reserve Leaves Key Interest Rate Unchanged Amid Signs Inflation Is Starting To Slow Further

May Consumer Inflation Comes in Cooler Than Expected on Lower Gasoline Prices (US News)

The Labor Department released the consumer price index (CPI) for May on Wednesday, which reported good news in terms of inflation, driven by a drop in the price of gasoline, which fell 3.6% during the month of May. The Department also reported that the overall consumer price index remained unchanged, compared to forecasts for a .1% gain, and for the year, consumer inflation is currently sitting at a 3.3% rate. The inflation rate as of May reflects considerable improvement since its peak in 2022, when inflation reached a rate of 9%, and the labor market has continued to create jobs, according to a Labor Department report released this week. However, inflation still remains a pressing concern for many consumers, according to a TransUnion survey released Wednesday morning, which found that worries about inflation reached the highest levels in two years, with 84% of those surveyed stating that food and grocery prices were their main concern.

Advanced Technologies

Air Force, Space Force Unveil Tool for IA Experimentation (Defense News)

The Air Force and Space Force launched a new AI tool this week to encourage servicemen to experiment with the technology for coding, summarizing reports, and IT help. The services introduced the tool called "Non-classified Internet Protocol Generative Pre-training Transformer", or NIPRGPT, to better understand how AI could improve access to information and gauge the demand for AI tech within the force. The Department of Defense has been exploring AI incorporation for office tasks, and the Navy introduced a

conversational AI called Amelia for tech support. The Air Force Research Lab (ARFL) developed the new AI tool from publicly available models and will begin testing commercial tools for utility. The expansion of AI in the service branches will rely largely on how they use NIPRGPT and the demand for different technological tools.

Elon Musk to Ban Apple Devices from His Companies Over OpenIA Partnership

Apple Intelligence on your iPhone Probably Requires an Upgrade (CNBC)

Apple recently announced Apple Intelligence, a generative AI program that will be available on Mac computers, iPads, and iPhone 15 Pros. Following weaker-than-usual demand for iPhones released last September, Apple created the AI to proofread writing, generate a custom emoji called "Genmoji," search through aniPhone for specific messages from someone, summarize and transcribe phone calls, or show priority notifications. It can also use OpenAI's ChatGPT to provide more detailed answers from Siri. Concerns have been raised over the security of users' information and need for generative AI, with OpenAI critic Elon Musk considering banning Apple devices from his company offices due to the partnership, which he considers a serious security risk.

Military Installations & Communities

Military families plead with Virginia lawmakers to keep dependents' tuition program intact (Military.com)

Virginia state lawmakers recently scaled back eligibility standards for the Virginia Military Survivor and Dependent Education Program (VMSDEP), a program that "provides a tuition waiver to spouses and children of veterans who are killed, missing in action, taken prisoner or at least 90% permanently disabled as a result of military service or combat". As a result, a number of rising college freshmen will not be able to get financial assistance through the program. The reforms have caused intense pushback from military families, some calling it "an attack on Gold Star families and disabled veterans and their families". The changes made, including requiring applicants to be Virginia residents, only allowing the waiver to be used for undergraduate degrees, and requiring students to apply for other federal and state financial aid first, were recommended by the State Council of Higher Education for Virginia, who cited the cost of the program as the reason for the changes. Enrollment in Virginia

higher education institutions is up about 350% in the last five years, and the cost of tuition waivers has risen from \$12 million to \$46.3 million from 2019 through 2022. Governor Glenn Youngkin has requested state lawmakers to return to Richmond in order to settle the matter, and has created a bipartisan task force to investigate concerns of the program's long-term sustainability.

Massive Search at Hawaii Marine Corps Training Ground Fails to Find Alleged Poachers Carrying Gun, Knife

US Envoy Calls for Japan's Help to Quickly Replenish US Missile Inventory, Repair Warships (Military.com)

The US and Japan have held their first talks to increase military industrial cooperation after an April agreement between Japanese PM Fumio Kishida and President Biden. The cooperation involves the US employing the help of Japan to quickly replenish missile inventory and repair warships in order to maintain credible deterrence in the Indo-Pacific. Working groups have been established for missile co-production and for maintenance and repair of US Navy ships and Air Force aircraft in the region. Also included is a group that will discuss strengthening the supply chain. This cooperation comes as tensions are rising due to an increasingly assertive China in the region. This cooperation will also help boost the Japanese defense industry, which up to this point is largely domestic.

Homeland Security

8 suspected terrorists with possible ISIS ties arrested in New York, L.A. and Philadelphia (NBC)

Eight individuals from Tajikistan who are on the FBI's Joint Terrorism Task Force radar were arrested by ICE personnel in New York, Los Angeles, and Philadelphia this week. The individuals are not U.S. citizens and are suspected of having ties to ISIS. All eight men entered the U.S. through the southern border with Mexico, and two officials stated that their criminal background checks came back clean when they crossed. At least two of the individuals crossed in spring of 2023, and one used the CBP One app, which migrants can use to book appointments to try to gain asylum. All eight were arrested on immigration charges, but the FBI has been monitoring the group "for several months", and may later face terrorism-related charges.

Russian warships enter Havana harbor under Washington's watchful eye

FBI Director Warns of Jihadist Attack in US; Similar to Russian Concert Hall: "Heightened Threat Level" (HSToday)

FBI Director Christopher Wray addressed the Senate Appropriations subcommittee on Commerce, Justice, Science and Related Agencies on Tuesday to make the case for the department's request for the \$661 million increase in the budget for FY25. In his meeting, he told the Senators about the heightened threat environment and the possibility of a coordinated attack in the U.S., similar to the ISIS-K attack in Moscow last year. According to Director Wray, the amount of foreign threats made against the U.S. has increased in the year since his last meeting with the subcommittee.

Transportation & Infrastructure

Amazon's AWS to Launch New Infrastructure Region in Taiwan Amid Rapid Asia-Pacific Expansion (CNBC)

Amazon Web Services (AWS) announced it will launch an infrastructure region, a physical location where groups of data centers are located, in Taiwan by 2025 to address the high demand for cloud services in the Asia-Pacific region. Prasad Kalyanaraman, vice president of infrastructure services, states that the new infrastructure region will allow firms to "build with AWS technologies like compute, storage, databases, analytics, machine learning, and artificial intelligence." The new infrastructure will have three availability zones to give businesses "the choice for running their applications and serving end users from data centers in Taiwan, ensuring customers have the option to keep their content in Taiwan." AWS will also invest billions of dollars in Taiwan over the next 15 years, and other tech companies like Microsoft plan to invest billions of dollars in the Asia-Pacific region.

EU Proposing Sanctions on Russia Shipping Giant Sovcomflot

EU Shocks China with EV Duties of Up to 38 Percent (Politico)

The European Commission said it will impose import tariffs of up to 38.1% on Chinese electric vehicles starting July 4. The duties announced will add to the already ten percent tariff on any foreign-made vehicle and could reach levels of up to 50 percent. The duties come after an investigation into Chinese state aid to its EV-makers, which Beijing has already condemned and threatens further retaliatory measures as the Chinese Commerce Ministry "vowed to resolutely take all necessary measures to safeguard the legitimate rights of Chinese business." Ursula von der Leyen, seeking a second term leading the EU executive, needs the support of both French President Macron and German Chancellor Scholz, with opposing viewpoints on the level of measures that should be taken as France pushes for higher duties that are not in the German interest. Producers who cooperated with the investigations will be charged 21 percent versus those who did not, receiving the highest duties of 38.1 percent. Dombrovskis states, "The goal of the duties is not to block the total trade of EVs from China but to even the playing field by removing unfair advantages afforded to Chinese carmakers through state subsidies."

Biotechnology & Healthcare

US Healthcare Spending Rises to \$4.8 trillion in 2023, outpacing GDP (Reuters)

According to data from the US Centers for Medicare and Medicaid Services (CMS), healthcare spending in the US is projected to have risen 7.5% in 2023 to \$4.8 trillion, outpacing the projected gross domestic product (GDP) growth rate of 6.1%. Spending on Medicaid and private health insurance spurred the growth, with the insured share of the US population coming to a historic high of 93%, and 91.2 million people were covered by Medicaid in 2023. National health spending is expected to grow by 5.2% in 2024, though Medicaid enrollment is projected to drop by 11.2% as 10 million people lose coverage due to pandemic response measures guaranteeing continuous Medicaid enrollment expiring. Additionally, the CMS reported that healthcare spending is projected to grow at an average of 5.6% a year between 2023 and 2032, outpacing the projected GDP growth rate of 4.3% over that period. Spending in the Medicare program for people over the age of 65 and the disabled is set to initially grow over the next decade due to measures in President Joe Biden's signature Inflation Reduction Act which "introduced a \$2,000 annual cap on out-of-pocket spending", but it will gradually over the following year as other provisions kick in, such as drug prices negotiated by Medicaid with pharmaceutical companies set to apply starting in 2026.

Unlocking the Promise of Digital Twins

Ransomware Attack Surged After Change Healthcare Hack (Axios)

The cybersecurity firm Recorded Future reported Thursday that ransomware attacks against health care organizations have increased following the hack of Change Healthcare, a subsidiary of UnitedHealth Group, that “crippled much of the US healthcare system”. The firm stated that this uptick suggests that the \$22 million ransom paid out by UnitedHealth Group has emboldened similar groups to target the healthcare industry, and there have been 44 attacks against the industry in April alone, the most Record Future has seen since it began collecting data four years ago. The report also stated that hackers view hospitals as lucrative targets because their facilities hold large stores of sensitive data and hospitals are often willing to pay up to ensure that critical services continue to run. According to the Internet Crime Complaint Center, healthcare organizations reported the most ransomware attacks among critical U.S. industries in 2023.

Climate & Development

As Earth warms, California gets federal funding to train climate-ready workforce (LA Times)

California and eight other US states and territories have been selected to receive \$60 million in federal funding in an effort to create a nationwide climate-ready workforce. The investment from the US Department of Commerce and the National Oceanic and Atmospheric Administration includes \$9.5 million to create the “Los Angeles County Climate Ready Employment Council at Long Beach City College”. The program is being funded by President Biden’s Inflation Reduction Act. The program arrives at an opportune time for California, who has set ambitious targets for climate change adaptations such as cutting greenhouse gas emissions in half by 2030 as well as being carbon neutral by 2045. A study from 2021 found that the investments needed to achieve these goals could create 1 million new jobs through 2030. The federal program is set to begin six months after the funds are received. The NOAA’s goal is to have the funds dispersed by August 1st.

Keeping stormwater at bay: a Brooklyn green roof offers a look at a climate resilient future

Russia's war with Ukraine accelerating global climate emergency, report shows (The Guardian)

A recently published report by the Initiative on Greenhouse Gas Accounting of War (IGGAW) has found that the climate cost of Russia's war on Ukraine for the last two years was greater than the annual greenhouse gas emissions generated individually by 175 countries. The report found that the invasion accounted for 175m tonnes of carbon dioxide, nitrous oxide, and sulfur hexafluoride. Specifically, the report found that a third of the warfare emissions come directly from military activity, another third is from the large amount of steel and concrete needed to reconstruct damaged buildings and structures, and the final third was from fires, rerouting of commercial planes, attacks on energy infrastructure, as well as the displacement of 7 million people. Ruslan Strilets, the minister of environmental protection and natural resources of Ukraine said "The analysis is the most up-to-date and thorough snapshot we have of the climate consequences of Russia's invasion...".

Next Week's Hearings

Armed Service Committee:

House: NONE

Senate: NONE

Appropriations Committee:

House: NONE

Senate:

- 6/18, 10:00 AM - Review of FY25 Budget for Coast Guard and Reserves

- 6/18, 10:00 AM - Unlocking DOT Financing for more Transit-Oriented Housing Development

Homeland Security Committee:

House: NONE

Senate:

- 6/18, 10:00 AM - Origins of COVID-19: An Examination of Available Evidence



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