

MEMBERS' DAY

HEARING BEFORE THE COMMITTEE ON THE BUDGET HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

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MEMBERS' DAY

THURSDAY, MARCH 6, 2003

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, DC.

The committee met, pursuant to call, at 2:06 p.m., in room 210, Cannon House Office Building, Hon. Jim Nussle (chairman of the committee) presiding.

Members present: Representatives Nussle, Gutknecht, Thornberry, Hastings, Brown, Bonner, Garrett, Barrett, McCotter, Diaz-Balart, Hensarling, Brown-Waite, Moore, Edwards, Baird, and Majette.

Chairman NUSSLE. I would like to call the full Budget Committee to order.

Today is an opportunity that we have under the Budget Act for Members to come before the committee and provide us with their wisdom and expertise with regard to a number of areas of concern in their individual district or State or committee, which is something that is required by law.

We will have a number of Members—as a result of the “switcheroo”—that is probably not a technical term, but the “switcheroo” that was done on the floor a little bit ago, we may be doing this a little bit out of the order that was announced. We will take Members in the first panel, but thereafter we will take Members on a first-come, first-served basis, so that Members will have an opportunity to catch planes as a result of the change.

Mr. Baird, do you have any opening comments you would like to make before we begin?

Mr. BAIRD. No, I just want to welcome my good friends from the Committee on Transportation, the chairman and our great ranking member, and also my good friend Ike Skelton. I am glad they are here and look forward to their comments.

Thank you, Mr. Chairman.

[Prepared statements of Representatives: Abercrombie, Bilirakis, Blumenauer, Burgess, Costello, Tom Davis of Virginia, Evans, Honda, Inslee, Jackson-Lee of Texas, Kingston, Langevin, Larsen, Majette, McDermott, Ney, Pombo, Rodriguez, Rogers of Alabama, and Tauscher.]

PREPARED STATEMENT OF HON. NEIL ABERCROMBIE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF HAWAII

FISCAL YEAR 2004 IMPACT AID FUNDING

Mr. Chairman, as a member of the House Impact Aid Coalition, I am very concerned about the Bush administration's fiscal year 2004 budget proposal for the Im-

pact Aid Program. I would like to urge the committee to at least restore Impact Aid funding to the fiscal year 2003 level. Under the administration's plan, the Impact Aid Program would receive \$172.7 million less than fiscal year 2003 levels.

This funding cut represents multimillion-dollar reductions to school districts across the country. The K-12 education budget in the State of Hawaii would suffer an \$11-million decrease from the fiscal year 2003 levels under the administration's plan. It would be a tremendous blow to Hawaii's schools if this cut in Impact Aid was implemented.

Regardless of the potential for U.S. involvement in military actions around the world, Impact Aid funds are in dire need. Impact Aid compensates public school districts near American military bases for lost tax revenues, but it affects every child in Hawaii's schools due to a centralized education system.

In February, I joined 53 of my House colleagues in a letter to this committee to urge the restoration of Impact Aid funds to previous levels. We represent only a fraction of the 900,000 children whose education would be negatively affected by a cut in Impact Aid funding. Please keep these children in mind when you are crafting the fiscal year 2004 budget resolution. I am appreciative of the Budget Committee's consideration of the Impact Aid Program in the past.

PREPARED STATEMENT OF HON. MICHAEL BILIRAKIS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF FLORIDA

Mr. Chairman, I would like to thank you and the other members of the House Budget Committee for giving me an opportunity to present my views on the fiscal year 2004 budget resolution.

CONCURRENT RECEIPT

As many of you know, for more than 17 years I have been working on an issue of particular interest to our Nation's military retirees—the concurrent receipt of military retired pay and VA disability compensation. Mr. Chairman, I want to thank you and the other committee members for your support on this important issue.

Last year, the committee took the extraordinary step to include a concurrent receipt provision in the fiscal year 2003 budget resolution. This provision provided sufficient funding to allow for a significant concurrent receipt benefit for severely disabled military retirees. I am disappointed that this provision was not fully implemented by the fiscal year 2003 National Defense Authorization Act.

Last year's defense bill authorized a new "special compensation" program for certain severely disabled retirees. Specifically, the final defense bill authorizes new special compensation payments for all military retirees who were wounded in combat and received the Purple Heart.

In addition, the conferees authorized military retirees whose 60 percent or greater disability is attributable to combat situations, combat-oriented training, hazardous duty, or instrumentalities of war. The Secretary of Defense is charged with developing the criteria that will be used to determine qualifying combat-related activities.

Nationwide, more than 550,000 disabled military retirees must give up their retired pay in order to receive their VA disability compensation. In effect, they must pay for their VA disability out of their military retirement—something no other Federal retiree must do. The special compensation programs created by Congress only affects a small fraction of those impacted by the current offset.

Consequently, I have reintroduced my legislation to eliminate the offset between military retired pay and VA disability compensation. More than 170 Members have already cosponsored H.R. 303, including 15 members of the Budget Committee.

While it may be difficult to completely eliminate the current offset at one time, I am hopeful that we will be able to continue the progress we made last year and expand the existing special compensation programs to cover more disabled retirees.

I have been working with the various veterans organizations on a variety of options to keep the ball moving forward on concurrent receipt. One of these options would be to expand the combat related special compensation program to cover injuries that were incurred in the "direct performance of military duties." This option would broaden the scope of last year's special compensation program beyond just combat or hazardous duty injuries but still limit coverage to individuals who were hurt while performing their military duties.

While some of these proposals are still under development, the bottom line is that if we can include some funding for concurrent receipt in the fiscal year 2004 budget resolution, I will work with the veterans' organizations to craft a concurrent receipt proposal that can fit within that budget.

DIC REMARRIAGE

Another veterans' initiative that I am hopeful that we can make progress on is a benefit for the widows of disabled veterans. The Dependency and Indemnity Compensation (DIC) Program is the only Federal program that does not allow a widow to remarry after age 55 and retain her annuity benefits. I have introduced legislation, H.R. 36, to allow DIC recipients to retain their DIC benefits if they remarry after age 55.

I have heard from military widows from across the country who have found someone they would like to spend the rest of their lives with but cannot afford to do so because of the current law. They have expressed deep frustrations about not being able to remarry. Many of these women lost their husbands at a very young age and have been alone for a long time. They have finally found someone to share their lives with but they are afraid to remarry because they will lose their DIC benefits.

I think it is a wonderful thing if an older person finds companionship, falls in love and decides to marry. I don't think we should be discouraging such marriages by making them financially burdensome. For those remarrying after the age of 55, it is often the case that both partners are living on fixed incomes. The prospect of one partner losing financial benefits as a result of the marriage is a real disincentive. In fact, current law makes it virtually impossible for some couples to marry after age 55 because they simply cannot afford to do so and continue to support themselves.

My bill makes a simple change that could mean a great deal to those who find themselves in this predicament, and I hope you will join me in supporting this change. As with concurrent receipt, I would certainly work with the committee on any changes that might be needed in order for Congress to address this issue.

MEDICAID

As chairman of the Energy and Commerce Health Subcommittee, I also strongly encourage the Budget Committee to include money in the fiscal year 2004 budget resolution to address concerns with the Medicaid program. Specifically, I request that you include \$3.8 billion in fiscal year 2004, and \$12.2 billion over the next 5 years. As you know, the President in his budget requested a significant amount of money for the Medicaid program to facilitate Medicaid reforms. The Energy and Commerce Committee request is slightly higher than the President's because we subtracted the amount of money saved through the administration's drug rebate proposal.

It is critically important that money for Medicaid reform be included in the budget. Mr. Chairman, our Nation's Governors are experiencing the worst fiscal crisis since World War II. Moreover, a growing percentage of the budget woes for States and the Federal Government are related to the Medicaid program. Absent reforms, CBO projects that Medicaid expenditures will more than double in the next decade.

Medicaid reforms, with added State flexibility, are critical to ensure that States can operate their programs without burdensome Federal regulations that require unnecessary benefits to optional populations. However, to get from here to there we need to have some resources to ensure that States will seriously reform their Medicaid operation.

Again, I would like to thank the committee for giving me an opportunity to present my views on the fiscal year 2004 budget resolution.

PREPARED STATEMENT OF HON. EARL BLUMENAUER, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF OREGON

Today our communities are meeting unprecedented challenges to ensure that families are safe, healthy and economically secure. The budget is the one unambiguous expression of what our Nation's leaders really believe in and what the real priorities are without any rhetoric.

Despite efforts to obscure the budget discussion with "dynamic scoring" and disputes about how much each figure represents, Congress will make an irrefutable statement. Congress just concluded last year's budget discussion four and a half months late, disappointing everyone with the final product's inability to match political rhetoric with how tax dollars are invested. Education and seniors were short-changed despite election year promises.

The just concluded budget cycle and the one we are about to enter, deal with national security in a way that is much more fundamental than what we have done in decades. Congress is lavishing funds on unproven, untested and probably undeniably low-priority investments like \$9 billion for missile defense. At the same time Congress is shortchanging ongoing, urgent needs like homeland security assistance

for hard-pressed State and local governments. Congress is renegeing on its previous commitments to provide funding for popular conservation programs to preserve precious farmland and open space, restore wetlands and create parks in our urban communities.

These issues suddenly become even more ominous as we look at the budget proposal from the President and Republican leadership: massive additional tax cuts for those who need help the least; underinvesting in education, healthcare, and the environment; not owning up to massive international responsibilities for aid and reconstruction; and, ignoring the long-term likely costs of activities in the Middle East. This is a fiscal straitjacket which will cripple our ability to deal with homeland security today, undermine the livability of our communities, and weaken our economy for years to come, when we should be investing in our future at home and abroad.

There are better ways to address our country's needs and remain on a responsible fiscal path. Congress should enact a budget that would:

Create a Clearer and Fairer Tax System.

1. Congress should not enact new tax breaks for people that need help the least. This will save over a half trillion dollars.
2. Congress should freeze all other tax cuts that are scheduled to take effect in the next year. We must first pay for our commitments at home and abroad and ensure that steps are being made to reduce the budget deficit.
3. Congress should defer any inheritance tax on closely held enterprises and index the higher exemptions for inflation. Additionally, Congress should make the rate schedule less steeply progressive.
4. Congress should fix the Alternative Minimum Tax. It will protect tens of millions of Americans from unintended consequences.
5. Congress should eliminate abusive tax shelters which have no economic purpose and game the system to reduce taxes.

Provide Economic Stimulus

1. Congress should provide a onetime tax holiday on the payroll tax. This is the quickest and most direct way to provide economic stimulus to all taxpayers.
2. Congress should advance programs to create jobs, increase economic efficiency and improve our communities by investing and building. Investments in our Nation's surface transportation infrastructure create millions of family wage jobs and billions of dollars of economic activity. Each \$1 billion of Federal funds creates 47,500 jobs and \$6.1 billion in economic activity. Increased productivity results in increased demand for labor, capital, and raw materials and generally leads to lower product prices and increased sales.
3. One clear and specific example of a proposal that would accomplish these aims would be to invest in the many deteriorating bridges in our interstate highway system. Congress should pursue a \$5-billion down payment for fixing critical bridges that have become dangerous and restrict economic activity.

These proposals will address the concerns I have heard from my constituents and small and large businesses. These solutions are more effective than the politics that are being played by the administration and the Republican leadership. Rather than targeting tax breaks that only benefit a few, who are least in need, as economic stimulus, Congress can provide real economic stimulus by investing in communities. By providing the funding and tools to meet multiple community challenges and put people back to work today, we can simultaneously improve community safety, enhance mobility and preserve those services that people value and depend upon—economic redevelopment, quality education, affordable housing, and a clean environment.

Despite the current record deficit and the administration's own acknowledgement that we cannot accurately forecast long-term budget projections, Republicans are accelerating tax cuts that were initially to be phased in over 10 years. The result of these tax oscillations is that the public does not know the full costs and impacts of the budget and economic stimulus proposal being advanced by the administration and congressional Republicans. We must enter this new budget cycle with the aim of owning up to our responsibilities and truly serving the needs of our constituents.

PREPARED STATEMENT OF HON. MICHAEL C. BURGESS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, thank you for allowing me to speak today before you and the Budget Committee about my views on the fiscal year 2004 budget.

I am a strong proponent of a balanced Federal budget. I know that budgeting for the Federal Government is an enormously complex process. In fiscal year 1998, Federal budget receipts exceeded outlays for the first time since 1969. Those surpluses continued through fiscal year 2001, allowing for a balanced budget. The surpluses were also used to reduce the national debt. Due to an economic recession and the increases in spending after the events of September 11, the Federal Government is now operating in a deficit spending environment. I believe we need it work to achieve a balanced budget again as soon as possible.

Last month, I became an original cosponsor to the Balanced Budget Amendment. Congressman Istook introduced a constitutional amendment requiring Congress to balance the budget. As you may know, the amendment will ensure that the Nation's deficit spending will end after the current national security crisis is resolved. In the event of imminent military threat to our national security, however, Congress could waive this requirement in order to defend our homeland. If passed, this amendment would take effect on December 31, 2003, or 2 years after ratification by the States, whichever is later. The text is identical to the Balanced Budget Amendment approved by the U.S. House of Representatives in 1995. I believe we must plan ahead to guarantee that we return to a balanced budget once we overcome our current national security challenges. We must ensure that our kids and grandkids inherit freedom and security, but do not inherit a crushing national debt.

I support a key component of the fiscal year 2004 President's budget—President Bush's jobs and growth package. I believe this proposal is necessary for the long-term economic health of our country. Although the package does project short-term deficits, economic growth resulting from the abolishment of double taxation on dividends, the acceleration of the 2001 marginal rate tax cuts, and decreasing unemployment will more than make up for these deficits. We need to implement the 2001 tax cuts now so that we can provide immediate tax relief to working families. Repeal of the dividend tax would pump an additional \$1.16 billion into the Texas economy and \$20.2 billion into the national economy this year alone. Furthermore, the President's plan will benefit the 84 million Americans, including working families and seniors, who have invested in the stock market. Critics of this stimulus proposal fail to take into account the increased revenue that will result from the real economic growth spurred by the president's plan.

President Bush believes that the best way to hold down budget deficits is to promote growth policies and to control government spending. In the fiscal year 2004 budget, the President prioritizes economic growth, homeland security, providing a prescription drug benefit for Medicare and Medicaid patients, and education. In addition to these important domestic programs, I strongly believe the Congress needs to focus on investing in transportation infrastructure for the 21st century.

As a member of the Highways, Transit, and Pipelines Subcommittee of the Transportation and Infrastructure Committee, I want to work with you and my committee colleagues to effectively address our Nation's important transportation concerns. The U.S. Department of Transportation has determined that the Nation needs to invest \$60 billion on highways and \$12 billion on transit annually by the year 2009 to meet the demands of the growing economy. Unfortunately, the less than \$40 billion we now spend is not close to the amount necessary just to maintain our current infrastructure, much less improve it.

I believe the Congress needs to focus on increased funding for needed transportation infrastructure. The bipartisan leadership of the Transportation and Infrastructure Committee intends to explore all options to grow the program and produce a bill that adequately provides for our economic security, creates and sustains jobs, enhances safety, and continues to improve mobility for our Nation's citizens. You received a bipartisan letter today from many members of the Transportation and Infrastructure Committee requesting \$50 billion in budget authority to be included in the Transportation and Infrastructure Committee's fiscal year 2004 allocation for the Federal aid highways, highway safety, and transit programs. As a signatory of this letter, I am anxious to work with you to achieve a funding level for our Nation's transportation infrastructure programs that is sufficient to not only maintain the system, but to improve it as well.

In Texas, our identified transportation needs outstrip available funding three to one. Texas has several specific transportation needs, such as seeking opportunities for increased funding, supporting international trade transportation and more efficient environmental processes, and expanding innovative financing techniques. To address these important and growing transportation needs, I support increasing the Federal investment in the Nation's transportation programs and will work with my colleagues to explore all opportunities to provide increased funding for transportation. Furthermore, Texas only receives \$.88 for every transportation dollar that it sends to Washington in gasoline taxes—ranking it 46 out of the 50 States. Work-

ing with donor States, I will seek to guarantee that all States at least a 95 percent rate of return on all funds distributed to the States.

The reauthorization of Federal surface transportation programs is the top priority for my legislative agenda in the 108th Congress. As you may know, my district includes the growing northern suburbs of the Dallas-Ft. Worth Metroplex, which provides State and local officials with some of our greatest transportation mobility challenges. The increase in traffic over the past three decades is a result of unpredictable population and employment growth experienced in the north Texas region. I want to be an effective advocate for the district's citizens as well as the Nation in securing increased highway and transit funding for much needed, aging transportation infrastructure. Specifically, I will actively work with local, State, and Federal officials to improve international trade transportation via Interstate 35 by widening current lanes and adding frontage roads without sacrificing Texas' ability to meet its regular mobility needs within the State. I also support the increased transit needs of the Metroplex, such as expanding the Dallas Area Rapid Transit (DART) to the Tarrant County line and extending transit opportunities to my constituency. I want to ensure that Texans get their money's worth out of every Federal fuels tax dollar sent to Washington.

In closing, I believe the road to a balanced budget is through economic growth and spending discipline. This strategy will greatly assist my constituents of the 26th District of Texas in stimulating the economy, creating more jobs, and allowing Americans to keep more of their own money. I look forward to working with you and the Budget Committee in ensuring the Congress achieves a balanced budget while allocating sufficient funding levels to meet the needs of our country's again transportation infrastructure.

PREPARED STATEMENT OF HON. JERRY F. COSTELLO, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF ILLINOIS

Good afternoon. I want to thank Chairman Nussle and Ranking Member Spratt for providing me the opportunity to testify before the House Budget Committee on the President's proposed budget changes to the Impact Aid Program. As an active member of the Congressional Impact Aid Coalition, I am well aware of the importance of Impact Aid on local schools.

I am disappointed by the President's proposed \$172.7-million cut to the Impact Aid Program and for proposing to eliminate all categories of Federal children except for those residing on Indian land, military on-base, and civilian children whose parent works and lives on Federal property. This new proposal does not cover military children whose parent lives off-base. This fine distinction does not take into account the overall deficit in tax revenue and the special needs of military children. The President's proposal eliminates over 900,000 federally connected children, reduces the number of eligible school districts to 740, which is a loss of 525 school districts, and negatively impacts 88 percent of all military children in the Impact Aid Program. As our Nation prepares itself for possible military conflict overseas, we should not cut funding for our military children.

Impact Aid provides public school districts a Federal payment in lieu of the taxes lost due to the non-taxable status of Federal property. This essential funding helps local school districts pay for the cost of educating children enrolled in those school districts impacted by the Federal presence. For example, my congressional district is home to Scott Air Force Base. The surrounding school districts serve military children whose parents reside on and off base. As a result of the large number of military families, school districts depend on the additional funding from the Impact Aid Program as a crucial component of their annual budgets.

In my congressional district, Impact Aid funding would be completely eliminated to the O'Fallon Township School District, the Belleville School District, and the Belle Valley School District, to name just a few, because they serve only children whose parent lives off-base. These townships would lose close to \$700,000 in Federal funding from Impact Aid. This, coupled with the lack of funding for other government mandates established under the No Child Left Behind legislation, puts all school districts and students in my congressional district at risk of not achieving their educational goals.

Impact Aid affects the quality of life for our military families, and thus impacts the readiness of our military. As we prepare our soldiers with every possible resource available, we should provide the same necessary resources for educating their families. At a time when the Nation prepares for war, when the Federal deficit is growing, when States are struggling with huge deficits of their own, and when school districts across the Nation are suffering from financial problems, I strongly urge the committee to reconsider the President's proposal. Restoring this crucial

funding will ensure Impact Aid is adequately funded for our military children so they have the necessary resources for a safe and healthy learning environment.

PREPARED STATEMENT OF HON. TOM DAVIS, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF VIRGINIA

Chairman Nussle, Congressman Spratt, and members of the committee, thank you for inviting me to testify today about issues that the Committee on Government Reform would like included in the 2004 budget resolution. As you know, the Government Reform Committee has a very broad oversight and legislative jurisdiction that covers the programs and activities of the Federal Government. Our comprehensive views and estimates on the President's 2004 budget proposal, filed with your committee on February 24, 2003, contains substantial detail on a variety of budgetary issues that are important to our committee. Today I will highlight a few selected items from our submission that, if included in the budget resolution, would help improve the operations of the Federal Government and save taxpayer dollars. These items include correcting the formula used by the Postal Service to calculate payments for the Civil Service Retirement System, reforming the government's approach to real property management, ensuring "pay parity" for military and civilian Federal workers, implementing electronic government initiatives, improving the District of Columbia's court system and improving Federal service acquisition.

POSTAL SERVICE PENSION

As you know, the Office of Personnel Management has determined that under existing law the Postal Service is set to over-fund its obligations to the Civil Service Retirement System (CSRS) by over \$70 billion. I along with Congressman Henry Waxman (CA), Congressman John McHugh (NY) and Congressman Danny Davis (IL), recently introduced legislation, H.R. 735, the "Postal Civil Service Retirement System Funding Reform Act," that would correct this problem. This bill would authorize the Postal Service to lower its payments to the CSRS and use the surplus to pay down its debt to the Treasury and to hold postal rates steady until 2006. The Congressional Budget Office determined that a similar proposal included in the administration's 2004 budget would reduce revenues to the Federal Government by as much as \$10 [billion] to \$15 billion over the 2003-07 period. We strongly recommend that funding to implement H.R. 735 be included in the budget resolution for fiscal year 2004. This legislation would help the Postal Service get back on solid financial footing and would prevent postal customers from unnecessary rate increases.

PROPERTY REFORM

The committee is currently working on a bill that would reform the Federal Government's approach to real property management. As you know, property management has been a major challenge for the Federal Government. Over the years, agencies have been restricted from consolidating or releasing underperforming property, and in some instances, properties have fallen into disrepair or become obsolete. Additionally, more than half of the 8,000 buildings managed by the General Services Administration are over 50 years old and many cannot accommodate new technology or may pose health and safety risks to Federal employees. In fact, the situation has become so severe that last month the General Accounting Office added Federal real property management to its "high-risk" list.

The bill that we will introduce is similar to one I introduced in the last Congress along with Congressman Dan Burton (IN) and Congressman Pete Sessions (TX). It would provide Federal departments and agencies with broader authorities and incentives to manage their real and personal property assets. If enacted, this bill will result in better management of facilities that are used to house Federal workers and are used by the public to obtain government services. This legislation is also a key component of the President's Freedom to Manage initiative and I request sufficient authority in the budget resolution to cover its costs. The Congressional Budget Office estimated that implementation of the legislation introduced in the last Congress would cost \$1.5 billion over 10 years.

CIVIL SERVICE

The committee strongly supports parity in pay adjustments for civilian Federal employees and members of the armed forces. As we fight the war on terrorism at home and abroad, respecting the tradition of "pay parity" is more important than ever. Federal civilian employees at numerous Federal agencies including the Central Intelligence Agency, and the Departments of Justice, State and Homeland Security

are working hard to protect and defend our freedom and values. "Pay parity" demonstrates that both military and civilian workers are essential to maintaining the success, strength and general welfare of our Nation. We commend you for your past commitment to this issue and the inclusion of "pay parity" language in previous budget resolutions. We respectfully urge for your continued support and the inclusion of "pay parity" in this years budget resolution.

The committee also supports an initiative included in the President's 2004 budget, which creates a \$500-million fund that agencies could access to reward high performing employees. The committee supports performance-based initiatives to improve the civil service system. The current system is outdated and does not give managers enough flexibility to recruit and retain a workforce with the necessary skills to accomplish agency missions.

E-GOVERNMENT

The committee supports inclusion in the budget resolution of the full \$45 million requested by the President for electronic government initiatives. The Electronic Government Act, enacted into law last year, established an Office of Electronic Government within the Office of Management and Budget (OMB) to improve government-wide coordination and deployment of information technology and to enhance citizen access to government information and services. It also included a variety of other provisions designed to improve electronic government, computer security, and acquisition of information technology. Electronic government projects, including Firstgov.gov, Free Tax Filing, and Govbenefits.gov, are transforming the culture of the Federal Government by making it more citizen focused. However, despite the importance of these and other similar projects, Congress has appropriated only \$10 million for electronic government initiatives over the last 2 years.

DISTRICT OF COLUMBIA

The President's 2004 budget provides \$196 million to the District of Columbia courts. The committee supports this amount in the budget resolution, which includes \$32 million for the new Family Courts that were created by the passage of the DC Family Court Act. This law separated out the family division from the Superior Court to address the needs of families and children.

The committee also supports funding in the budget resolution for a provision in the President's budget that would allocate \$17 million for the District of Columbia Resident Tuition Assistance Program. This program allows District residents to attend public colleges and universities at in-State tuition rates. It also provides District residents attending private institutions with a stipend to apply toward tuition.

PROCUREMENT

Congressional reforms of the government acquisition process in the 1990s included various streamlining measures that resulted in cost savings, increased access to technology advancements and reduced procurement cycles. Consequently, there has been an improvement in the quality of products and services purchased by the Federal Government. However, these reforms did not address the growth in agency purchases of services necessary to meet their mission objectives, particularly in the IT field. That is why I intend to reintroduce the Services Acquisition Reform Act (SARA). This bill would provide the government with greater access to the commercial market, with particular emphasis on services and technology. SARA would (1) establish an acquisition workforce-training fund, (2) create a Chief Acquisition Officer within each agency, (3) facilitate commercial services contracting, (4) emphasize performance-based acquisition and (5) authorize greater use of share-in-savings contracting.

Overall SARA should result in significant savings and efficiencies. However, there may be some costs associated with the expanded use of share-in-savings contracts. These performance-based contracts permit the acquisition of goods and services without an up-front cost to the government. Instead, agencies would pay contractors from the savings achieved. There is currently limited authority for agencies to use share-in-savings contracts. SARA would greatly expand this authority. While these contracts will lower costs and increase service delivery, some of them involve the possibility of the government assuming a limited contingent liability in the case of early termination. I am therefore requesting sufficient budgetary authority to cover this possibility.

I appreciate the opportunity offer my comments on the budget resolution and look forward to working with you.

PREPARED STATEMENT OF HON. LANE EVANS, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF ILLINOIS

Chairman Nussle and Ranking Member Spratt, thank you for hearing my views on the budget for fiscal year 2004. As you know, I am the ranking member of the Veterans' Affairs Committee. Our Chairman Chris Smith and I have already sent the committee's formal views and estimates on the budget proposed for the Department of Veterans' Affairs and I stand by them. Our committee approved these recommendations by a 20-1 margin. Every Democrat present voted in support of the recommendations. I am pleased that there was such strong consensus from both sides of the aisle on the budget increments we recommended.

The committee's views and estimates are also in line with several of the major veterans service organizations. The independent budget developed by AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and Veterans of Foreign Wars recommended an appropriation that falls very much in line with the recommendation of the committee.

I have been concerned that the administration's budget submission falls far short of what is necessary to address serious problems within the system. I am also concerned about the practice the administration continues to employ of proposing unpalatable legislative initiatives in the budget as if Congress had already authorized them. This puts Congress at a distinct disadvantage from the start. Instead of leaving Congress with the ability to fund its own priorities we are forced to compensate the VA for legislation we have never authorized. Last year, for example, most of us agreed that the proposal to charge Priority 7 veterans a \$1,500 enrollment fee was outrageous. Before we were ever even asked to consider legislation, however, the administration "assumed" that this legislation would be enacted and left us with a \$1.1-billion hole to fill in VA's budget.

It has employed the same tactics this year. We have proposals to charge a \$250 annual enrollment fee to veterans in priority groups 7 and 8. We have also been asked to increase their copayments for pharmacy notwithstanding the fact that just a year ago the copayments more than tripled for all veterans. Not acting on these legislative proposals would leave VA's health care system with an almost \$800-million deficit. There are also regulatory proposals at odds with current law. For example, Congress passed legislation in 1999 that required VA to maintain its nursing home beds at 1998 levels. The administration has not kept faith with this requirement and is now proposing a "regulatory" initiative that would eliminate 5,000 more VA nursing home beds. It claims it will save \$221 million from this initiative. I am disturbed by the administration's ability to manipulate Congress's actions by embedding these types of proposals into their budget request. I respect the administration's prerogative to request legislation, but it should do so without assuming their passage in their budget requests.

In addition, it is ridiculous to assume VA can find another \$1.1 billion in management efficiencies after it has already done so much to streamline its services. Just look at the numbers; in fiscal year 1996 VA served 2,858,582 veterans with 196,154 employees (about 14 veterans to every employee). In fiscal year 2003, VA plans to serve 5,033,623 veterans with 180,901 employees (about 28 veterans to every employee). It has consolidated about a dozen facilities while opening hundreds of new clinics. Health care is a labor intensive industry. Unlike some other industries, technology cannot replace "human touch" to create efficiencies. As a matter of fact, there is evidence that VA has already reached its limits. Waiting times for more than 200,000 veterans now exceed 6 months. In moments of candor, VA will acknowledge that the projected savings from efficiencies are "stretch goals." While I am certain VA could save money with leveraged purchasing—just one of the initiatives that make up the \$784 million expected to be saved—VA has no plans in place to require its purchasing agents to make purchases off of the Federal supply schedule or through national contracts. Other initiatives similarly lack concrete plans to achieve this vast amount of savings.

The committee has many other priorities it would like to fund. At a September 2002 VA Committee hearing on homeless veterans, Secretary Anthony J. Principi was asked if he intended "to seek full funding for Public Law 107-95 in the fiscal year 2004 budget." The Secretary responded, "I have requested a very, very significant increase in my budget for 2004. And that certainly incorporates resources to implement this legislation, this new law." Later, however, in response to one of my prehearing questions on the fiscal year 2004 budget asking the same question VA replied, "The fiscal year 2004 budget submission of \$174 million for homeless programs does not include additional funding for the implementation of Public Law 107-95." Needless to say I am disappointed in this response.

I am also increasingly concerned about mental health programs, including substance abuse. The attached VA charts below show the dramatic declines in these programs' funding and patients treated. <http://www.herc.research.med.va.gov/VA—Substance—abuse—treatment—spending—1995–20021.pdf> There is ample evidence from the "Capacity Report" required under PL 107–135 that substance abuse programs continue to decrease both in terms of funding and patients treated. The Under Secretary for Health's Committee on Care for the Seriously Mentally Ill Veterans has identified significant funding shortfalls and recently Senator Rockefeller asked VA witnesses to specify the additional resources necessary to implement a full program for seriously mentally ill veterans. VA estimated that the additional costs for implementation of such a program in fiscal year 2004 could be as great as \$1.8 billion. With respect to the magnitude of this need, the committee's recommendation for \$100 million is extremely modest.

VA's problems with claims adjudication for veterans' compensation and pension programs remain troubling. I fully commend the increases addressed in the committee's views and estimates.

In addition, included within the House Veterans' Affairs Committee's budgetary views and estimate report submitted to the House Budget Committee is a recommendation to increase the education benefits under the active-duty Montgomery GI Bill Program (MGIB). In addition to this very important measure, I urge the Budget Committee to recognize the great sacrifice of our men and women who serve in the Guard and Reserves. Today there are approximately 180,000 Reserve component members who have been called-up to serve on active-duty. Clearly, our military could not effectively carry out its mission without our Guard and Reserve forces. Accordingly I recommend an increase in the Montgomery GI Bill for members of the Selected Reserve (MGIB–SR).

Congress in recent years has provided incremental increases in education benefits available under the active-duty MGIB. However, Congress has not provided similar increases for Reserve component members under the MGIB–SR. Given the "total force" policy of today's Armed Forces, it would be equitable and appropriate to increase education benefits for members of the Selected Reserve. Additionally, extended call-ups and ever increasing activations have negatively affected Reserve component morale, and its recruitment and retention rates.

Compared to the active-duty MGIB, the Selected Reserve education benefits remain low. Currently the monthly rates for the MGIB–SR are \$276 for a full-time student; \$207 for a three-quarter time student; \$137 for half-time student; and \$69 for less than half-time student. Increasing the MGIB–SR benefit levels to approximately 50 percent of active-duty MGIB levels would restore this program's purchasing power to its original levels. We should do this for equitable reasons, as well as providing the Reserve components with an effective recruiting and retention tool.

Mr. Chairman and Ranking Member Spratt, we have troops in the field. I want them to return to a health care system that merits their service. VA is a good health care system, but too many veterans are experiencing delays that should shame this Congress. Other veterans have been locked out of the system all together. We need additional funding for cemeteries, homeless programs, additional personnel for claims processing, for the Board of Veterans Appeals, educational programs, like the G.I. Bill for our active duty and reservists. I believe we can do better, but we must make the proper investment in veterans' programs. Thank you.

PREPARED STATEMENT OF HON. MICHAEL M. HONDA, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA

Chairman Nussle, Ranking Member Spratt, and members of the House Budget Committee, thank you for this opportunity to express the budget priorities for my district of San Jose, California. As a former member of this distinguished committee, it is a great pleasure to speak before you today.

Mr. Chairman, as a former teacher and principal, promoting quality education continues to be one of my top priorities here in Congress. Two years ago, I voted in favor of the No Child Left Behind Act with great trepidation. While I support setting higher standards for our Nation's schools, I feared that without the necessary resources, the legislation would impose unfunded mandates on our schools, our teachers, and our students. Unfortunately, that fear has come true.

Today, I hear from countless numbers of teachers, principals, and school board members who are struggling with the mandates set out by the No Child Left Behind Act while facing severe budgetary cuts. In Santa Clara County, there are teachers who have only been given one box of paper for their students for the entire year. There are teachers who do not have access to copy machines anymore because the schools have shut them down.

That is why I am disappointed in the President's recently proposed budget for fiscal year 2004, and why I believe we must provide greater resources for education than the President has suggested. President Bush's budget provides \$12.3 billion in funding for the Title I Program—one-third less than the amount agreed to in the No Child Left Behind Act. In addition, the President's budget once again fails to fully fund the Individuals with Disabilities Education Act, or IDEA.

As the Budget Committee is aware, the Federal Government made a commitment to provide 40 percent of the cost of educating children with disabilities in 1975. Congress has failed to meet that commitment for over 28 years. This is simply unacceptable. That is why I am here today to urge the committee to make education a top priority by fully funding IDEA and increasing funding for the No Child Left Behind Act.

Mr. Chairman, I am also here today to request \$50 billion in budget authority be included in the Transportation and Infrastructure Committee's fiscal year 2004 allocation for the Federal-aid highways, highway safety, and transit programs. Increased transportation funding is critically important to addressing congestion in Silicon Valley and across our Nation.

The fiscal year 2004 budget allocation for these programs is enormously important as the final allocation will serve as the baseline for the forthcoming reauthorization of the Transportation Equity Act for the 21st Century (TEA-21). By all accounts, TEA-21 has served our Nation well, providing unprecedented levels of funding for highways and transit. The challenge for Congress is to build on this extraordinary success when we reauthorize the Transportation Equity Act for the 21st Century (TEA-21) this year.

Despite the successes of TEA-21, the current level of Federal investment has not kept up with the steadily growing demand for transportation and for improved maintenance of existing transportation infrastructure. Therefore, it is critical that the reauthorization of TEA-21 provides sustained investment in the Nation's transportation infrastructure adequate to meet the significant needs of both highways and transit.

Accordingly, I joined with my Transportation Committee colleagues this week in sending a letter to the Budget Committee requesting an allocation of \$50 billion in budget authority for the Federal-aid highways, highway safety, and transit programs in the fiscal year 2004 budget. A \$50 billion budget in fiscal year 2004 allocation would almost meet the \$53 billion amount that the Department of Transportation recently concluded was necessary to hold congestion at current levels.

I understand that the Budget Committee is being asked to make these funding decisions in the context of a deficit environment. However, the Federal Government has an obligation to invest in future growth. Our Nation's historical commitment to education and transportation has served us well, and we must reaffirm that commitment in the fiscal year 2004 budget resolution. I respectfully ask the committee allocate \$50 billion for our highways and transit, fully fund IDEA and provide substantial increases for the No Child Left Behind Act.

PREPARED STATEMENT OF HON. JAY INSLEE, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF WASHINGTON

I come before you today to urge the Budget Committee to affirm the importance of Impact Aid to our local school districts by rejecting the President's proposed cuts to the Impact Aid Program. Created in 1950, Impact Aid plays a critical funding role in school districts that lose tax revenues due to a Federal presence in their district. In his fiscal year 2004 budget proposal, President Bush proposes sharp cuts to the Impact Aid Program, which would prevent 63 percent of the students currently eligible from benefiting under the program. President Bush completely eliminates funding to school districts for children that are military "B" students, civilian "B" children, and funding for low-rent housing. In total, the National Military Impacted Schools Association estimates children in the program will lose the benefit of \$102,726,000 in Impact Aid funding.

The loss of Impact Aid will be felt particularly strongly in the First District of Washington State, where the Central Kitsap and North Kitsap School Districts are heavily dependent on Impact Aid funds. The Central Kitsap School District has an overwhelmingly high percentage of military children. The Clear Creek Elementary located adjacent to the Bangor Sub Base, for example, draws 80 percent of their children, 484 out of 601 students, from military families. If President Bush's proposal is enacted, the Central Kitsap School District will lose 80 percent of its Impact Aid funding, or \$10 million out of the \$12.5 million currently received by the school district. This will seriously detract from the school district's ability to provide adequate educational services to their children, not to mention meeting the standards

set by the No Child Left Behind education reforms. As our Nation's troops are preparing to go off to war, it is unconscionable that they should have to worry about their children here at home. Their service deserves more respect than that. I urge the Budget Committee to remain mindful of the importance of Impact Aid and to reject funding cuts to this important program.

PREPARED STATEMENT OF HON. DARRELL E. ISSA, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CALIFORNIA

Mr. Chairman, thank you for allowing me to testify today. This committee has been working very hard to provide all members the opportunity to give their recommendations on the budget process. I will be brief.

Mr. Chairman, I am deeply concerned about the President's budget request for Impact Aid funding for fiscal year 2004. Last year we funded Impact Aid at less than \$1.2 billion. That funding was not enough for the schools that serve our military families and Indian reservations. But the schools thanked us for our efforts and scraped by. This year, the President has requested about \$1 billion. That is a 14 percent cut from last year.

These schools simply cannot survive when faced with this kind of budget impact. I am told that this request will cut about \$200 million from the budgets of school districts serving military children. These cuts will be particularly harmful to military children in California, where school districts are facing massive funding cuts as a result of the \$30 billion State budget deficit. Over the next several years, Californian students will be denied the most basic educational resources by a State government that has failed them. These cuts to Impact Aid will only make life worse for our military children.

My district includes Camp Pendleton and borders March Air Force Base. I have thousands of constituents who serve at other military installations in San Diego.

A substantial portion of the men and women who have been deployed to the Persian Gulf serve on these bases and their children attend public schools that are funded by Impact Aid. These schools provide vital educational and counseling services for military children. These services are even more important when many of these children's parents are deployed overseas. We should be bolstering our military families and strengthening educational resources for our military children, not cutting their funding.

Mr. Chairman, it is unwise to send our troops to war without first providing for the families who are supporting them back home. I urge you to return the Impact Aid numbers, at the very least, to last year's levels plus an inflation adjustment.

PREPARED STATEMENT OF HON. SHEILA JACKSON-LEE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TEXAS

Thank you chairman for giving me the opportunity to testify today on the fiscal year 2004 budget resolution. I want to outline my priorities for the coming fiscal year. My testimony focuses on both domestic and international policy.

CBO BUDGET PROJECTIONS

First, let me say that I am concerned about the Congressional Budget Office's (CBO) projections that (1) the \$5.6 trillion 10 year surplus projected 2 years ago has disappeared, and (2) public debt is now projected to be \$1.336 trillion higher than projected at the beginning of 2001. CBO foresees growing public debt rising by half a trillion to \$4.045 trillion in 2006. The CBO's projections did not account for a possible war with Iraq.

Despite the failure of President Bush's budget and tax policies, he is calling for \$1.5 trillion in new tax cuts that will bring the deficit up to \$2.1 trillion. Operating under these fiscal constraints, I am concerned that key domestic and international priorities will not be fully funded. The President's budget spends the entire \$2.2 trillion Social Security surplus, thus placing at jeopardy the future of our seniors.

HOMELAND SECURITY

Fully funding the Department of Homeland Security must be one of our key priorities. The President's budget includes a total of \$41.3 billion for homeland security activities for 2004. Of this total, \$6.4 billion is for mandatory and fee-funded programs, and the remaining \$35 billion is for net appropriated programs. For net appropriations for domestic homeland security, the \$24.8 billion provided is \$0.6 billion more than the administration's estimate for 2003. This is a nominal increase of 2.5 percent, and does not provide a significant increase above the amount needed

to maintain purchasing power at the 2003 level. The Federal Government's homeland security activities and budget span many departments and agencies—the most important of which is the new Department of Homeland Security (DHS). I have recently been appointed to the committee with oversight over DHS, and I am extremely concerned that the budgetary priorities of DHS are fully funded.

The DHS establishes a single department whose primary mission is to protect the American people and their homeland; to unify principal border and transportation security agencies; to coordinate a cohesive network of disaster response capabilities; to create a central point for analysis and dissemination of intelligence and other information pertaining to terrorist threats to protect America's critical infrastructure; and to join research and development efforts to detect and counter potential terrorist attacks. The DHS has the challenge of merging 22 disparate agencies and programs into a cohesive department that has centralized leadership and decentralized operations.

Our urban communities are most vulnerable. Densely populated cities, ports, and airports are the most likely targets of future attacks on America. Protection of our cities will require improved funding and training of police, first responders, and hospitals, in a "bottom-up" fashion. We cannot risk waiting for security improvements to trickle down from the new Department of Homeland Security.

Our rural communities cannot be forgotten. Increased focus on cities—or the desire of terrorists to make all Americans feel threatened—may leave small towns and rural areas vulnerable to attack.

Every American deserves to feel safe and confident that they know how to protect themselves and their families. Emergency preparedness training must be culturally competent and cognizant of the diverse needs and backgrounds of all communities.

The budget of the newly created Department of Homeland Security must contain funding that will protect our citizens, secure our borders, and combat terrorism.

Funding for homeland security must be our Nation's top priority. We must provide for a new block grant to improve capabilities of first responders and funds to ensure inspection of all cargo containers entering the United States.

We must also provide adequate funding to our Coast Guard and Border Patrol and strengthen visa and passport processes, as well as enhance information sharing among government agencies. Funds will be needed to improve security at nuclear plants, oil refineries and chemical plants and for transportation systems and food and water supplies. First responders—police, emergency personnel, paramedics, and firefighters—need the resources and training to protect themselves and to serve the American people. The Department of Homeland Security combines 22 Federal agencies with more than 170,000 employees and has the mission of protecting the Nation's ports, borders, airports and critical infrastructure from terrorism.

The fiscal year 2003 omnibus appropriations bill includes \$3.5 billion in homeland security funds for police, fire and medical units. For 2003, homeland security funding is spread throughout the budgets of 22 agencies that are being merged in the Department of Homeland Security. The Department of Homeland Security will have a unified budget in fiscal year 2004. The Department of Homeland Security will be charged with the mission of preventing terrorism, reducing the vulnerability of the Nation to terrorist acts, and ensuring that the country is prepared to respond to any disasters in the event of an attack. Americans should be well informed and educated about emergency preparedness and school systems need to have safety plans tailored to the needs of students, faculty, and parents. Communities must have direction from federal, State, and local levels in times of crises and a present system for a thorough educational plan before any emergency response system is utilized. Every urban and rural community and housing development must have an adequate safe haven to access in case of an attack.

The alert system designed to warn of terrorist threats must be thoughtfully explained to the American people, and must be escalated only in response to credible corroborated evidence. The cost of false alarms and "crying wolf" is large. The Department of Homeland Security is critical to the safety of every American. Therefore, it is essential that it is staffed with a loyal and effective workforce, that it reflects the diversity of the United States as a whole, and that it addresses the needs of all of our communities.

MINORITIES AND WOMEN MUST BE WELL-REPRESENTED THROUGHOUT THE WORKFORCE,
ESPECIALLY IN LEADERSHIP AND UPPER-LEVEL MANAGEMENT POSITIONS

Any university-based Homeland Security Institute should incorporate a wide range of schools, including historically black, Hispanic, and Native American universities. Federal contracts should seek out and utilize the excellent women-owned, mi-

nority-owned, and small businesses, and those in Historically Underutilized Business (HUB) zones.

Workers' collective bargaining rights and whistleblower protections must be protected. The Department should have a strong inspector general to prevent waste, fraud, and abuse. Funding for infrastructure and preparedness improvements should target our most vulnerable communities. Also, the Department should incorporate a Civil Rights Division to keep the Department working for the American people.

The President's budget includes no funding for a potential war against Iraq. Supplemental funding that would further increase the deficit would be required to pay for any military operations in Iraq. Such costs would be significant. The Congressional Budget Office estimates the cost of a war at \$6 [billion] to \$9 billion a month, in addition to the costs of deploying forces to the region and bringing them back.

NASA

The budget includes \$15.5 billion for NASA, which is \$54 million below the level needed to maintain purchasing power at the 2002 level.

It provides \$4 billion for the Space Shuttle, which is \$548 million more than the amount needed to maintain purchasing power at the 2002 level. For each year going back as far as 2000, Congress has appropriated more than the President requested for NASA and for the Space Shuttle. I hope this trend continues.

Obviously, NASA is going through a challenging time in the wake of the Columbia tragedy. It is critical that we all work together to develop a bold vision for the future of NASA-one that builds on strengths and corrects weaknesses. We also must ensure that we provide adequate funding to realize that bold vision.

I have been troubled by the consistent budget cuts and flat funding of NASA over the past decade. NASA and its noble mission mean a great deal to the city of Houston, to the Nation, and to all of mankind. It is unfortunate that the President's budget provides for less than a 1-percent increase in funding over the fiscal year 2003 appropriations just passed. But the recent tragedy will force us to rethink priorities, and formulate creative means to continue our work in space. We have made great investments of time and resources into construction of the International Space Station [ISS]. The ISS is now poised to become an active hub of research and exploration, but it needs to be manned and fully equipped. Now, we need to develop a plan, and perhaps a backup plan, to enable us to capitalize on that investment. As findings come in from the Columbia investigations, decisions will need to be made about whether plans will include construction of another shuttle or perhaps an Orbital Space Plane, and how we can maximize crew safety in either of those spacecraft. The budget will have to provide for such planning and engineering.

NASA contributes great knowledge of the origins of our universe and the workings of nature. But another important aspect of the NASA mission is its ability to stimulate the high tech industry that has helped to keep the United States as the dominant economic power in the world. NASA's Commercial Technology Program and Commercial Space Product Development Program are primary catalysts in that effort. In the fiscal year 2003 budget request, it was written that the Commercial Technology Program, "enhances the NASA R&D mission through technology partnerships with industry, and facilitates the transfer of NASA inventions, innovations, discoveries or improvements developed by NASA personnel or in partnership with industry and universities to the private sector for commercial application leading to greater United States' economic growth and competitiveness." I would argue that is exactly the kind of economic stimulus we need right now, and it is a bargain.

I have seen how these programs work at the University of Houston and Texas A&M, both centers for these important programs. At the University of Houston, NASA technology is on the verge of leading to perfection of a material that can be implanted into the eye of a patient with a damaged retina, in order to cure blindness. Furthermore, they have used their modest Federal funding to leverage investments from the private sector, seven-fold greater than the initial funding level. That is an excellent return on the American taxpayer's investment.

But now I see that the Commercial Technology Program is being terminated and the Commercial Space Product Development Program funding is being reduced. Centers will be cut out of the budget. How does it make sense to cut such a program, that everyone seems to agree is productive and effective?

Having Johnson Space Center in my neighborhood, I tend to gravitate toward NASA's manned space missions. However, a critical part of the National Aeronautics and Space Administration is aeronautics. Federal research and development is intended to make the American skies safer, to connect the American people and the world more efficiently through air travel, to keep our military aircraft on the

cutting edge of technology, and help to re-establish the United States as the dominant force in commercial aviation.

I and my colleagues from both sides of the aisle in the Science Committee have been disturbed by the fact that aeronautics R&D has been slashed by one-half since 1998. The fiscal year 2004 budget request flatfunds such research, and projects a further 4 percent decrease over the next 5 years.

Our aviation industry is faced with unprecedented challenges. Our one domestic producer of large civil aircraft, Boeing, is facing fierce competition from Airbus, a European manufacturer that has strong support from European Union member states. For the first time ever, Airbus won 50 percent of new aircraft sales in 2002. Global climate change now seems to be a reality, and recent research confirms the negative impact of airplane emissions, in terms of greenhouse gasses and air pollution. Researchers and citizens are becoming more aware of the consequences of noise pollution on our communities and on the environment.

The boom in air traffic in the 1990s, and the ensuing aviation gridlock, made it apparent that our air traffic control systems may be antiquated and unable to handle future demand. Although we are in a downturn, eventually we will need to design better systems. And of course, the attacks of 9/11 pointed out that we need to constantly reevaluate and improve our airline safety-in airports, in planes, and in the coordination between air traffic controllers and our military.

All of these challenges can, and must, be addressed by good research and development. I believe that Federal investments should play a substantial role in driving that research. Therefore, I have been troubled by the 50 percent cut in aeronautics R&D at NASA between 1998 and 2003. And now we see further reductions over the next 5 years, when inflation is taken into account. It seems that many of the specific big losers in this budget are the exact areas in need of help: such as propulsion and fuel systems. Furthermore, R&D is, by definition, about stimulating growth. In an economic environment when everyone seems to be talking about stimulating growth-it seems bizarre that this budget is cutting R&D funding in Aerospace, the largest source of exports for the United States.

HIV/AIDS

HIV/AIDS is devastating the African American community. I support increased funding for the Office of Minority Health, which plays a key role in health policy decisions affecting minorities in this country.

While I support the increase in the budget for the National Institutes of Health, I would hope that additional funds would be directed to the Office of Minority Health.

EDUCATION

We must fully fund the No Child Left Behind Act, and in higher education I support increases in the Pell Grant Program and the TRIO Program. The budget provides only \$22.6 billion for programs under the No Child Left Behind Act, which is \$9 billion below the amount authorized for 2004 and \$199 million below the amount needed to maintain programs and services at the 2002 level. The budget continues the theme of the previous budget by eliminating many education programs, freezing most others at the level in the 2003 continuing resolution and increasing funding for just a few programs such as special education and Title I. Education is critical to our country's growth. In my 18th Congressional District in Houston, some of the Nation's most underfunded schools rely on Title I funds to supplement State and local funding. I would hope that this budget adequately funds programs at the K-12 and higher education level.

Thank you again for this opportunity to testify. I hope that our Nation's priorities: terrorism, health care, and education are fully funded. In addition, I hope that my colleagues will continue to support the Space Shuttle Program and adequately fund NASA.

PREPARED STATEMENT OF HON. JACK KINGSTON, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF GEORGIA

Thank you Mr. Chairman for the opportunity to speak on behalf of fully funding the Impact Aid Program for fiscal year 2004.

The Impact Aid Program was created by the Truman administration upon realization that some communities in our Nation bear the responsibility of educating the children of our service members and other federally connected children. The program rightfully realized that some municipalities do not have the tax base to handle the volume of federally connected children that reside in their communities. The

funding formula was designed to address this imbalance. The imbalance of military children and a low tax base create the risk that communities will be unable to properly care for the children of men and women who risk their lives everyday for our country.

To eliminate this imbalance, the Impact Aid Program created a special category of Impact Aid, referred to as B2, or “heavily impacted schools.” Of the 1,275 Local Education Agencies (LEAs), there are only 21 military and 5 Indian land districts that fit the B2 category.

Headline: Less than 1 percent of the IA districts bear 59 percent of cuts.

- Ironically, while these 26 districts are identified as the most in need of Federal aid, they will bear over 60 percent of the cuts in Impact Aid under the proposed 2004 budget.

- In fact, eight of these “heavily impacted districts” account for nearly \$76 million of the overall \$128 million total reduction of aid from fiscal year 2002 levels. So, 1 percent of Impact Aid districts will bear 59 percent of the cuts.

TABLE 1

Local Education Agency (LEA)	District	Representative	Funding Change (in millions)	Kids Effected (in millions)
Copperas Cove, TX		Chet Edwards (D)	-\$9.6 (100%)	2,687
Camden County, GA	GA-1	Jack Kingston	-\$5.56 (95.2%)	2,758
Liberty County, GA	GA-1	Jack Kingston	-\$7.1 (94.4%)	3,893
Central Kitsap Dist #401, WA	WA	Norm Dicks (D), Jay Inslee (D)	-\$11.5 (86%)	3,302
Bellevue Public, NE	NE	Lee Terry (R)	-\$9.8 (68.6%)	2,806
Killeen, TX	TX	Chet Edwards (D)	-\$22 (55%)	13,752
Indian River, NY	NY	Sherwood Boehlert (R)	-\$5.2 (52%)	1,619
El Paso Co, CO	CO	Joel Hefley (R)	-\$5 (46%)	2,300
Total losses of top eight B2 schools ..			-\$75.8	33,117

- I have visited hundreds of soldiers, sailors, airmen and their families from Liberty, Camden, Houston and Lowndes Counties as they deployed both for the global war on terrorism and for pending actions in Iraq.

- These communities have worked tirelessly to adopt these families, incur public debt to improve the educational opportunities, and invest in their communities to serve the military family and child.

- Ft. Stewart/Hunter, King’s Bay Nuclear Submarine Center, and Warner-Robins and Moody Air Force Bases have developed into some of the finest places for military and Federal employees to raise families, educate their children and serve their country. This is evidenced by the large military retiree populations that have selected these communities to spend the rest of their lives.

- These four counties host over 17,800 federally connected children and rely on Impact Aid for a significant portion of their annual budget. Under the proposed formula, these four counties alone would lose \$13.5 million. This will significantly impact their ability to provide a quality education to our children.

- Without continued Impact Aid funding these local communities can no longer fulfill their promise to these families and children.

- Two of the most heavily impacted school districts in the Nation reside in the First District of Georgia. Camden and Liberty county schools each have a disproportionate number of children that live off-post but have parents that work on base.

- These communities, in particular, do not have the tax base to recover from a cut of this magnitude. They will have no choice but to eliminate services, cease construction projects, and reduce staff. In the end we send a message to the military family that we are not committed to their well-being.

Faulty rationale: “Military families that live off base pay property taxes so they shouldn’t be included in the formula for aid.”

- Non-federally impacted schools have a financial base made up of taxes from personal property, business and industry, sales, and income.

- Impacted schools lose some or all of these taxes with each federally connected student that they host.

- Federally connected families often do not pay State or local income tax.
- Most work on the base and not for businesses that contribute industry taxes.
- Many military families shop on post, thereby deprive the school districts of millions in sales tax revenues.

Example: King's Bay Naval Base was designed as a state of the art innovative base whereby corporations were stationed on the base to train, refit and maintain the nuclear submarine fleet. Over the life cycle of the submarine this is the most cost effective in terms of money and readiness. As a result, over 22 large and small corporations reside on-base and do not pay taxes. From 1996 to the present the number of federally connected children has doubled as employees were moved to support these corporations. Forty-eight percent of all students in Camden County are federally connected. In response the local community incurred over \$30 million in bond debt to build new facilities to educate these children. The loss of \$5.2 million in Impact Aid each year will prevent them from providing for nearly 4,500 federally connected children and will reverse a trend of quality improvements that sailors cite as a primary reason for re-enlistment and ultimately retirement in Camden County.

CONCLUSION

The loss of Impact Aid is damaging for hundreds of school districts across the country. For some districts, like Liberty, Camden, Houston and Lowndes Counties, it is absolutely disabling in its scope. Failure to fund Impact Aid at fiscal year 2003 levels or higher will prevent these districts from providing the quality education that our service families deserve. Failure to fund Impact Aid for counties like Camden, Liberty, Houston and Lowndes County, GA will reverse education improvements that they have strived to build for so many years. It will also send a message to our military families that we do not recognize their sacrifices and are not committed to their well-being.

I urge the distinguished members of this committee to fully fund Impact Aid and preserve a promise contract that we have with families that sacrifice every day for us.

PREPARED STATEMENT OF HON. JAMES R. LANGEVIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF RHODE ISLAND

Mr. Chairman, Ranking Member Spratt and members of the committee, thank you for giving me and my colleagues the opportunity to testify before you today. I am honored to be here. As you know, the budget decisions we make this session will have an enormous impact on the lives of Americans for years to come, and I am grateful for the committee's efforts to solicit input from other members of the House during this critical process.

Two years ago, the administration and Congress were looking covetously at a staggering \$5.6 trillion cumulative surplus through 2010. At the time, Congress was continually reassured by the administration that we could afford an enormous tax cut, ensure the solvency of Social Security and Medicare, pay down the national debt, fund our domestic priorities and still have a large reserve fund for unanticipated emergencies. Like many of my colleagues, I cautioned the administration at the time that its budget and enormous tax cut were based on unrealistic surplus projections that would never materialize.

Earlier this year, the Congressional Budget Office (CBO) confirmed that in less than 2 years the 10-year projected surplus has been erased. While portions of this decline are a result of our efforts to defeat terrorism and preserve national security both at home and abroad, the depletion of the surplus to date was largely caused by the fiscally irresponsible policies of 2001. The additional \$831 billion in tax cuts, about half of which are due to excluding dividends from taxation, that the President proposes would only worsen our current situation and lead us further down the path of mounting deficits and escalating public debt.

To pay for the additional tax cuts, the President's budget would raid the entire \$2.2 trillion Social Security trust fund to cover deficits in the rest of the Federal budget over the next 10 years. Moreover, the projections used to frame this budget are overly optimistic. They do not include the cost of the administration's plan to permanently extend several expiring tax cuts, which would add billions of dollars to the deficit between 2004-13. The projections also leave out an assessment of the cost of a potential war in Iraq, which has recently been estimated.

The disappearance of the 10-year surplus compels us to consider not just a one-year, but also a long-term budget plan. Congress and the American people have the right to know how the administration proposes to restore fiscal discipline while enacting additional multiyear tax cuts, boosting spending for the military, and meeting commitments to a growing number of retirees. Furthermore, I find it incredibly irresponsible that the administration continues to pursue large tax cuts while short-changing important priorities like homeland security, education, the environment and retirement security. The administration and Congress should devise budgetary

rules that make tax cuts contingent on the realization of specified targets for the budget surplus and the Federal debt. Unfortunately, this budget fails on all those accounts.

In closing, I would like to thank the chairman and ranking member for allowing me to take part in this important discussion. The need to respond to new short-term needs does not provide an excuse for ignoring the long-term problems we already have. Ultimately, deficits do matter. It is time that we all take the deteriorating budget outlook seriously. We need to ensure that the burden of today's fiscal policies is not placed on the shoulders of our children and grandchildren. This is a matter of fiscal stewardship and generational responsibility, and we must address it without delay.

PREPARED STATEMENT OF HON. RICK LARSEN, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF WASHINGTON

Mr. Chairman, I'd like to address an issue of great importance to my district today—Impact Aid funding.

I strongly oppose the president's proposed cut of \$173 million to the Impact Aid Program, as well as his proposal to eliminate military "B" students—off base military students—from the program. This is the worst time I can think of for the administration to rob military families of their children's education. Over 200,000 men and women in the military have been deployed to defend our country. At the very least, these brave men and women should expect that their children will be taken care of while they respond to the call of duty.

In my home State of Washington, these proposals would be devastating to local school districts. Specifically, the Second Congressional District which I represent, is home to Naval Station Everett and Naval Air Station Whidbey. There are thousands of military families stationed at NAS Whidbey. These military families rely on the Oak Harbor School District to educate their children. Current enrollment there consists of about 60 percent children of active duty military, many of them living off base. Should the president's budget cuts become law, the Oak Harbor School District could lose an estimated \$1.2 million. The president's cut would force the district to lay off approximately 20 teachers, the equivalent of an entire elementary school and dramatically increase class sizes. This is the wrong way to treat our military families.

The Federal Government promised in 1950 that federally impacted school districts would receive adequate funding, and that they could use those Impact Aid funds where they would help children the most. These funds put schoolbooks on desks, chalkboards on the walls and teachers in the classrooms. To deny these school districts from serving military "B" students and from receiving their funding is to break the promise Congress made to military families and their children. Oak Harbor School District already manages its resources very well, spending approximately \$500 per student less than State averages. Taking away such a significant financial resource to a responsible school district would dramatically reduce the quality of their education and penalize fiscal responsibility.

With increased deployment levels, roughly 70 percent of the military families in the Oak Harbor School District now have only one parent at home. These families need the reassurance of continued Federal support for the education of their children at home. In this time of uncertainty and unpredictability, and as our Nation prepares for a possible war with Iraq, our brave women and men need to have confidence that their children will have access to quality public education.

Mr. Chairman, the president's proposed cuts on the Impact Aid Program are flat-out wrong. I ask that the Budget Committee increase funding levels for the program over the president's proposal and to continue allowing the program to serve military "B" students. Thank you.

PREPARED STATEMENT OF HON. DENISE L. MAJETTE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF GEORGIA

It is well known that how someone spends his or her money is a sure sign of his or her priorities. Beneath all of the number crunching and accounting tables, the national budget is an opportunity to redefine our Nation's priorities. In doing so, it is crucial that we do not shortchange our Nation's future with short-sighted decisions or short term plans.

There are, of course, immediate needs. We must continue to fund the world in which we find ourselves. We must be vigilant in protecting our Nation from aggression and we must continue to meet the commitments we have made to those most in need of help.

All too often, though, there are a number of long-term goals that we do not make our priorities. To realize our long term goals, we ought to first minimize our long-term debts, thereby allowing our children to pay for their dreams without being saddled with our realities. We must invest in the far-reaching, long-term process of research that is the hope of future generations, and, above all, we must give our children the tools to create their own future by investing in education.

When our children inherit the world as we've left it, they will encounter both the accomplishments and the mistakes. However, we ought not unduly burden them with a large mistake in the form of public debt. Just a few short years ago, our Nation found that we had budget surpluses, and an opportunity to pay down the Federal debt after decades of deficits. Yet in the President's proposed budget I see a ballooning deficit, with continued debt into the foreseeable future. I am extremely concerned about the impact the proposed budget and future budgets will have on our children and grandchildren, who, after all, will be responsible for paying the bills we refuse to pay today.

Before we force our children and grandchildren to pay as much as \$6,000 per year in taxes, the amount necessary to cover the impending debt, we should take pause. Right now, under the current debt of \$6.4 trillion, each child under the age of 18 owes \$80,000—enough to send each one to an Ivy League college. If the budget we adopt is anything like the one the President proposed, I don't see how we are ever going to retire the projected \$8.5 trillion in debt.

I would like to bequeath to our children a world where we have tackled the problems of our day and provided them unfettered access to the tools they'll need tomorrow. If we are determined to spend our precious resources now rather than saving them for our children's use, it is reasonable that we devote a large portion of these resources to the betterment of our children's future.

Perhaps the most forward-looking use of a taxpayer's money is to invest in exploration of our world through research. Scientific inquiry, by its very nature, offers no guarantees; the paths of discovery are rife with pitfalls and stumbles. As the explosion of the Columbia tragically reminded us, exploring the unknown is never easy. It is often painful. In the end, however, scientific inquiry offers us our best hope that the world can be a better place than the one in which we now find ourselves.

Through government assistance, some of the greatest minds of our time are working trying to find cures for the diseases that plague us—young and old, rich and poor alike. Failing to fund these initiatives robs our children of their hopes for a better world. One day in the future these scientists will discover a cure for cancer, a vaccine for AIDS, and a better method for reaching further into the galaxy. We must continue to make their efforts a priority; they are exploring for all of us.

As we consider our Nation's priorities, we must be absolutely certain that we fully fund education initiatives. Education is the ultimate mechanism for allowing social mobility by "leveling the playing field" of opportunity. Our Nation continues to be a beacon of hope for other nations as a place where anyone, regardless of socioeconomic background, race or parentage is limited only by their dreams; a place where everyone can achieve their goals. Our promise as a Nation rests on maintaining this ideal. As Thomas Jefferson once stated, "If the condition of man is to be progressively ameliorated, as we fondly hope and believe, education is to be the chief instrument in effecting it."

Unfortunately, the President's budget proposal severely undercuts this essential charge. We are robbing our children when we fail to make the necessary investments in education. Though Congress has authorized over \$32 billion to fund the "No Child Left Behind" initiatives, the President's budget only allocates \$22.6 billion to these programs. Similarly, the President's budget provides only \$9.1 billion for the Individuals with Disabilities Education Act (IDEA), this amounts to less than half of the 40-percent match that the Federal Government has committed to providing to the States. The President's proposed budget also includes only a 1.1-percent increase above the 2002 funding level for Head Start, the program most directly associated with a leveling of the playing field. This increase is simply not enough to fully fund this priority. In my home State of Georgia, alone, over 120,000 Head Start eligible children were not served, due to lack of funding.

Perhaps the greatest gift we can leave to our children is the absolute assurance that they will be able to use their talents to achieve their dreams. In this Nation more than any other in history someone can, from the humblest of beginnings, rise to become a leader of their community in any field he or she chooses. Nowhere is this realization more apparent than in the opportunities afforded to entrepreneurs. The small business owner represents the best of America. These individuals initiate and mold their businesses to the needs of their communities and take pride in the ownership of their own destinies. Congress can and must ensure that everyone has

this opportunity. We must ensure that the know-how and resources are universally available to make the American Dream a reality. This requires that we increase funding of adult education opportunities rather than cuts adult job training by \$122 million, as the President proposes.

We must not fail to look beyond the horizon. While continuing to fund our needs today, we must begin to see the future with the same urgency with which we view the present. We must begin to create the world we'd like our children and grandchildren to inherit by safeguarding its potential instead of squandering opportunity.

As we establish our priorities in the weeks ahead, it is crucial that we remember where we are as well as where we are going. The future of our Nation depends directly on what we decide today. If we decide that we are truly committed to social equality and to leaving no child behind, we can provide our children with the tools necessary to create an even better world than the entirely too dangerous one in which we now find ourselves. If we endeavor to better understand our world through research, we give hope to our children that they will not be afflicted by the ailments that we suffer today and we give them the legacy of vision to look beyond that which is now imaginable. Finally, we must not bind our children with debt if we hope to allow them to rise above our own accomplishments.

PREPARED STATEMENT OF HON. JIM McDERMOTT, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF WASHINGTON

Members of the Budget Committee, thank you for inviting me to speak to you today. As a former member of the committee, I have a special interest in the crafting of a budget resolution. Today I would like to share with you some brief thoughts on the fiscal year 2004 budget.

First of all, you as members of the Budget Committee are fortunate in a strange way this year. You are fortunate in that the President has set the bar so low with the budget he has presented to the Congress that it will be hard for you not to improve upon current expectations. The President's budget is the most fiscally irresponsible budget in American history.

We are on the eve of a war in Iraq that the White House itself has estimated will cost at least \$100 billion, and yet the President makes no mention of these costs in his budget proposal. We are in the process of rebuilding the nation of Afghanistan, and once again no funding is included. Yet somehow, the budget projects more than a \$300 billion deficit for fiscal year 2004—a figure that will surely exceed \$400 billion when the costs of the war in Iraq and the continuing operations in Afghanistan are considered.

How did we get to a \$400 billion deficit? Because President Bush is the first American president to propose cutting taxes during wartime. The President has proposed \$1.5 trillion in new tax cuts, which the OMB estimates will send the Federal Government into deficit for as far as the eye can see. The Bush budget projects triple digit deficits every year for the next decade. From the time President Bush assumed office until now, there has been a \$7.7-trillion swing in revenue projections. Now the Federal Government has already reached the statutory debt limit for the second time in less than a year.

We have quickly gone from an administration committed to fiscal discipline, balancing the budget, and paying down the Federal debt, to one that simultaneously cuts taxes and plans wars, raising the deficit to record highs. Under Bush's budget the Federal deficit would be more than \$5 trillion by 2008. This would be a more than \$68,000 debt burden per U.S. family. This administration likes to talk about the "death tax" and the "marriage tax," but perhaps it is time to start talking about the interest payments American taxpayers make on the Federal deficit each year, the "debt tax."

This year it is important that the Congress exercise fiscal discipline during the budget process. We need to reign in rising Federal deficit projections. Federal Reserve Chairman Alan Greenspan has repeatedly warned us the drastic consequences that long-term deficits have on interest rates and the economy. I urge this committee to take into account the state of impending war we are in, and to resist including the President's tax cut proposals in this year's budget resolution.

PREPARED STATEMENT OF HON. BOB W. NEY, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF OHIO

Thank you Mr. Chairman for allowing me to include my testimony in this hearing. I know that you are very busy and that many Members of Congress have had comments for the committee to consider. I want to highlight just a few of the areas

that I believe are of vital importance to our Nation and its success in the future years.

First, I want to state my support for the goals and intent of President Bush's budget. The president is proposing a fiscally sound budget that will limit unnecessary government spending while providing for the needs of our Nation. Our country is facing a difficult budget year, where we have many different needs to balance. The President has done an admirable job of trying to balance the many demands facing our Nation.

However, I think that when looking at this budget we must make sure that we are funding the many important programs that are vital to the economic growth of rural areas, such as my district. We cannot overlook the impact of some of our Nation's most important economic development programs to these communities.

I believe that there are many key programs and initiatives that must be included in the fiscal year 2004 budget as the Congress works through this process. Among the issues that must be addressed, at the top of the list, is a prescription drug benefit program for America's seniors, the availability of development money for Appalachia, assistance for the United States' steel industry, and funding for programs benefiting our Nation's veterans.

Currently, the United States' steel industry is facing several challenges as it continues to recover from the damages caused by past illegal import surges. The Emergency Steel Loan Program was created to help steel companies, financially distressed following the import surge in the late 1990s, to restructure and modernize. It would be short-sighted to significantly cut this program when there is such a strong, immediate need to ensure the steel industry has access to financial tools like this loan program. There is no disguising the economic hardships facing our steel companies and I urge you to include the funding necessary for this important program.

Another important issue that I would like to bring to the committee's attention involves the health benefits of the Nation's retired coal miners. Under current law, interest which accrues to the unappropriated balance of the Abandoned Mine Reclamation Fund is authorized to be transferred to what is known as the Combined Benefit Fund to finance the cost of health care for a class of retired coal miners whose former employer cannot be identified. These retired coal miners and their widow are referred to as "unassigned" beneficiaries. None of the principal in the Abandoned Mine Reclamation Fund, which consists of fees paid by the coal industry, is used for this purpose. Support for this fund is needed so that our Nation's retired coal miners do not witness a cut in health benefits.

The Appalachian Regional Commission (ARC) remains a critical contributor to the economic needs of many States, counties, and communities. The administration's proposal to reduce by half the funding for the ARC could not have come a worse time for many of the Nation's poorest regions. In many struggling counties across Appalachia, the cuts in Federal money could mean the difference between completion of economic-development projects and halting unfinished work. It is crucial that Congress provide the necessary funding to continue the success of ARC.

Also, I am very concerned about the proposal to eliminate funding for brownfield redevelopment programs at the Department of Housing and Urban Development (HUD). Last year, Congress passed important brownfield reforms, clearing the way for these sites to be redeveloped. Now, we must provide the resources necessary to stimulate that development. This funding is crucial to turning brownfield sites from empty lots into productive businesses. I urge you to ensure that the budget includes the resources necessary for this important program.

Prescription drugs are essential to 21st century medicine, especially when considering the health of our senior population. These medications help Senior Citizens improve their health, maintain independence, and extend their lives. We are living in a remarkable age of wonder-drugs and wonder-cures. Diseases and afflictions that once were life threatening are now easily cured thanks to countless developments in the field of medicine. Unfortunately, as these new procedures and drugs have been developed, costs associated with our Nation's healthcare system have risen.

One aspect of this rise in costs has been in prescription medications. That is why in the 107th Congress, the House passed legislation that would have accomplished a comprehensive prescription drug program. We must do so again, and we must fund the program. It is simply unacceptable that 13 million seniors do not have prescription drug coverage and it is our duty, as Members of Congress, to remedy the situation. I urge you to include in the fiscal year 2004 budget the resources necessary to create a comprehensive prescription drug program for our Nation's seniors.

We must also protect funding for programs that benefit our Nation's veterans. It is important that our country not forget to take care of the millions of men and

women who have loyally served in our armed forces. They have fought to preserve our freedoms and the least we can do is to ensure they get the benefits that are expected. A fair and balanced budget must meet the needs of our military and defense personnel. Any newly structured aspects of veterans' programs must be backed up with funding, or they will be ineffective.

Funding these programs is a challenge, but can—and must be—accomplished through fiscal discipline. As the Congress considers the President's jobs and growth plan and the fiscal year 2004 budget, I urge the committee to keep these programs in mind.

PREPARED STATEMENT OF HON. RICHARD W. POMBO, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA

Chairman Nussle, Ranking Member Spratt, and members of the committee, I am pleased to provide you with the views and estimates of the Committee on Resources for fiscal year 2004, and appreciate this opportunity to provide additional comments regarding a few important funding and programmatic priorities.

Overall, the committee is generally supportive of the administration's fiscal year 2004 budget for the departments and programs within its legislative and oversight jurisdiction. The committee recognizes that current world events, the war on terrorism, the potential conflict in Iraq, and the economic downturn, presents our Nation with some very difficult budgetary decisions and trade-offs. In the midst of these challenges, the administration's budget still provides for important funding increases for many vital environmental and resource programs.

One of the most important areas reflected in the administration's resources budget is funding for the "Healthy Forests Initiative," which provides \$698.7 million for a combination of programs aimed at reducing the threats of catastrophic wildfires through fuels treatment, fire preparedness, fire suppression, rehabilitation, and rural fire assistance. This represents a 7-percent increase over fiscal year 2003 funding, and will help facilitate important Federal-State partnerships in helping to restore important ecological balances in our Nation's public forests.

Catastrophic wildfires have devastated millions of acres of vast regions of western public lands in recent years, destroying homes, property, infrastructure, wildlife, livelihoods, and have led to other harmful environmental consequences, such as erosion. As stewards of our public lands, the Federal Government must do all it can to restore proper ecological balance to our public forests through environmentally sound management, and therefore, the committee strongly supports the President's request which it believes, will be effective in helping to address these issues.

On another front, energy problems threaten our Nation's its economic and national security interests. Shortages, power outages, and skyrocketing prices have threatened to disrupt and derail economic stability. These shortages did not occur overnight. It is clear that for nearly two decades, unduly restrictive environmental and liability concerns, combined with increasing energy demands, have placed us in a bind. It has been over 22 years since a large oil refinery was built in the United States, and more than 12 years since a power plant was built in California. As a Nation, we have neglected energy production and infrastructure and are producing approximately 39 percent less domestic oil than we were 30 years ago. As a result, we are having to import more and more energy from abroad, subjecting our energy supply to greater uncertainty and price fluctuations. Natural gas development on public lands is down by 14 percent, and nearly 40,000 miles of new pipeline, much of which must cross public lands, is needed to deliver the natural gas to meet demand.

The committee is supportive of funding in the president's fiscal year 2004 budget which would provide resources and staffing within the Department of Interior to help address the problems of domestic energy production specifically as it pertains to public lands. For example, the fiscal year 2004 request would provide funding to improve access to the enormous coalbed natural gas reserves in Wyoming, Montana, New Mexico and Colorado, and to help reduce the backlog of rights-of-way applications and applications for permits to drill.

The administration's energy plan, which calls for opening 1.5 million acres of ANWR for oil exploration and development, was the subject of comprehensive hearings in the committee during the 107th Congress. Current estimates suggest that the oil we can gently extract from ANWR would replace Iraqi oil imports for the next 58 years. Oil development on the coastal plain of ANWR will only impact 2,000 acres of the 19.6 million acre refuge. We now have the technology to tap oil and gas in a way that protects the Arctic tundra and nearby wildlife. More than 20 years of developing oil in Prudhoe Bay has proven that. Today, the size of caribou herds near Prudhoe have increased five-fold since drilling and shipping began there.

The committee remains supportive of efforts to allow for environmentally sound energy development of the Arctic National Wildlife Refuge (ANWR), and remains committed to moving legislation, as it did in the 107th Congress, that would allow it to occur. Not only would sound development of ANWR oil reserves reduce United States' dependence on foreign sources for decades to come, it would also generate billions in leasing revenue for the Federal Government.

Another of the committee's highest priorities remains more effective implementation of the Endangered Species Act (ESA) by the Federal Government. The committee believes strongly that the ESA's worthy goals and objectives of preserving endangered species should be achieved through adherence to the best available science, and that Federal funding should be refocused on actual preservation efforts. Therefore, the committee is requesting an appropriation of \$140 million for this account in fiscal year 2004, which is \$11 million over the administration's request, which will help provide the Department of Interior with additional resources needed to administer ESA programs and to meet growing demands on departmental budgets necessitated by litigation of ESA disputes filed by non-governmental organizations.

Our national parks are some of America's greatest natural assets, and the committee believes very strongly that they should be maintained and preserved for future generations, while also making them accessible and safe for the visiting public. The number of units of the National Park system has also increased greatly over the past three decades, making it a challenge to provide all of the needed resources necessary to keep them in good repair. The reality is that we have not been able to keep up. There are growing maintenance and infrastructure repair demands at existing parks, even as new park units are added, and it is estimated that the backlog remains in excess of a billion dollars. The committee recognizes that the President and the Congress made a substantial effort in the fiscal year 2003 budget to provide for a substantial increase, and notes that the fiscal year 2004 request of \$705.8 million continues that strong commitment. While much remains to be done, this funding will go a long way toward helping the Park Service to get back onto solid footing in addressing the maintenance backlog.

The committee is supportive of the fiscal year 2004 request for the National Marine Fisheries Service of \$620.9 million for operations, research and facilities, which represents an increase of \$33 million from fiscal year 2003. This will provide \$17 million to fund additional stock assessments which will assist in the implementation of a west coast in-season harvest data collection system which is an important tool in the development and management of sustainable fisheries.

Finally, the committee notes that the administration's fiscal year 2004 request includes substantial reductions over fiscal year 2003 in land acquisition accounts for the various resource agencies. The BLM land acquisition account is reduced by \$21 million, the Fish and Wildlife Service account by \$30 million, the National Parks Service account by \$7.4 million, and the Forest Service account by \$45.4 million. The committee is supportive of this funding reduction trend and believes that it is inappropriate for the Federal Government to continue to acquire private lands on a large scale, particularly in the western United States where a high percentage of the land mass is already owned by the Federal Government, and while there remains higher-priority funding needs elsewhere in the resource agencies.

In conclusion, I appreciate this opportunity to testify on these important matters and look forward to assisting the Budget Committee and my other colleagues in the Congress in passing an fiscal year 2004 budget that is fiscally responsible while providing for essential needs and programs.

Thank you, Mr. Chairman.

PREPARED STATEMENT OF HON. CIRO D. RODRIGUEZ, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TEXAS

Chairman Jim Nussle and Ranking Member John Spratt, I would like to thank you for this opportunity to share with you some of my recommendations for the 2004 budgetary cycle. I represent the 28th Congressional District of Texas. My district encompasses all or part of 11 south Texas Counties stretching from the San Antonio metropolitan area to the United States border with Mexico: Atascosa, Bexar, Duval, Frio, Hidalgo, Jim Hogg, Jim Wells, La Salle, McMullen, Starr and Zapata.

I represent a portion of San Antonio, the largest city in my district and the eighth largest city in the United States with a population in excess of 1 million people. Two Air Force bases are located within the 28th District: Randolph AFB and Brooks City-Base. San Antonio is home to two other active duty bases and one closed facility: Lackland AFB, Ft. Sam Houston, and Kelly USA. My district is also home to

over 60,000 veterans, and I work diligently to convey their needs and fight for the health care and benefits they have honorably earned.

In Texas, the Federal Government contributes 22 percent of our State budget. This money pays for schools, public assistance, road, care for veterans, and other essential programs for Texas residents. While most States struggle through fiscal crises and budget cuts, the Federal Government's proposed spending cuts threaten to make it even more difficult for Texas to meet its people's needs.

DEPARTMENT OF DEFENSE

I am concerned that the President's proposed defense budget of \$399.2 billion will not be adequate. Although it represents an increase of 4.4 percent over last year, or an increase of \$17 billion, it does not include the cost of war with Iraq or the war on terrorism.

The President's budget counts on significant savings from outsourcing even more government jobs. The funding levels in the President's budget would require half of all government workers to compete with the private sector for their jobs. This policy of counting chickens before they are hatched can leave vital programs in peril, and I am particularly concerned that this proposal will have a significant negative impact on civilian employees at the San Antonio military facilities who have already taken more than their fair share of hits.

The President's budget increases funding for programs which provide little military benefit while shortchanging programs vital to military readiness and quality of life for military members and their families. Specifically, I urge the committee to evaluate the President's budget proposal for missile defense programs which includes \$9.1 billion—a 20-percent increase over last year and nearly half of North Korea's gross domestic product—to continue development of a system which only addresses the threat of missile attack (North Korea). Military members would be better served by using some of these funds for long overdue military construction projects such as family housing and dormitories. I am disappointed that the President has proposed only \$9 billion in funding for needed facilities—a \$1.5-billion decrease from the amount appropriated in fiscal year 2003.

Mr. Chairman, we are asking our Nation's military to take on more and more responsibilities. I know that the committee will be looking to take care of our soldiers, sailors, airmen, and Marines by providing them with the tools they need to defend our Nation and by providing benefits and services which are commensurate with the sacrifices we call upon them to make in defense of our country and our values.

DEPARTMENT OF VETERANS' AFFAIRS

The Department of Veterans' Affairs operates the largest direct health care delivery system in the country. The Department of Veterans' Affairs ended the fiscal year 2002 facing a serious funding deficit. Veterans are currently facing inordinate and unacceptable waiting times for basic health care services. Over 286,000 are currently waiting 6 months or longer for initial and follow-up medical appointments. In order to address this challenge the VA has implemented several policy tactics to limit and completely cut off care to entire classifications of veterans. This movement started with the suppression of all enrollment-generating activities undertaken by the various VA networks in order to alert veterans to the benefits they have earned.

The president's 2004 budget continues the medical care policy changes implemented by Secretary Principi that have cut and limited enrollment to higher priority veterans. It would continue to stop enrollment of new Priority 8 veterans and assess an annual enrollment fee of \$250 for non-service connected Priority 7 veterans and all Priority 8 veterans. It increases veteran's copay for outpatient primary care and pharmacy copayments for higher priority veterans.

I would like to highlight that the administration's purported budget increase of \$2.5 billion is built entirely upon savings from providing fewer services to veterans, shifting more costs to veterans or their health care insurers, and "management efficiencies."

As the ranking member on the House Veterans' Affairs Subcommittee on Health I am proud of the budget recommendations the full House Veterans' Affairs Committee (HVAC) has submitted with bipartisan support for review to this committee. The Committee on Veterans' Affairs, after careful consideration of the budget for fiscal year 2004 proposed by the administration for the Department of Veterans' Affairs, charged Congress to close the recurring gap between appropriated funding and the demand by eligible veterans for VA health care. Therefore, the HVAC recommended a substantial increase in veterans' health care funding for fiscal year 2004. In total they have requested just over \$30 million of discretionary funds for the VA in fiscal year 2004. Further, I and my colleagues on the HVAC strongly rec-

ommended that Congress adopt a new, fiscally sound finance system that would provide guaranteed funding for VA health care programs.

EDUCATION

Texas ranks last among all 50 States in teacher salaries, has an unacceptable high school drop out rate, 30 percent overall—and significantly higher in underserved communities—and is facing growing student enrollments and demands on our public school system. With the State budgetary shortfall facing Texas it is imperative for us to receive sufficient Federal funds to support programs that provide quality education to students throughout our State.

Tragically the President's 2004 budget recommendations fail to provide the promised resources to provide our children with a quality education. We will undermine our bipartisan efforts to enact the No Child Left Behind Act if we follow his lead and provide \$9 billion less than the bill originally pledged for early and secondary education. We will leave millions of children behind and leave school districts to fend for themselves.

I am also concerned that the President's 2004 budget supports private school vouchers. These efforts shortchange our public schools. Yet, the President has included two private school voucher initiatives—a \$75 million voucher program and a voucher tax credit associated with the cost of transferring students from public to private school.

I would request that the following aspects of the President's 2004 budget request be rejected by this committee:

- Freeze teacher quality initiatives which helps States and school districts reduce class size and better recruit and train teachers.
- Cut Title I funding which serves our most disadvantaged children in math and reading. This funding level (\$12.3 billion) will leave an additional 2.2 million disadvantaged children without critical education programs.
- Cut after-school funding by \$400 million—approximately a 40-percent cut compared to fiscal year 2002 appropriations and his own fiscal year 2003 budget. This cut would deny after school programs to over half a million disadvantaged children.
- Block grants and cuts vocational education funding. The President's budget would cut \$300 million—approximately a 23-percent cut—from vocational education programs. The budget proposes to turn this program into a block grant to States, eliminating accountability and targeting of resources to disadvantaged students and programs.

While the President's budget increases appropriations for the Department of Education by \$1.7 billion (3.4 percent) above the amount needed to maintain programs and services at the 2002 level, it eliminates many education programs, and freezes most others 2003 levels. Further this represents the smallest increase for Education in 7 years—representing only a 5.6 percent total increase.

IMPACT AID FUNDING

With soldiers being deployed overseas every day, it is important for them to know the needs of their families back home are being met. The Impact Aid Program, funded largely by the Department of Education, was designed to ensure that school districts serving military families and those living on Indian reservation lands have the funding necessary to provide a high quality education to all students. It should be noted that 15 million students in 1,331 school districts nationwide benefit from the Impact Aid Program. Many of these school districts rely on Impact Aid funding for a significant portion of their annual budget. Funding is used for a variety of expenses, including teacher salaries, textbooks, computers, after school programs, tutoring, advanced placement classes and special enrichment programs.

As you begin the process of constructing the budget for 2004, I ask that you pay special attention to funding the Impact Aid Program. The President's 2004 budget includes a funding cut of \$128.5 million, or 12 percent, from 2002 levels for Impact Aid. This cut is not warranted; it hurts military readiness, undermines our goal to provide quality education to all students, and is simply inexcusable in a time of war.

CHILDREN'S HOSPITALS GRADUATE MEDICAL EDUCATION FUNDING

I am gravely concerned that the administration's budget contains a 32-percent cut for the Graduate Medical Education (CHGME) Fund for children's teaching hospitals—from \$292 million in fiscal year 2003 to \$199 million for fiscal year 2004. Children's teaching hospitals play an important role in children's health care. Not only do they provide important health services, but they also serve as important training centers for pediatricians. I am sure that many of you house one in your own district and are acutely aware of how the local community values them.

I am extremely proud of the work that Christus Santa Rosa Children's Hospital does for the greater San Antonio region. Each year, the Children's Hospital cares for more than 90,000 children through their inpatient, outpatient, and emergency services, and their 32 specialty clinics help an additional 30,000 children annually. The Children's Hospital includes a pediatric rehabilitation unit, a children's cancer and blood disorders center, a pediatric hospice suite and an on-site classroom operated with the help of the San Antonio Independent School District.

As a safety net care provider, the Christus Santa Rosa Children's Hospital is invaluable to San Antonio. As a training tool, their work is invaluable to the Nation's future pediatric workforce. In 2002, the Children's Hospital received \$990,000 in CHGME funding.

The children's hospital system cannot sustain continued cuts to Medicaid as well as cuts to alternative funding streams such CHGME. I ask that you take this into consideration and ensure that CHGME funding is adequately addressed in the 2004 budget.

FUNDING OUR HEALTH CARE SAFETY NET

Recent reports show that the number of uninsured Americans is on the rise with 41.2 million people in this country lacking insurance in 2001. I represent Starr County which is located on the Texas-Mexico border and ranks as the poorest county in the Nation. In Starr County, close to 40 percent of those between the ages of 19 and 64 are without health insurance. Lack of insurance means restricted access to preventive care which can lead to costly emergency room visits. While we have a patchwork of Federal-State safety programs—Medicare, Medicaid, SCHIP—in place to assist our most vulnerable in times of need, the economic downturn has placed enormous strain on States and counties.

As you know, States are facing a huge budget crisis and State Governors are calling for Federal relief. I support a temporary increase of the Federal Medical Assistance Payment (FMAP) rate which will allow States to draw down more Medicaid dollars. This is a temporary solution to alleviate the financial burden of their growing Medicaid roles. An economic downturn is not a time to abandon the States. By doing so, States will be forced to cut health care services or beneficiaries from the rolls.

The State of Texas is facing a \$10 billion budget deficit. Each agency has been asked by Governor Perry to reduce their budget by 12.5 percent for 2004–05. Last week, Texas Health and Human Services commissioner, Albert Hawkins, unveiled his plan to achieve \$5 billion in savings. How did he do it? The plan eliminates \$4 billion from medical care and it reduces reimbursement rates for health care providers by 33 percent. This will result in 250,000 children losing their CHIP insurance coverage, 69,000 adults losing Medicaid coverage, and 50,000 elderly and disabled adults losing their prescription drug coverage.

I consider this a health care crisis and there is no easy answer. I do know that we can provide critical relief to our States by providing a temporary increase of the FMAP rate. We can work to ensure that States continue to receive appropriate levels of Disproportionate Share Hospital (DSH) funding. This is a critical funding stream intended to provide relief to hospitals that are disproportionately impacted by indigent care. Congress must do its part to assist States during this economic crisis. We cannot afford to let our health care system or safety net system deteriorate further. The consequences of inaction will be felt for years to come in greater health care needs, lower productivity, and higher rates of mortality and disability.

I ask that you take this under serious consideration as you look at the budget for the Department of Health and Human Services.

Mr. Chairman and members of the committee, thank you for taking these requests into consideration.

PREPARED STATEMENT OF HON. MIKE D. ROGERS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

Mr. Chairman, and other distinguished members of the House Budget Committee, good afternoon, and thank you for the opportunity to testify before you today.

Mr. Chairman, I come before the committee with a simple message, one that resonates loudly with the citizens of east Alabama: I urge you and your colleagues on the Budget Committee to continue your practice of fiscal restraint in the coming budget year.

Mr. Chairman, as you may know, over 6,000 working citizens in my State have been called to active duty in the Army Reserves and National Guard—more than every other State besides North Dakota and Utah. But while Alabamians answer the call of duty proudly, and in greater numbers than other States, we also know

that with duty, comes sacrifice. Many times, the fathers and mothers on active duty are the family's bread winner, and see their income cut dramatically while in service. This causes considerable pain for the spouses and children left behind, and forces difficult financial and emotional sacrifices to compensate for the loss of income. No less difficult are the sacrifices facing our State and local officials, as they address empty Treasuries and growing budget deficits. Just this week, my predecessor and now-Governor Riley, said the State will sacrifice some of its most vital services—like Medicare coverage for the elderly, and hiring new teachers and police—to close a \$500-million hole in the State budget.

Mr. Chairman, the sacrifices should not stop in Washington. You and your colleagues on the Budget Committee face enormous pressures to drastically increase spending, but must stand firm in keeping our fiscal priorities in line.

On behalf of the mothers and fathers called to service, and our State and local leaders, I commend you, Chairman Nussle—as well as members of the full Budget Committee, and the Republican leadership—for your past efforts in remembering our fiscal responsibilities, and urge you continue the practice of fiscal restraint in the coming year.

Thank you, Mr. Chairman.

PREPARED STATEMENT OF HON. ELLEN O. TAUSCHER, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, I would like to request that my statement be submitted to the record of this hearing. I am very concerned about the President's proposal to cut funding for the Federal Impact Aid Program.

The purpose of the Impact Aid Program, which was established in 1950, was to provide public school districts with a Federal payment in lieu of the taxes lost due to the non-taxable status of Federal property. In essence these funds help pay for the cost of educating Federal and non-federal children enrolled in those school districts impacted by the Federal presence. Most commonly school districts that receive funds from this program serve Indian land children, military children residing on-base, and military children whose parents reside off-base.

Across America there are 1,275 school districts receiving Impact Aid funding. These schools enroll 15 million children. I represent one of those school districts, the Travis Unified School District, which serves many of the children whose parents serve or work at Travis Air Force Base.

As the President prepares to send our men and women to war, I cannot sit idly by while their children's education is threatened. Cutting Impact Aid, as the President proposes, would mean a \$200 million loss to school districts serving military children. Should the President's budget become a reality, 88 percent of all military children in the Impact Aid Program would be negatively impacted. These cuts would result in a loss of 525 school districts from the program—486 of which serve children of members of our armed forces.

These cuts threaten many of the services that support the children in our military families. For example, representatives of Travis Unified have told me that school counselors could be eliminated if these cuts became a reality. At a time when levels of deployment and uncertainty are increasing, our children must have access to the services that they need in order to be able to cope with impact of the absence of one, and in some cases both, parents.

We owe it to the men and women who have volunteered to serve in our armed forces to ensure that their children are supported while they are protecting our Nation. Cutting the Impact Aid Program sends the wrong message, and we must not allow it to happen.

Chairman NUSSLE. Thank you. I know Mr. Spratt is on his way and will be here.

Mr. Chairman of Transportation, ranking member, Ranking Member Skelton, we welcome you to the Budget Committee. You have been here and have testified before. You have a heavy load of area of interest in this budget and for our future, and we look forward to your testimony.

We will start with Chairman Young, and then Ranking Member Oberstar, and then Ranking Member Skelton. Welcome, Chairman Young.

You have to hold down the green button [referring to microphone]. It is a new infrastructure concern we have, Mr. Chairman.

STATEMENT OF HON. DON YOUNG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALASKA AND CHAIRMAN, COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE; ACCOMPANIED BY HON. JAMES L. OBERSTAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA, AND HON. IKE SKELTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

STATEMENT OF HON. DON YOUNG

Mr. YOUNG. I mean I don't have all this fancy equipment in my committee room, I can tell you that right now.

Mr. Chairman, I do thank you for allowing us to be here to testify. I took to heart what you said about the Congress as a whole being a Congress of many different Members and not just one person's individual views.

I am here today with Mr. Oberstar to testify on the coming needs of the programs in transportation. I appreciate your committee's willingness to work in a cooperative partnership with the Transportation and Infrastructure Committee. Mr. Chairman, without your help in last year's budget process, we would not have been able to avoid a significant cut in the Highway Trust Fund.

By making room for additional highway funds in the House budget resolution last year, your committee played a key role in restoring highway funds. We thank you for your assistance and cooperation. It is my hope we can continue our partnership and our stewardship for transportation programs together.

The economy cannot continue to grow without a transportation system that moves people and goods efficiently. People need improved transportation systems to get to work, shopping, and school. Businesses rely on the transportation systems to move freight and goods.

I don't need to tell you that traffic congestion is getting much worse than everybody expected. I believe you experience it yourself every day, and I know your constituents do, too.

Of the Nation's 75 largest urban areas, traffic delays increased by 288 percent from 1982–2000. Think about that increase: increased 288 percent from 1982 to the year 2000. In areas with fewer than 1 million people, delay more than quadrupled over these same years, indicating that even small areas are not able to keep pace with the rising demand.

In 2000, traffic congestion cost the motorists a staggering \$67.5 billion of lost revenue and wasted time, including the burning of many gallons of fuel. This \$67.5 billion equates to an average annual cost for travel of \$1,160 and a week and a half, or 62 hours, of work time lost sitting in traffic.

Last week, the Transportation and Infrastructure Committee unanimously approved its views and estimates for the 2004 budget, including a recommendation for a combined highway, highway safety and transit program level of \$49.1 billion in the year 2004. By now, you should have received a letter signed by all 74 members of the Transportation Committee advocating \$50 billion for these programs. A \$50 billion budget authority level will provide the resources necessary to meet the \$49.1 billion program outlined in our views and estimates.

This program level is based on data from the Department of Transportation. Let me repeat that. This is information from the Department of Transportation that indicates a combined Federal Highway and Transit Program of \$52 billion is needed annually just to maintain our highways and transit systems in their current condition, including keeping congestion from getting worse.

However, according to the same information, to improve the condition of this system, including improvements in safety and reduction in traffic congestion, a Federal program the size of \$74.8 billion is needed annually. These are not my numbers. They are the administration's own numbers.

My committee believes we cannot afford to merely maintain the status quo. The status quo is strangling our economy, limiting our mobility, and affecting our daily lives to an unacceptable degree.

Therefore, we propose to gradually increase funding for highways, highway safety, and transit programs from the current combined level of \$40 billion for 2003 to the total of \$75 billion by 2009, which would begin to meet the cost to improve these systems. A total of \$375 billion in budget authority for these programs will be required in the 6-year period from 2004–09.

In order to increase investments in these programs, the revenue mechanisms that fund the Highway Trust Fund must be adjusted. We are not facing a choice between adjusting the revenue mechanism and not adjusting it. Rather, our choice is between different methods of adjusting of them. I will be happy to discuss these different methods with you, as I have with Chairman Thomas of the Ways and Means Committee, which has jurisdiction over these matters.

Of course, increasing income to the trust fund is meaningless if we do not also have a mechanism in place to ensure that user revenues in the trust fund are actually spent for their intended purposes. One of the Transportation Committee's highest priorities is the continuation of the firewalls and guaranteed funding levels that we established in TEA-21, and we will soon be seeking your cooperation on this, too.

In addition to the funding levels I have already discussed, I would like to highlight the committee's recommendation for the Airport Improvement Program. This program is also due for reauthorization this year.

By the year 2005, air passenger traffic is expected to return to record-high levels that were experienced in 2000, when one in every four commercial flights was delayed, canceled, or diverted. Absent further improvements in aviation safety capacity, airline delays will quickly return to the levels experienced in 2000.

The committee, therefore, recommends funding an increase of at least \$100 million each year for the Airport Improvement Program, beginning at the funding level of \$3.5 billion in 2004 and totalling \$18.5 billion in the 5-year period between 2004–08.

While the cost of meeting the investment needs of our surface transportation and aviation systems may seem high, the cost of not meeting them is far greater. The increased investment in transportation makes sense for our economy, our businesses, and our citizens.

The one legacy that this committee and you can leave behind, and we recommending that you leave behind, is the future ability of our transportation needs to be met for the future citizens of this great Nation. Not to do so would be a disservice to them and a disservice to this Nation. I urge your support for my committee's proposal as you develop the 2004 budget, and thank you, Mr. Chairman.

[The prepared statement of Mr. Young follows:]

PREPARED STATEMENT OF HON. DON YOUNG, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF ALASKA

Thank you Chairman Nussle and Ranking Member Spratt for allowing me and my committee's ranking member, Jim Oberstar, to testify before you on the funding needs of our programs.

I appreciate your committee's willingness to work in a cooperative partnership with the Transportation and Infrastructure Committee. Without your help in last year's budget process, we would not have been able to avoid a significant cut in highway funding. By making room for additional highway funds in the House budget resolution last year, your committee played a key role in restoring highway funds, and we thank you for your assistance and cooperation.

It is my hope that we can continue our partnership and our stewardship of transportation programs together. The economy cannot continue to grow without a transportation system that moves people and goods efficiently. People need improved transportation systems to get to work, shopping, and school. Businesses rely on transportation systems to move freight and goods.

I don't need to tell you that traffic congestion is growing worse. You experience it for yourself every day. Your constituents do, too. In the Nation's 75 largest urban areas, traffic delays increased by 288 percent from 1982–2000. In areas with fewer than one million people, delay more than quadrupled over these same years, indicating that even smaller areas are not able to keep pace with rising demand.

In 2000, traffic congestion cost motorists a staggering \$67.5 billion in wasted time and fuel. This \$67.5 billion equates to an average annual cost per traveler of \$1,160, and a week and a half—or 62 hours—of work time lost sitting in traffic.

Last week, the Transportation and Infrastructure Committee unanimously approved its views and estimates for the 2004 budget, including a recommendation for a combined highway, highway safety and transit program level of \$49.1 billion in 2004. By now, you should have received a letter from members of the Transportation Committee advocating \$50 billion for these programs. A \$50 billion budget authority level will provide the resources necessary to meet the \$49.1 billion program level outlined in our views and estimates.

This program level is based on data from the Department of Transportation that indicate a combined Federal highway and transit program of \$53 billion is needed annually just to maintain our highways and transit systems in the current condition—including keeping congestion from getting worse. However, to improve the condition of these systems, including improvements in safety and a reduction in traffic congestion, a Federal program size of \$74.8 billion is needed annually.

My committee believes that we cannot afford to merely maintain the status quo. The status quo is strangling our economy, limiting our mobility, and affecting our daily lives to an unacceptable degree. Therefore, we propose to gradually increase funding for highway, highway safety, and transit programs from the current combined level of \$40 billion in 2003 to a total of \$75 billion by 2009, which will begin to meet the cost to improve these systems. A total of \$375 billion in budget authority for these programs will be required over the 6-year period from 2004–09.

In order to increase investment in these programs, the revenue mechanisms that fund the Highway Trust Fund must be adjusted. We are not facing a choice between adjusting the revenue mechanisms and not adjusting them. Rather, our choice is between different methods of adjusting them. I will be happy to discuss these different methods with you, as I have with Chairman Thomas of the Ways and Means Committee, which has jurisdiction over these matters.

Of course, increasing income to the trust fund is meaningless if we do not also have mechanisms in place to ensure that the user revenues in the trust fund are actually spent for their intended purposes. One of the Transportation Committee's highest priorities is the continuation of the firewalls and guaranteed funding levels that were established in TEA–21, and we will soon be seeking your cooperation on this, too.

In addition to the funding needs I have already discussed, I would like to highlight the committee's recommendation for the Airport Improvement Program. This program is also due for reauthorization this year.

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The committee, therefore, recommends funding increases of at least \$100 million each year for the Airport Improvement Program, beginning with a funding level of \$3.5 billion in 2004, and totaling \$18.5 billion for the 5-year period from 2004-08.

While the cost of meeting the investment needs of our surface transportation and aviation systems may seem high, the cost of not meeting them is far greater. Increased investment in transportation makes sense for our economy, our businesses, and our citizens. I urge your support for my committee's proposals as you develop the 2004 budget resolution.

Chairman NUSSLE. Thank you, Mr. Chairman. Mr. Oberstar, welcome.

STATEMENT OF HON. JAMES L. OBERSTAR

Mr. OBERSTAR. Thank you very much, Mr. Chairman. It is good to be back in the Budget Committee, where I spent six delightful years many years ago. It didn't look quite as handsome as it does today. It didn't have quite the technology that you have today with all these screens, but there was the same careful, thoughtful deliberation process. This is the nexus of where we join our values with our willingness to invest in them in this committee. I congratulate all of you who serve on this committee and thank you for your service.

I join with Chairman Young in what he has said about the need for investment. We start with the Airport Improvement Program. We need an investment of \$18.5 billion over the next 3 years for AIP because airports have had to divert their taxiway, runway, and airside construction dollars to security improvements at airports, and have delayed, therefore, needed investment in airport capacity-enhancing initiatives.

The aviation security legislation that we passed was supposed to be accompanied with funding to pay for explosive detection systems and the retrofit of airport terminals, but did not cover those costs. Hopefully, additional funding will come forth. The President has committed to do so.

Meanwhile, airports have had to divert from their capacity programs to accommodate the security program. We need to increase the funding and prepare for what we hope is going to be a return to air travel in larger numbers after the hostilities in the gulf are ended.

Prior to September 11, a billion people flew worldwide; 650 million of all those travelers flew in U.S. airspace. Ours is the biggest, most intensive, the most lucrative, the most attractive airspace in the world, but it is rapidly becoming the most congested.

Investments not only in airport improvement funding for taxiway and runway improvements and parking is necessary, but we also need to continue the investment in modernization of the air traffic control system. We have already completed about \$12 billion of enhancements in 47,000 pieces of equipment installed at the Nation's airports, in our control towers, terminal area control facilities and the en route centers. Those all now have to be upgraded.

The continuing modernization of the terminal radar control facilities which control aircraft in the airspace surrounding the airport is entering a very important phase of installation of the equipment that has been now tested and proven, and is now being installed.

Still remaining is redesign of the domestic airspace, straightening out the routes that now are “dog legs” in the air, that follow routes that were established with bonfires and beacons in the 1920s and 1930s and radio signals in the 1940s. We need to modernize that system and provide straighter routes to save fuel, save travel time, and improve the efficiency of our domestic airspace.

We also have to invest in the control systems over the Atlantic and Pacific Oceans, which are \$28 [billion] and \$20 billion markets for the United States, respectively. An investment that we make in air traffic control technology and improving our hard side of airports are critical to our future competitiveness.

Similarly in the infrastructure on the ground. With TEA-21 we achieved an extraordinary move forward advancement of highway, bridge improvement, safety programs, and transit systems all across America.

In 43 years of the interstate system, we invested \$114 billion of Federal funds in building the interstate. But in only 5 years of TEA-21 we invested \$120 billion of Federal funds, building 30,000 lane miles of highway, new or improved, more in 5 years than we accomplished in 42 years of the interstate system. We did it because we had a guaranteed account, because we had the firewall, because the States knew and the contractor community knew that at the start of the project they would be able to finish it as well.

We need to continue that march toward productivity by increasing—we had a 40-percent increased investment in highways and transit from ISTEA 1991-97, a 40-percent over those funds in TEA-21. Now we need a 50-percent increase to keep ahead of congestion.

The chairman cited figures on congestion. A newer, more recent report that the Texas Transportation Institute is preparing to publish this week will show that in those 75 major metropolitan areas in the United States the cost of congestion is over \$70 billion, but nationwide it is over \$100 billion, and our fellow citizens are spending a week longer in traffic than they would if they could drive at posted highway speeds. They are buying four tanks of gasoline more a year than they would if they could drive at posted highway speeds.

The way to get around that is to improve the capacity of our highway system and our bridge system and our transit system. The way we do that is with increased investments.

We also, during that period of TEA-21 created 1.5 million construction jobs that gave an enormous boost to the national economy.

Furthermore, in 1987, logistics occupied 16 percent of our gross domestic product. Moving goods by rail, air, or principally on the ground, 90 percent of that is surface movement by truck, by vehicle. Today that is down to 10 percent. That means in a \$10 trillion economy our investments in ISTEA and TEA-21 have resulted in a \$600-billion-a-year gain in productivity for the national economy. That is enormous when you consider that we haven't invested \$600

billion, total, over that period of time. For a \$30-billion-a-year investment in highway and transit, we are getting a tenfold return, a twenty-fold return on investment. We need those investments to continue to grow the domestic economy and to advance our domestic productivity.

In addition to productivity, safety: At the beginning of the interstate system, we were killing nearly 60,000 people a year on the Nation's highways. The interstate reduced that death toll to around 50,000. In the last 10 years we have reduced it to 41,000, about 3 million injuries a year.

We have to do better. We invested \$2.5 billion in highway safety in TEA-21. We need to continue that investment, to focus it better, and to reduce those highway fatalities and the \$130 billion in cost from highway accidents and injuries.

We will do that if the program that the chairman has outlined, and which I support and all the Democrats on the committee, and all but one Republican on the committee, do as well. We want to significantly move this program ahead to a \$50 billion investment in fiscal year 2004 and rising to \$75 billion by the end of the 6-year period. If we do that, transportation in every one of our districts will be better, we will have a far more safe highway system, improved mobility, and we will continue to make productivity gains and reducing the cost of logistics in our national economy.

Thank you very much, Mr. Chairman. I join with the chairman in thanking you for your support last fall during those difficult Continuing Resolutions, when investment in transportation for this current fiscal year was at stake. We appreciate your help.

[The prepared statement of Mr. Oberstar follows:]

PREPARED STATEMENT OF HON. JAMES L. OBERSTAR, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MINNESOTA

Mr. Chairman, I rise in strong opposition to H. Con. Res. 95, the fiscal year 2004 budget resolution. Regrettably, this Republican budget is likely to force the Transportation Committee to slash the pensions of 34,000 Coast Guard retirees and 645,000 railroad retirees and their dependents, and the relief provided to families of the victims of September 11. Who in this House believes that we should cut the September 11th Victims' Compensation Fund to finance more tax cuts for the rich? With the Nation now at war, who in this House believes that the men and women of the Coast Guard, who are protecting our shores and ensuring the safe passage of U.S. Navy ships in the Persian Gulf, should be worrying that this Congress may cut their retirement? This budget displays a callous disregard for the families of the victims of September 11, the men and women of the Coast Guard, railroad retirees, as well as the infrastructure needs of this country.

Section 201 of the Republican budget resolution forces the Committee on Transportation and Infrastructure to cut \$3.7 billion from its mandatory programs over the next 10 years. We are told to find these savings from "waste, fraud, and abuse" and to produce greater efficiency in our programs. While these platitudes of "waste, fraud, and abuse" make for good rhetoric, these policies will have a devastating effect on these retirees and the families of the victims of the September 11 attack.

The Congressional Budget Office says that 90 percent of the Transportation Committee's funding of mandatory programs includes these three:

- The September 11th Victims' Compensation Fund,
- Coast Guard retirement pay; and
- railroad retirement pensions and unemployment compensation.

And this is where we're expected to find "waste, fraud, and abuse?"

The September 11th Victims' Compensation Fund provides compensation to the victims, or their families, who were injured or killed as a result of the September 11 terrorist attacks. Mr. Chairman, no one in this chamber will forget the tragedy of September 11. I can only hope that the families of the victims of September 11 have begun to put their lives back together. How can we, in good conscience, retreat

from our solemn commitment to help them rebuild their lives? I commit to them now that I will oppose this Republican plan that could cut funding from the families of the victims of September 11.

Similarly, I commit to the men and women of the Coast Guard, both the 36,000 Coast Guard officers and enlisted personnel and the 34,000 Coast Guard retirees, that I will strongly oppose this Republican budget resolution and its likely cuts in Coast Guard retired pay.

As we debate this budget resolution, Coast Guard cutters are on combat patrol with the U.S. Navy to help secure shipping lanes and the safe passage of Navy ships in the Persian Gulf and the Mediterranean. At home, the Coast Guard continues to protect our shores and ports. On Monday, March 17, the Secretary of Homeland Security initiated Operation Liberty Shield to increase security at our Nation's borders and protect our critical infrastructure and key assets. Under Operation Liberty Shield, the Coast Guard is increasing patrols of major U.S. ports and waterways, increasing its escorts of ferries and cruise ships, providing armed Sea Marshals on-board every high interest vessel arriving at or departing from U.S. ports, and enforcing security zones in and around critical infrastructure sites in key ports and petroleum facilities close to large coastal communities. In addition to its military and homeland security missions, the Coast Guard continues its search-and-rescue mission—responding to nearly 37,000 calls and saving 3,654 lives in 2002—and many other missions. The Coast Guard has long been stretched thin, but has always been ready—"Semper Paratus"—to answer the call. I have always maintained that the public gets more out of its investment in the Coast Guard than virtually any other government service. The enlisted men and women of the Coast Guard should not have to worry about this Republican effort to cut their retirement pay.

The Republican budget resolution also is likely to result in significant cuts to railroad workers' retirement and unemployment compensation programs. Railroad workers, unlike other workers, are not covered by the Social Security system. They have their own retirement program. Last Congress, the bipartisan leadership of the Transportation Committee, with the strong support of rail unions, railroads, and rail retirees and their dependents, introduced H.R. 1140, a bill to revise the railroad retirement program to restore rail worker benefits and decrease railroad payroll taxes. The House overwhelmingly passed this legislation, by a vote of 383-33, and it became law. Today, the Republican budget resolution forces the Transportation Committee to consider changing this act to cut railroad worker retirement benefits and unemployment compensation. I commit to the 248,000 rail workers and the 645,000 rail retirees and their dependents that I will fight any attempt to roll back the benefits so recently restored to you.

Beyond these devastating cuts required by the reconciliation instructions, this budget resolution does little to meet our infrastructure investment needs. For the reauthorization of the Transportation Equity Act for the 21st Century (TEA-21), the Transportation and Infrastructure Committee urged the Budget Committee to provide \$50 billion in budget authority for highway, highway safety, and transit programs. In its letter to the Budget Committee, 74 of the 75 members of the Transportation Committee stated that we must provide this level of funding in fiscal year 2004 to maintain our surface transportation systems and have any hope of improving the overall condition of the Nation's highway and transit systems.

Regrettably, this budget resolution provides \$39 billion for these programs—little more than the status quo for TEA-21 reauthorization. Through the vigorous efforts of the bipartisan leadership of this committee, the Resolution also provides a reserve fund that would allow for additional allocations if this or other legislation includes increases in Highway Trust Fund receipts. Although this does provide the Transportation Committee with the opportunity to address this issue at a later date, this Resolution does nothing to address our enormous highway and transit infrastructure needs in the fiscal year ahead.

Moreover, the Republican resolution cuts the amount of highway and transit funding that actually may be obligated in fiscal year 2004 below the CBO baseline. Specifically, the Republican budget resolution assumes a cut in the transit program of \$98 million in fiscal year 2004 and \$2.5 billion over the next 6 years. This cut is directly contrary to TEA-21's goal of modal balance. Under TEA-21 we significantly increased transit funding by guaranteeing \$36 billion for transit. As a result of this increased investment, transit ridership has added 1.6 billion riders—more than 900,000 new riders each day—over the last 5 years. This transit renaissance could be threatened by these cuts in transit funding.

At a time when our Nation's infrastructure faces huge unmet safety and security needs, congestion is crippling our cities, and our economy has lost 2.5 million jobs in the past 2 years, the Republican budget resolution cuts these vital programs that could address infrastructure security needs and congestion problems and create

family wage jobs to grow our economy. Instead, it provides more than \$1 trillion of new tax cuts.

This budget resolution reflects more than misplaced priorities. It is an assault on working men and women from the Coast Guard to the Maintenance of Way railroad employees.

Mr. Chairman, I strongly oppose the Republican budget resolution and urge my colleagues to vote "no."

Chairman NUSSLE. I thank the gentleman. Mr. Skelton, we welcome you back to the committee.

If I didn't say so to begin with, all of your testimony as prepared will be part of the record and you may summarize. So the testimony you have submitted will be made part of the record, and we do appreciate you submitting the written testimony as well.

Welcome back, Mr. Skelton.

STATEMENT OF HON. IKE SKELTON

Mr. SKELTON. Mr. Chairman, thank you very much. Mr. Baird, thank you. I appreciate this opportunity.

I know that your work and efforts on this committee are so difficult at times, and yet you are at the heart of what we do in Congress. Thank you for this opportunity to share some defense related thoughts with you.

I only have three items I will touch on, if I may. I know it is difficult to foresee the exact costs, the exact nature of costs that will be incurred in the war on terrorism or the budget for it. Congress, in my opinion, must have a general notion of the impact of these contingency operations. From our perspective on our committee, I believe we must do all we can to make the costs on this war on terrorism a regular part of the authorization as well as the appropriations cycle.

Last year in the request that the Pentagon sent over they asked for a \$10 billion reserve fund for the global war on terrorism. It was authorized. However, it was not appropriated in the regular appropriations process because they didn't get the justifications over until July. However, it was appropriated in the omnibus appropriations bill. I think we can do better than that, and we may get part of the authorization in regular appropriations.

Along that line, the same would be true for the potential conflict that we undoubtedly will have in Iraq. The war on terrorism should not, as well the conflict, the upcoming conflict in Iraq, should not be done merely by supplementals. We lose our constitutional oversight. Money is spent by authorization and appropriation, and if these contingencies come to pass, we can't exactly put a figure on them now; we can judge fairly well. However, it means that we do oversight in the Armed Services Committee and a great deal of oversight elsewhere, enough that the appropriators, which is usually done on a "quick, let's do it right now" basis—that is no way to run conflicts, wars, or the military.

I know it is difficult to judge the figures, but I think it is incumbent upon this committee, and I would hope you would seriously take it into consideration in the budget resolution, allowing us to authorize and follow through with appropriations for those two contingencies.

Let me also go into another subject. The subject is concurrent receipt. This is nothing new to you. Last year the Budget Committee

provided the Armed Services Committee a mandatory spending allocation that allowed us to phase out over 5 years the prohibition on concurrent receipts for those military retirees, not all veterans, military retirees with a VA disability rating of over 60 percent.

The administration threatened to veto that, and we went to conference with the Senate, which actually had a larger figure than ours. But at the end of the day, we were able to convince the White House to take a lesser figure disability if it were directly related to the awarding of the Purple Heart and a combat related disability, such as stepping in a foxhole and breaking your leg, or whatever the case may be, but not actually by a wound, of 60 percent or better. I would recommend that you would allow us the allocation similar to what you did last year for those military retirees with VA disability ratings of 60 percent or higher.

I would also like to mention briefly a matter that has come to our attention, that the recommendations coming from the administration cut this item called "Impact Aid" to children who are military dependents. As you know, in many counties and cities throughout the country where there are military installations, those military installations don't pay local taxes such as school taxes, and the money is made up by the Federal Government for those military children with what we call "Impact Aid."

The Impact Aid figure has been cut by 14 percent below last year's level, and it is really difficult when I say to a sergeant who is getting ready to fly to Kuwait for the upcoming conflict, "Good luck to you, and we have given you all the ammunition you need and defense training you need, and by the way, we're not going to fully educate your child who you are leaving back here at home." So I urge you to include that cut proposal of 14 percent back into the budget.

I appreciate your consideration. These are very serious issues for people mainly in the military as well as all of our Nation. Thank you.

[The prepared statement of Mr. Skelton follows:]

PREPARED STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MISSOURI

Chairman Nussle, Mr. Spratt, and members of the Budget Committee: thank you for the opportunity to present my views about the national security function of the Federal budget.

Mr. Chairman, I will limit my testimony to two defense related subjects. First, the question of how to better budget, authorize, and appropriate funds for contingency operations. Second, the need for Congress to address the issue of concurrent receipt.

While it may be difficult to foresee the exact nature of what costs may be incurred in the war on terrorism, it is important to budget for them as best we can. Congress must have a general notion of the impact of these contingency operations on the government's bottom line. From my perspective on the Armed Services Committee, I believe we must do all we can to make these costs part of the regular authorization and appropriations cycle to best ensure proper congressional oversight.

Last year, the House passed budget resolution included a provision that established a \$10 billion reserve fund for the global war on terrorism, per the administration's request. Congress authorized the \$10 billion, and \$10 billion was appropriated in the omnibus appropriations bill.

Last year's experience was not ideal. The administration sent its justification to Congress late in July, and the regular Defense Appropriations bill did not include any of the \$10 billion. We should be able to do better this year, but the administration's budget request for fiscal year 2004 assumes no funding for contingency operations or specifically for the war against terrorism.

One problem of not making any allowance for the war on terrorism in the budget request is that funding will then likely be provided through supplemental appropriations. As you know, supplementals are done primarily by the Appropriations Committee, and usually in expedited fashion. In my view, this leads to several undesirable outcomes:

- Since supplementals are crafted in a more ad hoc fashion than a regular Authorization and Appropriations defense bill, they are usually drafted without the benefit of hearings and input from a wide array of Members.
- Institutionally, Congress loses the process of checks and balances that the House and Senate Armed Services Committees provide in tandem with the Appropriations Committees.
- Most importantly, supplementals are often delayed, which means that the Pentagon must raid readiness accounts to pay for the contingency operations. This affects training and readiness levels, and is something we must strive to avoid.

I believe we should include funding for the ongoing war on terrorism in the budget resolution. This means assuming a supplemental for 2003 and a reserve fund for 2004. Section 201 of last year's budget resolution would be a good model for the reserve fund for this year.

The tougher question is Iraq. I believe the Budget Committees, the authorizing committees, the Appropriations Committees, and the administration need to establish rules and procedures on how to provide funding for any possible military action in Iraq. We in Congress must protect our constitutional obligation to ensure that authorized and appropriated funds are necessary and are being properly used.

My second issue, concurrent receipt, is easier.

Last year, the House Budget Committee provided the Armed Services Committee a mandatory spending allocation that allowed us to phase out over 5 years the prohibition on concurrent receipt for those military retirees with a VA disability rating of 60 percent or higher. Unfortunately, the administration threatened to veto our authorization bill if it included this provision, so it was dropped during conference with the Senate. We did adopt a provision that allows military retirees to collect both VA disability and their full military retirement payment if the disability resulted from a combat injury or a wound for which they were awarded a Purple Heart. This is a step in the right direction, but falls short of what fairness dictates we do for military retirees who have disabilities serious enough to warrant VA compensation.

At a minimum, Mr. Chairman, I recommend that you again provide in this year's budget resolution an allocation to the Armed Services Committee that will allow us to adopt legislation to accomplish what you advocated last year—permitting concurrent receipt for those retirees with VA disability ratings of 60 percent or higher. This again could be a 5-year, gradual phase in, so the allocation would be similar to last year's allocation of \$5.8 billion in direct spending over 5 years.

If a disability results from military service to our country, even if it was not sustained in battle, military retirees should be entitled to both retirement pay they earned and VA disability compensation. Going back to last year's initiative is a modest but critical step to fair treatment for our military retirees with disabilities, and I urge you to again include it.

Before leaving, I want to mention an issue that is important to military members, their families, and to local school districts throughout the country—Impact Aid. As you know, Impact Aid provides public school districts with a Federal payment in lieu of taxes lost because of the non-taxable status of Federal property. In the 1275 school districts that receive Impact Aid, this funding makes a real difference in the quality of the education that children, particularly the children of military members and Federal civilian workers, receive.

About \$1.2 billion was appropriated in the fiscal year 2003 omnibus appropriations act for Impact Aid. Unfortunately, the administration's request for fiscal year 2004 is only about \$1 billion—14 percent below the 2003 level. I urge the committee to include in the budget resolution an allocation for this important program that, at a minimum, would permit funding at last year's level.

Mr. Chairman, I again thank you, Mr. Spratt, and the rest of the Budget Committee for providing me with the opportunity to discuss these matters with you.

Chairman NUSSLE. Thank you, Mr. Skelton.

This is the end of the first panel. Let me just report to members that I know that there are a number of Members on the committee that want to testify that are hoping to move as expeditiously as possible. So why don't we move to questions for these three wit-

nesses and see if there are any questions for this first panel. Do any members have any questions? Mr. Baird?

Mr. BAIRD. Just very briefly, I wonder if I might ask Mr. Young or Mr. Oberstar if they could comment on the economic development implications of the budget proposal. Jobs and economic recovery are high on our priority list right now.

Mr. YOUNG. If you are referring to the effect of this type of investment, for every billion dollars, there are 44,000 high-paying jobs created. But more than that—that is immediate. That is one of the best stimulus packages you can possibly have, but it is the long-term effect; if we don't do something, the effect upon the economy gets less and less, what I call, viable.

This is a different role now. After we passed NAFTA, if you went up and down the highways, you would see the trucks, wall-to-wall trucks coming north and south out of Canada and such. We have a problem because we are not able to deliver on time; things cannot leave these ports on time, and we are a trading nation. If we don't improve all the forms of transportation, we will not be competitive globally with the other countries.

Mr. BAIRD. I appreciate that, and I also want to thank Mr. Skelton for his testimony and to share many of your comments. We appreciate your presence.

Thank you, Mr. Chairman.

Chairman NUSSLE. Mr. Brown?

Mr. BROWN. Good morning, Mr. Chairman.

Gentlemen, I appreciate the input that you have given us on the roads and the needs we have. My question would be, with the increase in the additional funding, are you planning to adjust the State match? I mean most of the States are having budget problems of their own and they are having trouble finding enough revenue in order to meet the Federal plans. I am just wondering if you would address the State requirements.

Mr. YOUNG. We are going to try to address the formula question itself. With more money, we can do that. That is the debtor State and the receiver State. We also are aware of States that don't have the ability to make the match, but I also would suggest States that have, in fact, made an effort to raise the money to meet the national transportation needs, I would probably look more favorably on them than just doing the whole 100 percent Federal funding for a highway system within a State, because a lot of States are aggressively doing it. Florida is one of them. They have gone out and passed money to meet the match available to set the transportation system in place.

What we have to do is start encouraging States and say, this is a national issue, but you have to participate in it. It isn't always just come from the Federal Government. But I am trying to raise the formula up to a level that is more equitable. I have said this all along, but I cannot do that unless the money is available to do so.

Mr. BROWN. But you are of the opinion now that you might need to raise everybody to at least some level?

Mr. YOUNG. We have thought of a number. Personally, I would like to get at 92 percent, and if that is possible, we will do it. It is going to be very difficult to do that without, I think, destroying

the bill. Because if you think some of the States that are receiver States, that they lose the percentage they are getting now, they are not going to be very happy, and there are some very powerful Senators on the other side that have looked askance at whatever we are trying to do.

Mr. OBERSTAR. If I may, Mr. Brown, in TEA-21 it was our very determined objective to improve the equity of the Highway Trust Fund. Then Chairman Shuster and I, and our staffs, spent a great deal of time with the Office of Management and Budget, the Federal Highway Administration, and the Department of Transportation, to work through numerous formulas that would achieve our goal of equity. We came up to 90.5 percent return for each State. That was the base. Every State would be assured they would get no less than 90.5 percent. Some would get more because of historically the way the formula has worked, the three-part formula for distribution of Federal Highway Trust Fund dollars.

To close the gap, we had also a minimum guarantee amount for each of the States. That was a further adjustment based on the formula to assure that States got to 90.5 percent.

We were able to achieve that objective because we had a growing national economy, rising revenues into the Highway Trust Fund, and ability to expand the total dollars by 40 percent. Now, as Chairman Young said just a moment ago, if we get to the \$50 billion program and \$375 billion over 6 years, then there are more dollars available to increase the total funding and improve that equity position. We are going to have to do a lot of computer runs to get there, but, frankly, it all depends on how much money totally is going to be available in the program. That is going to mean an increase in revenues.

Mr. BROWN. Mr. Chairman, if might just add one—is my time up?

Chairman NUSSLE. No. [Laughter.]

Mr. BROWN. Then may I ask one final question that really is pretty important to South Carolina? We have an unusual influence of tourism in our transportation system. I was just wondering if you would account for those States that are impacted by tourism. We are a State of 4 million people, and we have over 12 million tourists a year visiting via our roads. So if you would be so kind as to comment on that, Mr. Chairman?

Mr. OBERSTAR. I think that fact does accrue for States all along the I-95 corridor, where there is a huge amount of tourism. You have 35 million people living in that corridor, and they are pass through States. The people are passing through, but they are buying fuel in that State. That additional gas purchase, plus revenue into the trust fund, accrues to the benefit of the State along that transportation corridor.

We see that in other tourism corridors elsewhere around the country. That was one of the factors that we used in providing a minimum guarantee adjustment for South Carolina in TEA-21.

Chairman NUSSLE. Are there other members who have quick questions for this panel? [No response.]

We appreciate your testimony, and we certainly will take it under very strong consideration.

Mr. YOUNG. Thank you, Mr. Chairman.

Chairman NUSSLE. Thank you.

We will invite the other Members who are in the room to come up to the witness table. In the meantime, while they are coming forward, we will invite Mr. Brady, who is here, to begin his testimony. Welcome to the committee, and we are pleased to put all of the Members' testimony into the record as written, and you may summarize during the time. Mr. Brady?

STATEMENT OF HON. KEVIN BRADY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. BRADY. Thank you, Mr. Chairman, Mr. Ranking Member. Thanks for being here today. I will summarize quickly.

If there is one thing we all share in common, Republican or Democrat, it is that we want to cut wasteful spending out of our budget. We want to get a better bang for the dollars we spend up here. The past generations of Congress have not had much luck controlling the spending. We are becoming more efficient.

What I am proposing today is a proven way to cut wasteful spending, shrink the size of government, and, more importantly, just to make sure that every dollar we spend up here really gets used for what it is intended to be used. This method is the creation of a Federal sunset commission.

This is a bill proposed by Congressman Jim Turner and I, along with 50 other cosponsors from both sides of the aisle. It is a proven method that works, and more than half, almost half of our States today have a sunset mechanism. It really does, obviously, tackle the issues of duplication in all agencies.

This Commission sets an expiration date, and every agency program will go out of existence unless they can prove their value to us, not their value 100 years ago or 40 years ago, or whatever. But do they deserve our precious tax dollars today?

The Commission reviews the agency who looks at them for, are they doing what they originally were intended? Are they making efficient use of their tax dollars? Are they following the intent of Congress as they perform? What type of customer service do they provide? Do they duplicate other programs? Do they waste these dollars?

Under the mechanisms, agencies will be put on about a 12-year date timetable, which we have found in these 24 States is very key. Not only do States eliminate inefficient spending—in Texas, for example, we use sunset like other States. We have lost 43 State agencies, saved about \$1 billion in tax savings each year. Other States achieve different degrees of success in it. It depends, in our study, on how dedicated you are to really sunset. There has to be a continual review. Agencies need to know that we are always looking at the spending mechanisms.

What we have discovered also in studying States, that not only do you cut wasteful spending, but it is amazing and interesting how responsive agencies get to Members of Congress and taxpayers when their date for sunset comes up. Your phone calls get returned; letters are responsive. They learn who their customers are, but in truth the customers are the taxpayers. What we want to do is reinforce the fact that our agencies, our government is here to serve the taxpayers, not the other way around.

The Commission is a bipartisan commission, half appointed by the House, half by the Senate, half by the majority, and half by the minority. We believe it can produce significant results.

One of the key things, I guess the point of all this, to sum up, is that we ensure under sunset that there are no sacred cows. Every agency is reviewed. Every agency is set to high standards. What we basically say to our agencies is, "Put up or shut up. Serve government, serve the people, or leave."

We want to invest in programs that work that are dying for those that don't. This is a proven way to control spending, and I would urge the Budget Committee, which is I think a champion in trying to make efficient use of our resources, to incorporate this whenever possible.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Brady follows:]

PREPARED STATEMENT OF HON. KEVIN BRADY, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF TEXAS

Purpose: To provide for the periodic review of the efficiency and public need for Federal agencies, to establish a commission for the purpose of reviewing the efficiency and need of such agency, and to provide for the abolishment of agencies for which a public need does not exist.

Benefits:

- Requires each Federal agency to justify their existence—or face elimination.
- Cuts wasteful spending and promotes efficiency.
- Abolishes obsolete agencies—streamlines others and identifies duplication.
- Promotes accountability and customer service.
- American taxpayers are given a voice in evaluating an agency's operations, responsiveness and need for existence.
- Discourages regulatory deviation from Congress' legislative intent.
- Builds on the foundation of the Results Act of 1993.

Commission: A 12-member bipartisan commission is established composed of eight Members of Congress and four private individuals, appointed in equal numbers by the Speaker of the House and the majority leader of the Senate. Of the four Members of Congress appointed from each chamber, two will be of the majority party and two of the minority. The length of terms are 6 years for Members of Congress, 3 years for private individuals. Members of Congress cannot serve beyond their term in elected office.

Expiration Date: The commission will assign with the approval of Congress an expiration date to every agency of the Federal Government not specifically enumerated in the U.S. Constitution. The normal sunset length is expected to be 12 years for most agencies, a shorter length when deemed appropriate by Congress. If not re-established by legislative action of Congress, the agency will cease existence within one year of its sunset date.

Review of Need: Prior to the sunset date the commission will consider: agency need and purpose, efficiency of operation, operations outside its scope of authority, cost-effectiveness in delivering essential services, duplication of programs, responsiveness of the agency to congressional recommendations, compliance with the Results Act, customer service and promptness in processing complaints, encouragement of public participation and the effects of abolishment on State and local governments.

The commission will consult with the General Accounting Office, Comptroller General and the Office of Management and Budget, and solicit recommendations from the congressional committees of jurisdiction.

Public Input: American taxpayers, agency customers and State and local governments will be encouraged to voice—through public hearings, Internet and other forms of communication—their opinions of agency need, quality of service and effectiveness.

Recommendation: Following evaluation of each agency under sunset review, the commission will submit to Congress a recommendation as to whether the agency should be abolished, streamlined, reorganized or re-established with recommendations for administrative and legislative action. If the agency is re-established, a fu-

ture sunset date will be assigned by Congress to ensure continued accountability and periodic review.

Cost: When the commission is established the appropriated expenditures will be offset by a reduction in current Federal spending to be identified.

Sunset: To ensure continued accountability of the commission itself, the Abolishment of Obsolete Agencies and Federal Sunset Act contains a sunset date.

Chairman NUSSLE. Thank you, Mr. Brady. Would you add me as a cosponsor?

Mr. BRADY. Yes, sir.

Chairman NUSSLE. Thank you. And if there are any others, you can volunteer as well.

The next Member by time who has arrived is Mr. Tierney. Welcome, and we are pleased to receive your testimony.

STATEMENT OF HON. JOHN TIERNEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. TIERNEY. Thank you, Mr. Chairman. I thank you for the opportunity to speak today. I want to thank you, Mr. Baird and members of the minority and other members here also.

You know the Budget Committee I guess is where the buck stops and where it also starts. As the process begins, I am here today, I think, just basically to try to urge the committee to adopt a budget resolution that will put Americans back to work, that will fund vital priorities such as homeland security, education, and health care, and include the cost of any impending war.

We simply need a budget that will turn our economy around. I probably don't need to restate the fact that, if we add the President's budget up without the cost of Iraq, we are already looking at having seen the \$5.6 trillion 10-year budget surplus we were looking at at the beginning of this term being replaced by a \$2.1 trillion deficit. That is close to an \$8-trillion turnaround in just 2 years. I think the public and I see the numbers as staggering.

At the same time, we have record job losses and poor economic growth. Two million jobs have been lost since January of 2001. The stock market has gone down while unemployment rates have gone up, and consumer confidence is at its lowest level in 10 years.

In response to all this, the administration puts in front of us, tries to promote now an economic plan of tax cuts for only a few, seemingly without regard for the plight of many. There are consequences to this type of a flawed policy, and our vital domestic programs on which many people depend are going to suffer.

They were underfunded even before we started talking about what is happening in Iraq, and they are certainly going to be even more severely underfunded after that. We can simply do better.

First, Congress has to adopt a budget that puts Americans back to work. Over the past 2 years, over 2.3 million private sector jobs have been lost; over 8 million Americans, white collar and blue collar, are out of work. In my district alone, the unemployment rate is an unacceptable 7.3 percent. Today we learned that 430,000 people filed claims for unemployment assistance just last week. That is 430,000 more American families struggling as our economy is sagging.

Yet, the administration's response is an irresponsible economic policy that focuses on multiyear tax cuts for our wealthiest citizens. Despite the administration's claims that this latest tax cut would

afford an average \$1,000 tax cut for all Americans, the fact is that in my home State 25 percent of Massachusetts taxpayers will receive nothing at all. Forty-three percent of Massachusetts taxpayers will receive less than \$100. That is 1.3 million Massachusetts taxpayers who will get less than \$2 a week.

Now in my district there is a McDonald's on Main Street in Peabody that sells Big Mac for about \$2.61. That means that, with the proposed so-called tax break, for most people in my district it won't even include enough money to buy the Mac even though it comes without the fries.

This is unacceptable. We can do better. But those people do better than the 780,000 Massachusetts people who will get absolutely zero under the Bush administration's proposal. We can do better.

This committee could adopt a bipartisan budget that incorporates the House Democrats' plan. We propose a fair, fast acting, fiscally responsible economic plan that will pump \$136 billion into the economy just this year. That plan offers a \$300 tax rebate to every working American, putting money into the hands of consumers who need to spend it now—for rent, for food, for consumer goods, and school costs for their children.

We provide immediate tax relief for small businesses to boost cashflow and generate investment in jobs by increasing from \$25,000 to \$50,000 the amount of the cost of new investments that a small business can expense in 2003 and allowing a 50-percent bonus depreciation for business investments.

And we send \$31 billion directly to the State and local governments for transportation, homeland security, Medicaid, and health care, giving hard-pressed States a burst of money for necessary projects that are ready to go except for the lack of funds. I, for one, think that we could do even more in that area.

The American people expect us to fund vital priorities, which should mean this budget should be a statement of our national priorities, national values. It must fund the vital priorities of the American people.

Although the President says he values homeland security, education, prescription drugs, and a myriad of other responsible needs, his budget reflects otherwise. There is a clear disconnect between what the President promises and what he produces in the budget. His rhetorical support for many critical domestic programs is simply not reiterated and reflected in his budget numbers and figures.

The reality is that our first-responders and those who protect our borders and ports will not be adequately funded; our children will be left behind, and our senior citizens will be shortchanged. Our values have to be in consideration of our first-responders. Since September 11, local police and fire and emergency personnel have heroically answered the call to protect our country. Over 18 months later, we still haven't matched our rhetoric with our resources.

We can do better for first-responders. We need to invest in the nuclear, port, industrial, and community protections that non-partisan experts say our first-responders need to fight the clear and present danger of terrorism.

Today I renew the call made last year with the bipartisan support from over 100 Members of Congress. Let's pass a budget resolution that helps local first-responders by counting the \$2.6 billion

they've already spent defending America after September 11 toward the 25 percent local match required for police, fire, and emergency personnel. Let's commit to a fast track disbursement of these funds directly to local communities, once the dollars have been appropriated. Before taking billions of dollars off the table with a tax cut to benefit the high end, let's fund homeland security first.

Our budget must value education, starting with the No Child Left Behind Act. The Bush budget is billions beneath the amount that the President promised, millions short in fiscal year 2004 alone, and will leave many children behind.

The Bush budget cuts after school programs, including the 21st Century Community Learning Center Initiative. In April of 2002, the President went to New Mexico and told us about his support for Even Start. Such a program would offer tutoring to children and job training to adults, but the Bush budget cuts Even Start.

It also cuts education in areas of vocational/technical programs for colleges, and my cities and towns are strained with Federal mandates imposed on them for testing and administrative requirements. They trusted that the President would at least keep his promise to pay for these. He didn't, and now in pressing times they must.

Our students deserve more from the budget. This committee can start by keeping the promises the President made in signing his own bill and fully fund the No Child Left Behind Act.

Hopefully, this budget must value health care. As Members of Congress, we value health care. We pay into a system that guarantees each of us access to quality care and prescription drugs. We must do the same for the American people.

The Bush plan could force seniors to drop out of Medicare and give up the right to choose their own doctor in order to get a prescription drug benefit. Seniors who stay in traditional Medicare under that plan would only receive a drug discount card that offers minimal savings and would give catastrophic coverage, but it doesn't kick in until they have already spent thousands of dollars out of their own pockets. Rather than passing a budget that forces seniors and others to choose between their family doctors and needed prescription drugs, we should provide a guarantee.

This committee could reach across the aisle and adopt the Democratic plan which offers seniors a prescription drug benefit that they deserve, one that is comprehensive, affordable, and available for all who receive Medicare, the same Medicare program they have trusted for over 40 years.

We have to preserve the choices that matter most: what doctor to go to; what pharmacy to use. If the health care plan and meaningful prescription drug benefits that give more relief and more choices is good enough for Members of Congress, I suspect it is good enough for all Americans.

This committee can act to hold the President to his homeland security, education, and health care promises, and I urge you to do that.

Finally, we have to level with the American people and include the cost of war in the budget. While the White House speaks of little else today besides Iraq, the one place they are conspicuously silent is in the budget. The cost of disarmament or a potential war

with Iraq are not even factored in the President's budget or in the Department of Defense estimates.

We hear rumors that the President is going to request a supplemental spending bill of as much as \$95 billion to pay for military action in Iraq. Why isn't that reflected in the 2004 budget? Why isn't it being discussed with the American people today?

There's already substantial sums, said to be as much as \$26 billion in grants and loans to Turkey for the use of our bases on their northern front against Iraq. If we have \$26 billion for Turkey, we should have \$26 billion to spend on education, homeland security, and health care in America. The \$26 billion for Turkey comes on top of the \$400 billion in fiscal year 2004's budget already proposed for the Department of Defense for our military, and there is no end in sight.

Estimates for the cost of war, Iraq's reconstruction, and the American occupation are rumored to be from \$50 billion to \$200 billion. For a year and a half now, we have spent millions of dollars each month in Afghanistan as part of a bipartisan commitment to rebuild that country. If our Afghanistan experience is any indication, the Iraqi war and aftermath will be a sustained commitment of blood and treasure.

I think the President owes the American people an explanation of just what that commitment is, a concrete assessment in terms of American and Iraqi lives and in treasure, and what we are forfeiting domestically because of the war. That is what the American people have to know and have to debate.

But we needn't wait for the White House to level with the American people, Mr. Chairman. Today this committee can tell the truth to the American people. The American taxpayers are the investors, so let's let them know how much of their hard earned tax dollars will be spent and for what. We have war plans. War plans have cost estimates. We have a number. Let's share it with the American people.

Now the essential question is, how are we going to pay for this? How do we keep the promises made to the American people while protecting our country and preventing future generations from paying the bills? In this time of struggle against terrorism, contributions need not be limited to men and women in uniform. Every American can do his or her part.

As a measure of shared sacrifice, we can temporarily suspend the phase-in of all future tax reductions under the 2001 Tax Reduction Act until the President certifies that the situations in Iraq and North Korea have been resolved, and that there has been an adequate response to international terrorism, and the administration is no longer extending enlistments of members of the Armed Forces or activating Reserve units by reason of the situation in Iraq and North Korea. If Congress can't muster that resolve to do that, then we can suspend any future steps in lowering the top two income brackets.

Mr. Chairman, I hope that in committee and on the House floor the majority will accord these options full consideration. I hope we have that debate before our country. Your committee has the opportunity today to bridge the credibility gap between the Presi-

dent's lofty political rhetoric and his harsh budgetary realities. I urge you to seize the opportunity to do that.

Thank you for the opportunity to testify.

[The prepared statement of Mr. Tierney follows:]

PREPARED STATEMENT OF HON. JOHN F. TIERNEY, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MASSACHUSETTS

FISCAL YEAR 2004 BUDGET SHOULD PUT AMERICANS BACK TO WORK, FUND VITAL
PRIORITIES, INCLUDE COSTS OF WAR

Thank you, Mr. Chairman, for the opportunity to speak today. Thank you, Mr. Spratt, for your thoughtful leadership as the ranking member. The Budget Committee is where the buck stops—and starts. As this process begins, I am here today to urge the committee to adopt a budget resolution that will put Americans back to work, fund vital priorities—such as homeland security, education and health care—and include the costs of any impending war.

We need a budget that will turn our economy around.

When we add up the President's budget, without the cost of Iraq, the \$5.6 trillion 10 year budget surplus we looked at the beginning of this Presidential term has already been replaced by a \$2.1 trillion deficit. This is close to an \$8-trillion turnaround in just 2 years. The numbers are staggering.

At the same time, there are record job losses and poor economic growth. Two million jobs have been lost since January of 2001. The stock market has gone down while the unemployment rate has gone up. Consumer confidence is at its lowest level in nearly 10 years.

Meanwhile, in response to all of this, all this administration can do is to continue to promote and advance the narrow economic plan of tax cuts for the few, without regard to the plight of the many.

There are consequences for this flawed fiscal policy, and our vital domestic programs, on which many people depend, are going to suffer. They were under funded even before we started talking about what is going to happen in Iraq, and they are going to be even more severely under funded after that. We can do better.

First, Congress must adopt a budget that puts Americans back to work: Over the past 2 years, over 2.3 million private sector jobs have been lost. Over 8 million Americans—white collar and blue collar—are out of work. In my district the unemployment rate is an unacceptable 7.3 percent. Today we learned that 430,000 people filed claims for unemployment assistance last week. That's 430,000 more American families struggling as our economy is sagging.

Yet the administration's response is an irresponsible economic policy that focuses on multiyear tax cuts for our wealthiest citizens. Despite the Bush administration's claims that its latest tax cuts would afford an average \$1000 tax cut for all Americans, the fact is that in my home State, 25 percent of Massachusetts taxpayers would receive nothing at all and 43 percent of Massachusetts taxpayers would receive less than \$100.

That's 1.3 million Massachusetts taxpayers who will get less than \$2 a week. Now in my district, the McDonald's on Main Street in Peabody sells a Big Mac for \$2.61—and that does not include fries. With a so-called tax cut of less than \$2 a week, my constituents don't even get enough for one Big Mac. But these folks are better off than the 780,000 Massachusetts taxpayers who will receive zero under the Bush plan. We can do better.

This committee can adopt a bipartisan budget that incorporates the House Democrats' plan. We have proposed a fair, fast acting, fiscally responsible economic plan that will pump \$136 billion into our economy this year. That plan offers a \$300 tax rebate to every working American, putting money into the hands of consumers who need to spend it now for rent, food, consumer goods and school costs for their children.

We provide immediate tax relief to small businesses to boost cash flow and generate investment and jobs by increasing from \$25,000 to \$50,000 the amount of the cost of new investments that a small business can expense in 2003 and allowing a 50 percent bonus depreciation for business investments. We send \$31 billion directly to State and local governments for transportation, homeland security, Medicaid and health care, giving hard pressed States a burst of money for necessary projects that are ready to go but for lack of funds. I, for one, think we could do even more there.

Second, the American people expect us to fund vital priorities: The budget is a statement of our national values. It must fund the vital priorities of the American people. Although the President says he values homeland security, education, pre-

scription drugs, and a myriad of other responsible needs, his budget reflects otherwise. There is a clear disconnect between what the President promises and what he produces. His rhetorical support for many critical domestic programs is simply not reflected in his budget's numbers and figures. The reality is that our first responders, those that protect our borders and ports, will not be adequately funded; our children will be left behind; and our senior citizens will be short changed.

Our budget must value our first responders: Since 9/11 local police, fire and emergency personnel have heroically answered the call to protect our country. Over 18 months later, we still have not matched rhetoric with resources.

We can do better for first responders. We need to invest in the nuclear, port, industrial and community protections that non-partisan experts say our first responders need to fight the clear and present danger of terrorism.

Today I renew the call made last year with bipartisan support from over 100 Members of Congress. Let's pass a budget resolution that helps local first responders by counting the \$2.6 billion spent defending America after 9/11 in crisis response and consequence management as a "soft match" toward the 25 percent local match required for police, fire and emergency personnel. Let's commit to a fast track disbursement of these funds directly to local communities once the dollars have been appropriated. Before taking billions of dollars off the table with a tax cut to benefit the high end, let's fund homeland security first.

Our budget must value education, starting with the No Child Left Behind Act: The Bush budget is billions beneath the amount that the President promised—millions short in fiscal year 2004 alone—and will leave many children behind.

The Bush budget cuts after school programs, including the 21st Century Community Learning Center Initiative. In April of 2002, the President went to New Mexico and told us all about his support for Even Start, a program that offers tutoring to children and job training to adults. But the Bush budget cuts Even Start. The Bush budget also cuts vocational and technical college programs that prepare students for the future.

My cities and towns are strained by the Federal mandates imposed on them for testing and other administrative requirements. They trusted that the President would at least keep his promise to pay for these. He didn't, and now in hard times they have to pay.

Our students deserve more from our budget. This committee can start by keeping the promises the President made in signing his own bill, and fully fund the No Child Left Behind Act.

Our budget must value health care: As Members of Congress, we value health care, and pay into a system that guarantees each of us access to quality care and prescription drugs. We must do the same for the American people.

The Bush plan could force seniors to drop out of Medicare and give up the right to choose their own doctor if they want a prescription drug benefit. Seniors who stay in traditional Medicare would only receive a drug discount card that offers minimal savings and catastrophic coverage that does not kick in until they have already spent thousands of dollars out of their own pockets. Rather than pass a budget that forces seniors and others to choose between their family doctors and needed prescription drugs, we should provide a guarantee.

This committee should reach across the aisle and adopt the Democratic plan, which offers seniors a prescription drug benefit that they deserve—one that is comprehensive, affordable, and available for all who receive Medicare—the same Medicare program they have trusted for nearly 40 years. We must preserve the choices that matter most—which doctor to go to and what pharmacy to use.

If a health care plan with meaningful prescription drug benefits that gives real relief and real choices is good enough for Members of Congress, it's good enough for all Americans. This committee can act to hold the President to his homeland security, education, and health care promises—I urge you to do so.

Third, we must level with the American people and include the costs of war in our budget: While the White House speaks of little else besides Iraq these days, the one place they are conspicuously silent is in the budget. The costs of disarmament or a potential war with Iraq are not even factored in the President's budget or those Department of Defense estimates.

We hear rumors that the President is going to request a supplemental spending bill of as much as \$95 billion to pay for any military action in Iraq. Why is that not in the 2004 budget? Why is it not being discussed with the American people today?

They have already offered substantial sums, said to be as much as \$26 billion in grants and loan guarantees to Turkey for the use of our bases on their northern front against Iraq. If we have \$26 billion for Turkey, we should have \$26 billion to spend on education, homeland security and health care in America. This \$26 billion

to Turkey comes on top of the \$400 billion in the fiscal year 2004 budget already proposed for the Department of Defense for our military. And there is no end in sight.

Estimates for the cost of war, Iraq's reconstruction, and an American occupation are rumored to range from \$50 billion to \$200 billion. For a year and a half now, we have spent millions of dollars each month in Afghanistan as part of a bipartisan commitment to rebuild that country. If our Afghanistan experience is any indication, the Iraqi war and aftermath will be a sustained commitment of blood and treasure.

I think the President owes the American people an explanation of just what that commitment is—a concrete assessment in terms of American and Iraqi lives, and in treasure—and what are we forfeiting domestically because of this war. That is what the American people have to know and debate.

But Congress need not wait on the White House to level with the American people.

Today, this committee can tell the truth to American people. The American taxpayers are the investors—let's tell them how much of their hard earned tax dollars will be spent. We have war plans; war plans have cost estimates; we have a number; let's share it.

Now the essential question is, how do we pay for this? How do we keep the promises made to the American people while protecting our country and preventing future generations from paying the bills? In this time of struggle against terrorism, contributions need not be limited to men and women in uniform. Every American can do his or her part.

As a measure of shared sacrifice, we can temporarily suspend the phase-in of all future tax reductions under the 2001 Tax Reduction Act until the President certifies that the situations in Iraq and North Korea have been resolved, there has been an adequate response to international terrorism, and the administration is no longer extending enlistments of members of the Armed Forces or activating Reserve units by reason of the situation in Iraq or North Korea.

If Congress can't muster the resolve to do that, then we can suspend any future steps in the lowering of the top two income tax brackets. This affects taxpayers with incomes of \$150,000 and above. Freezing the top two tax rates while allowing all other bracket reductions and phase-ins such as marriage tax relief and child credits provides middle class tax fairness and generates resources.

I would hope that in committee and on the House floor, the majority will accord these and other options full consideration so that the American people can participate in an open, democratic—yes patriotic—debate about the future of our country.

You members of the Budget Committee have an opportunity today to bridge the credibility gap between the President's lofty political rhetoric and his harsh budgetary realities. I urge you to seize this opportunity; to restore sanity and candor to the budget process; and to pass a budget that promotes the physical, economic and health security of the American people without imposing increased social inequities and crushing debt to future generations.

Thank you.

Chairman NUSSLE. I thank the gentleman.

Now for that good, old fashioned Iowa wisdom to the committee, we welcome Mr. Latham.

STATEMENT OF HON. TOM LATHAM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. LATHAM. Thank you, Mr. Chairman, and I am only following your lead here, but it is an honor to testify before you about an issue that I know you are very much aware of and have worked very hard on. I appreciate all the hard work that you have done during last year's debate on the Medicare Modernization and Prescription Drug Act, and I look forward to working with you in achieving an equitable Medicare solution for Iowa's health care providers.

Iowa's health care infrastructure faces a critical shortfall due to the flawed fee-for-service reimbursement formula. Across my State and my district, hospitals are closing their doors and physicians are relocating to States with more equitable reimbursement, simply

because Medicare does not cover the cost of providing health care in Iowa.

Because of these cruel realities, many communities in Iowa are facing the future without access to health care; this is to say, a future with little hope of economic development and prosperity. Today Iowa has the lowest Medicare revenue for beneficiary reimbursement of any State and one of the highest elderly populations, proportionately.

According to a May 2002 study conducted by the Medicare Payment Advisory Commission entitled, "Current Observations on State Level Variation in Medicare Spending," Iowa receives only 56 percent—56 percent—of the national aggregated revenue per beneficiary under Medicare.

To illustrate this disparity, Iowa's reimbursement rate of \$3,053 is less than one-third of the rate provided for beneficiaries in Washington, D.C., the locality with the highest reimbursement rate at \$10,373, and is well below the national average of \$5,490. Iowa ranked second in the Nation for the percentage of persons 85 and older, third in the Nation in percentage of people 75 and older, fourth in the Nation for percentage of 65 and older, and fourth again of individuals 60 years and older.

Iowa's elderly rely on Medicare, a program to which they contributed the same rate as their peers in other States with the higher reimbursement. The inequity is a problem of dire consequence. So significant is the problem in Iowa, as I mentioned before, hospitals are closing and physicians are relocating to neighboring States.

The current Medicare reimbursement regime has proven to be a failure in my State and is endangering the future of health care in Iowa. Over the next few months we will consider possible Medicare solutions. I would like to be perfectly clear that I will not support any proposal that does not adequately address the low reimbursement issue. I would also like to support your efforts, Mr. Chairman, to put additional dollars into Medicare for All States receiving low reimbursement.

The root of Iowa's low reimbursement problem can be found in the prospective payment system used in calculating the reimbursement received by health care providers. The system the Congress established in the early 1980s sought to make payment for acute in-patient care uniform. The PPS calculates the payment for a given service through combining actual resources used with three variables: a relative value for service, the adjustment for geographical variations and costs, and the conversion factor.

It is important to note that Iowa's problems are not the result of the adjustment for geographic variation alone. Rather, the adjustment has an effect on the relative value for service and is exacerbated by the conversion factor.

The numerous fixes established by congressional repairs on the PPS offer reasonable reimbursement for a portion of Iowa's health care providers. About 42 of Iowa's 116 hospitals have become critical access hospitals and will remain afloat because of this cost-based reimbursement status. The larger hospitals and specialists who are accepting referrals are slowly nearing failure.

The Iowa Hospital Association has suggested that \$80 million is lost every year in treating Medicare-dependent patients, and this

number does not even account for physicians, home health care workers, physical therapists, and other Medicare-dependent providers.

Highly skilled medical professionals must accept, as a condition of practicing medicine in Iowa, that the current base standardized payment rate and wage index yields a lower wage in Iowa than in neighboring States. The problem with Medicare's fee-for-service formula should be seen not as a problem of policy, although it certainly is, but a problem of political reality. The Medicare pot is too small to accommodate the concerns of all States, and the pot must be increased. We cannot solve this problem by taking away from some to fix our problem.

In order to provide future certainty for Iowa's health care infrastructure, as well as the health care infrastructure in all States receiving less than the Medicare reimbursement average, I say again that I believe we must provide Medicare with new, additional dollars. Any proposal that does not include these new dollars does not fix the Iowa problem I have described and is a proposal that I cannot support.

The future of Iowa's large hospitals and the patients and specialists who require referrals depend on action. We must take action immediately.

Again, thank you, Mr. Chairman. This concludes my testimony. I will have a more complete statement for the record. Thank you.

[The prepared statement of Mr. Latham follows:]

PREPARED STATEMENT OF HON. TOM LATHAM, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF IOWA

Thank you for allowing me to testify before your committee, Mr. Chairman. I appreciate all of your hard work during last year's debate on the Medicare Modernization and Prescription Drug Act and I look forward to working with you in achieving an equitable Medicare solution for Iowa's healthcare providers.

Iowa's healthcare infrastructure faces a critical shortfall due to the flawed fee-for-service reimbursement formula. Across my State and my district, hospitals are closing their doors and physicians are relocating to States with more equitable reimbursement simply because Medicare does not cover the costs of providing care in Iowa. Because of these cruel realities, many communities in Iowa are facing a future without access to healthcare, which is to say, a future with little hope of economic development and prosperity.

Today, Iowa has the lowest Medicare revenue per beneficiary reimbursement of any State and one of the highest elderly populations, proportionately. According to a May 2002 study conducted by the Medicare Payment Advisory Commission (MedPAC) entitled, "Observations on State level variation in Medicare spending," Iowa receives only 56 percent of the national aggregated revenue per beneficiary under Medicare. To illustrate the disparity, Iowa's reimbursement rate of \$3,053 is less than one-third of the rate provided for beneficiaries in Washington, DC, the locality with the highest reimbursement rate at \$10,373 and is well below the national average of \$5,490.

Iowa ranks second in the Nation for the percentage of persons aged 85 and older; third in the Nation for percentage 75 and older; fourth in the Nation for the percentage of 65 and older; and fourth in the Nation for 60 years and older. Iowa's elderly rely on Medicare, a program into which they contributed at the same rate as their peers in the higher reimbursed States. The inequity is a problem of dire consequence. So significant is this problem in Iowa, as I mentioned before, hospitals are closing their doors and physicians are relocating to neighboring States. The current Medicare reimbursement regime has proven to be a failure in my State and is endangering the future of health care in Iowa.

Over the next few months we will consider possible Medicare solutions. I would like to be perfectly clear that I will not support any proposal that does not adequately address the low reimbursement issue. I would also like to support your ef-

forts, Mr. Chairman, to put additional dollars into Medicare for All States receiving low reimbursement.

The root of Iowa's low reimbursement problem can be found in the prospective payment system (PPS) used in calculating the reimbursement received by health care providers. The system that Congress established in the early 1980s sought to make payment for acute, inpatient care uniform. The PPS calculates payment for a given service through a formula combining actual resources used through three variables:

- A relative value for service;
- The adjustment for geographical variations in cost, and;
- The conversion factor.

It is important to note that Iowa's problems are not the result of the adjustment for geographic variation alone, rather, the adjustment has an effect on the relative value for service and is exacerbated by the conversion factor.

The PPS assigns a relative value to services that compares the relative physician work involved in performing one service with the work involved in providing other physician services. This value is the sum of three factors:

- The physician work component;
- The practice expense component, and;
- The malpractice expense component.

The physician work component is a measure of physician time, skill, and intensity in providing the care. The practice expense component is a measure of average practice expenses, including office rent, employee wages, etc. Malpractice expense is a measure of the average insurance cost.

The second component of the PPS is the adjustment for geographical variations, which is an effort to account for the variations in the cost of practicing medicine in different areas. For each of the three variables in the relative value of service an adjustment is made.

The three relative values are then added together to produce an indexed relative value unit for the service with that locality.

The final factor that effects the calculation of the PPS is the conversion factor. This is a dollar figure that converts the geographically adjusted relative value for a service into a dollar payment amount.

The numerous "fixes" established by congressional repairs on the PPS offer reasonable reimbursement to a portion of Iowa's healthcare providers. While 42 of Iowa's 116 hospitals have become Critical Access Hospitals (CAH) and will remain afloat because of this cost-based reimbursement status, the larger hospitals and specialists accepting referrals are slowly nearing failure. The Iowa Hospital Association has suggested that \$80 million is lost every year in treating Medicare dependent patients and this number does not even account for physicians, home health care workers, physical therapists, and other Medicare dependant providers.

Highly skilled medical professionals must accept, as a condition of practicing medicine in Iowa, that the current base standardized payment rate and wage index yields a lower wage in Iowa than in neighboring States.

The problem with Medicare's fee for service formula should be seen, not as a problem of policy although it most clearly is but as a problem of political reality. The Medicare pot is too small to accommodate the concerns of all States and the pot must be increased. In order to provide future certainty for Iowa's healthcare infrastructure, as well the healthcare infrastructure in all States receiving less than the Medicare reimbursement average, I will say again that I believe we must provide Medicare with new, additional dollars. Any proposal that does not include these new dollars does not fix the Iowa problem I have described is a proposal that I will not support.

The future of Iowa's large hospitals and the patients and specialists who require referrals depend on action. We must take action immediately. Thank you Mr. Chairman. This concludes my testimony.

Mr. MARIO DIAZ-BALART OF FLORIDA [presiding]. Thank you very much, sir, for your testimony.

Next the honorable gentlewoman Wilson. It is a pleasure to have you here.

**STATEMENT OF HON. HEATHER WILSON, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW MEXICO**

Mrs. WILSON OF NEW MEXICO. Thank you, Mr. Chairman, and I appreciate the opportunity to testify today. I have a complete state-

ment that I would like to ask unanimous consent that it be submitted for the record.

Mr. MARIO DIAZ-BALART OF FLORIDA. Without objection.

Mrs. WILSON OF NEW MEXICO. It seems to me that the challenges you have been presented with this year are very difficult ones. From my perspective, there are four priorities that this budget this year has to reflect. We have got to grow jobs. We have got to fund education, so that our next generation of Americans will be prepared for the challenges of the 21st century. We have to improve our health care system. We have to provide for the common defense.

America is now engaged in war not of its choosing, but a war that we have to win. That is going to take place over a long period of time, and we must be prepared and committed to provide the resources to our military to prevail.

In my State of New Mexico, while I think most economists agree that the recession is over, the recovery is not as strong as any of us would like. As long as there is one person without a job and without hope, we still have got work to do.

I am pleased that we are considering the ways to continue to stimulate our economy. I am a strong believer that we have to make the tax cuts that we passed in 2001 permanent. I think that we need to accelerate the income tax reductions, so that people have more take-home pay in their pockets, but I think we need to do everything we can to make sure that small business has the incentives they need to create jobs, because that is where jobs come from. Government cannot create wealth, but it can create the conditions for businesses to create jobs.

With respect to education, the previous Congress began implementation of the widespread reform in education, and we need to implement those reforms. So that will mean Federal funding and a real focus on teacher training and accountability.

Finally, with respect to health care, we didn't plan this, but I am real glad I am sitting next to the guy from Iowa, because I want to echo what he just said with respect to Medicare and reimbursement rates. We have some of the best doctors and health care system in the world in America, and yet we have a system that discriminates against a handful of States. We don't pay into Medicare because of where we live, and we shouldn't be denied access to health care because of where we live.

In New Mexico the average last year reimbursement rate for somebody on Medicare was \$2,726. In Louisiana it was \$7,336. We wonder why it is that every day of every week specialists in New Mexico get phone calls recruiting them to move somewhere else for a huge pay raise. It is even worse because Medicare is what every private insurance company ties its reimbursement rates to. It is not just Medicare that has been underpaying, but also every other insurance company that pays 95 or 100 or 110 percent of the Medicare reimbursement rate for that county.

We need to fix this system. It is a system that all of us know is set up to benefit large, urban areas and to disadvantage those of us who live in rural States. We must address it.

Finally, the big challenge that you have, and that all of us have this year, is to create a blueprint to get back to a balanced budget.

We all know that we are fighting a war and we are coming out of a recession, and our budget won't balance this year and probably not next year. But we have to get ourselves on a track to make sure it does balance within the foreseeable future.

For we in Washington sometimes it is hard to think what a dollar means anymore. We talk in numbers that have so many zeros attached to them. But when I was in State government as a cabinet secretary for child welfare, we used to review our programs every year. If we justified our programs just on social need, we could justify huge increases in our budget every single year.

But we asked ourselves, and our program managers have asked themselves, an additional question, and that question was: Can you use this dollar better than your neighbor who is taking home \$475 a week to take care of a family of four? The real question is, what we do with this marginal dollar, the next dollar that comes in tax revenue?

Because to a family of four making \$475 a week, this is a visit from the tooth fairy. This is an ice cream cone after a soccer game. You know, it goes pretty far toward the next Junie B. Jones book from Scholastic this week. A day of allergy medicine for a kid who has allergies. This is a stop at the dollar store. This dollar matters to your neighbor and to our neighbors.

When we look at this budget, we have to decide, does that dollar come to Washington or does it stay at home with your neighbor? I trust your neighbor.

Thank you, Mr. Chairman.

[The prepared statement of Mrs. Wilson follows:]

PREPARED STATEMENT OF HON. HEATHER WILSON, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEW MEXICO

Mr. Chairman and members of the committee, I want to thank you for the opportunity to testify and for having this hearing to discuss the fiscal year 2004 budget. I come to this hearing with four priorities; creating an environment for job creation, improving education, making quality health care more affordable, and providing for the common defense. All these things must be done in a way that gets us back to a balanced budget within a reasonable period of time.

The challenges we face in this year's budget are unique. While most economists believe that the recession is over, the recovery is not as strong as any of us would like. That means tax revenues to fund government services have slowed. At the same time we are fighting a war on terrorism not of our choosing, but a war we must win. Destroying the terror networks that engineered unspeakable evil against Americans requires persistence over time and we must not shrink from funding the capabilities required to prevail.

Our budget should reflect these realities while funding the priorities the American people most want and controlling the growth of government spending where it is not needed.

New Mexico is one of the fastest growing States in the Nation, but we need more and better jobs. Government cannot create wealth, but we can create the conditions that allow businesses to create jobs. That means lower taxes, fair regulation and rules that bring integrity back to the boardroom and confidence to investors. We need a budget that provides a short-term stimulus to help get the economy moving. Specifically, the acceleration of income tax cuts, an increase in the child tax credit, and the small business expending provisions all have my whole hearted support. We need to abolish the death tax once and for all and make the 2001 tax cuts permanent.

While I support these tax relief measures intended to boost confidence and job creation, it is long past time to simplify our tax code and make it fairer. Half of Americans can no longer do their own taxes because of the complexity of the system. That's ridiculous and we must make tax simplification a prominent part of our reform agenda.

This budget needs to continue our work in improving education. We need a good public school in every neighborhood so that every child can get a great education. I will continue to support increased funds for education, better teacher training, high standards and accountability for results.

Health care affects the quality of our lives from the cradle to the grave and it affects whether companies bring jobs to New Mexico. America has the best doctors and scientists in the world; there is no reason we should not have the best health care in the world. Americans want common sense, not Washington, to govern how they interact with doctors and hospitals. Reform should also include replacing the current payment system that penalizes many States like New Mexico. New Mexico seniors pay just as much in Medicare payroll taxes but doctors and hospitals get little more than 2/3 the payments from Medicare as other States. Average Medicare per beneficiary spending in

New Mexico is \$3,726 compared to \$7,336 in Louisiana. This unfair system drives doctors and other medical professionals out of our State and has led to a critical shortage of specialists. We don't pay into Medicare based on where we live and we should not be denied access to health care because of where we live. Seniors should not have to choose between buying food or buying medicine. I support adding coverage for prescription drugs as a benefit to Medicare so that we can reduce the cost of prescription drugs. A prescription drug benefit in Medicare must be voluntary, it must be available to every senior, it must offer choices, and must help the neediest seniors first.

Finally, we need a blueprint that returns us to a balanced budget. We are in a war and recovering from a recession. The budget will not balance this year or next, but we need to find a way to live within our means when the economy recovers. That means making tough decisions, the type of decisions every American family has to make as they decide how to make their paychecks stretch to the end of the month.

When I was in State government running a child welfare agency, we reviewed all of our programs every year as part of the preparation of our budget. To be sure, there were huge social needs that had to be addressed, but that wasn't the only question. The question we asked is one we should ask ourselves in Washington too: can we do more with this dollar than your neighbor who is raising two kids with a take home pay of \$475 a week?

Here in Washington, the numbers get so big we sometimes lose sight of how important this dollar is to the family that earned it. It's a visit from the tooth fairy. It's almost enough for another Junie B. Jones book from Scholastic this month. It's a day of allergy medicine, a special stop at the dollar store, an ice cream cone after a soccer

game. Its four quarters saved in the bottom of a coffee can toward summer camp, or a call home from college.

Our budget decisions are about this next dollar earned by your neighbor and who should spend it. Mr. Chairman, when in doubt, trust your neighbors. Thank you again for taking the time to have these hearings.

Mr. MARIO DIAZ-BALART OF FLORIDA. I thank the honorable Congresswoman.

The honorable Congressman from Ohio, the gentleman is recognized.

**STATEMENT OF HON. DENNIS J. KUCINICH, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO**

Mr. KUCINICH. Thank you very much, Mr. Chairman. Mr. Ranking Member, thank you, and members of the committee.

I would like to address this present testimony in two different ways: first of all, to talk about spending priorities and then talk about revenue raises.

I am here to agree with all of my colleagues who have spoken to the inequities which exist—

Mr. BAIRD. Would the gentleman yield for one second?

Mr. KUCINICH. Yes.

Mr. BAIRD. I see our two colleagues from New Mexico and Iowa are leaving. I just personally want to strongly associate myself with your remarks on the Medicare reimbursement rates. Washington

State, my State, is very adversely affected, and I hope this committee can commit to fixing that. I apologize for the interruption, but it is a critical issue back home.

Mr. KUCINICH. It is alright; it is your committee.

Mr. MARIO DIAZ-BALART OF FLORIDA. Thank you for that.

The gentleman, please, if you would proceed with your statement, thank you very much.

Mr. KUCINICH. Well, we just heard from three Members, New Mexico, Iowa, and Washington State, all of whom have expressed concerns about the Medicare reimbursements. There is a solution, and that solution is Medicare for All: a single-payer, universal health care plan that would guarantee access to health care, guarantee a universal high standard of care, and lower health care costs.

Every person living in the United States and its territories would receive a health insurance card entitling them to universal best quality standard of medical care. The plan would expand the benefits under Medicare to cover all medically necessary health services. No private insurance would be permitted to exist that duplicates Medicare for All benefits. Other government health programs, such as Medicaid, would be subsumed under Medicare for All. The program would convert all privately owned health facilities, like hospitals and clinics, to nonprofit status. The spending priority I am recommending is a phase-in of Medicare for All, \$5.9 trillion over 10 years, but \$4.6 trillion is paid for over the 10 years.

The New York Times yesterday reported that in a period of 2 years over 75 million Americans at one time or another lacked adequate health coverage, and those are our constituents. Whether we are Democrat or Republican, our constituents do not have the kind of health care they need, and this Congress has the ability to do something about it, not to play around with it at the edges. If we do that, we are always going to run into difficulties in equities in reimbursement.

The spending priorities that I recommend include funding the No Child Left Behind Act at \$100 billion over 10 years. The administration's 2004 budget is funded at \$22.6 billion, only two-thirds of the levels authorized in the Leave No Child Behind Act. Democrats, and I believe all of us, should advocate for the \$9.7 billion not requested by the administration.

With respect to an economic stimulus package, there is a bill by Mr. DeFazio which calls for \$300 billion. I am here to support that bill and say that the extended unemployment assistance of \$20 billion; the payroll tax relief of \$180 billion, which would work out to about \$620 per worker; the Federal revenue sharing with States for \$50 billion, and the infrastructure investment for \$50 billion, all constitute measures which could greatly enhance our efforts to stimulate the economy.

In connection with that, long-term infrastructure needs, \$15 billion over 10 years could be affected by creating a reserve fund: the bill that I cosponsored with Congressman LaTourette of Ohio that would create a low-cost Federal financing mechanism to administer zero interest loans to localities. States under this would choose which projects to fund with the loans according to their specific needs.

The spending priorities I am recommending would include \$15 billion over 10 years for the Afghanistan reconstruction obligation. We have a moral obligation to fully fund the reconstruction of Afghanistan. We need to do that to maintain our credibility internationally. We dropped thousands of bombs on a country, a third world country, and I think that we have to rebuild that country. Failure to fully fund this initiative would only create more animosity toward the United States.

According to the preliminary needs assessment presented in January 2002 by the UNBP, the World Bank, and the Asian Development Bank, Afghanistan would need \$15 billion over the next 10 years. Secretary of State, Colin Powell stated that Afghanistan would need \$8 billion over the next 5 years.

Mr. Chairman, the question comes, how do we raise revenue in order to meet these important needs? The one way that is a sure-fire way is to freeze the Bush tax cuts, \$400 billion over 10 years. In order to assure the Federal budget deficit does not grow out of control, Congress should repeal the top two tax brackets back to 39.6 percent and 36 percent and freeze the remaining rates at the 2000 and 2003 level.

With respect to the Fed's reductions in spending, I am recommending reductions in spending of \$489 billion over 10 years. Specifically, the National Missile Defense System. Congress should eliminate all funding for the National Missile Defense System, as it is unnecessary and it doesn't work. According to the Central Intelligence Agency, intelligence estimates that have been published, the delivery of a nuclear weapon is more likely to come in a shipping container rather than a ballistic missile.

We should be working on replacing the production of high-cost weapon systems that offer little benefit to the war on terrorism and replace them with cheaper weapons. That would involve replacing the F-22 fighter, 276 units, with the F-16, 500 units, at a savings of \$25.3 billion over 10 years; replacing the V-22 Osprey with various helicopters, \$9.7 billion savings over 10 years; canceling the Virginia class submarine, saving \$10 billion over 10 years, and replacing the Comanche helicopter with the Predator would be \$14.1 billion over 10 years.

Now, in the interest of this committee's time, I want to also submit for the record the background information from the Congressional Budget Office which provides an analysis for the canceling of the reproduction of the V-22, for the reduction in procurement of the Virginia-class submarine, for the canceling of the Comanche Helicopter Program, and for a reduction in purchases of the Air Force F/A-22 fighter.

In addition, for the committee's edification, I also will present an outlining of how the Medicare for All Program would be financed, six different ways that it will happen, and if the committee desires, I can also give a recitation on the details of the Federal Bank of Infrastructure Modernization, which would be responsible for helping to rebuild our country's infrastructure.

I want to thank the Chair for the time and for the opportunity to testify before this committee.

[The prepared statement of Mr. Kucinich follows:]

PREPARED STATEMENT OF HON. DENNIS J. KUCINICH, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF OHIO

- Phase in Medicare for All [\$5.9 trillion over 10 years, but 4.6 trillion is paid for over the 10 years.]

Create a Reserve Fund that phases into the budget H.R. 676, Medicare for All (Conyers/Kucinich/McDermott). Medicare for All is a single payer, universal health care plan that will guarantee access to health care, guarantee a universal high standard of care, and lower health care costs. Every person living in the United States and its territories would receive a health insurance card entitling them to a universal, best quality standard of medical care. The plan would expand the benefits under Medicare to cover all medically necessary health services. No private insurance would be permitted to exist that duplicates Medicare for All benefits. Other government health programs, such as Medicaid, would be subsumed under Medicare for All. The program would convert all privately owned health facilities, like hospitals and clinics, to non-profit status.

- No Child Left Behind Act [\$100 billion over 10 years].

The Bush 2004 budget for his signature Leave No Child Behind Act is funded at \$22.6 billion, only two-thirds of the levels authorized in the Leave No Child Behind Act. Democrats should advocate for the \$9.7 billion not requested by the President and take back our advantage on education issue.

- Economic Stimulus Package [\$300 Billion] (DeFazio bill).
- Extended Unemployment Assistance—\$20 billion.
- Payroll Tax Relief (\$620 per worker)—\$180 billion.
- Federal Revenue Sharing with States—\$50 billion.
- Infrastructure Investment—\$50 billion.
- Long Term Infrastructure Needs [15 billion over 10 years].

Create a reserve fund for a bill (Kucinich) that would create a low-cost Federal financing mechanism to administer zero-interest loans to localities. States choose which projects to fund with the loans according to their specific needs.

- Afghanistan Reconstruction Obligation [\$15 billion over 10 years].

We must fully fund the reconstruction of Afghanistan to retain international credibility. We dropped thousands of bombs on a third world country and to ensure the people of Afghanistan do not suffer as a result of our actions we must help them rebuild. Failure to fully fund this initiative will only create more hatred toward the United States. According to the preliminary needs assessment presented in January 2002 by the UNDP, the World Bank, and the Asian Development Bank (ADB), Afghanistan would need \$15 billion over the next 10 years. U.S. Secretary of State Colin Powell stated that Afghanistan would need \$8 billion over the next 5 years.

REVENUE RAISERS

- Freeze Bush tax cuts [\$400 billion over 10 years].

In order to ensure the Federal budget deficit does not grow out of control, Congress should repeal the top two tax brackets (back to 39.6 percent and 36 percent), and freeze the remaining rates at the 2002/2003 levels.

- Defense Cuts [\$489 billion over 10 years].

• National Missile Defense (NMD): Congress should eliminate all funding for the National Missile Defense System as it is unnecessary and does not work. According to CIA intelligence estimates, the delivery of a nuclear weapon is more likely to come in a shipping container, rather than a ballistic missile [\$400 billion over 10 years].

• Replace the production of high-cost weapons systems that offer little benefit to war on terrorism with cheaper weapons.

• Replace the F-22 fighter (276 units) with the F-16 (500 units) [\$25.3 billion over 10 years].

- Replace the V-22 Osprey with various helicopters [9.7 billion over 10 years].
- Replace Comanche Helicopter with Predator B [14.1 billion over 10 years].

Mr. MARIO DIAZ-BALART OF FLORIDA. I thank the gentleman from Ohio.

Before we go on to the gentleman from New Jersey, I would like to see if anyone on the committee has any questions. Mr. Edwards?

Mr. EDWARDS. Mr. Chairman, thank you. I don't have any questions other than perhaps, Mr. Kucinich, you know, I appreciate out-of-the-box thinking. Usually, we are finetuning the edges of the budget rather than thinking creatively.

Do you have a sense—I am trying to look at all the numbers and get a sense of your pay-forwards: \$400 billion freeze in the Bush tax cut and \$489 billion in defense savings. If you add up your other programs and then count the pay-forwards, where do you come out over 10 years relative to the present budget? Any general sense?

Mr. KUCINICH. I would say that it would be up to Congress to appropriate funds, sufficient funds, to help make the Medicare for All work, and that is on top of—the Medicare financing would cost the same amount of money that is now being spent on health care costs. It is approximately \$1.7 trillion per year, and these funds would be provided by existing government spending of \$852 billion; the employers who would be implementing a payroll tax of 6.6 percent on all public and private employees. That would be funded at \$40 billion.

On deductions, because if you have universal health care, tax deductions are savings of \$200 billion; significant cost savings from the reduction of administrative costs of \$230 billion; increased utilization of \$180 billion, existing non-patient revenues, rates from the Nation's foundations, et cetera, of \$30 billion.

So the Medicare ends up, inevitably, paying for itself with the possibility of some congressional participation in terms of extra appropriations, but in the end it ends up saving money.

The elimination of the—or freezing the tax cuts would save about \$400 billion over 10 years. The defense cuts that I talked about would save over \$489 billion over 10 years. I think, when all is said and done, if you stopped or freeze the tax cuts, if you cut back on very controversial defense spending, and I will go to what Mr. Tierney had to say about a war which is essentially off-budget, you could still find a way—you know, if we are not at war all the time and you reduce military spending for unnecessary or unworkable programs, and you cut back the tax cuts, and you transfer it over to Medicaid, I think you work out where you end up saving the American people a substantial amount of money. You don't go into trending toward a deficit.

We know that the deficit is looking toward \$400 billion, and we also know that a significant part of that deficit is due to the tax cut. We know that other parts of the deficit are due to increase in military spending, and when you tack on the cost of the war, that is going to keep the deficit going.

So if you start to freeze the tax cuts, reduce the military spending, and not prosecute wars, you get in a situation where your budget condition greatly appreciates. I hope that helps somehow.

Mr. EDWARDS. You bet. Thank you, and thanks for the creative thinking in health care. I think there is a crisis out on the horizon. It is in our backyards and it is affecting a lot of families right now. We have got to do something about it.

Mr. KUCINICH. Every State, Mr. Chairman, every State has a crisis involving health care, every single State.

Mr. EDWARDS. Thank you. Thank you, Mr. Chairman.

Mr. MARIO DIAZ-BALART OF FLORIDA. OK. Any further questions? [No response.]

And I said that we would now hear from the gentleman from New Jersey, but I understand that he has graciously allowed for

the gentleman from Nebraska, who now has another plane, to go first. So, with that, we would recognize the honorable gentleman from Nebraska. You are recognized, sir.

**STATEMENT OF HON. LEE TERRY, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEBRASKA**

Mr. TERRY. Thank you, Mr. Chairman, and thank you, my friend from New Jersey, for yielding this time. I appreciate it.

I am here today to urge you, this committee, to restore funding to the Impact Aid Program. Military families across America are facing a drastic cut to this vital program that helps fund their children's education.

It saddens me that it is even necessary to come here to defend Impact Aid. It saddens me that Congress has never fully funded this commitment to educate our military families. Now the President's budget pencils in \$172.7 million funding cut. We are headed in the wrong direction. This places a great burden on this committee and Congress to restore that \$172.7 million cut.

Impact Aid compensates the public schools near or on American military bases for lost tax revenues. Fifty million children look to this Federal program for aid. The Impact Aid funds are essential to providing a normal budget when there is a disproportionately high ratio of students to tax paying families, as is in the case near military bases in the United States.

At the same time education costs are rising, revenue to schools is decreasing during these tough economic times. Yet, under this proposal, 243,000 military children whose parents live off-base would be stricken from the program.

This cut further constrains school districts already strapped for cash. They still have the responsibility to provide a quality education for all children of military families. More than half of all affected school districts, 368 to be exact, would face total elimination from the program. Funding would be cut for 88 percent of military children under Impact Aid. This is downright disrespectful to the parents we are at this very moment sending overseas to defend us.

Bellevue Public Schools in my district is a perfect example of how devastating this cut could be. Almost half of Bellevue's students are military children, 3,600 of 8,500 students. Yet, under the administration's proposed budget language, only 1,600 of these students would be considered under Impact Aid. Bellevue Schools stands to lose half of its Impact Aid budget, more than \$7 million.

We must correct this injustice. It is unacceptable to cut education for our children of military families. The formula change that eliminates the "B" students should be stricken from the budget language. In this budget language, not only does it reduce the dollars, but it takes out the "B" language.

Mr. Edwards, we had a discussion of this already today in the elevator. We should find the resources to vigilantly fund Impact Aid. We owe it to our men and women in uniform fighting for us and for the values that we hold dear.

That concludes my remarks, and I will answer any questions.

[The prepared statement of Mr. Terry follows:]

PREPARED STATEMENT OF HON. LEE TERRY, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF NEBRASKA

Mr. Chairman, I am here today to urge you to restore funding to the Impact Aid Program. Military families across America are facing a drastic cut to this vital program that helps fund their children's educations.

It saddens me that it is even necessary to come here to defend Impact Aid. It saddens me that Congress has never fully funded our commitment to educate the children of military families. Now the president's budget pencils in a \$172.7 million funding cut. We are headed in the wrong direction. This places a great burden on this committee and Congress to replace that \$172.7 million.

Impact Aid compensates public school districts near American military bases for lost tax revenues. 15 million children look to this Federal program for aid. Impact Aid funds are essential to providing a normal budget when there is a disproportionately high ratio of students to taxpaying families, as is the case near military bases in the United States.

At the same time education costs are rising, revenue to schools is decreasing during these tough economic times. Yet under this proposal, 243,000 military children whose parents live off base would be stricken from the program. This cut further constrains school districts already strapped for cash—they still have the responsibility to provide a quality public education for all children of military families. More than half of all affected school districts, 368 to be exact, would face total elimination from the program. Funding would be cut for 88 percent of military children in Impact Aid. This is downright disrespectful to the parents we are at this very moment sending overseas to defend us at home.

Bellevue Public Schools, in Nebraska, is a perfect example of how devastating this cut could be. Almost half of Bellevue's students are military children—3,600 of over 8,500 students. Yet under the administration's proposed budget language, only 1,600 of these students would be considered under Impact Aid. Bellevue Public Schools stands to lose half its Impact Aid budget—more than \$7 million.

We must correct this injustice. It is unacceptable to cut education for children of our military families. The formula change that eliminates "B" students should be stricken from the budget language. We should find the resources to vigilantly fund this Impact Aid. We owe it to the men and women in uniform fighting for us and for the values we hold dear.

Mr. MARIO DIAZ-BALART OF FLORIDA. I thank the gentleman. If you have any questions, Mr. Edwards, you are recognized, sir.

Mr. EDWARDS. Thank you, Mr. Chairman. I will be brief. I don't want Mr. Terry to be late to his next meeting, but I do want to thank you for being a champion for Impact Aid since your first day in Congress. This isn't a new issue to you. It is one you have always been out front on.

I just talked to my staff since our conversation earlier today and urged her to set up a meeting of our bipartisan Impact Aid Coalition, of which you are the leader, to meet next week. I have found a lot of individual Members are raising great concerns about Impact Aid, but I haven't seen the threshold of people together taking action to change or to get either the OMB or the White House to come out and just say right now, "We aren't cutting Impact Aid."

I agree with you. In my words, I think it is unconscionable to be sending 30,000 soldiers from my one district to the Iraqi theater in the weeks ahead, and as mom and dad are getting on the plane, we give them a note saying, "By the way, we are going to be laying off teachers and cutting \$31 million out of the two school districts where your children are being educated."

I assume that the President didn't have his fingerprint on this. Somebody in OMB did. But when I asked Mr. Daniels about it before this very committee 2 weeks ago, he said, "Well, tell the military folks down there that we are giving them a pay raise and that we improved their quality of life, and that ought to more than

make up for cutting their kids' education." I think that shows how out of touch he is with our military families and their sacrifices.

So I hope we can find a way to get the message to the White House on a bipartisan basis. For the sake of the military morale, those folks who perhaps very soon will be fighting in Iraq, we need to kill this proposed cut now, not 6 months or 8 months from now. I appreciate and salute your leadership on this important program.

Mr. TERRY. Well, I appreciate your partnership in those efforts as well. You have, too, been a leader on this issue. I would work with you to work with the White House. This committee, when it releases its budget, should just strike that, striking the "B" students.

Obviously, the Office of Management and Budget, OMB, doesn't understand what these students are and made a comment that, "Well, they're off-base, so they're paying taxes." Well, they aren't. They are renting. They are buying their products on base, so they are not paying sales tax that for many school districts is a source of funding. Registering their cars, they are not doing that because they are not residents of that State. So we are still losing out on a great deal of the debt.

And the last part is, even if they were paying, they aren't paying as much as they would if everyone was on the tax rolls. It would be for Bellevue School much greater than the \$7 million that they get, or the \$13 million they get from Impact Aid.

Thank you.

Mr. MARIO DIAZ-BALART OF FLORIDA. Any further questions? [No response.]

Thank you, sir.

Now we will get back to the honorable Member from New Jersey. Thank you for yielding your time, and we are pleased to have you here.

STATEMENT OF HON. BILL PASCRELL, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. PASCRELL. Mr. Chairman, good afternoon, members of the committee.

In the 106th Congress, Mr. Chairman, 285 of us came together, in fact, two-thirds of the members of the Budget Committee, to support and put together the Fire Act, the Assistance to Firefighters Grant Program. That has proven to be a tremendous success long before 9/11. Everyone is to be commended from the entire political spectrum.

Today I am here to look at what is being proposed by the administration, and there's two issues at hand. The administration for the 2004 budget has specifically requested \$500 million, and they have come to the realization that this is an appropriate use, to use the language back when we were debating this in the 106th Congress. This is an appropriate use for the 2,000 fire departments, career/volunteers, a million firefighters who need the day-to-day training apparatus, protection. We are not fighting fires like we did 25-30 years ago. So we now know it is appropriate.

This would be a tremendous cut from what we had this year. This year we have already passed the budget for \$750 million, so it turned around in the wrong direction. This is going in a circle.

When you have the needs, thousands and thousands of departments have applied and others, the response can only be measured in the number of dollars that are there.

I am asking, I am urging you today, Mr. Chairman and members of the committee, to provide the full funding of \$900 million for 2004 for the Fire Grant Program. The need is there. It is strong.

Now the second issue I think I want to address with regard to the implementation of the Fire Grant, which has been tremendously successful under the auspices of FEMA. They have done a great job. There have been no complaints about any political interference. Throughout this country, fire departments are being judged on the depth of their requests and the need, obviously.

I want to stress to the Budget Committee how important specific language is in the budget, and later in the appropriations bill, to protect the integrity of the Fire Act. Within the Department of Homeland Security, and I now serve on that committee which was just constituted, FEMA would be under the Office of Emergency Response and Preparedness. NFA and the United States Fire Administration, USFA, have done a spectacular job of administering the Fire Grant for 2 years. FEMA has done a great job by everyone's measures.

So they have the infrastructure in place to run this program more efficiently and effectively. This money goes directly to the fire departments. It does not go through the State bureaucracy. Nobody can skim it. It goes right to that department. That is what I think is one of the major reasons for its success. Its staff is trained and very familiar with the process.

Regardless, the new organization within DHS will have the Fire Grant Program administered under the Office for Domestic Preparedness. This will require reinvention of the wheel. It will be new staff. It will be a new program, new training, and more infrastructure.

I don't want to be simple about this. We have seen programs historically in the past, long before any of us got here, melded to do away with them eventually.

Part of protecting the economy of having the Fire Grant receive its mark within the budget, this demonstrates the congressional commitment to the program and, therefore, helps protect it from the unceremonious debt down the road. That is what I am urging you today, to protect the Fire Grant by earmarking it within the budget for its own funding, funding distinct from other first responder dollars.

Finally, let me just say this, Mr. Chairman: A fire department in this country responds to a fire every 18 seconds, and they prevent a fire death every 2 hours. In my own district we have done some surveying about the fact that in the career department 75 percent of those departments are understaffed. We know how hard it is throughout this country to get volunteers to come into fire departments—many departments, whether we are talking about city, rural, or suburbs.

I am so proud of the fact that in the first year of grants 3 years ago we paid particular attention to the rural departments throughout America that had been depleted. I mean, there are just so

many pancake breakfasts you can raise money for apparatus that now costs \$400,000, \$500,000, \$700,000, \$800,000.

We should fully fund the Fire Act for fiscal year 2004 at \$900 million and demonstrate that the Congress is fully committed to fire safety in America. Our firefighters in the communities we represent here deserve nothing less.

And I thank you, Mr. Chairman. Any questions, I would be more than happy to respond.

[The prepared statement of Mr. Pascrell follows:]

PREPARED STATEMENT OF HON. BILL PASCRELL, JR., A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEW JERSEY

Thank you Chairman Nussle and the entire Budget Committee for allowing me to speak with you today.

I am so happy to be sitting here talking to you all about the fiscal year 2004 budget because this means we are finally done with the fiscal year 2003 appropriations process. May it never drag out like that again!

Every year I sit here before you and urge you to include funding for the Assistance to Firefighters Grant Program, better known as the FIRE Grant, in the budget. At this point, the program doesn't need an introduction. It is hands-down one of the most popular grant programs we have ever funded nationwide.

In fact, a quick perusal of congressional Websites reveals that almost every Member of Congress claimed credit in their hometown newspapers for the \$750 million this program received in the fiscal year 2003 omnibus package we passed at the end of February.

The President's budget specifically requested \$500 million for this program. Let me just say that I am pleased to see that he has reconsidered his position from when he first took office that assisting first responders was not an "appropriate use" of Federal dollars. I think the attacks of September 11, and the heroic deaths of 343 firefighters who were rescuing victims within the World Trade Center towers demonstrated the important role our first responders play in our national security.

I am here today with two concerns. First, the FIRE Grant Program was funded at \$750 million in fiscal year 2003, so \$500 million is a one-third decrease from this year's funding level. Second, the program will be administered under the new "Department of Homeland Security," or DHS, and we must earmark the funding for this program specifically so that it does not get lost in the administration's other first responder initiatives.

First, with regard to funding levels, as we all know the fiscal year appropriations were not completed until after the President delivered his budget to us on Capitol Hill. It is entirely in the spirit of the President's request to—at the very least—maintain the program's funding level of \$750 million. And perhaps even more with in the spirit of his request to increase the funding to \$900 million, which is full funding under the authorization. That is what I am urging you to do today, provide full funding of \$900 million to the FIRE Grant Program.

Second, with regard to the execution of the program within DHS, I want to stress to the Budget Committee how important specific language is in the budget and later in the appropriation's bill, to protect the integrity of the FIRE Grant.

Within the new Department of Homeland Security, FEMA will be under the Office of Emergency Response and Preparedness. FEMA, and within it the U.S. Fire Administration (USFA), has done a spectacular job of administering the FIRE Grant for 2 years. They now have the infrastructure in place to run this program more efficiently and effectively. Its staff are trained and familiar with the process.

Regardless, the new organization within DHS will have the FIRE Grant Program administered under the Office for Domestic Preparedness. This will require reinvention of the wheel: new staff, new training, and new infrastructure.

If I were a more cynical man, I would suspect that moving the FIRE Grant from FEMA to the Office of Domestic Preparedness—a division formerly within the Department of Justice—is really a step toward merging the FIRE Grant with the President's first responder initiative. But because I choose instead to see the glass as "half-full," I will focus instead on maintaining funding and protecting the autonomy of the program.

Part of protecting that autonomy of having the FIRE Grant receive it's own earmark within the budget. This demonstrates the congressional commitment to the program and therefore helps protect it from an unceremonious death down the road.

That is what I am urging you to do today, protect the FIRE Grant by earmarking it within the budget for its own funding distinct from other first responder dollars.

I don't have to remind you that at the time of passage, the FIRE Act had the support of all the major fire service organizations as well as a bipartisan coalition of 285 Members of Congress. In fact, almost two-thirds of the members who were sitting on this committee in the 106th Congress, including the chairman and ranking member, supported my bipartisan legislation. And this support has only grown since the program has been implemented.

There are 32,000 fire departments in our Nation, many of which are understaffed, undertrained, and ill equipped. The FIRE Grant gives these departments the tools they need to successfully complete their vital mission. It provides for grants to be awarded directly to paid, partially-paid, and volunteer fire departments to hire more personnel, train them in state of the art techniques, and better equip them so that they can more effectively save lives and protect their own lives.

In the first 2 years of this program, a total of \$460 million has been awarded to fire departments around the country. These included urban, suburban, and rural departments. These included career, volunteer, and combination departments. Nobody was left out.

The funding we have secured for fiscal year 2003—\$750 million—will include administrative costs for FEMA. In addition, for the second year in a row the application will be available online and will be streamlined to make the process even simpler. In short, this is a program that is desperately needed and has an infrastructure that allows it to run smoothly and to thrive.

With the looming threat of war and with tension surrounding our daily lives because of fear of terrorism, it can be easy to forget that we needed this grant program to provide funding to firefighters before September 11.

Yes, we need training to protect ourselves against chemical and biological attacks, and yes we need better communication systems between States and municipalities in the case of a wide scale debilitating disaster that crosses man-made boundaries. But we also need fire trucks, protective gear, self-contained breathing apparatuses, smoke filtering cameras, and all the other tools that fire fighters use every day to fight fires and save lives. If we merge our grant program with a broader scoped anti-terrorism program, then these bread and butter daily needs will be forgotten.

These numbers don't lie. A needs assessment study that the FIRE Act mandated FEMA to do that was just released last month supported these startling facts:

A fire department in this country responds to a fire every 18 seconds. And there is a civilian fire death every 2 hours.

A survey I did in my district found that 75 percent of departments are understaffed—some terribly understaffed by as many as 40 firefighters in the bigger cities.

Our State's second largest city, Jersey City, has seen its fire personnel be reduced by 200 in just the last decade.

And many departments—in cities and suburbs alike—simply cannot afford even the most basic equipment upgrade because of funding shortfalls.

With this in mind, I think it has become clear to many of us here in Washington that we must send these brave men and women into hazardous situations with the support they deserve from their government.

It is time that we stop paying lip service to our fire fighters at holiday parades without putting our money where our mouth is during the rest of the year.

We should fully fund the FIRE Grant Program for fiscal year 2004 at \$900 million and demonstrate that the Congress is fully committed to fire safety in America. Our firefighters—and the communities we represent here—deserve nothing less.

I appreciate the opportunity the Committee has given me to express both my concerns and support of the President's proposals for the upcoming budget.

Thank you.

Mr. MARIO DIAZ-BALART OF FLORIDA. Thank you. Does the gentleman have any questions for the gentleman?

Mr. EDWARDS. Mr. Chairman, thank you.

From someone who has eaten a lot of pancakes at volunteer fire department events, I would thank the gentleman for his leadership in the FIRE Act. It is a great program.

Is it fair to say, Mr. Pascrell, that without full funding, and perhaps even with full funding, but certainly without full funding in the FIRE Act, we will have a massive amount of unfunded mandate placed on our first-responders?

Mr. PASCRELL. Yes, and many of these mandates, Congressman, existed long before 9–11, obviously, because we couldn't fund everything in the first 2 years. So we are talking about 17–18,000 applications that are not being responded to because we don't have any money. So the need is there, and, obviously, 9–11 has simply exacerbated that situation.

Mr. EDWARDS. Thank you.

Mr. MARIO DIAZ-BALART OF FLORIDA. Thank you very much.

Mr. PASCRELL. Thank you.

Mr. MARIO DIAZ-BALART OF FLORIDA. The gentleman from the State of Washington, you are recognized, sir.

STATEMENT OF HON. BRIAN BAIRD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON; ACCOMPANIED BY HON. JIM COOPER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

STATEMENT OF HON. BRIAN BAIRD

Mr. BAIRD. I thank the Chair and the ranking member. Partway through my testimony, I will yield some time to my good friend from Tennessee because we are here sort of as a team act because we are both affected by the legislation that I would like to talk about—coincidentally, as the acting Chair and the acting ranking member.

What I am referring to is the inequity in the Federal tax law which allows people who reside in States that have income tax, State income tax, to deduct that tax from their Federal return, but residents from seven States are not afforded the same opportunity because their States have chosen to raise revenues through a sales tax. Those States are rather interesting.

It includes my home State of Washington; the State of Texas, which of course is the State of the President's origin as well as the majority leader and our acting ranking member today; the State of Wyoming, Vice President Cheney's State; the State of Tennessee, the majority leader from the other body; the State of South Dakota, the minority leader from the other body; the State of Nevada, the assistant minority leader from the other body, and the State of Florida, which of course is governed by the President's brother, Mr. Bush.

But, frankly, even if none of those distinguished individuals were from any of these States, it would still be the right thing to do. It is not, in my judgment, the role of the Federal Government to dictate that one State's decision of how to raise revenue is superior to another's, and that is why my good friend and colleague, Kevin Brady, along with Jim Cooper from Tennessee, and Marsha Blackburn from Tennessee, Zach Wamp, Barbara Cubin, and I, and many others, including a number of members from this very committee, have joined together to propose a very simple but fair piece of legislation.

Our legislation would say that taxpayers have the right to choose to deduct either their State income tax or their State sales tax from their Federal return. This does not complicate the Tax Code in any significant way. We figure that it would take about one minute for a person to look at their family income, their family size, look on

a chart, and that would be the item they would insert on "schedule A" when they are itemizing their deductions.

The cost to the Treasury is not small, but relative to the other tax cuts this body will be considering, it is relatively small. We estimate that over a 10-year period the total cost would be about \$29 billion, or in other words, about \$2.9 or \$3 billion a year, to establish a fundamental principle of fairness.

I would assert that for the residents and the Representatives of the States I just mentioned there is no more important and more fair tax reform that we need to put in place, and I would also assert that it is consistent with the values of stimulus that we adhere to here. It affects predominantly middle class and working families. It is instantaneous in the sense that. If we implement, it would allow people to begin to receive the benefits quickly this year. It is simple, and the costs are modest at most.

I would like to yield at this point to my good friend, Jim Cooper. [The prepared statement of Mr. Baird follows:]

PREPARED STATEMENT OF HON. BRIAN BAIRD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I truly appreciate the opportunity to share some specific tax concerns that have put a strain on constituents in my home State of Washington.

In principle, Mr. Chairman, I believe that the Federal Government must strive to avoid tax policies that favor residents of some States over others. Unfortunately, I believe that one egregious failure to adhere to this principle is found in the manner in which the Federal Government allows taxpayers to deduct State and local taxes.

I'm sure, Mr. Chairman and members of the committee, that you are well aware of the problem. Simply put, residents of States without State income taxes now pay a greater percentage of taxes to the Federal Government than residents of States with State income taxes. Solely on account of the system of taxation their State uses to collect revenues, they pay more Federal tax. That differential treatment of taxpayers is a profound inequity that the 108th Congress should rectify.

The repeal of the sales tax deduction in 1986, although well intended, resulted in a significant disparity between States. By disallowing State sales tax deductions, but retaining State income tax deductions in the Federal code, we now have a system in which one individual with an income and financial profile that is identical to another person may pay higher taxes to the same Federal Government simply because they live in different States. As a result, residents of States such as Texas, Florida, Washington, Tennessee, South Dakota, Nevada, Alaska, and Wyoming, pay more in Federal taxes than residents of equal income in other States. In effect, residents of States without income taxes are underwriting a disproportionate share of the Federal budget.

It's not that Washingtonians pay less in taxes. To the contrary, we're in the top quarter of States in amount of our personal income that goes to State taxes. Which leads me to ask, should residents of my State pay hundreds more dollars per year to the Federal treasury for nothing more in return, than those individuals living across the river in another State. I believe that they should not.

To remedy this situation, I along with Representative Brady, have proposed legislation, along with about 60 cosponsors, including several members of this committee, that will restore the sales tax deduction for taxpayers in States that do not have an income tax. My measure would allow taxpayers to deduct either their State income tax or State sales taxes paid in a given year. By giving a choice of deducting either sales or income tax, the budgetary scoring is kept to a minimum, but equity and fairness are restored across States.

To keep the sales tax deduction simple for taxpayers, under this legislation the Internal Revenue Service would be directed to develop standard tables for taxpayers to use in determining their average sales tax deduction. Such tables, similar to those used by taxpayers prior to 1986, would include average calculations, based upon income and household size, for a taxpayer in a given State. The bill does not

restore the itemized deduction of individual purchases; it only allows taxpayers to deduct an averaged amount based on income level and family size.

Mr. Chairman, I am committed to restoring the Federal budget to balance, but I am also committed to the principle of equal taxation as dictated by the Constitution. So, as you review the many tax relief proposals before you next week and if, in fact, the committee develops legislation to provide relief in this Congress, I strongly encourage you to consider this common sense proposal, for the simple reason that it is the right thing to do.

Again, I want to thank you, and members of the committee for graciously granting me this opportunity, and I yield back the balance of my time.

Mr. MARIO DIAZ-BALART OF FLORIDA. Mr. Cooper, you are recognized, sir.

STATEMENT OF HON. JIM COOPER

Mr. COOPER. Thank you, Mr. Chairman, and I would like to thank, in particular, my good friend from Washington State because he has carried the battle to the point where it is right now.

I think our seven States do have an excellent chance of finally achieving tax equity. We are not talking about special treatment here for these seven States. All we are talking about is ending the discrimination that has happened against Texas, Florida, Tennessee, and these other States for the last 16 years.

Because prior to 1986, sales tax at the State level was fully deductible on your Federal income tax return, but for the last 16 years these seven States have been discriminated against by the Federal Tax Code. These seven States and the tens of millions of residents of these States have effectively been subsidizing the other 42 States in this great country.

There is one State, fortunately for it, I guess, that has no sales tax or income tax, New Hampshire. How they get by we don't know.

But, still, these seven States have paid the bills for other States for 16 years. I know the chairman feels this acutely, being from Florida. I know the ranking member does as well, being from Texas.

We are not asking for special treatment. If we just band together, we have the opportunity to do more to help the taxpayers of our States than any other measure this body could consider.

Now it is always a challenge when you only have seven States affected by something to get a majority of votes, but there are 78 Members from those States. So if we band together, we will have enough strength.

But it is important to note what my colleague from Washington said. If you are from the other 42 States, you would still get additional tax flexibility which would enable your taxpayers from those States to choose whether they are going to deduct the State income tax or the State sales tax. Because there are some States—like New York, for example—that has a very high local sales tax, many taxpayers there may choose to deduct the sales tax in New York State. So it is really tax flexibility for all States, tax fairness for all States, and relief from discrimination for the seven States most affected.

So even though this is a little bit of an unconventional measure, it has a significant price tag. We estimate over the next 5 years between \$10 [billion] and \$15 billion. But in comparison to a \$740 bil-

lion tax package from the President, this is almost a rounding error.

So it is important that we stay united, that we work hard, that we inform the other Members who are not tuned into this important tax equity measure, and we get the job done both within this budget and on the floor of the House of Representatives in the coming weeks.

So I thank the gentleman from Washington for yielding, and I thank the patience of this committee.

Mr. MARIO DIAZ-BALART OF FLORIDA. Thank you. Thank you both, gentlemen.

If there are any questions at this time for either one of them, we will take them. The gentleman from Texas.

Mr. EDWARDS. Thank you, Mr. Chairman. I just want to compliment Mr. Baird and Mr. Cooper for this idea. I will say "amen" to it. As a Texan, it doesn't seem fair.

The Federal Government, at a time when our leadership here in Congress is saying, let's give authority to the States, the Federal Government is saying, "No, we're going to approve one type of tax but not another type of tax." It should be left up to the States.

Let me just ask one question, as a supporter of the bill. Technically, the way it would work is every time you make a purchase and have a receipt with sales tax on it, is it the receipt that you would then use for your IRS purposes?

Mr. BAIRD. Actually, it is a great question. That is how it was prior to 1986. Prior to 1986, one could either save the receipts or just use a chart. We have opted to propose just simplifying it with a chart.

Frankly, I remember when I first started filling out my taxes in Washington, I had a shoebox; I saved all my receipts, and at the end of the day I was within a tight margin.

One of my fundamental values is simplifying the Tax Code. I think there are a host of other things we should do. So rather than forcing people to save their receipts—it complicates the prediction of costs and revenue implications; it makes people's lives more complicated.

On average, we will estimate how much a family of a given size at a given income level makes per State, and if you are in that State and you are itemizing your deductions, it will just say, "Refer to the table on page 'X' and the family size/income." Bingo, and it is literally about a minute of additional work, but that minute of additional works will save, we figure, an average family that itemizes some \$300 to \$500 every single year, which is what they would get if they were in a State that had an income tax. There is no reason that two people who make the exact same amount of money, just because they live in different States, one should pay more to the Federal Government than the other. So it is very simple.

Mr. EDWARDS. And I don't know the exact number on costs or lost revenues to the Federal Treasury of companies who decide to take advantage of all the resources, public resources, of the United States and then locate a sham corporate headquarters in the Caribbean somewhere, but it might come pretty close to paying for that.

Mr. BAIRD. There are plenty of offsets we can have that will take care of this, but it would also actually be fair and would make this no net lost revenue.

Mr. MARIO DIAZ-BALART OF FLORIDA. Thank you both.

Any questions? [No response.]

Thank you, gentlemen, for your testimony. Now we will hear from the honorable gentleman from New Jersey, who also is the chairman of the Coast Guard subcommittee that I sit on, so he is my favorite of all the people that have talked. I just want to make that clear for the record. [Laughter.]

It's a pleasure to have you here, sir.

STATEMENT OF HON. FRANK A. LOBIONDO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. LOBIONDO. Thank you very much, Mr. Chairman. I appreciate the opportunity to testify before this committee on my priorities for the 2004 budget resolution. I have a complete statement that is rather extensive that I would like to submit for the record, and just touch on two critical issues in the limited amount of time that I have today. The two issues are increased funding for the Coast Guard and continued funding for Round II Empowerment Zones.

As the committee is well aware, the President has requested a 10-percent increase in the overall Coast Guard budget. While I am very pleased with the President's continued commitment to increase funding for the Coast Guard, I am concerned with the requested level of funding for the Integrated Deepwater Program. As you know, Mr. Chairman, the Deepwater Program is an ambitious procurement program to replace the Services' aging fleet of ships and aircraft with more flexible assets able to meet the multimission challenges of today. It is almost unbelievable to think that the Coast Guard is running with assets, some of which were commissioned during World War II, that are still expected to continue on in the same vein that they have been. It's a virtual impossibility.

The successful and timely implementation of Deepwater is necessary to ensure that the Coast Guard is able to respond to terrorist threats and to maintain a high level of readiness to fulfill the other vital missions that they are expected to complete. A number of missions that have been traditional—search and rescue, which any of the Great Lakes States are very interested in—traditional missions like illegal drug interdiction, traditional missions like making sure that they are enforcing fishery laws of this Nation—have really suffered because of the expectation if the Coast Guard's need to take care of homeland and port security.

So Operation Deepwater is critical to homeland security and to traditional Coast Guard missions. Unfortunately, the \$500 million requested by the President for Deepwater recapitalization projects is well below what is needed to keep this critical procurement program on track.

The administration's request reflects only the annual acquisition cost in 1998 dollars, and does not account for the annual inflation since that time. At the very least, an additional \$78 million is required to counteract inflation and ensure the timely delivery of scheduled assets.

Expanded responsibilities within the Department of Homeland Security and the need to sustain core mission effectiveness, as I've just described, has resulted in significantly higher operation tempos and a severe strain on aging assets. That means we are wearing out our aged assets at even a more rapid pace than we were before because of what we're expecting them to do. Therefore, the recapitalization of the Coast Guard's inventory with major cutters, aircraft, and their supporting systems is, in the very near term, a national priority and is now more critical than ever.

I respectfully request that the committee strongly endorse a minimum level of \$875 million in capital acquisition funding to accommodate the total of \$578 million for the Integrated Deepwater System in order to sustain the on time delivery of these important assets.

Mr. Chairman, I will add that the Coast Guard will be releasing a congressionally mandated report on the benefits of expanding the Deepwater procurements schedule in the very near future; and as we will soon find out, a modest increase in the annual level of funding for Deepwater will result in significant savings—in the billions, savings to the taxpayers—and deliver a full capability of these vital homeland security assets at least 5 years ahead of schedule. It is a win-win situation where homeland security and national defense both win; the taxpayers win as well, and I hope that the committee will embrace these findings of the report and support my future efforts to make them a reality.

The second point, in addition to homeland security, is another national priority, which is improving our economic opportunities and economic stimulus package. A program now under way is helping to accomplish this in my district and across the country. As you may know, Empowerment Zone and Enterprise Community initiatives provide special Federal assistance to support comprehensive revitalization of designated urban and rural communities across the country. It is a 10-year program that targets Federal grants to distressed urban and rural communities for social services and community redevelopment, and provides tax and regulatory relief to attract and retain businesses and jobs.

The original Empowerment Zone designations in 1994 received full funding as an entitlement, making all grant awards available for use within the first 2 years of designation. Unfortunately, this has not been the case with Round II designations. Benefits that have been promised with this designation include flexible funding grants of \$100 million for each urban zone, \$40 million for each rural zone, and about \$3 million for each Enterprise Community over a 10-year period, beginning in 1999. Again, this was a promise made by the Federal Government and the Congress to these communities that received designation. Round II zone designations were required to prepare strategic plans for comprehensive revitalization based on the availability of the promise—that is, \$100 million in Federal grant funding over 10 years. Unlike the Round I designations, Round II designations have only received a very small fraction of the funding, a lot of which has been up front. As a result, our zone lacked the certain and predictable funding stream to implement their strategic plans, and must seek an annual appropriation to secure the promised Federal grant program.

Cumberland County, which is my home county Empowerment Zone, is a collaborative revitalization strategy between the communities in my district of Bridgton, Millville, Vineland, and Port Norris. Cumberland is the second fastest spending zone in the Nation, having committed 100 percent of the nearly \$22 million that has been made available by HUD so far. Hundreds of jobs have been created to date, with additionally over 1,000 jobs anticipated within the next 18 months—if the Federal funding source continues. Over 100 housing units have been renovated, rehabilitated, constructed, or purchased in EZ neighborhoods, and a \$4 million loan pool is available to be reinvested back into the communities.

So what they have done is, they have taken Federal dollars, they have loaned them out, but put them in a revolving loan fund so that those dollars come back and work over and over and over again to attract new jobs and retain existing jobs. Cumberland County has funded over 60 initiatives through Empowerment Zone programs, realizing over \$11 million in funding. These projects are estimated to leverage a total of \$123 million in private, public, and tax exempt bond financing.

Put plainly, Mr. Chairman, the Cumberland County Empowerment Zone has leveraged nearly \$10 in private investment for every single dollar of public investment. That's a tremendous return on the dollars that we are putting into a program that is an economic stimulus package. It's a great partnership that we have established, and it has proven results.

So for further success and viability and the sustainability of the Empowerment Zone strategy—and more importantly, for our communities—it hinges on the ability to continue to attract and leverage private investment. It is imperative that the existing Round II Empowerment Zones receive multiyear funding to facilitate the implementation of a long-term strategy and continue to attract the private sector dollars that are so critical to the partnership. Unfortunately, the President did not request funding for Round II in his 2004 budget. Last year, when the President did not request funding for this initiative in the budget, the Budget Committee, in its infinite wisdom, included supportive language in the committee report, which I was very appreciative of, which accompanied H. Con. Res. 853, the fiscal year 2003 budget resolution. This language was extremely helpful. I believe, Mr. Chairman, that it was just totally critical to our efforts to successfully secure \$30 million, which was only a small fraction but a big help, in funding for the program in the 2003 omnibus.

I respectfully request the committee again, as you did last year, include supportive language for the Round II Empowerment Zone funding. I have enclosed a copy of the language in the statement that I have submitted for the record and ask you to please look it over.

While I recognize that we have significant budget restraints this year, I strongly believe that we must find the necessary resources to secure America's homeland and our economic future. Increasing Federal investment in the Deepwater Program and the Empowerment Zone initiative will help build a stronger and better America.

I thank you, Mr. Chairman.

[The prepared statement of Mr. LoBiondo follows:]

PREPARED STATEMENT OF HON. FRANK A. LOBIONDO, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEW JERSEY

Mr. Chairman, thank you the opportunity to testify on my priorities for the fiscal year 2004 budget resolution. I have several critical issues I would like to bring before the committee for your consideration—increased funding for the Coast Guard, continued funding for Round II Empowerment Zones, a proposal in the President's budget to increase child support payment collections.

As the committee is well aware, the President requested a 10-percent increase in the overall Coast Guard budget. While I am very pleased with the President's continued commitment to increase funding for the Coast Guard, I am concerned with the requested level of funding for the Integrated Deepwater Program.

As you know, Deepwater is an ambitious procurement program to replace the service's aging fleet of ships and aircraft with more flexible assets able to meet the multimission challenges of today. The successful and timely implementation of Deepwater is necessary to ensure the Coast Guard is able to respond to terrorist threats and maintain a high level of readiness to fulfill its other vital missions. Unfortunately, the \$500 million requested by the President for the Deepwater recapitalization project is well below what is needed to keep this critical procurement on track. The administration's request reflects only the annual acquisition cost in 1998 dollars and does not account for the annual inflation since that time. At the very least, an additional \$78 million is required to counteract inflation and ensure the timely delivery of scheduled assets.

Expanded responsibilities within the Department of Homeland Security and the need to sustain core mission effectiveness, has resulted significantly higher operation tempos and a severe strain on the aging assets. Therefore, the recapitalization of the Coast Guard's inventory of major cutters, aircraft, and their supporting systems is a very near-term national priority, and is now more critical than ever. I respectfully request the committee strongly endorses a minimum level of \$875 million in Capital Acquisitions funding to accommodate a total of \$578 million for the Integrated Deepwater System in order to sustain on-time delivery of these important assets.

Mr. Chairman, I will add that the Coast Guard will be releasing a congressionally mandated report on the benefits of expediting Deepwater's procurement schedule in the very near future. As we will soon find, a modest increase in the annual level of funding for Deepwater will result in significant (Billions) savings to the taxpayer and deliver the full capability of these vital homeland security assets at least 5 years ahead of schedule. I hope the committee will embrace the findings of this report and support my future efforts and make them a reality.

In addition to homeland security, another national priority is improving economic opportunity. A program is currently helping to accomplish this goal in my district and across the country. As you know, the Empowerment Zone/Enterprise Community initiative provides special Federal assistance to support the comprehensive revitalization of designated urban and rural communities across the country. It is a 10 year program that targets Federal grants to distressed urban and rural communities for social services and community redevelopment and provides tax and regulatory relief to attract or retain businesses.

The original Empowerment Zone designations in 1994 received full funding as an entitlement, making all grant awards available for use within the first 2 years of designation. Unfortunately, this has not been the case with the Round II designations. Benefits promised with this designation included flexible funding grants of \$100 million for each urban zone, \$40 million for each rural zone and about \$3 million for each Enterprise community over a 10 year period beginning in 1999. Round II zone designations were required to prepare strategic plans for comprehensive revitalization based on the availability of \$100 million in Federal grant funding over 10 years (1999–2009). Unlike the Round I designations, Round II Zones have only received a small fraction of funding, none of which has been up front. As a result, our zones lack the certain and predictable funding stream to implement their strategic plans, and must seek an annual appropriation to secure the promised Federal grant award.

Cumberland County Empowerment Zone is a collaborative revitalization strategy between the communities in my district of Bridgeton, Millville, Vineland, and Port Norris. Cumberland is the second fastest spending zone in the Nation, having committed 100 percent of the nearly \$22 million that has been made available by HUD so far. Over 300 jobs have been created to date with an additional 1,100 anticipated over the next 18 months, if the Federal funding source continues. Over 100 housing units have been renovated, rehabilitated, constructed, or purchased in EZ neighborhoods and a \$4 million loan pool is available to be reinvested back into the targeted

communities. Cumberland County has funded over 60 initiatives through the EZ program, utilizing \$11,627,563 in funding. These projects are estimated to leverage a total of \$123,948,631 in private, public, and tax exempt bond financing. Put plainly, the Cumberland County Empowerment Zone has leveraged nearly \$10 in private investment for every one dollar of public funding, a remarkable achievement that shows the success and promise of the Zone. The future success, viability, and sustainability of the empowerment zone strategy and more importantly, our communities, hinge on the ability to continue to attract and leverage private investment. It is imperative the existing Round II empowerment zones receive multiyear funding to facilitate the implementation of the long term strategy plan as required by each Zone.

Unfortunately, the President did not request funding for Round II EZs/ECs in his fiscal year 2004 budget. Last year, when the President did not include funding for this initiative in his fiscal year 2003 budget, the Budget Committee included supportive language in the committee report accompanying H. Con. Res. 353, the fiscal year 2003 budget resolution. This language was extremely helpful in our efforts to successfully secure \$30 million in funding for the program in the fiscal year 2003 omnibus. I respectfully request the committee again include supportive language for Round II Empowerment Zone Funding. The language is as follows:

EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES

The committee strongly supports the continued funding of the Round II. Urban and Rural Empowerment Zone and Enterprise Community (EZ/EC) initiatives at least at the level pledged by the Round II designation of 1999.

The committee recognizes that the current EZ/EC initiative is yielding measurable results; improving the economy and quality of life in distressed areas; enabling self-sufficiency of disadvantaged residents; and leveraging private and nonprofit resources. In competing for designation, these communities were selected for their thoughtful use of Federal funds over a full 10-year cycle, not on how quickly they could withdraw from funds from the Treasury. The Round II EZ/EC designees have received only a small portion of the Federal grant funds they were promised to implement their strategic plans for revitalization. This resolution assumes the program will receive sufficient resources to continue progress on this important work.

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Another important budget priority for my district is the defeat of a proposal in the President's fiscal year 2004 budget to establish a mechanism to collect winnings from casino patrons who have failed to pay child support. While I strongly support efforts to crack down on "dead beat" parents, I remain concerned about any plan that would call on private industries to become arms of law enforcement.

Let there be no mistake, I share the President's objective of making it more difficult for "dead beat" parents to elude their family responsibilities. In my home State, State and local law enforcement agencies work diligently to ensure that parents who abandon financial responsibilities to their children face the consequences. I support continued efforts to assist the law enforcement community by providing necessary tools and resources to fight this important battle.

However, creating a new Federal bureaucracy to maintain a national database—especially one that is accessible by private sector employees not trained in law enforcement—does not seem to be the best approach. To fulfill the legal requirement to pay winnings when they are due, thousands of gaming industry employees would need accurate information from all 50 States accessible 24 hours a day, 7 days a week. Misuse by employees or mistakes in the database could create a litany of liability issues for both the gaming industry and the Federal Government.

While we share the goal of implementing a more efficient method of collecting unpaid child support, a remedy that puts the burden on our private sector industries to become responsible for carrying out the duties of our trained and skilled law enforcement community is not the right approach. I therefore respectfully request that you not assume revenues from this proposal as you develop the fiscal year 2004 budget resolution.

Finally, as you know, the coastal communities in my district have a strong history of working with the Army Corps of Engineers to protect local beaches, tourist economies, lives and property.

Beach replenishment projects are not about suntans; they are about jobs and the economy. The tax revenue to the Federal Government is more than 180 times the Federal share of shore protection projects annually.

The projects in my district are not only a vital component of our tourist based economy, but also provide key habitats for a variety of wildlife including rare and

endangered species. While I appreciate the President's budget for my district projects for fiscal year 2004, I am very concerned with the continued prohibitions on "new starts." I have several projects that have made it through the feasibility stage favorably, but are now delayed from moving to construction due to insufficient "new start" funding. These projects are critical to my district, I hope we can work together to find a solution to this problem.

Thank you for your kind consideration of these requests. I look forward to working with you to develop comprehensive solutions to these and other budget issues facing our great Nation.

Mr. GUTKNECHT [assuming Chair]. Thank you, Mr. LoBiondo.

Questions or comments? The gentleman from Texas?

Mr. EDWARDS. I just want to thank Mr. LoBiondo for pointing out and reemphasizing the important role the Coast Guard plays in our homeland defense efforts.

Thank you for your leadership in pushing for additional funding there. I have a community in Texas that has been marked for Empowerment Zone designation; it is a great program, and I hope we can get bipartisan support in putting that money into the budget. Thank you.

Mr. LOBIONDO. Thank you.

Mr. GUTKNECHT. Thank you, Mr. LoBiondo.

The gentleman from Michigan, the honorable, the doctor, Vernon Ehlers. I understand you have a rather impressive slide show for us.

**STATEMENT OF HON. VERNON J. EHLERS, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MICHIGAN**

Mr. EHLERS. Well, I am pleased that you think it is impressive before even seeing it, because you may never see it. They are having some technical problems here, and I am sure Mr. Nussle will not be pleased, because he was so proud of this system last year, when I was the first one to use it for a presentation.

I do have a script and I will skip that, and I hope that I will have some charts to show you before I have finished.

First of all, I thank you for the opportunity to testify today, and I appreciate that the Budget Committee always takes the time to listen to testimony and comments from all Members who wish to make those comments.

You obviously have some very heavy priorities and difficult decisions to make. At the same time, I want to make sure we are able to put our funding where I think it is really important—not only for military purposes, but for an area of research that backs up not only the military, but provides economic benefits as well as medical benefits and business benefits.

Just to give an example, laser-guided bombs, which we think are wonderful just because they accomplish the task with far less collateral damage and far less use of resources, would be impossible without lasers; yet the first idea for lasers was developed in the 1930s by a theoretical physicist, sitting at his desk, inquiring as to what quantum mechanics had to say about the interaction of light and atoms. And from that, he discovered stimulated emission, which led to the development of lasers 20 years later. Even that was still only in the 1950s, and the applications of the laser have been tremendous. But all that early research was funded in the nature of basic research, with no idea whatsoever as to what the application would be, and yet we find it invaluable. Today we also

have GPS weapons which are based on atomic clocks and something that I worked on when I was getting my Ph.D., and again, basic research—we had no concept that this would lead to a geosynchronous position system which allows us to guide airliners, as well as bombs and missiles.

Science and technology are critical to our economic prosperity as well. It is very important to us to maintain the funding for that. Over the past 5 years, we have doubled NIH, and if I had my first slide I would show how that has had a very positive effect, but also has thrown our research effort out of balance. The director of the NIH is the first one to say that he could not continue the level of research they are doing without similar progress in the funding of physical sciences: physics, chemistry, engineering, computer science, and so forth, to the point where he said that if we do not increase the funding there—this was the previous director—he would have to start making certain that research gets done using his own funds, because he needs it.

So we have doubled NIH. We should double NSF. In fact, the House and the Senate passed a bill last year and the President signed it into law, and this will be your first opportunity to provide that 15-percent increase for every year. Again, I have a chart which shows that this is a relatively small amount—not insignificant, but very small compared to what we deal with in NIH. If we had the money to do it for NIH, we certainly have the money to do it for the NSF.

And so I am requesting that you allocate sufficient funds within the budget to honor the intent of that bill that we passed last year, so that the appropriations can match our authorizations.

As you well know, I have been dedicated to science for a long time, but that's not the only—or even the main—reason that I appear before you to ask for this funding. I am convinced that we will do damage to our economic future, our children's future, our educational future, and for that matter our military future, if we do not continue our basic research in science. And above all, I ask that you go with the 15-percent increase for the National Science Foundation this year.

In addition to that, we must recognize that the Department of Energy's Office of Science has suffered over the past decade. It has actually gone down in appropriations in constant dollars; similarly, NASA has gone down in constant dollars, and so it is very important for us to make certain that those areas of research also receive increases.

I am not prepared with recommendations for that, but I certainly hope you will keep that in mind as you consider the budget process.

I would love to show you these charts on the screen. I can wave them in front of you, which is not very effective, but I will see that each of you are given copies and that copies are provided for the record, as well. But this particular chart, which you can probably just barely see, shows how NIH has gone up exponentially, as you expect when you give it a 15-percent increase a year, and it is now leveling off, whereas NSF is just barely increased. NASA has gone down. DOE has gone down during that 10-year period.

If you compare the increase that we gave to NIH to what we're hoping for from NSF, you can see it is considerably smaller, only

about a third of what we did for NIH. If we could fund NIH to that extent, we could certainly fund the increase in NSF. On an annual basis, this is what is represented there; again, even less than a third of it.

Finally, just to show how important this is, the students follow the money. If you look at what has happened to student enrollments, you will find life sciences going up, following very nicely along the increased funding line that we provided for life science research. Down here we have the other disciplines, the physical disciplines, earth, oceans, atmospheric, physical science, math, computer science, and engineering. And I am particularly concerned about engineering, which is largely applied science—ah, we finally have the charts there. It shows here that engineering undergraduate enrollment in the United States is going down. Graduate enrollment is up, but not because of American students; because of foreign students.

So we are dependent for our future on foreign students coming into this country, whereas our enrollments are going down. And this is all related to this budget request that I am submitting to you here.

I know the slides flashed briefly on the screen, but at this point I suspect my time has expired. I will be happy to answer any questions.

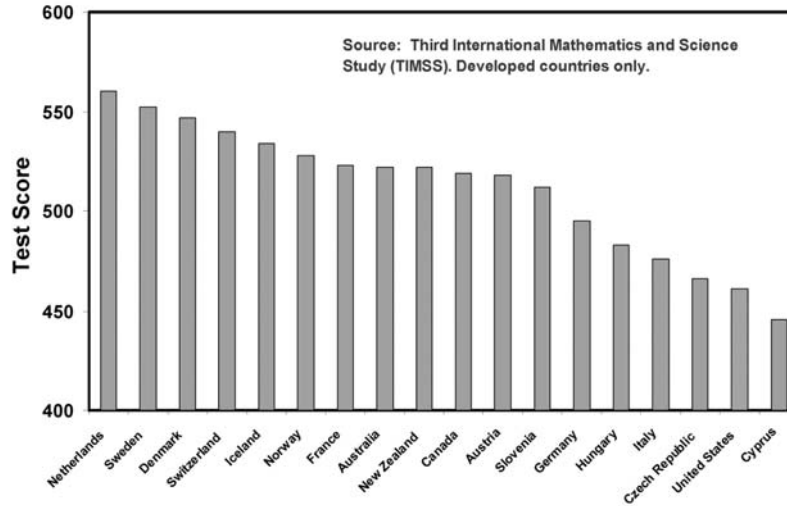
[The prepared statement of Mr. Ehlers follows:]

PREPARED STATEMENT OF HON. VERNON J. EHLERS, REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MICHIGAN

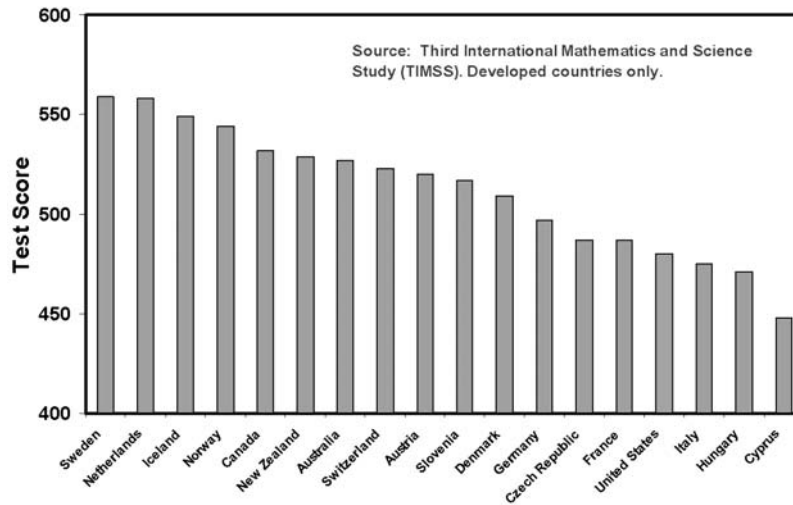
Thank you, Mr. Chairman, for the opportunity to testify before you today as the committee deliberates a fiscal year 2004 budget resolution. I know that several priorities weigh heavily with the committee as you prepare the fiscal year 2004 budget, particularly funding the on-going war on terrorism, contemplating a potential war with Iraq, facilitating economic stimulus, and maintaining fiscal responsibility while preserving domestic spending responsibilities. I certainly do not envy the difficult choices you have to make, but let me assist you in your deliberations by pointing out the role that science research and development plays in all of these areas. Simply put, science research forms the foundation for each one of these priorities, and it must not be overlooked.

For example, laser-guided bombs are incredibly useful and powerful weapons that have allowed our military to accomplish its missions in Afghanistan and elsewhere with a lower risk to our troops. But if you ask where the laser-guided bombs came from, they were not developed by the military—certainly the laser was not. The first ideas for stimulated emission of radiation were developed before World War II by a physicist examining the quantum mechanical interaction of atoms with light. In fact, the laser itself was developed when I was a graduate student in the 1950s. Furthermore, GPS-guided bombs and missiles are based on the use of atomic clocks in satellites. Atomic clocks were also developed in the 1950s and are intimately involved with research that I did during that time. It is clear that funding for basic science research leads to these kinds of developments, which are essential in medicine, education, and business, as well as for the military.

Twelfth Grade Mathematics Achievement

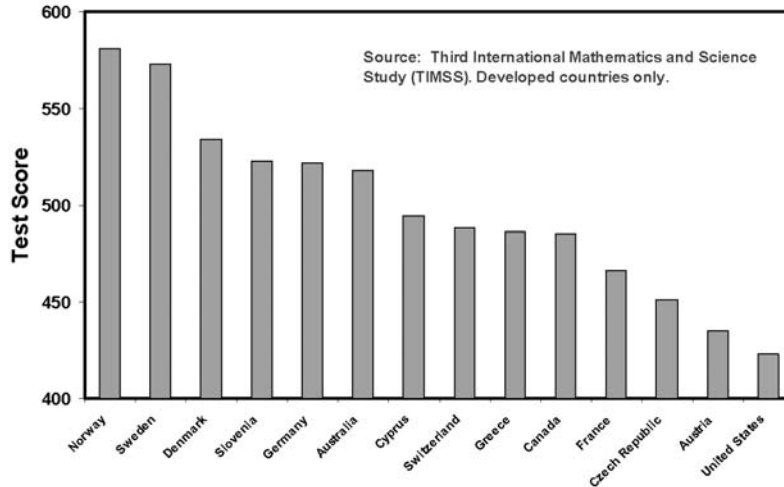


Twelfth Grade Science Achievement



Science and technology are critical to our economic prosperity as well. Economists have attributed much of our Nation's improvement in productivity in recent years to the results of research and development. Productivity improvement and technological breakthroughs spurred the longest period of economic expansion in our Nation's history, and they hold the key for stimulating our economy now. The Networking and Information Technology R&D Initiative (NITRD) has played a central role in this area, and this program and others must be funded adequately in order to support the research and development that spurs economic growth.

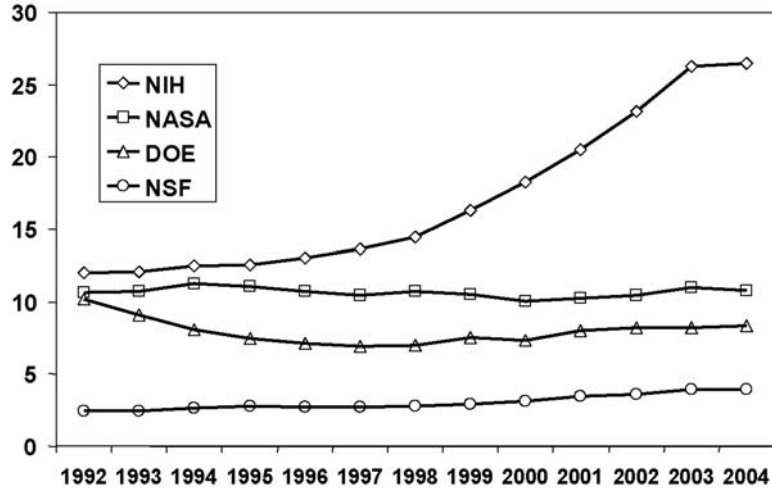
Twelfth Grade Physics Achievement



Let me speak specifically about three science research and development programs that deserve your committee's utmost attention and priority: the National Science Foundation, the Department of Energy's Office of Science, and science funding for NASA.

Last year, Congress passed the National Science Foundation Authorization Act of 2002, which set an fiscal year 2004 authorization level of \$6.39 billion and authorized the eventual doubling of NSF funding in 5 years. I strongly advocate that the Budget Committee should follow that path. I am concerned with President Bush's budget proposal of \$5.481 billion, an increase of \$452.9 million, or 9 percent, over his fiscal year 2003 request, but which was prepared prior to the finalization of fiscal year 2003 appropriations. When compared with actual fiscal year 2003 appropriated amounts, the purported high priority for NSF funding is reduced to a flat level when adjusted for inflation. I strongly urge the committee to set NSF funding at the full fiscal year 2004 authorization amount of \$6.39 billion. This would reflect the importance of NSF objectives, including support for core science research, the development of information technology, engineering research, and K-12 education programs, all of which will foster economic growth and provide vital contributions to our homeland and national security missions.

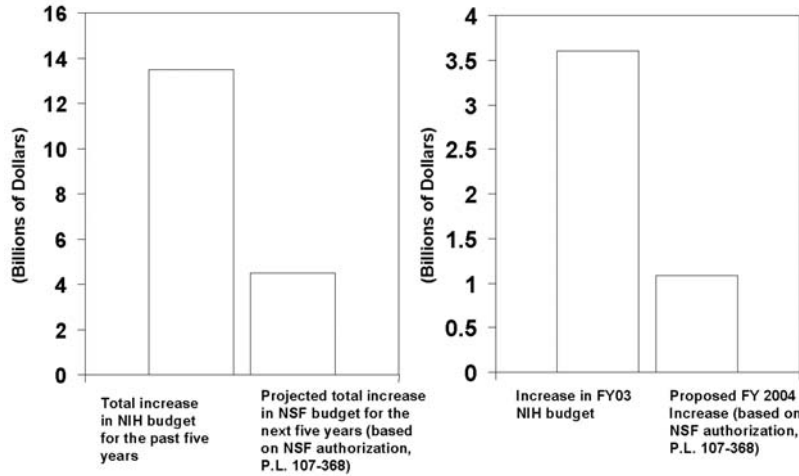
Federal R&D Funding (billions of constant FY03 dollars)



Source: AAAS R & D Budget and Policy Program
FY2004 is the budget request.

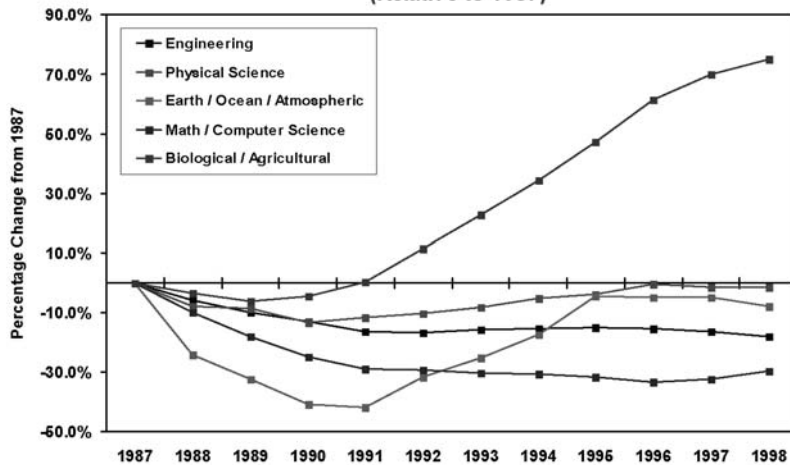
With regard to the Office of Science at the Department of Energy, I want to echo the views and estimates on the budget provided by the Science Committee. The Office of Science, which funds 40 percent of our Nation's physical science research, is a well-run, valuable office that is in need of funding increases. The President's budget proposal essentially keeps funding at fiscal year 2003 appropriated levels, and this is inadequate. In fact, it is inconsistent with the President's Council of Advisers on Science and Technology (PCAST) recommendation that funding for physical sciences be brought into parity with that for life sciences. Again, I stress that the programs pursued by the Office of Science are critical to the advances in research and development that facilitate economic growth and contribute to homeland and national security.

NIH funding vs. NSF funding
(figures in billions)



Finally, let me say a word about science funding at NASA. Of course, we are all still reeling from the tragedy involving the shuttle Columbia, and as the investigation into the accident continues, debate is taking place over the size and scope of our space science program. I certainly share the view of many that funding for safety programs is critical. But, I must stress that we must not let this disaster engulf other science resources at NASA. The practical technological advances that have come out of our space program are well known, and I am confident that additional funding will certainly continue to provide the foundation for economic development as well as military and security applications. As the Science Committee continues its investigation and evaluation of the NASA budget and priorities, I urge this committee to provide adequate funding for the science programs that underpin all of NASA's programs, including space science, earth science, and aeronautics.

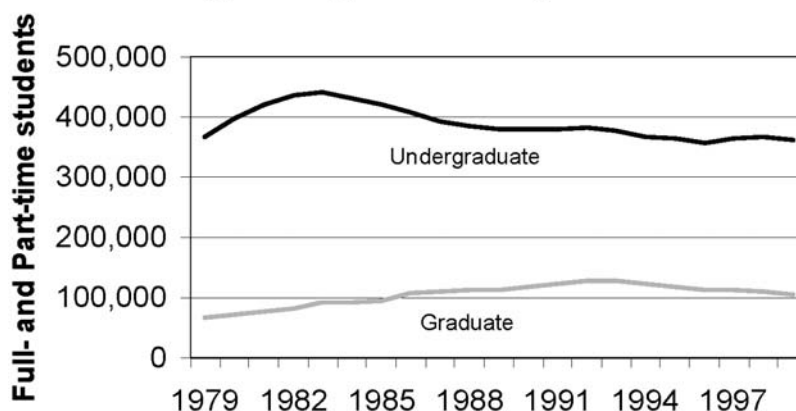
Science and Engineering Bachelor's Degrees
(Relative to 1987)



Source: NSF Report "Science and Engineering Degrees: 1966-1998"

My lifelong dedication to science is well known, and I appreciate your attention to the priorities I have laid out today. I offer my opinions as a scientist, but the goals I have for increased science funding belong to me not only as a scientist but also as a public servant. Increased funding for science research and development initiatives at the Federal level serves the national good by supporting economic development and contributing to advances in medicine, education, and military and national security systems.

U.S. Engineering Enrollment, 1979-1999



Source: national Science Board, *Science and Engineering Indicators*, 2002

Thank you very much, Mr. Chairman, and I would be happy to answer any questions that you have.

Mr. GUTKNECHT. Well, now the charts are working; in fact, they will work perfectly, I am sure, as you leave the room.

Dr. Ehlers, I just want to thank you for your testimony.

Any questions?

Mr. EHLERS. If I may just add one point before the questions, just on the broad general sense.

I appreciate the very careful look this Budget Committee gives every dollar expended, and I urge you to exercise that same scrutiny with the military expenditures that are flowing out of our government. I know that at a time like this it is common that we just say, "Well, we need it for the war effort," but I am old enough to remember the \$500 toilets and the \$200 hammers. Every department needs scrutiny, no matter how worthy their cause, and I encourage this committee to conduct that same sort of scrutiny in every area of the budget, and not just assume that some areas are sacrosanct.

Mr. GUTKNECHT. Thank you, Mr. Ehlers. Having gone with you out to the labs in Boulder, CO, and on behalf of the 3M Company, I want to thank them because they are wise shepherds of the money that we give them. I believe they are the largest user of duct tape in the Federal Government. They don't waste the funds. The experiments we saw were impressive and beyond my ability to completely comprehend, but they really are the crown jewels of the Federal Government. Those kinds of labs need a little bit of seed corn money to do the job that we expect them to do. And ulti-

mately, we get enormous returns on much of what they do in those labs. So I am solidly with you.

Mr. Edwards?

Mr. EDWARDS. Thank you, Mr. Chairman.

Dr. Ehlers, I just want to thank you for speaking out for programs that often don't have many lobbyists on their behalf, because so often the payoff for research is long-term and we are reelected on a short-term basis.

But hearing your testimony reminds me of 20 years ago when I was here as a young graduate of college, working for the Congressman who chaired the Science Committee. O.N.E. "Tiger" Teague was the head of the first Manned Spacecraft Subcommittee; he had an animal husbandry degree from Texas A&M. He was born in Arkansas, but he was a great champion of NASA and of research as an investment in our future. We need more "Tiger" Teagues. We need more Vern Ehlers in Congress, and I hope you keep speaking out.

Mr. EHLERS. I thank you, Mr. Chairman and Mr. Edwards, and I can assure you that most of the benefit from what I am advocating will happen after I die. Thank you.

Mr. GUTKNECHT. Thank you.

The gentleman from Montana, Mr. Rehberg.

**STATEMENT OF HON. DENNY REHBERG, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MONTANA**

Mr. REHBERG. Mr. Gutknecht, Mr. Edwards, thank you for giving me this opportunity. I am honored to be placed between two scientists, as a Montana ranch kid. I am going to give my testimony as impressively, the old fashioned way; I am going to read it.

A quarter of a century ago the elected leaders of the U.S. Congress made a promise to the citizens of America, a promise that all children, regardless of physical or mental disabilities, would receive a quality public education.

The landmark Individuals with Disabilities Education Act, IDEA, represents both the best and worst that Congress can do. While Congress solemnly guaranteed children with disabilities access to quality public education, Congress subsequently failed public school children in its refusal to cover the costs associated with its promise.

IDEA directs the Federal Government to contribute 40 percent of the costs associated with meeting the needs of disabled children directly to the States and local districts that provide the educational services. To date, local school districts across America are still waiting for the Federal Government to provide its promised share.

Since IDEA was signed into law, we have witnessed the elections of six Presidents, spent trillions of taxpayer dollars on tens of thousands of government programs; and yet, for some reason, we have failed to meet this fundamental guarantee.

Each time I visit a school in Montana, educators stress the desperate need to fully fund the Individuals with Disabilities Education Act. In fact, if I were to ask any K-12 teacher or principal what is the single greatest financial challenge their schools face, the answer would invariably be IDEA.

The act's goal, to provide a quality education to all students, including the disabled, is an eminently worthy one. Under IDEA, students with disabilities should receive a wide range of services, including individualized instruction, access to assistive technology, and related services such as speech-language therapy, occupational therapy, and physical therapy. But the Federal shortfall has forced schools to shift funding away from other areas in order to provide even a half-hearted attempt at meeting IDEA requirements. This is why IDEA is not just an issue for the disabled, but an issue for every parent and every child in our public school system.

While schools struggle to meet the requirements of IDEA in the midst of a severe Federal shortfall, class sizes grow larger, school construction projects are put on hold, and fewer efforts are made at teacher training and retention.

This underfunded government mandate has drained State and local district coffers of billions over the years. Since 1990, local school district expenditures for IDEA have increased by 968 percent in my State. In just five school years, the estimated Federal shortfall in IDEA funding has cost Montana \$92.7 million. This year alone Montana will be shortchanged at least \$25.5 million in IDEA funding. That means \$25.5 million less for new teachers, computers, books, Internet access, and infrastructure.

It is unfortunate that while the requirements of IDEA have become a fact of life for every school district, the 40 percent Federal contribution has remained a fiction. I implore this committee to support full funding of IDEA and thus fulfill the promise Congress made to America's children over 25 years ago.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Rehberg follows:]

PREPARED STATEMENT OF HON. DENNY R. REHBERG, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MONTANA

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Thank you, Mr. Chairman.

Mr. GUTKNECHT. Thank you, Mr. Rehberg.

Mr. Edwards?

Mr. EDWARDS. Thank you for your testimony. I think that I speak for the entire committee when I say that we are well aware, and we appreciate the reminder about the importance of IDEA and our commitment to those kids who have special needs. Thank you very much.

Mr. GUTKNECHT. Next we have the gentleman from New Jersey, Mr. Holt. Welcome to the committee.

**STATEMENT OF HON. RUSH D. HOLT, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEW JERSEY**

Mr. HOLT. Thank you, Mr. Gutknecht. I am here to follow on with the remarks that you heard from our colleague, Vern Ehlers. I am the other half of the bipartisan Physics Caucus. I am here to make an appeal that we not eat our seed corn. Whether we are to use a 5-year time base or a 10-year period as we prepare our budget, we have to look at where our future economic growth will come from, where will the productivity come from, and it comes from research and development. We are underfunding in the United States research and development both in the private sector and in the public sector. Our investment in science R&D is essential for the economy, for our national security, and to build the skilled next generation workforce. Now NSF is the backbone of basic research. And let me talk about a couple of examples in Function 250.

NSF supports over 20,000 research and education programs in science and engineering every year. And the passage of the NSF reauthorization bill in the 107th Congress was clear evidence of the bipartisan support for this agency. And when I served on this committee I was pleased to be able to get increases in Function 250 built into the budget that resulted in increases in appropriations. The fiscal year 2003 appropriation of \$5.3 billion represents a 10-percent increase over the previous year. But now we find that the Bush proposed budget for fiscal year 2004 does not continue to build on this support; barely a 2-percent increase, almost \$1 billion below the authorized level. This will hamstring a number of programs, but, most important, it really does not provide the seed corn we need.

We have all talked about the great advances in the National Institutes of Health. Most of us have supported this doubling of the funding of the National Institutes of Health. But if you talk with

any director of any of the Institutes or with the overall directors of the NIH, they all will tell you that in order to have the instrumentation, the techniques, and, most important, the scientists that they need to use that funding that we have given them at NIH, they need the NSF. They need the NSF to keep pace with what they are doing at NIH. And to put the NSF on the appropriate doubling path, the increase for the coming year should not be, say, 2 percent but it should be more like 17 percent. We can afford it. It will fit. And we absolutely need it.

Another example in Function 250 is the Office of Science in the Department of Energy. Many of us talk about the looming war in Iraq, the connection to energy in the Middle East, the global climate change, carbon-emitting fuels. In introducing the DOE budget request, Energy Secretary Abraham focused on the Energy Department's long term vision of transforming the United States into a zero emissions energy economy.

So whether we are talking about reducing our reliance on foreign oil, reducing the impact of our energy use on the change in our climate, we should recognize that we are drastically underfunding research in energy. Funding at the Office of Science has remained flat since fiscal year 2001 at \$3.1 billion. It remains so in the fiscal year 2004 budget request. It should have an increase on the order of \$400 million by my calculations. Investment in hydrogen fuel cell technology is not nearly enough to make the President's State of the Union remarks anything more than ludicrous. And fusion energy, an area that I know a great deal about, the request of \$257 million is identical to the 2003 request, not nearly enough to provide for the participation on the international research reactor either. And more important, it is not nearly enough to make it an energy program where we will actually get something useful that will contribute to useable energy on the grid here in the United States.

So, science will help us meet our future energy needs. Science will help us meet our future health needs. And most important and most basic for our budget considerations here, it is this research and development that will make it possible for us to have the growth that you have postulated to cover the health, transportation, defense, and other needs of America 5 and 10 years out. So I thank you.

[The prepared statement of Mr. Holt follows:]

PREPARED STATEMENT OF HON. RUSH HOLT, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF NEW JERSEY

Thank you, Chairman Nussle, Ranking Member Spratt, and distinguished members of the House Budget Committee. I appreciate the opportunity to testify regarding appropriate funding levels for Function 250 programs in the fiscal year 2004 budget.

The struggling economy and the irresponsible tax cuts of the Bush administration have left us in dire budgetary straits. The projected \$350 billion fiscal year 2003 budget deficit represents a serious threat to the long-term fiscal health of our country. This year we will be forced to make difficult budgetary choices and may have to cut vital government services and programs.

I come here today to argue that Function 250 programs are not the proper place to make dire cuts and to urge you to continue to support funding of the general science portfolio. Our investment in science R&D and in STEM education represents one of the best investments our country can make to help re-invigorate our faltering

economy, protect our national security, and build a skilled next-generation workforce.

Federal investment in Research and Development has one of the best returns on investment of any investment we can make. Its reach extends far beyond the specific field of investment and it provides the ideas and technologies that will drive our future economic prosperity.

In summarizing his committee's report for the President's Council of Advisers on Science and Technology (PCAST) regarding United States' R&D investment, Chairman G. Wayne Clough recommended "that beginning with the fiscal year 2004 budget and carrying through the next four fiscal years, funding for physical sciences and engineering across the relevant agencies should be adjusted upward to bring them collectively to parity with the life sciences."

Funding of Function 250 programs is a primary way to achieve these policy objectives. Collectively, the NSF and the DOE Office of Science provide a lion's share of physical science funding and non-defense R&D. While President Bush and Congress have begun to make a significant commitment to NSF, the Office of Science continues to suffer from inconsistent and flat funding levels. The fiscal year 2004 budget provides an opportunity to reverse this historic under funding of the Office of Science and to continue to support the recent increases in the NSF budget.

The NSF is the backbone of basic research in our academic institutions supporting over 20,000 research and education programs in science and engineering every year.

The passage of the NSF reauthorization bill in the 107th Congress was clear evidence of the bipartisan support for this agency; an agency credited by Mitch Daniels as being one of the "true centers of excellence in this government."

The passage of the reauthorization bill reflects the growing recognition on Capitol Hill and in the scientific community that we must strive for parity in our support for health and physical sciences. Although NSF has a very balanced research portfolio, with equal funds dedicated to life sciences, physical sciences, environmental sciences, math/computer sciences and engineering, it provides one of the largest sources of Federal funding for the physical sciences, which have endured over two decades of flat funding.

Despite these difficult economic times, Congress made adequate funding of the NSF a priority in the recently passed fiscal year 2003 omnibus appropriations act. The NSF's \$5.3 billion fiscal year 2003 appropriation represents a 10-percent increase from fiscal year 2002, with NSF research and development enjoying even a larger increase of 11.4 percent. The fiscal year 2003 omnibus appropriation act continues to build on recent support for the NSF, reversing a paucity of funding for this agency throughout the 1990s.

In relation to the fiscal year 2003 funding levels, the Bush administration's proposed fiscal year 2004 budget does not continue to build on this support, and if passed would lead to significant cuts in established programs.

The Bush administration's request of \$5.48 billion for NSF in fiscal year 2004, represents just a 3.2-percent increase over fiscal year 2003 levels and is \$909 million below the authorized level.

This short fall would seriously hamstring some programs, such as those supported by the research and related account that would receive no increase from fiscal year 2003 appropriated levels.

In addition, the significant increase in funding for the Math and Physical Science Directorate in the fiscal year 2003 budget leaves the Bush administration's fiscal year 2004 budget with only a 1.9-percent increase in these programs.

In addition to its R&D activities, NSF is playing a vital role in enhancing the quality of K-12 math and science education, and in attracting top students to pursue graduate degrees in science and engineering.

I had the honor to serve on National Commission on Mathematics and Science Teaching, known as the Glenn Commission. Our final report, entitled "Before it's Too Late," identifies teaching as the most powerful instrument for reform and calls for major changes in the quality, quantity, and professional work environment of our math and science teachers.

For example, the NSF Math and Science Partnership Program is designed to develop model partnership initiatives to improve teacher professional development and increase student achievement in these areas through merit-based grants.

I appreciate the Bush administration's support for the Math and Science Partnership Program, providing \$200 million in its fiscal year 2004 budget request. This represents an increase from the \$128 million fiscal year 2003 appropriated levels and will enable a significant expansion in the partnerships that the NSF is able to support.

In addition, the proposal to increase NSF graduate fellowship stipends to \$30,000 per year, and to increase the total number of the fellowships to 5,000 represents

a vital commitment to attracting more U.S. students to pursue advanced scientific degrees.

In addition to the NSF, general science programs in the Department of Energy comprise a major component of Function 250's investments. The looming war with Iraq, the continued instability in the Middle East, and the threat of global climate change highlight more than ever our need to reduce our dependence on foreign oil and carbon-emitting fossil fuels.

In introducing the DOE budget request, Energy Secretary Abraham focused on the Energy department's long-term vision of transforming the United States into a zero emissions energy economy. This is a noble and formidable goal. However, like many Bush administration proposals, the rhetoric is not backed by the funds needed to complete the task.

We all are in agreement that achieving energy independence and a significant reduction in greenhouse gas emissions from the energy sector will take a sustained investment in basic sciences that could lead to clean alternative energy sources.

Nevertheless, funding for the Office of Science within the U.S. Department of Energy has remained flat since fiscal year 2001 at \$3.1 billion and remains so in the fiscal year 2004 budget request. The Bush administration's request of \$3.2 billion for the Office of Science shortchanges the required commitment to the potential of physical science research to help meet our Nation's energy needs.

While I applaud the administration's commitment to research and development of hydrogen fuel cell technology, their budget is not sufficient to accomplish their stated goals. The creation of hydrogen takes energy, and a zero emission economy requires that this energy come from a renewable or nuclear power source.

Many of the Federal Government's renewable energy and energy-efficiency research programs, however, would see little new money or would be cut under President Bush's proposed budget for fiscal year 2004. Total research funding for the Energy Department's energy efficiency and renewable energy programs would increase just \$1.3 million, or 0.1 percent, to \$1.32 billion. Research money for wind energy would fall 5.5 percent, while solar energy funding would increase 0.1 percent, and hydropower research dollars would remain the same.

The Bush administration has hailed their decision to participate in ITER—the international fusion energy project—as a sign of their commitment to finding a clean energy alternative. But talk is cheap. The fusion energy science's budget request of \$257.3 million is identical to the fiscal year 2003 request. Where is the additional money to support our commitment to ITER?

This money for ITER, a mere \$12 million, comes at the expense of domestic fusion energy programs. This is not acceptable. We must support this international collaboration with additional and sufficient money and we must continue to increase our support of domestic fusion energy research, so we can take advantage of the technology developed through ITER.

Fusion energy is just one example of how research supported through the Office of Science will help our Nation meet our future energy needs. Let's not shortchange this effort.

Dynamic funding for the Office of Science and NSF must be a top priority for this committee as you look for ways to stimulate our Nation's economy, to improve our national security, to move us toward energy independence, and to maintain American leadership on the frontiers of science and technology.

Mr. GUTKNECHT. Thank you, Mr. Holt. Questions? Comments?

Mr. EDWARDS.

Mr. EDWARDS. Thank you, Mr. Chairman. I want to thank the second half of the physics caucus. Mr. Holt, thank you for your leadership in pushing research. Again, I am a strong believer in research, both basic research that may not have an immediate dollar payoff but is important for the development of our knowledge of ourselves and the world in which we live, and also applied research.

Mr. Chairman, I will apologize to you for having to leave to go meet with a group of school students from my district. But as I am leaving, I would like to make one observation if I could, since this is my first time as a new member of the Budget Committee to listen to Members testify. During the time I was here we had ten Members testify, basically five Republicans, five Democrats. The first witness I heard, in fairness to that Member, I did not get in

on the beginning of that testimony but toward the end, but the comment was made that what we need to do is let people keep their own money rather than Washington. But I would observe that out of the five Democrats and four other Republicans who testified, every one of them supported programs that would either decrease revenues to the treasury or increase spending. Frankly, out of all of them, I did not hear a single frivolous request, everything from education for disabled children, to dollars for first responders, fire departments and police officers, funding for the Coast Guard Empowerment Zones. And these requests are in addition to what is already the largest deficit proposed in the history of the United States.

I guess it underscores the challenge we have ahead of us, Mr. Chairman, in this committee. And I thank you for chairing this part of the testimony.

Mr. HOLT. If I could comment on that, Mr. Chairman.

Mr. GUTKNECHT. Mr. Holt.

Mr. HOLT. The point that I was making is that we will not have economic growth in the United States without an investment in research and development. We will not have the money to do all those other good things that you and my colleagues have been talking about today unless we invest in Function 250, research and development.

Mr. EDWARDS. Sure. And I agree with you. That is why, my personal editorial, I do not think we can make budget decisions based on sound bites. We have got to look at these programs, weigh the cost to taxpayers, and the benefit to the country as well. Thank you, Mr. Chairman. Thank you, Mr. Holt.

Mr. GUTKNECHT. Thank you, Mr. Holt. I would say that the number that I have is that over 50 percent of our economic growth of the last 10 years has directly resulted from research done in and by the Federal Government. So what we spend those dollars on ultimately does pay real dividends. Thank you again.

Next we have Mr. Allen from Maine.

**STATEMENT OF HON. TOM ALLEN, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MAINE**

Mr. ALLEN. Thank you, Mr. Chairman, Mr. Moore, members of the committee. I very much appreciate the chance to be here and talk with you today. The proposal I am going to make to you is budget neutral. Let me say that right up front. I am urging the committee to fully fund all of the 55 programs authorized in the No Child Left Behind Act enacted last January. This act implements sweeping changes and sets impressive goals for schools across the country. But it is not being funded at the appropriate level.

We are asking our schools to comply with demanding goals but we are not providing the promised funding. Back in Maine, educators are really very unnerved, concerned about their ability to meet the standards of the No Child Left Behind Act precisely because of the inadequate funding.

Just for an example, professional development is a major concern in Maine. No Child Left Behind requires each State to have a well-prepared teacher in every classroom by the end of the 2005-06

school year. But the proposed fiscal year 2004 budget has eliminated four teacher quality programs and cut funding for the remaining programs \$173 million below a 2002 purchasing power level. Nationally, 92,000 teachers will not receive mentoring in high quality professional development without full funding of the programs at the level authorized in the act.

If you talk to people in Maine, particular ed techs, recently we have been talking to them, and they just do not know how they are going to do it. On the one hand, they are being told they can only keep their jobs if they fulfill certain requirements. But there is little time and insufficient money to meet those requirements before the deadline. It would be a tragedy for us to lose talented staff at a time when we are having difficulty attracting and keeping new teachers.

Educators in Maine also worry about the annual yearly progress assessment system. The last 15 years, the State of Maine has developed an extraordinary system. In a public-private partnership over a long period of time, we have developed a statewide curriculum which we call Learning Results. It is publicly supported. It was passed by the State legislature. And we also developed something called the Maine Educational Assessment, an assessment, not just a multiple choice test, given periodically to determine if students are meeting State goals.

So, on the one hand, we have already spent an enormous amount of money and time, over a decade and a half, to develop a State assessment system that applies to students in the fourth grade, the eighth grade, and the eleventh grade. And now we are being told you have to do testing of a different kind every single year. And our schools are really in dire fiscal straits. Most States are struggling to meet the requirements of the No Child Left Behind Act. Basically, what we are doing is we are setting up schools to fail. That is what this act does when you do not have adequate funding.

If we fully fund the No Child Left Behind Act, it would take an additional \$9 billion. Now even in Washington, \$9 billion is real money. That is for fiscal year 2004. But the fiscal year 2004 cost of the President's tax proposal is about \$100 billion. And so all I am suggesting to you, reduce the tax cut by \$9 billion and fully fund No Child Left Behind. This is really a question of priorities. And it seems to me clear that education, our children, our schools should be our top priority.

So I ask the committee to budget an additional \$9 billion in fiscal year 2004, and appropriate amounts thereafter, to fully fund the No Child Left Behind Act. As I said, it is a 9-percent reduction in the \$674 billion proposal that the President made for tax relief, about half of the tax relief that is actually in the President's budget. So, you know, it is 9 percent of that amount, it would be a smaller amount of the entire package. I would urge the committee to take that into consideration. I thank you for your time.

[The prepared statement of Mr. Allen follows:]

PREPARED STATEMENT OF HON. THOMAS H. ALLEN, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MAINE

Mr. Chairman, Mr. Spratt, and other committee members, thank you for allowing me this opportunity to testify before the committee about the budget resolution for fiscal year 2004.

Today, I urge the committee to fully fund all 55 programs authorized in the No Child Left Behind Act enacted on January 3, 2002. The No Child Left Behind Act implements sweeping changes and sets impressive goals for schools across the country. Yet the inadequate funding levels proposed for these programs in fiscal year 2004 make it difficult for schools across the country to reach these goals.

President Bush has stated that the No Child Left Behind Act is “the cornerstone” of his administration. Indeed, the bill passed the House and Senate by substantial majorities because this law touched a sensitive nerve for people around the country. Our education system was in need of reform, direction and structure. The President and Congress agreed that our schools needed Federal attention. The law encourages greater investment in Title I programs, which helps disadvantaged students; ensures schools that need improvement will receive special assistance; and advances the ideal of having qualified teachers in every classroom.

Unfortunately, we’ve asked our schools to comply with these lofty, demanding goals, and we aren’t providing the promised funding. Educators in Maine are anxious about their ability to meet the standards of the No Child Left Behind Act. Their consensus is that the major obstacle to making these ideals a reality is lack of funding.

For example, professional development is a major concern in Maine. No Child Left Behind requires each State to have a well-prepared teacher in every classroom by the end of the 2005–06 school year. However, the proposed fiscal year 2004 budget has eliminated four teacher quality programs; and cut funding for the remaining programs \$173 million below the 2002 purchasing power level. Nationally, 92,000 teachers will not receive mentoring and high quality professional development without full funding of the programs at the level authorized in the act.

Maine teachers are beginning to fear for their jobs as the deadline for compliance draws near and there is not enough funding to make compliance possible. I have received numerous letters from ed techs, as they are called in Maine, who are completely devoted to their job and the children they teach, and they are simply confused. They have been told they can only keep their jobs if they fulfill certain requirements, but there is little time and insufficient money to do it before the deadline. It would be a tragedy for schools to lose dedicated and enthusiastic staff at a time when we are having difficulty attracting and keeping new teachers.

Educators in Maine also worry about the annual yearly progress assessment system. Over the past 15 years Maine has developed an extraordinary Statewide set of curriculum standards called Learning Results. We have developed the Maine Educational Assessment, an assessment—not just a multiple choice test, given periodically to determine if students are meeting State goals.

As Maine has already spent a great amount of resources creating its own assessment program, the development and administration of a yearly assessment that meets both Federal and State standards will be an additional costly venture. Creating and implementing an adequate yearly assessment involves additional professional and curriculum development. Struggling school districts in Maine do not have the resources to develop an annual assessment.

Due to Maine’s own budget crisis, there is little funding assistance the State can provide to schools as they begin to apply these new standards. Maine is not the only State in dire fiscal straights. Most States are struggling to implement the requirements of the No Child Left Behind Act. The National Governors Association has reported that the combined current budget shortfall for all States in 2003 is about \$30 billion and is projected to be about \$82 billion in 2004. We are setting up the States to fail by forcing them to make up for inadequate Federal education aid while they attempt to implement budget cuts and tax increases.

There is one way we can help: fully fund the No Child Left Behind Act at the levels authorized when we passed the law. This would cost an additional \$9 billion in fiscal year 2004. Some may say we don’t have that money, given the growing deficit. I remind the committee that the fiscal year 2004 cost of the President’s tax proposal is approximately \$100 billion. If there is money for that, we can certainly carve out 9 percent of that amount to make good on the promise of the No Child Left Behind Act. We must prioritize and I firmly believe that our top priority should be our schools.

To summarize my request, I ask the committee to budget an additional \$9 billion in fiscal year 2004, and appropriate amounts thereafter, to fully fund the No Child Left Behind Act. This can be easily accomplished by reducing the tax cut by a small percentage.

Again, thank you, Mr. Chairman, Mr. Spratt and other members of this committee for allowing me to testify. I urge the committee to fund No Child Left Behind at the authorized levels. This will guarantee the best for our schools, our teachers

and our children, provide relief to States facing budget crises and nurture investments in education that are essential to our Nation's future economic health.

Mr. GUTKNECHT. Thank you, Mr. Allen. Questions? Mr. Moore.

Mr. MOORE. Thank you, Mr. Chairman. Mr. Allen, have you heard from other Members in other States that they are having similar problems and similar concerns with lack of full funding?

Mr. ALLEN. What I hear from other Members is there is a revolt going on among educators in a lot of different States, because they have so many different examples to draw from. IDEA, which is a Federal mandate where we are not even close to coming to full funding; Homeland Security, where we are not funding all the mandates that we are imposing on our first responders. Now it has happened again with No Child Left Behind. At some point, people get upset.

What we hear now in Maine is enormous frustration and a rebellion against the act itself and a real concern that it is going to dumb-down our education system, partly because of a lack of funding, but also because we are in a place in Maine where we have two choices, we can maintain our high standards, and they are higher than the Federal law, and have more failing schools and lose Federal funding, or we can dumb down our assessment. And if we dumb down our assessment, we will not have as many failing schools, we will keep our Federal money, but it is the wrong thing for the kids in Maine.

Mr. MOORE. I just want to say I have been contacted by the superintendents in my district who have expressed the same kind of concerns about the lack of resources to do what the law requires them to do, No. 1. And No. 2, also concerns, and not in my district, from other parts of Kansas, about rural schools not being able to comply with this and making it much more difficult for rural schools.

I hope we can do something to try to meet the concerns that you have. Thank you.

Mr. ALLEN. I thank you. Thank you very much, Mr. Chairman.

Mr. GUTKNECHT. Thank you, Mr. Allen.

Next we have the Delegate from Guam. I especially want to welcome her because, on a per capita basis, the people of Guam are the highest consumers of the world's finest lunch meat that comes in blue cans, and I just happen to be wearing the spam tie. So, welcome. [Laughter.]

**STATEMENT OF HON. MADELEINE BORDALLO, A DELEGATE IN
CONGRESS FROM THE TERRITORY OF GUAM**

Ms. BORDALLO. Thank you very much, Mr. Chairman. You took the words right out of my mouth. I have it right here saying that Guam consumes more Spam per capita than any other State or Territory in the Union. And we are very proud of that.

Mr. GUTKNECHT. And we are very thankful. Thank you, and welcome to the committee.

Ms. BORDALLO. You are welcome. I want to thank you for letting me come before the committee to share my views regarding the administration's fiscal year 2004 budget.

The budget request stops short of providing the funding necessary to protect United States' interests in Guam and to meet

Federal obligations to the island. I wish to draw the committee's attention to two key areas; the first, Compact-Impact Aid, the second, military construction.

Compact-Impact Aid: The agreement that the United States has with the Federated States of Micronesia and the Republic of the Marshall Islands allows their citizens to freely enter the United States without a visa to work and make use of State and local services. To help defray the cost of this agreement, funds have been allocated to those areas most impacted; namely, Guam, Hawaii, and the Commonwealth of the Northern Marianas Islands. The proposed budget shortchanges Compact-Impact reimbursement funding.

The fiscal year 2004 proposal engages in budgetary musical chairs by first zeroing out the \$4.58 million that Guam has received in the past, and then allocating a total of \$15 million for Compact-Impact Aid for all three affected jurisdictions, in a yet to be determined formula that will accompany the proposed modified compact legislation. I understand that this proposal, Mr. Chairman, will be formally submitted by the administration this spring.

Health care, education, and law enforcement costs associated with this obligation continue to grow rapidly beyond the limited Federal assistance. The amount of funds proposed, \$15 million, is grossly inadequate for the reimbursement needs that have consistently been reported to the Secretary of the Interior and the Congress.

By not defining how Compact-Impact Aid will be distributed, the administration creates a situation whereby Guam, Hawaii, and the Commonwealth of the Northern Marianas Islands are vying for shares of a \$15 million allocation that is more appropriate to the amount necessary for just Guam or just Hawaii alone. The administration must be reminded that Compact-Impact is a Federal responsibility that flows from a Federal immigration policy that neither Guam, Hawaii, nor the Commonwealth of the Northern Marianas Islands had a role in negotiating in the first place. Zeroing out Compact-Impact Aid in the fiscal year 2004 budget has further added to the financial difficulties in Guam due to recent natural disasters and other adverse economic factors. So I am hoping that the Budget Committee will take a look at this. We need additional funding.

Under military construction, the second point. As the committee is aware, the budget increases every Department of Defense account except military construction. The 2004 funding level of \$5 billion is 20 percent below the 2003 enacted level. Furthermore, I am concerned that savings from base closures on which this budget relies will not be realized and that maintenance of military installations will suffer.

I believe it is wrong to increase the operational tempo at bases and at the same time cut their funding to meet this challenge. For example, the Air Force and the Navy bases on Guam submitted requests recently to the Office of Management and Budget for a total of \$337 million to help cover the cost of supertyphoon Pongsona. Both requests were rejected by OMB despite having the support of the Secretary of Defense.

Supertyphoon Pongsona struck Guam on December 8, with 180 miles per hour winds for over 8 hours. Power lines were struck down, military housing was damaged, and the heavy rains and flooding degraded the water supply system operated by the Department of Defense. The typhoon seriously damaged bases on Guam that are vital to homeland security and projecting U.S. strategic power in the Asia-Pacific region. At the same time, military operations on Guam have increased as war on terrorism and tension on the Korean peninsula continue to worsen. The arrival of long-range bombers to Andersen Air Force Base just yesterday highlights the crucial need for repairs to the military infrastructure that was damaged due to this storm. That must be rebuilt so they can increase in operations.

As a member of the House Armed Services Committee, I understand the competing priorities our Nation is faced with in regards to national defense. In packaging these priorities into the President's budget request to Congress, military construction needs should have been given their due consideration. So I am asking, Mr. Chairman, that this be taken into account as well.

I thank you very much for allowing me to give my views this afternoon.

[The prepared statement of Ms. Bordallo follows:]

PREPARED STATEMENT OF HON. MADELEINE Z. BORDALLO, A DELEGATE IN CONGRESS
FROM THE TERRITORY OF GUAM

Chairman Nussle, Ranking Member Spratt and members of the Budget Committee, thank you for letting me come before you to share my views regarding the administration's fiscal year 2004 budget. The budget request stops short of providing the funding necessary to protect the United States' interests in Guam and to meet Federal obligations to the island. I wish to draw the committee's attention to two key areas: Compact-Impact Aid and military construction.

COMPACT-IMPACT AID

The agreement that the United States has with the Federated States of Micronesia and the Republic of the Marshall Islands allows their citizens to freely enter the United States without a visa to work and make use of State and local services. To help defray the cost of this agreement, funds have been allocated to those areas most impacted, namely Guam, Hawaii and the Commonwealth of the Northern Mariana Islands. The proposed budget shortchanges Compact-Impact reimbursement funding.

The fiscal year 2004 proposal engages in budgetary musical chairs by first zeroing out the \$4.58 million that Guam has received in the past, and then allocating a total of \$15 million for Compact-Impact Aid for all three affected jurisdictions, in a yet to be determined formula that will accompany the proposed modified Compact legislation. I understand it will be formally submitted by the administration this spring.

Healthcare, education, and law enforcement costs associated with this obligation continue to grow rapidly beyond the limited Federal assistance. The amount of funds proposed, \$15 million, is grossly inadequate for the reimbursement needs that have consistently been reported to the Secretary of the Interior and the Congress.

By not defining how Compact-Impact Aid will be distributed, the administration creates a situation whereby Guam, Hawaii, and the Commonwealth of the Northern Mariana Islands are vying for shares of a \$15 million allocation that is more appropriate to the amount necessary for just Guam or Hawaii alone. The administration must be reminded that Compact-Impact is a Federal responsibility that flows from a Federal immigration policy that neither Guam, Hawaii, nor the Commonwealth of the Northern Mariana Islands had a role in negotiating. Zeroing out Compact-Impact Aid in the fiscal year 2004 budget, has exacerbated the financial difficulties in Guam that already exist due to recent natural disasters and other adverse economic factors.

MILITARY CONSTRUCTION

As the committee is aware, the budget increases every Department of Defense account except military construction. The 2004 funding level of \$5 billion is 20 percent below the 2003 enacted level. Furthermore, I am concerned that savings from base closures on which this budget relies will not be realized and that maintenance of military installations will suffer. I believe it is wrong to increase the operational tempo at bases and at the same time cut their funding to meet this challenge.

For example, the Air Force and the Navy bases on Guam submitted requests to the Office on Management and Budget for a total of \$337 million to help cover the costs of supertyphoon Pongsona. Both requests were rejected despite having the support of the Secretary of Defense.

Supertyphoon Pongsona struck Guam on December 7th and 8th, with 180 miles per hour winds for over 8 hours. Power lines were struck down, military housing was damaged and the heavy rains and flooding degraded the water supply system operated by the Department of Defense. The typhoon seriously damaged bases on Guam that are vital to homeland security and projecting U.S. strategic power in the Asia-Pacific region.

At the same time, military operations on Guam have increased as part of the war on terrorism and ominously, tension on the Korean peninsula continue to worsen. The arrival of long range bombers to Andersen Air Force Base yesterday highlights the crucial need for repairs to the military infrastructure that must support this increase in operations.

As a member of the House Armed Services Committee, I understand the competing priorities our Nation is faced with in regards to national defense. In packaging these priorities into the President's budget request to Congress, military construction needs should have been given their due consideration.

Thank you for considering my views with regards to the President's 2004 budget.

Mr. GUTKNECHT. Thank you very much. Mr. Moore.

Mr. MOORE. I do not have any questions, thank you. But I thank the gentlelady for her testimony today.

Mr. GUTKNECHT. Thank you very much.

The Delegate from the Virgin Islands, Mrs. Christensen.

STATEMENT OF THE HON. DONNA M. CHRISTENSEN, A DELEGATE IN CONGRESS FROM THE TERRITORY OF THE VIRGIN ISLANDS

Mrs. CHRISTENSEN. Thank you, Mr. Chairman, Congressman Moore, for the opportunity to once again present my views, and the views of my constituents, and the Congressional Black Caucus' Health Brain Trust on the fiscal year 2004 budget. Last year, I had the privilege of addressing this important committee for the very first time, and I am equally pleased to be here again this year.

As I did last year, my remarks will focus on the cap on Medicaid, which continues to be of critical importance to my community and, indeed, all of the United States' off-shore areas. But before I go into the specifics of the Medicaid cap issue, permit me to make a few observations on the fiscal year 2004 budget, specifically in the area of health care in general, as I did last year.

As the Chair of the Congressional Black Caucus' Health Brain Trust, I am particularly concerned about the treatment of minority health in the President's fiscal year 2004 budget, which is also relevant to my district. The President's budget for next year for the Department of Health and Human Services, in my view, represents a wholesale change for the worse in the treatment of minority health issues. Specifically, the 2004 budget calls for reductions to a \$300-million per year program that provides funds to train potential doctors for needy communities and to a program that assists some hospitals in purchasing important equipment. Further, the President's proposal would reduce funding for a program initiated

by the Clinton administration that provides more than \$100 million annually to facilitate cooperation between community health centers, hospitals, and drug treatment centers.

It makes severe cuts in programs on public health and quality care. Specifically, it cuts the Center for Disease Control's budget by \$33 million which will slash vital minority health screening public health programs at the very worst time. It cuts birth defects research and prevention money by nearly \$11 million, more than 10 percent, even though the cause of 60 to 70 percent of birth defects is still unknown. CHIP is cut by \$2 billion during a time when minorities and others are constantly underenrolled in the program. It cuts funding for environmental health programs that help track asthma and other chronic diseases and prevent lead poisoning in children. Minorities continue to have the highest incidence of childhood asthma in American cities, and the Centers for Disease Control multiple grants help us to track the incidence of asthma and other environmentally caused illnesses and work with those communities to develop prevention and treatment programs.

We would propose the restoration of these and other similar minority health related cuts in the HHS budget, even without the identification of corresponding offsets. While it is true that we should not put a cap on the costs we will incur in prosecuting the war against terrorism, similarly we should not place budgetary roadblocks in the way of improving the health care for those for which health care has long been systematically denied. To do otherwise jeopardizes the future of every American.

We fully support a budget which adequately funds our defense and Homeland security needs. But I cannot in good conscience support the additional tax cuts on top of the \$5.6 trillion tax cut of last year.

Back to the issue of health care access in my district and the other territories. Mr. Chairman, the time has come that this body passes a budget which once and for all would remove the cap on Medicaid payments to the territories. Because of the Medicaid cap and a match that is not indexed for average income level, both of which are congressionally set, we are unable to cover individuals at 100 percent of poverty. For the Virgin Islands, it is closer to 30 percent below that income level. Under the cap, spending per recipient is, at best, one-fifth of the national average.

Our hospitals in all of the territories are struggling because the cap prevents them from collecting payments for many of the services they provide. And they are also unable to collect disproportionate share payments despite the fact that about 60 percent of our inpatients are below the poverty level.

Long-term care is limited and thus unavailable to persons and their families who need it, not because the rooms are not there, but because we do not have enough Medicaid dollars to pay for them even though Federal funds are matched 2-to-1 by local dollars, far above our requirement. While many States are covering women and their minor children well above 100 percent of poverty, we cannot even come close.

Along with my fellow representatives from Guam, American Samoa, and Puerto Rico, I have introduced bills to remove the Medicaid cap as well as for the first time to provide for the creation

of a disproportionate share payment to our hospitals. Mr. Chairman, we are the only country in the world which does not provide universal health care for all of its residents. This is a deficit which a number of my colleagues and I are working to address. However, with regard to better health care for the Americans living in the off-shore areas, this committee can begin to correct this inequity by passing a budget which removes the cap on Medicaid payments. I ask that this committee finally take this bold and first step toward fairness and equality for all Americans. I thank you again for this opportunity to testify. I would have claimed that we eat the most Spam per capita in the Virgin Islands, but I will take second place to my colleague from Guam.

[The prepared statement of Mrs. Christensen follows:]

PREPARED STATEMENT OF THE HON. DONNA M. CHRISTENSEN, A DELEGATE IN
CONGRESS FROM THE TERRITORY OF THE VIRGIN ISLANDS

Thank you, Chairman Nussle and Ranking Member Spratt for the opportunity to present my views, and the views of my constituents on the fiscal year 2004 budget. Last year I had the privileged of addressing this important committee for the first time and I am equally pleased to be able to be here with you once again.

As I did last year, my remarks will again focus on an issue, which continues to be of critical importance to my community and indeed all of the United States' off-shore areas—I am of course speaking of the cap on Medicaid payments to the Territories and Commonwealths.

Before I go into the specifics of the Medicaid cap issue, permit me to make a few observations on the fiscal year 2004 budget, specifically in the area of health care in general.

As the Chair of the Congressional Black Caucus' Health Braintrust, I am particularly concerned about the treatment of minority health in the President's fiscal year 2004 budget. The President's fiscal year 2004 Department of Health and Human Services (HHS) budget in my view, represents a wholesale change in the treatment of minority health issues. When you look at the cuts in the HHS budget for minority health, it can be viewed as an attack on minority health and a downgrade on women's health.

Specifically, the 2004 budget calls for reductions to a \$300 million-per-year program that provides funds to train potential doctors for "needy communities" and to a program that assists some hospitals in purchasing equipment such as X-ray machines. Further, Bush's proposal would reduce funding for a program initiated by the Clinton administration that provides more than \$100 million annually to facilitate cooperation between community health centers, hospitals, and drug treatment centers.

It makes severe cuts in programs on Public Health and Quality Care. Specifically it cuts the Centers for Disease Control's budget by \$33 million, which will slash vital and minority health screening public health programs at a time when those funds are already being siphoned off to conduct smallpox preparedness activities that the administration has not appropriately funded.

It cuts birth defects research and prevention money by nearly \$11 million, more than 10 percent, even though the cause of 60-70 percent of birth defects is still unknown. This would mean the loss of research, jobs and birth defect prevention studies.

It cuts the HUD Lead Hazard Control Grant Program (which are concentrated in minority districts) from the Senate fiscal year 2003 \$201 million to \$136 million, which funds State efforts to remove lead hazards from private housing.

It cuts SCHIP by \$2 billion during a time when minorities are constantly under-enrolled in the program.

It cuts funding for environmental health programs that help track asthma and other chronic diseases and prevent lead poisoning in children. The tracking of chronic diseases and potential environmental causes is critical to the elimination of health disparities. Minorities continue to have the highest incidence of childhood asthma in American cities, and the CDC multiple grants help us to track the incidence of asthma and work with communities to develop prevention and treatment programs.

We would propose the restoration of these and other similar minority health related cuts in the HHS budget even without the identification of corresponding off-

sets. While it is true that we should not put a cap on the costs we will incur in prosecuting the war against terrorism, similarly we should not place budgetary roadblocks in way of improving the health care of the neediest among us. To do otherwise jeopardizes our future.

As it was last year, the linchpin of President Bush's 2004 budget is a new \$1.5 trillion tax cut. Those of us in the minority believe that the President's budget is fiscally irresponsible because it needlessly returns us to record deficits for the foreseeable future.

We fully support a budget, which adequately funds our defense, and homeland security needs, but I don't believe that we need an additional \$1.5 trillion tax cut on top of the \$5.6 trillion tax cut last year.

Mr. Chairman, the time has come that this body passes a budget, which once and for all removes the cap on Medicaid payments to the territories as we incorporate the changes in Medicaid that the President has proposed.

Because of the Medicaid cap, and a match that is not indexed for average income level, both which are congressionally set, we are unable to cover individuals at 100 percent of poverty—for the Virgin Islands it is closer to 30 percent below that income level. Under the cap, spending per recipient is at best one-fifth of the national average.

Our hospitals are struggling, because the cap prevents them from collecting full payments for the services they provide, and they are also unable to collect disproportionate share payments, despite the fact that about 60 percent of their in-patients are below the poverty level. About one third of these qualify for Medicaid, which as I indicted before, never fully reimburses them. The rest of their patients have no coverage whatsoever.

Long-term care is limited, and thus unavailable to persons and their families who need it, not because the rooms are not there, but because we do not have enough Medicaid dollars to pay for them, even though the Federal funds are matched 2-to-1 by local dollars—far above our requirement. While many States are covering women and their minor children well above 100 percent of poverty, we cannot even come close.

Along with my fellow representatives from Guam, American Samoa, and Puerto Rico, I have introduced bills to both remove the Medicaid Cap as well as, for the first time, provide for the creation of a disproportionate share payment to our hospitals.

Mr. Chairman, ours is the only country in the world, which does not provide universal health care for all of its resident. This is a shame, which a number of my colleagues and I are working to address. However, with regard to better healthcare for the Americans living in the offshore areas, this committee can begin to correct this inequity by passing a budget, which removes the cap on Medicaid payments.

History will judge you well if you take this bold step forward for fairness and equality for all Americans.

Thank you again for the opportunity to testify.

Mr. GUTKNECHT. Let the record note that you are a very close second, and we appreciate that. Mr. Moore.

Mr. MOORE. Thank the gentlelady very much for her testimony.

Mr. GUTKNECHT. Thank you very much, Doctor.

Ms. CHRISTENSEN. Thank you.

Mr. GUTKNECHT. Next we have Mr. Kanjorski from Pennsylvania. Welcome to the committee.

**STATEMENT OF HON. PAUL KANJORSKI, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF PENNSYLVANIA**

Mr. KANJORSKI. Thank you very much, Mr. Chairman. Mr. Chairman, I would ask that my full statement be submitted for consideration.

Mr. GUTKNECHT. Without objection.

Mr. KANJORSKI. I will try and make three points in my testimony. There are acute problems and, obviously, we have budgetary constraints in the country. Of course, I find it very difficult to understand, with all the requests and all the needs in the country, how we can further reduce the revenues to the Federal coffers.

With that being said, there are certain areas of importance that concern life and death. The first one I would like to address is the total need for reform regarding reimbursements to hospitals based on the wage indexes in certain MSA areas. Particularly, my district represents one of about 26 in the country where the reimbursement rate for Medicare and Medicaid is below the actual cost of providing the service. It causes and exacerbates a problem in which the 13 hospitals contained in my congressional district lose \$39 million a year because of the under-reimbursements. Every senior citizen that the hospitals take in as a patient is a loss factor to them. One administrator recently said to me it would pay them to hand a senior citizen a \$2,000 check every time they walk into the hospital.

This situation is sad for several reasons. Out of the medical providers and the hospitals in my district, a number of them are on the brink of bankruptcy. These are billion dollar institutions. Quite frankly, I am not aware of what you reuse a hospital for once it closes down. And several of them over the next several years, without a reform to the reimbursement formula, will in fact be closing down.

It is such a grave problem in my area because 65 percent of the patient loads in the hospitals are Medicare patients. So 65 percent of the revenues of these hospitals come directly from Medicare. And the underpayment received has taxed all the endowments that the hospitals once had. They are now operating in a negative position and will continue to operate that way for the foreseeable future.

In 1997 we made an adjustment to the Budget Act and we cut about \$82 billion out of Medicare. Finally, the chickens are coming home to roost, I suspect we would have to say. But it is absolutely unacceptable for this government to ignore areas of this country, particularly those with high senior citizen density, and undercompensate hospitals that provide all of the services when the largest portion of their patients are senior citizens. The only way this can be corrected is for more funds to be budgeted for a true formula reform.

Let me give you an example of what happens in my district. Because my district is in the northeastern part of Pennsylvania, my region borders the metropolitan cities of Philadelphia and Allentown. The hospitals in the Allentown area, some of which are less than 16 miles away from some of my hospitals, are compensated at a rate that is 13 percent higher than the hospitals in my district. Not suprisingly, we have had a tremendous outflow of professionals, doctors, and nurses, as all they have to do is drive 16 miles more a day to increase their income by 30 or 40 percent because of the formula inequity that exists.

So I urge the committee to put sufficient funds in the budget to allow for true reform of the reimbursement formula because, quite frankly, although we cannot count how many people are dying, people are indeed dying as a result of this inadequacy.

Secondly, I am very much disturbed with the President's proposal on prescription drugs. Obviously, it is being written by someone who lives inside the beltway, because they argue that they want to give the same benefits to senior citizens around the country as Federal employees get. Well, you know the Federal employee

program in which we participate. Quite frankly, I never had a week to read all the programs so I just selected a fee-for-service program. But if you had a week to read all the possible programs that are available, you would find that approximately 90 are available. That is not the norm for the rest of this country. In my congressional district there are only two Federal HMOs and one of them is thinking about giving up the program. There are only two HMOs that provide any services for senior citizens and they are at a much higher rate than the senior citizens can afford.

Now if we administer prescription drug payments through HMOs in this country, what we are basically going to be saying is only senior citizens who live in unusually dense metropolitan areas will have the opportunity of having a choice of plans and the availability of prescription drugs. Most of the senior citizens of this country will not have that ability, other than a discount card which, on its face, is a joke.

So when we go into prescription drugs, it seems to me we have to have a universal, and simple program under Medicare that all senior citizens can rely upon the fact that they will be entitled to some subsidy on prescription drugs. Although I am in the minority and understand we are probably going to lose this fight, may I make a suggestion to my friends in the majority? If you are going to go to an HMO system, be fair. I think these systems will pull out of unpredictable areas, as they did in my district 2 years ago. Under Medicare+Choice, all the HMOs in northeast Pennsylvania pulled out of the system, leaving 45,000 or 50,000 senior citizens that had left the Medicare system and had gone to an HMO without coverage. Within a month they were notified that the systems were closing down. This naturally occurs because of supply and demand. Companies that are for-profit under HMOs do not go to areas with a high density of senior citizens if they want to make money. Only a fool or someone who works in the government would think that that is a possibility.

Now having hit those two issues on prescription drugs and Medicare, I also would like to call the committee's attention to the underfunding of the Abandoned Mine Land Program. I happen to also represent a district that has about 110,000 acres of devastated, degraded land as a result of prior mining practices. And when we build new industrial parks or new locations for factories, we do not locate them on degradable land. We have to put them on pristine land. And we are fast losing our inventory of pristine land.

It seems to me the Abandoned Mine Land Program is minuscule in its nature, but again the administration has succeeded in reducing it by 14 percent funding from last year. Even if that program were fully funded to the amount of the trust fund and the funds that flow into the program, correcting the abandoned mine land problem in this country would take more than 250 years. Now I understand that is only a little time more than between now and when the Constitution was adopted. I am certain that sometime in my later years in life we will have completed the abandoned mine problem, because I hope to live to that extraordinary age. Quite frankly, the current program is a joke. And to cut these funds even more is an outrage both environmentally and economically, because these areas are economically distressed by their very nature.

I would suggest, and I do have a pending bill, that we really look at establishing as a comprehensive program. This issue affects 128 congressional districts in this country. And if you conduct a study of those districts, by and large, most are classified as economically distressed. It seems to me that we can come up with a forthright program and make a commitment over the next 30 years of \$20 billion in tax credit bonds. By doing so, we can reclaim all the abandoned mine lands of the United States. This would give these areas an opportunity to be economically competitive with other parts of the country that did not sacrifice their environment to pay for the industrial revolution of America.

I think we have to stretch our imagination and find new ways to address this problem. And incidentally, Mr. Chairman, the cost of those bonds, \$20 billion, would be a loss of revenue to the Government of the United States of less than \$1 billion a year. And at the end of 30 years, you would not know that mining practices of the past ever existed in this country. You would have clean, recyclable land, and you would have clean water. Without comprehensively attacking these problems, whether they occur in Medicare, in prescription drugs, or environmentally unsound land because of prior mining practices, what we reflect to the American people is really what represents the opinion of most of the American people of the Congress—that we really do not care, and that we play magic tricks or shell games with the American people. I think they are getting fed up with and tired of it. I suggest that the Medicare disaster, the potential prescription disaster, and the lack of attending to sound environmental and economic development policy will eventually haunt this institution to the point that Congress will change its approach. I hope that is so, so that in the future we can handle these problems.

I thank the committee for allowing me to testify. I urge the committee to stand tall and make sure the existing problems are addressed before we have a massive tax cut for the wealthiest Americans. Thank you.

[The prepared statement of Mr. Kanjorski follows:]

PREPARED STATEMENT OF HON. PAUL E. KANJORSKI, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, thank you for allowing me to come before the Budget Committee to express my concerns about some of the Bush administration's fiscal 2004 budgetary priorities. I would like to call the committee's attention to a few specific issues that are very important to the people I represent in northeastern Pennsylvania.

This budget shortchanges the Federal Government's responsibility to current and future Medicare and Social Security beneficiaries and provides inadequate funding for important environmental restoration programs. The health of Medicare is also crucial for our region's overall health care system because such a high proportion of northeastern Pennsylvanians are elderly. This budget also fails to provide adequate funding for the reclamation of the abandoned mine lands that are prevalent throughout not only my congressional district but also across much of the Commonwealth of Pennsylvania. In one way or another, these issues affect all of my constituents and I hope that the committee will give these matters the full and fair attention that they deserve in the coming weeks and months.

First and foremost, Mr. Chairman, I have genuine concerns about where our Nation's elderly retirement programs rank in terms of this administration's priorities. Unfortunately, this budget proposal further increases the size and scope of the Federal deficit, thereby forcing the Bush administration to continue spending surplus Social Security funds to pay for other Federal programs. I have sincere concerns

about the effects that budgetary deficits will have on the Federal Government's ability to meet its other responsibilities to future retirees across the country.

One of the clearest problems with the Bush budget request is its failure to provide sufficient funding for the types of Medicare reforms that we can all agree are desirable. We also need to increase reimbursements for the health care providers in the Scranton/Wilkes-Barre/Hazleton Metropolitan Statistical Area and other similar markets nationwide. Because of an unfair Medicare reimbursement formula, professionals in this statistical area receive significantly less than medical providers in other regions of the Commonwealth of Pennsylvania. Mr. Chairman, we need to fix this problem.

While almost no hospital in the Nation has been left unaffected by the cost pressures brought about by the passage of the Balanced Budget Act of 1997, hospitals in my district face a unique set of problems because of the demographic composition of the area and its geographic location. The population of my district is older than average, relatively low-income, and located close enough to areas in which Medicare reimbursement rates are much higher so that skilled personnel are recruited away for higher salaries. Because we have such a high concentration of senior citizens, our hospitals are therefore much more dependent on Medicare reimbursements than most hospitals in other parts of the country. The Medicare patient utilization rate is well over 50 percent for most hospitals and as high as 76 percent in one hospital. Hospital officials have told me that the current reimbursement rate falls far short of covering the cost of treating senior citizens, so that hospitals in our region lose money caring for seniors. Inadequate Medicare reimbursements are threatening to collapse the entire health care delivery system in northeastern Pennsylvania.

As you know, Mr. Chairman, Medicare reimbursements to hospitals are based largely on the wage index for each MSA. Although situated in a small urban area, the Scranton/Wilkes-Barre/Hazleton MSA has a wage index so low that hospitals are reimbursed at the rural wage index. This classification sets in motion a vicious cycle: Medicare reimbursements are lower for rural areas than for urban areas, meaning that hospitals in my district get less money back from Medicare and must consequently pay their employees less than those in urban areas. Because employee wages are lower, these hospitals continue to be classified under a lower paying rural wage index. Even as hospitals are forced to raise wages to keep qualified nurses and other personnel, the 3-year lag in adjusting the reimbursement rate costs them hundreds of thousands of dollars. The hospitals are caught in this cycle and cannot catch up. Meanwhile, hospitals in parts of the State that are just adjacent to my district continue to be classified under a higher paying wage index, and are consequently able to offer higher wages to their employees. A nurse working at a hospital in Hazleton, for example, has to drive just 16 miles to work instead at a hospital in the Allentown MSA, which has a reimbursement rate 13 percent higher than that in my district.

As a result, the continued underpayment by Medicare makes it even harder for northeastern Pennsylvania hospitals to recruit and retain skilled health care professionals as the United States continues to experience a nationwide nursing shortage. In fact, a recent nurses' strike in my district was partially blamed on the low pay that hospitals are forced to offer to the nurses they employ. Meanwhile, many costs for hospitals in my region remain the same as hospitals receiving higher Medicare payments under the urban wage index. Therefore, these hospitals in my district experience an even greater financial burden than hospitals in general are experiencing. Areas such as northeastern Pennsylvania can expect to see more of these problems if this situation is not rectified.

Frankly, shoring up Medicare and raising rural and small urban reimbursement rates to a fair level must be a higher priority than a second trillion-dollar tax cut. We should put the health of millions of senior citizens ahead of added wealth for a fortunate few. While I supported the provisions altering the level of Medicare reimbursements to hospitals and physicians included in the recently enacted fiscal 2003 omnibus appropriations bill, these temporary alterations are merely the first steps in the process. There is still a marked disparity between reimbursement payment rates received by healthcare providers in large urban areas and the reimbursement payments made both to small urban areas, such as those in my congressional district. This disparity leads to non-urban seniors having far less access to the quality healthcare that they deserve.

The Bush budget plan additionally fails to fulfill a commitment to provide meaningful and affordable prescription drug coverage for our Nation's seniors. Rather than creating a guaranteed prescription drug benefit for all seniors within Medicare, the President seems to be recommending full prescription drug coverage only for those seniors who enroll in private, managed care, HMO-type plans. In contrast, under the President's plan those seniors that choose to stay in the traditional fee-

for-service plan would only receive a prescription discount card and coverage for extremely high “catastrophic” drug costs. Overwhelming reliance on private providers to deliver a prescription drug benefit will likely lead to coverage imbalances across the country because these organizations are able to choose where they will provide coverage.

Because private plans can choose where they will provide coverage, this has meant that rural areas, and areas like northeastern Pennsylvania where there are a disproportionate number of senior citizens, are either left without HMO coverage, or are left with unaffordably high premiums and copayments under the few HMOs that have remained. For example, in my district, the few Medicare HMOs that remain charge premiums as high as \$133 per month, and none of them even offer prescription drug coverage in four of the five counties I represent. In the fifth county, the only Medicare HMO that does offer drug coverage charges a premium of \$105 per month, plus a copayment of \$15 per 30-day supply of each prescription. Seniors on fixed incomes need a prescription drug benefit that is affordable and available everywhere in the Nation: according to the Medicare Payment Advisory Commission, in 2003 only 61 percent of Medicare beneficiaries will have access to HMO enrollment.

At a time when the cost of prescriptions continues to rise dramatically, we should work in Washington to include a voluntary defined benefit package for those seniors who want to purchase prescription drug coverage through Medicare. Offering this coverage directly through Medicare ensures that no private plan can, in one day, abandon the program and leave participating seniors without prescription drug benefits, as was the case with the HMOs that left the Medicare program in northeastern Pennsylvania in recent years.

Furthermore, Mr. Chairman, the President’s budget drastically shortchanges Federal abandoned mine land cleanup programs. This budget proposal represents a 14 percent cut—or \$29 million—in cleanup projects funded by the Abandoned Mine Reclamation Fund. This decrease is devastating to the communities across the Nation that desperately need their abandoned mine lands economically and environmentally rehabilitated. I represent a number of these communities in northeastern Pennsylvania and, on their behalf, I urge you to fully fund these vital programs as you work on the 2004 budget.

Making matters worse is the fact that millions of dollars dedicated for the clean up of abandoned coal mine sites now available for reclamation throughout the United States sit unappropriated in the Abandoned Mine Reclamation Fund. Important reclamation work, including the cleanup of 12,000 miles of streams polluted by acid mine drainage, is being needlessly postponed in an effort to offset other expenditures from the Federal budget.

This attempt by the President to balance the budget using the Abandoned Mine Reclamation Fund is just the latest evidence of the need to pass H.R. 419, my bipartisan legislation to establish a nationwide, comprehensive cleanup and economic development initiative for all of the coal regions. We must change from the year-by-year, underfunded system for abandoned mine cleanup that we have now, or the remaining projects in this country will take about 200 years. America’s coal regions deserve the same consideration given to other areas of the country, like the Everglades, that have experienced environmental degradation.

In closing, Mr. Chairman, I look forward to working with my colleagues on both sides of the aisle in developing a budgetary framework that preserves Social Security, protects Medicare, promotes homeland security, lowers the national debt, and invests in our future prudently. Moreover, I urge the committee and the entire Congress to restore funding for environmental-friendly and economically justified programs like the Abandoned Mine Land Fund. Accordingly, I look forward to hearing from each of the committee members and yield back the balance of my time.

Mr. GUTKNECHT. Thank you, Representative Kanjorski, for your excellent testimony. I would only say for your benefit and the benefit of all of our colleagues who have been here today and are preparing to testify, we are attempting to squeeze about \$3 trillion worth of requests into about a \$2.4 trillion package. But we appreciate your testimony.

Mr. Moore.

Mr. MOORE. I just want to thank Mr. Kanjorski also for his testimony. Thank you very much, sir.

Mr. GUTKNECHT. Representative Davis, welcome to the committee.

**STATEMENT OF HON. SUSAN DAVIS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA**

Ms. SUSAN DAVIS. Thank you, Mr. Chairman. I have come today to strongly oppose the administration's budget proposal to drastically cut over 14 percent of Impact Aid funding to schools by eliminating compensation for large categories of children.

The need for Impact Aid has been clear for over half a century. Begun in 1950, Impact Aid compensates districts for the loss of a variety of taxes which form the basis of school support. Military bases and the military homes located on those lands do not pay property taxes, as most of us know. It is clear to all that the Federal Government must help to make up for the loss of these taxes, which traditionally have provided school support.

However, the administration would now cut the much lower rate of funding that has been allotted for children living off base on the misapprehension that they do not negatively affect the school tax base because property taxes may, in fact, be paid on their apartments or homes that they rent or possibly own. Yet, taxes are also lost from these families. Over three-quarters of the military members living in my district claim residency in other States and do not pay State income or car registration taxes. Moreover, all sales on military bases at commissaries or exchanges are exempt from State and local sale taxes. Property, income, and sales taxes are all needed, all of that is needed to provide the State and local funds to pay for education.

One out of every three children in a school district that I represent is militarily connected, and nearly half of these children are unable to be housed on the base. For a small school district to lose funding even at the low rate for this category of children can be catastrophic to the district services.

I bring this to you not just because a dollar amount or the percentage of a district budget is lost, or a fairly decent percentage is lost, it is the message that I am concerned about. It is the message that we are giving to our military families. Last week I met with a group of people from some of the Navy and Marine bases in my district, and these representatives, often wives of servicemen, strongly expressed their concern about the loss of this funding.

Today, Mr. Chairman, as members of our Armed Services are deploying in large numbers to prepare for a possible war, it is critical for them to know that their children's schools are being supported by the country for which they are prepared to give their lives. Thank you, Mr. Chairman.

[The prepared statement of Mrs. Davis follows:]

PREPARED STATEMENT OF HON. SUSAN A. DAVIS, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CALIFORNIA

Mr. Chairman, members, I have come today to strongly oppose the President's budget proposal to drastically cut over 14 percent of Impact Aid funding to schools by eliminating compensation for large categories of children.

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One out of every three children in a school district that I represent is military connected. Nearly half of these children are unable to be housed on base. For a small school district, to lose funding, even at the low rate for this category of children, can be catastrophic to the district's services.

It is not just the dollar amount or the percentage of a district's budget that is lost. It is the message we are giving to our military families. Last week I met with on-base people from some of the Navy and Marine bases in my district. These representatives, often wives of servicemen, strongly expressed their concern about the loss of this funding.

Today, as members of our armed services are deploying in large numbers to prepare for a possible war, it is critical for them to know that their children's schools are being supported by the country for which they are prepared to give their lives.

Mr. GUTKNECHT. Thank you, Mrs. Davis. Mr. Moore.

Ms. SUSAN DAVIS. I wanted to focus on that issue particularly because I think it is something that we really cannot ignore.

Mr. GUTKNECHT. You missed the earlier testimony. We have had several people talk about that and the impact that it has not only on the local school districts, but ultimately on the children.

Mr. MOORE. I was not here for the earlier testimony. But I do appreciate the testimony you have given today because it really is a problem. Thank you very much.

Ms. SUSAN DAVIS. Thank you.

Mr. GUTKNECHT. Thank you, Representative Davis.

Next we have Representative Simmons from Connecticut. Welcome to the committee.

STATEMENT OF HON. ROB SIMMONS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. ROB SIMMONS. Thank you, Mr. Chairman. In the interest of efficiency, I would like to ask unanimous consent that my whole testimony be introduced into the record and then I would like to summarize a couple of points that I think are important.

Mr. GUTKNECHT. Without objection.

Mr. ROB SIMMONS. Thank you. First of all, thank you and Mr. Moore for sitting through these interesting and elucidating hearings. I commend you for that and I appreciate that.

I was recently elected chairman of the Subcommittee on Health of the Veterans' Affairs Committee. And as a veteran who served on active duty and reserve since 1965, retiring just a week ago, it is my honor to try to represent the interests of our veterans before this committee when it comes to the budget.

Recently, the Veterans' Affairs Committee as a whole committee voted its recommendations to the Budget Committee. We were gratified that the President had requested an 11-percent increase in health care funding for the VA. The problem is that in testimony received before the committee by Dr. Roswell, who heads up the Veterans Health Administration in the Veterans Administration, with current enrollment increases, and with the escalating cost of

health care, a 13-to 14-percent increase was necessary between fiscal year 2003–04 if we are to keep pace with those costs. That is the problem. And it is on the basis of that problem, and it is on the basis of the hearings held by our committee that we have recommended to the Budget Committee a 15-percent increase in VA health care for fiscal year 2004. And we feel that this is responsible.

There is an important reason that you consider this increase, and I would like to share with you two pieces of information relative to it. First of all, we have received testimony from the Paralyzed Veterans Association, and using an example of a paralyzed veteran who is a Category 8, under current policy this veteran has total yearly liabilities of \$1,455 a year. Under the proposed new regulations which increase copayments for medicine and which increase the enrollment fee to \$250 a year and make certain other adjustments to the program, this same Category 8 veteran will be paying \$3,210 a year for his care and for his service. That is a 221-percent increase—a 221-percent increase. That increase is contained within the policy recommendations that we have received from the administration for fiscal year 2004. That is a serious problem.

There is a second aspect to this problem that you also have to know and understand. The impact of suspending enrollment of Priority 8 veterans and adding the \$250 annual enrollment fee for Priority 7 and for Priority 8 enrollees for fiscal year 2004 is as follows. One and a half million veterans will cease to be eligible under the old rules. Now just looking at the impact of that on some States chosen at random, Minnesota, for example, just a random choice, would have to exclude 31,580 veterans; Kansas, 20,398; my own State of Connecticut, 23,115. And the question that I pose to the committee is what do you say to these veterans. What do you say to these veterans? You have served our country in uniform, you are eligible for certain benefits, but the proposal that is coming forward for fiscal year 2004 is not only underfunded, but it eliminates certain categories of veterans from being eligible for these benefits. It is a serious problem for us on the committee. I will argue it is a serious problem for the Congress.

Let me share with you my view that we could solve a lot of these problems if funding for veterans health care was not carried in a discretionary account, that at least some funding of health care for some categories of veterans be mandatory. And in an effort to study that issue, the President formed a task force titled Presidential Task Force to Improve Health Care Delivery for Our Nation's veterans. Today that task force released its findings on this issue and supported what they call assured funding for Priority 1 through 7 veterans, assured funding for Priority 1 through 7 veterans, and they also concluded that excluding Priority 8 veterans from eligibility was unacceptable. So what we have here is an independent presidential task force that is making a recommendation for assured funding and that is recommending against excluding veterans from the system. And what you have here is the full Veterans' Affairs Committee voting virtually unanimous for the same cause and for the same purpose.

I would encourage the members of the committee to give serious consideration to this issue. I would be happy to work with the com-

mittee in any way possible on these subjects. And I thank the Chair.

[The prepared statement of Mr. Simmons follows:]

PREPARED STATEMENT OF HON. ROB SIMMONS, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CONNECTICUT

Mr. Chairman and colleagues, I would like to thank the chairman and members of the Committee on the Budget for receiving my testimony on behalf of veterans who need and deserve a good health care system provided by a grateful Nation.

It is my honor to have been chosen as chairman of the Subcommittee on Health of the Veterans' Affairs Committee for the 108th Congress. This is a humbling honor, and I am determined to try to make a difference in the lives of those who have served our country in uniform.

The Veterans' Affairs Committee carefully reviewed the administration's budget proposal for the Department of Veterans' Affairs (VA). The committee held a hearing on February 11, 2003, to receive VA's testimony, as well as recommendations from national veterans' organizations.

While true that the administration has again proposed an apparent large increase in the budget for veterans' affairs, there remains a real gap in the level of resources that are needed. There is also a serious backlog of maintenance and repair projects necessary to maintain a decent system of care for our veterans.

On February 27, our committee voted to endorse a large increase in the budget, nearly \$3 billion, over the amount the President requested. We did this because we are concerned about some of the policy pretzels twisted by VA to get to OMB's bottom line for VA spending. Most of the pressure would have fallen on veterans, not the VA. The committee concluded this was not fair, nor was it equitable, to agree to allow VA to proceed in such a fashion. That decision we made as a committee costs money, Mr. Chairman, so we are voting with our pocketbooks on veterans' health care this year.

VA's ability to provide long-term care would be severely impaired by the administration's proposal to close almost half of VA's 12,000 nursing home beds—a total non-starter. Raising copayments for needed drugs won't fly—VA just raised drug copayments a year ago. This Congress is on the verge of spending \$400 billion for Medicare drugs, and frankly, probably even more. With half of VA's patients fully Medicare eligible, how can we approve policies to take VA drug benefits away from veterans? Given the expected number of elderly veterans from World War II and the Korean War who are expected to seek all forms of VA health care over the next 10 years, the committee is strongly opposed to any proposal that would result in the closure of even a single VA nursing home bed, and we do not support a number of other related policy proposals with similar effects—to drive veterans out of VA care.

The administration's health care budget is predicated on achieving "management efficiencies" totaling \$950 million. Mr. Chairman, with all due respect to the Secretary's seriousness of purpose here, this level of predicted "savings" simply does not add up. Certainly we don't want to discourage efforts at efficiency, but there is little evidence that such savings have been or will be achieved. It's just a "plug number," to get to VA's bottom line. Thus, we could not in good conscience rely on projections of this magnitude as a substitute for funding needed health care.

It has not been very hard to observe that discretionary appropriations for veterans' health care have become one of the most contentious topics on the Hill year-after-year. It has become nearly impossible to manage veterans' health care on a rational, business-like basis with the current unreliable unstable funding situation.

Many of us believe that veterans' health care funding must be put on a more firm foundation that matches funding with the actual number of veterans who seek care from VA. Consequently, the committee believes that Congress should make a commitment to funding VA health care for enrolled veterans on a fiscally responsible and guaranteed basis—to use a standard formula, not political debate—and the committee recommends that the Budget Committee provide for this change in the budget resolution this year.

Beginning in the mid-1990s, VA accelerated internal reforms, greatly emphasizing primary and managed care, while expanding sites of clinical service. Today, VA health care is widely available to millions of veterans in 1,300 locations, ranging from major urban academic medical centers to rural storefront clinics. VA health care is recognized for its world-class patient safety program and provides veterans a measurable advantage in quality of care. As provided by law, VA manages vet-

erans' access to care through a formal enrollment system. Through outreach VA has enrolled nearly 7 million veterans, about 5 million of whom are regular patients.

While the number of veterans enrolled in VA medical care has increased dramatically, appropriated funding is not keeping pace with the growth in enrollment or the increased needs of elderly veterans. In July 2002, VA reported to Congress that it estimated that 310,000 veterans were waiting more than 6 months for initial appointments. By December 2002, that number had been reduced to 236,000, but two-thirds of these were new enrollees, not respondents to the initial data review from July.

On January 29, 2003, the Under Secretary for Health, the Honorable Robert H. Roswell, testified that to adequately meet the needs of VA's core constituency of service-disabled and poor veterans, the Veterans Health Administration would require annual budgetary increases of 13–14 percent. The Department received a record health care funding increase of 11 percent from the omnibus appropriations bill signed by the President on February 20, 2003, Public Law 108–7. This increase, however, did not address a reported \$1.9 billion shortfall in current time!

Using BLS reported rates of health inflation shows the overall U.S. health care inflation rate was 5 percent for calendar year 2002. Within that level, hospital care inflation was the highest single component at 10.2 percent, followed by prescription drugs and medical supplies at 6 percent. On inflation, during the committee hearing on January 29, 2003, I personally asked Dr. Roswell about inflation. He testified that:

“* * * a 7-percent increase associated with enrollment in our highest priority groups, coupled with another 2 to 3 percent of increased utilization costs, coupled with a conservatively estimated health care inflation rate of 4.5 or 5 percent, yields a 13 or 14 percent per year increase in the money available to take care of just our core population of veterans.”

Given all the considerations in our views and estimates report to the Committee on the Budget, our committee chose to recommend a 15-percent increase in VA health care for fiscal year 2004. I think this is a responsible, and even prudent, request, Mr. Chairman, given the well documented needs and the growth in that need that Dr. Roswell testified to. They were once young and healthy, but now they are not. We needed them back then, and they need us now. President Lincoln said it best, “To care for him who shall have borne the battle, and his widow and his orphan.” My job—our job—Mr. Chairman, is to see to it that Mr. Lincoln's admonition is not forgotten.

Medical Care Collections Fund—VA is authorized to bill health care insurers for covered non-service-connected care provided to veterans. The Department projects medical care collections for 2004 to be \$2.1 billion.

The committee unanimously supports VA's efforts to improve performance in first- and third-party collections, since it is only collecting about 40 cents on the dollar bill. But the committee remains skeptical that VA can achieve all it promises in fiscal year 2004. If VA fails to achieve its goal of such a significant 1-year increase, veterans will be denied care to the extent of that failure. My committee is unwilling to assume VA will be successful in increasing collections as promised. We assumed in our views and estimates that VA should accomplish a 10-percent increase in collections in fiscal year 2004 over the current estimate for this year.

VA research Programs—I could itemize many other aspects of the VA budget, Mr. Chairman, but you have our views and estimates on all of these. I want to speak about VA's research programs, and make a special request for attention there. VA research is a tremendous national resource that operates quietly in conjunction with some great academic teaching programs like those at the University of Iowa, Yale, Stanford, NYU, UAB, Texas, Minnesota, PITT, Miami, Missouri, Colorado U, LSU, UMDNJ, Oregon, U of Wisconsin, Vandy, U of California, U Washington. I am sure a number of distinguished members of this committee are well aware of the excellence of these programs.

The Department carries out an extensive array of research and development as a complement to its affiliations with medical and allied health professional schools. While these programs are specifically targeted to the needs of veterans, VA research has defined new standards of care that benefit all of us. Among the major emphases of the program are aging, chronic diseases, mental illnesses, substance-use disorders, sensory losses, and trauma-related illnesses. VA's research programs are internationally recognized and have made important contributions in virtually every arena of medicine, health, and health systems.

The Secretary requested a 2004 budget for VA research of \$408 million, an increase of \$8 million or 2 percent over the fiscal year 2003 level. The committee strongly supported an increase in the research account to \$460 million (15 percent) in 2004, as recommended by both the independent budget as well as the Friends

of VA research coalitions. The committee believes, and I am absolutely convinced, that this additional funding is needed in VA's research programs to keep pace with funding developments in the Federal biomedical research community. A 16 percent funding increase was provided for the National Institutes of Health in the 2003 omnibus appropriations bill. Additional funding of \$52 million in VA biomedical research in fiscal year 2004 would provide coverage for inflation and permit a small program expansion. These are investments in the future, to cure disease, reduce human suffering and produce a healthier America. They are well worth the tiny cost increment we are recommending.

Major Construction Projects—In the 107th Congress, the committee authorized nearly \$800 million in major medical facility construction needs, but little of this funding was appropriated. Last year, the Department advised Congress of its 20 major construction priorities. One of these is in my district, at the West Haven Medical Center. It's an important and overdue matter that would improve patient privacy, renovate three inpatient wards, and consolidate support services. There are dozens of projects like this that need funding. While the House passed an authorization measure supporting the completion of many of high-priority projects, only 1 of the 20 was funded [the Hines, IL blind rehabilitation project] received appropriations in fiscal year 2002. No funds for any of the other projects were appropriated in fiscal year 2003.

Even beyond Connecticut, Mr. Chairman, there are many other worthy projects high on VA's established priority list that lack funds. These are medical centers that will not be affected significantly by the so-called CARES process, and that are needed to continue providing good health care to veterans. The committee will further explore these needs and will recommend specific projects to meet them. Consequently, the committee recommends an additional amount of \$500 million for the major medical facilities construction account in fiscal year 2004.

Guaranteed Health Care Financing: The most important reason I am here today, Mr. Chairman, is to seek your understanding, if not your outright support, which I would welcome, for Guaranteed Health Funding. Because VA health care discretionary appropriations have not kept pace with the needs of veterans enrolled in the VA health care system, H.R. 5250 was introduced in the 107th Congress to establish a funding formula to guarantee sufficient annual funding to meet the medical care needs of these veterans. The bill was intended to stabilize VA's health care financing and promote more efficient use of funds. Stabilized, dependable, sufficient funding for health care delivery is what we seek.

The committee has recommended to the Committee on the Budget that it convert the Veterans' Health Care Account from discretionary to mandatory funding, to pave the way for guaranteed funding. The committee believes the conversion would be essentially budget-neutral because the increase in mandatory funding would be offset by a decrease in current discretionary appropriations for veterans' health care. The continuing health care of veterans would be funded through a new financing system similar to the financing systems used for the military TRICARE for Life Program, the Medicare program, and the Federal Employees Health Benefits Program. In none of these programs has the funding formula itself been the source of increased costs. Veterans deserve a health care program with an equally reliable funding mechanism.

Mr. Chairman, this concludes my testimony, and I do appreciate the opportunity to represent the needs of America's veterans before the Committee on the Budget. I would be pleased to respond to any questions.

Mr. GUTKNECHT. Thank you, Representative Simmons. Representative Moore.

Mr. MOORE. I very much appreciate Mr. Simmons' testimony today. I tell people I really believe there are four groups in our society who need and deserve special attention. Children, people with disabilities, senior citizens, and veterans are the four groups that I think really need and deserve special attention from Congress. I appreciate very much what you had to say today, and I think we do need to do a better job when we make promises to certain groups, and especially to veterans, that we keep those promises. Thank you, Mr. Simmons.

Mr. ROB SIMMONS. I thank you, Mr. Moore, for your comments and I agree with you completely. And one of the interesting things that I have discovered in dealing with the veterans population, and

I happen to be a veteran, is that of the four categories you mentioned, the veterans also in many cases are disabled and in many cases are senior citizens. So I thank you for your comments.

Mr. MOORE. I am a veteran too, and I appreciate your comments. Thank you.

Mr. GUTKNECHT. Thank you, Representative Simmons.

The gentleman from North Carolina, Mr. Hayes, welcome to the committee.

**STATEMENT OF HON. ROBIN HAYES, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NORTH CAROLINA**

Mr. HAYES. Thank you, Mr. Chairman, Mr. Moore. This is a little bit of a reemphasis on an issue you have discussed before, Impact Aid. I am here today to express my deep concern about the level of funding that has been requested for Impact Aid in the President's budget. Simply put, it is not enough and must be increased substantially.

Impact Aid began in 1950 as the Federal Government accepted that it has the responsibility to reimburse local public school districts for revenues lost due to a Federal presence such as military base. The students of Cumberland County in North Carolina and 1,275 other federally impacted school districts across our country depend on Uncle Sam to honor this commitment.

Impact Aid funds are sent directly to the local school districts, making Impact Aid one of the most efficient programs the Department of Education administers. The streamline program has almost no bureaucracy, but can and does meet the same State regulations as any other school funding.

In an area where there is not a large Federal presence, the local business community tax payments usually generate approximately 25 percent of a school district's funding. Obviously, in a public school district where the Federal Government is a primary employer or landowner, this vital base is lost. Impact Aid funds then fill the financial gap that the Federal Government has created.

Unfortunately, under the President's budget there is a proposal to eliminate critical sections of this vital program. The proposal removes off base military, low rent housing, and civilian "B" children, or children whose parents are employed by the Federal Government. These local school districts would no longer receive Impact Aid payments for these 900,000 children. According to the administration, only 750 local educational agencies would remain eligible for a basic support payment, down from approximately 1,300 that presently receive this important funding.

We must consider that civilian children and military families living off base are still employed by an employer that does not pay taxes. Furthermore, these folks also can often shop tax free at the PX on post. They might not be paying local income tax because they have an alternate official State of residence. We must recognize that this results in the loss of vital tax revenues. We should not further penalize localities, especially school systems, by eliminating the funding for education.

The eighth district of North Carolina provides an excellent example of what I am talking about. Cumberland County, NC, is the proud home of Ft. Bragg and Pope Air Force Base, two of the larg-

est military installations in the world. Last year the Cumberland County system received almost \$4.2 million in payments from the Federal Government to make up for the lost taxes caused by the presence of the posts. Under the current proposal, this same county would receive only approximately \$550,000 for the next fiscal year despite not gaining any additional revenue.

Given the large number of troops being sent out from Ft. Bragg, there is a pretty good chance that local revenues will actually be diminished. Needless to say this loss of Impact Aid funding represents a potentially devastating blow to the Cumberland County school system.

Instead of decreasing funding, we should be working to fully fund this vital program. The Federal Government has an obligation to school districts across the country. I urge the committee to reject the proposed reduction and restore funding for Impact Aid. I thank you for your attention.

[The prepared statement of Mr. Hayes follows:]

PREPARED STATEMENT OF HON. ROBIN HAYES, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NORTH CAROLINA

Mr. Chairman, I am here today to express my deep concern about the level of funding that has been requested for Impact Aid in the President's budget. Simply put, the request is not enough and must be increased substantially.

Impact Aid began in 1950 with the Federal Government accepting that it has a responsibility and an obligation to reimburse local public school districts for revenue that is lost due to a large Federal presence, such as a military base, in their district. The students of Cumberland County, NC, and the students of the 1,275 other federally impacted school districts across our country depend on Uncle Sam to honor this commitment.

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In an area where there is not a large Federal presence, the local business community's tax payments usually generate approximately 25 percent of a school district's funding. Obviously, in a public school district where the Federal Government is a primary employer or landowner, this vital tax base is lost. Impact Aid funds then fill the financial gap that the Federal Government has created.

Unfortunately, under the President's budget, there is a proposal to eliminate critical sections of this vital program. The proposal removes off-base military, low-rent housing, and civilian "B" children, or children whose parent is employed by the Federal Government. These local school districts would no longer receive Impact Aid payments for these 900,000 children. According to the administration, only 750 local educational agencies would remain eligible for a basic support payment; down from approximately 1,300 that presently receive this important funding.

We must consider that civilian children and military families living off base are still employed by an employer who does not pay taxes. Furthermore, these folks can also often shop tax free at the PX on post or they might not be paying local income tax because they have an alternate official State of residence. We must recognize that this results in the loss of vital tax revenues. We should not further penalize localities and school systems by eliminating this funding for education.

The Eighth District of North Carolina provides an excellent example of what I am talking about. Cumberland County, NC is the proud home Ft. Bragg, one of the largest military installations in the world. Last year the Cumberland County school system received approximately \$4.2 million in payments from the Federal Government to make up for the lost taxes caused by the presence of the Post. Under the current proposal, this same county would receive only \$550,000 approximately for the next fiscal year despite not gaining any additional revenue. Given the large number of troops being sent out from Ft. Bragg, there is a pretty good chance that local revenues will actually be diminished. Needless to say, this loss of Impact Aid funding represents a potentially devastating blow to the Cumberland County school system.

Instead of decreasing funding, we should be working to fully fund this vital program. The Federal Government has an obligation to school districts across the country. I urge the committee to reject the proposed reductions and restore funding for Impact Aid.

Mr. GUTKNECHT. We thank you, Mr. Hayes, for educating us even more about Impact Aid. Mr. Moore.

Mr. MOORE. I join the Chairman in thanking you for your testimony. We have heard in the time I have been here one or two other people talk about Impact Aid. So we are very well aware of that. Thank you, Mr. Hayes.

Mr. HAYES. Thank you, gentlemen, for your time and effort and energy.

Mr. GUTKNECHT. Thank you.

Representative Osborne from the great State of Nebraska. Welcome to the committee and you have 10 minutes.

STATEMENT OF HON. TOM OSBORNE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. OSBORNE. I bet you are hoping I will take all ten, too. I am reading your body language.

Mr. GUTKNECHT. We actually were hoping that you would get a chalkboard and give us a little chalk talk.

Mr. OSBORNE. I am going to be very brief. I wanted to talk really just about three items and I will submit the rest of my statement for the record.

The first concern that I have is mentoring programs. The standard procedure here has been everybody comes in and says, well, the President is not going to fund my program. We have the reverse problem here. Last year we had \$17.5 million for mentoring programs, and that was part of H.R. 1. This year, the President is proposing \$100 million for mentoring and then an additional \$50 million for mentoring children of prisoners. So we hope very much that that is authorized as budgeted because we feel that this is very cost effective. Right now we do not have enough prisons to lock people up. It costs about \$25,000 a year to incarcerate someone. It costs about \$300 to \$500 to mentor someone. So we feel that this money is very well spent and we would encourage full funding of that request by the President.

The second issue is the Rural Education Achievement Program. I think both of you gentlemen understand the situation in rural education. One of the problems that small rural schools have is that they do not have grant writers. Sometimes their numbers of students are so small that the Federal formulas do not really allow for much. So this rural education initiative allows them to pool the funds and get up to \$20,000 to maybe as much as \$60,000 for small rural schools. This has not been included in the President's budget. We hope very much that this will be funded for this year. We had to fight for the funds last year. We got them, and it has been much appreciated.

The last I will mention is rural health care. Again, I think from your experience and your areas, you realize that Medicare payment formulas to rural physicians and other health care providers continue to be less than what their equivalent counterparts are paid in more densely populated areas. We really feel that we need to ad-

dress these discrepancies in the Medicare payment and reimbursement.

So those are my three major concerns. There are others certainly that affect my district. But I appreciate your being here today. I appreciate the opportunity to testify before you. And I will submit the remainder of my comments for the record. Thank you.

[The prepared statement of Mr. Osborne follows:]

PREPARED STATEMENT OF HON. TOM OSBORNE, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEBRASKA

Thank you for allowing me to come here today to share with you my priorities for the fiscal year 2004 budget resolution. I truly appreciate the opportunity to share with the committee the issues that are important to constituents of Nebraska's Third District.

I have several priorities that I believe should receive attention and funding in the fiscal year 2004 budget:

- Mentoring programs
- Rural Education Achievement Program
- Rural health programming
- Transportation funding
- Rural development programs

MENTORING

Mentoring programs are crucial for the success of our children. Mentoring has been proven time and again to improve academic achievement, reduce violent or antisocial behavior, and lower usage rates of drug and alcohol. Children who have mentors are more likely to set goals for themselves, finish school, and pursue post-secondary training. However, only a fraction of the children who could use mentors receive them. The National Mentoring Partnership estimates that in the United States about 15 million youth under 18 are in need of a caring adult in their lives. However, today there are only approximately 500,000 youth in mentoring relationships because mentoring programs do not have the resources or capacity to serve more children.

Two years ago, I worked to include the Mentoring for Success Program in H.R. 1. Mentoring for Success is a competitive grant program that received \$17.5 million in the fiscal year 2002 and fiscal year 2003 appropriations process. This important funding allows school districts and community-based organizations to apply for funding to expand or start mentoring programs in areas where there is high need. Under the legislative language, each State would receive at least one grant. Funding could be used to administer a program, recruit mentors (but not pay them), train mentors, and, importantly, pay for background checks for mentors.

The President's fiscal year 2004 budget includes funding for a significant new investment in mentoring programs. Specifically, he has requested \$100 million for Mentoring for Success and \$50 million for a program called Mentoring Children of Prisoners to be administered out of the Department of Health and Human Services. I strongly support the President's efforts on behalf of mentoring and urge the Budget Committee to include this request in their bill.

RURAL EDUCATION ACHIEVEMENT PROGRAM

In addition to mentoring programs, a commitment to the Rural Education Achievement Program is critical because more than 40 percent of students in this country attend rural schools, but Federal education programs have not addressed the unique funding needs of rural districts. We have worked for the past 2 years to get funding for this program through the appropriations process. We have been successful both years in significant funding to help struggling rural schools. However, for the past 2 years, the administration has not included funding for Rural Education in the budget proposal. However, significant new funding was included for programs for which many rural residents will not be able to qualify, in particular, programs to offset the cost for parents who choose to send their children to private schools. I am especially concerned as a Member who represents a rural area where lack of population does not allow for the creation of schools at which vouchers or choice tax credits could be used. Simply, our public schools struggle for students as it is. I am concerned that funding vouchers and school choice tax credits at the expense of the pre-existing rural education program that was authorized, as part

of the No Child Left Behind Act will create a very difficult situation for my rural schools and my rural constituents.

RURAL HEALTH CARE

In addition to education programs, I am deeply concerned about the budget provisions that will be available for rural health care providers. The geographic disparities that exist between Medicare payments to rural and urban providers adversely affect seniors' access to quality health care in these communities. Medicare payment formulas to rural physicians and other health care providers continue to be less than what their equivalent counterparts are paid in more densely populated areas, even though it costs as much and even more to provide medical services in rural areas. I feel strongly that Medicare payment formulas should accurately compensate physicians and providers who deliver high-quality, cost-effective services to Medicare beneficiaries in rural areas. I urge you to address these geographic disparities in Medicare reimbursement in this year's budget.

I also encourage your support for important rural health programs, including the Telehealth Grant Program, the State Offices of Rural Health, the Medicare Rural Hospital Flexibility Grant Program, and other programs designed to strengthen rural health care delivery systems.

TRANSPORTATION

I am also supportive of continuing funding for vital transportation projects in States like Nebraska. If funding for transportation projects is scaled back, Nebraska and other States will have to wait even longer to complete vital roads projects. Many of these roads projects are crucial for public safety. Nebraska needs these funds to help expedite the efforts to eliminate at-grade railroad crossings statewide. The Union Pacific railroad corridor where these projects are located is identified as the busiest railroad corridor in the world. Nebraska receives approximately \$1.3 million of Federal aid in State transportation program safety funds for use in railroad crossing elimination annually. The State of Nebraska's needs study shows \$315 million is required for this work over the next 20 years. Without Federal funding, these projects cannot move forward.

RURAL DEVELOPMENT

The rural development programs administered by the U.S. Department of Agriculture could make the difference between maintaining viable communities in rural Nebraska and watching those towns slowly fade away. One important program is the Value-Added Agricultural Product Market Development Grant Program, which helps independent producers and cooperatives enter into value-added activities. In the 2002 farm bill, Congress approved the use of mandatory funds for the Value-Added Agricultural Product Market Development Grant Program. The provision for the use of mandatory funds indicated that Members placed a priority on this program. I support the use of mandatory funds for the Value-Added Agricultural Product Market Development Grant Program and encourage the retention of mandatory funds in the budget.

Another program that will have a significant impact on rural America is the Rural Strategic Investment Program. This program will provide planning and innovation grants on a competitive basis to Regional Investment Boards (RIBs) that have been certified by the National Board on Rural America. Each RIB must submit a regional plan that covers the region's basic infrastructure needs, services, opportunities for economic diversification and innovation, human resource capacity, access to market based financing and venture and equity capital, and the development of public/private collaborations. I support the inclusion in the House budget of the mandatory funding that Congress authorized for this program in the 2002 farm bill.

CONCLUSION

Again, I deeply appreciate the opportunity to share with the Budget Committee some of the priorities of Nebraska's Third District:

- Mentoring programs
- Rural Education Achievement Program
- Rural health programming
- Transportation funding
- Rural development programs

I know that the committee faces a difficult job of crafting a budget that meets the challenges facing our Nation. However, I feel that these areas are very impor-

tant for the people of Nebraska and for all Americans. I would be happy to discuss any of these issues with the committee. Thank you again for this opportunity.

Mr. GUTKNECHT. Thank you, Representative Osborne. Representative Moore.

Mr. MOORE. Mr. Osborne, I very much appreciate your comments, all of them, but especially regarding the mentoring program. I was a district attorney for 12 years and worked a lot with juvenile offenders as well as adult offenders. And, boy, if we can head young people off from a life of crime or getting involved with the criminal justice system in the first instance, and mentoring may well accomplish that, then we have done a great service not only for the young person but for our country as well. So I very much appreciate your comments.

Mr. OSBORNE. Thank you.

Mr. GUTKNECHT. Mr. Baird.

Mr. BAIRD. No.

Mr. GUTKNECHT. Thank you very much, Mr. Osborne.

Mr. Kirk, welcome to the committee.

**STATEMENT OF HON. MARK KIRK, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF ILLINOIS**

Mr. KIRK. Thank you. I think I am the last one so I am going to be really quick and go easy on you. I am here, now off the committee, just to urge you to look at the oldest education in the Federal budget, which is the Impact Aid Program. And as we go to war, this is probably the wrong time to cut education Impact Aid.

Unfortunately, I saw a 14.5-percent reduction in the Impact Aid Program. And while the reductions will not affect kids in my district, they will affect some of the 1,275 school districts in the country where kids of military families are educated. And here's the big thing about Impact Aid, and I know this from military recruiting now, the children of military families are overwhelmingly the most likely to sign up. We now see that in the recruiting statistics for the last 20 years in the all volunteer military. So when we talk about these military kids, we are actually talking about the future U.S. Army, Navy, and Air Force. And to underfund the school districts where these kids go is to underfund national defense in a long-term sense because this is the man and womanpower that the future national security cadre comes from.

I wish it were different. I wish that the data did not show that kids of military families were over represented. I wish the volunteer military was still coming from the entire population, but it is not. The military family is overwhelmingly the one that will re-up from generation to generation. Therefore, funding the Impact Aid Program is rather essential for what the national security of the United States looks like not in 2004 but in 2024.

So I am just hoping that you can take that on and explain to the rest of the committee just how important this is. And otherwise, I will let you go.

[The prepared statement of Mr. Kirk follows:]

PREPARED STATEMENT OF HON. MARK STEVEN KIRK, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF ILLINOIS

Mr. Chairman, thank you for allowing Members the opportunity to speak about the importance of the Impact Aid Program. The oldest Federal education program

currently in law, Impact Aid is the life blood for 15 million children across our country who live on or near Federal lands.

The administration's fiscal year 2004 budget calls for a 14.5 percent cut to Impact Aid. I am here to ask that we maintain at least the fiscal year 2003 appropriation of \$1.18 billion. There are 1,275 school districts that depend on Impact Aid to educate 15 million students. This is a compelling detail, because without Impact Aid, the education of these children is compromised.

In my district, the 10th District of Illinois, I have three school districts that receive funds from the Impact Aid Program. One in particular, North Chicago School District No. 187 is one of only 30 "heavily impacted" schools districts in the Nation. This means that at least 40 percent of their enrollment is comprised of military children. Due to the presence of Great Lakes Naval Training Center, tax dollars do not follow these kids into the classroom, but the district is required to educate them. Children should not be looked upon as a drain to a school budget. North Chicago educates all the children that enter their classrooms, because they believe each one deserves a quality education, however, we need to go the extra mile to ensure they are able to follow through on their promise made to parents that they will help their child learn.

This is also a school district where one hundred kids require special education services and 61 percent qualify for free and reduced meals. The motto of District No. 187 is "Character, Education, and Achievement." North Chicago is an example of the 1,200 districts across the country who are incredibly and selflessly dedicated to providing their students with a quality education with little help from the government.

North Shore School District No. 112, also in my district, receives only \$185,727 or 6.3 percent from the Federal Government in Impact Aid funds to contribute to the \$2,949,738 they spend each year to educate their 261 military children. There are also many undocumented costs such as the stress that absent parents creates in a family, as well as the needs created by children who are frequently moved due to reassignment of a parent from one military post to another. Helping these children cope with the deployment of a parent requires special attention such as counseling from social workers this kind of attention is necessary, but it comes at a cost. Federally impacted districts have no choice but to educate all their students. Lets provide them with the services and funds they need and deserve.

As we continue to deploy military personnel overseas, I can think of no better time to support our military families. We are asking our young men and women to protect our hopes, our dreams, our very way of life. In return, we must protect and provide for their children. We have an obligation to not only live up to our original promise made in 1950, but we also have a moral obligation to our military. We are sending them into harm's way to protect our freedoms, but we are neglecting their needs. We have a unique opportunity here to make good on a promise we made to our Military and Native American families. The time to support our military families is now and its time for the Federal Government to make good on our end of the bargain.

Mr. GUTKNECHT. Thank you very much, Mr. Kirk. We have heard several people this afternoon talk about Impact Aid but no one had offered that observation, and I think it is very accurate. I can say from my own experience, probably at least 40 percent of the kids that we recommend to the military academies come from families where one or more of the members of the family were military personnel themselves. That is an interesting observation. I have never thought of it.

Mr. Baird.

Mr. BAIRD. I just want to say you are in great company today. Mr. Edwards spoke about this as did Lee Terry from Nebraska. And it is something that really all Americans should care about. If we are going to send people into harm's way, we need to make sure that we support the schools that support their families. So thanks for your leadership on this.

Mr. KIRK. Right. And for those of us who support a Federal role for education, this is the first Federal education program. So thank you very much.

Mr. GUTKNECHT. Thank you, Mr. Kirk.

I believe we have one last panelist. Is Mr. Rogers in the room? Now that is real service. You may be the last to testify here today, so you are batting cleanup. Welcome to the committee. Thank you so much for joining us. You have 10 minutes.

**STATEMENT OF HON. MIKE ROGERS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF ALABAMA**

Mr. ROGERS OF ALABAMA. Mr. Chairman, other distinguished members of the House Budget Committee, good afternoon and thank you for the opportunity to testify before your body.

Mr. Chairman, I come before the committee with a simple message, one that resonates loudly with the citizens of east Alabama. I urge you and your colleagues on the Budget Committee to continue your practice of fiscal restraint in the coming budget year.

Mr. Chairman, as you know, over 6,000 working citizens in my State have been called to active duty in the Army Reserves and National Guard, more than any other State besides North Dakota and Utah. But while Alabamians answer the call of duty proudly and in greater numbers than any other State, we also know that with duty comes sacrifice. Many times the fathers and mothers on active duty are the family's bread winner and they see their income cut dramatically while in service. This causes considerable pain for the spouses and children left behind and forces difficult financial and emotional sacrifices to compensate for the loss of income.

No less difficult are the sacrifices facing our State and local officials as they address empty treasuries and growing budget deficits. Just this week my predecessor and now Governor Bob Riley said the State will sacrifice some of its most vital services—like Medicare coverage for the elderly, and hiring new teachers and police—to close a \$500 million hole in the State budget.

Mr. Chairman, the sacrifices should not stop in Washington. You and your colleagues on the Budget Committee face enormous pressures to drastically increase spending but must stand firm in keeping our fiscal priorities in line. On behalf of the mothers, fathers called to service and our State and local leaders, I commend you, Mr. Chairman, as well as the members of the full Budget Committee and Republican leadership for your past efforts in remembering our fiscal responsibilities and urge you to continue the practice of fiscal restraint in the coming year. Thank you, Mr. Chairman.

[The prepared statement of Mr. Rogers follows:]

PREPARED STATEMENT OF HON. MIKE D. ROGERS, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF ALABAMA

Mr. Chairman, and other distinguished members of the House Budget Committee, good afternoon, and thank you for the opportunity to testify before you today.

Mr. Chairman, I come before the committee with a simple message, one that resonates loudly with the citizens of east Alabama: I urge you and your colleagues on the Budget Committee to continue your practice of fiscal restraint in the coming budget year.

Mr. Chairman, as you may know, over 6,000 working citizens in my State have been called to active duty in the Army Reserves and National Guard—more than every other State besides North Dakota and Utah.

But while Alabamians answer the call of duty proudly, and in greater numbers than other State, we also know that with duty, comes sacrifice.

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pain for the spouses and children left behind, and forces difficult financial and emotional sacrifices to compensate for the loss of income.

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Mr. Chairman, the sacrifices should not stop in Washington. You and your colleagues on the Budget Committee face enormous pressures to drastically increase spending, but must stand firm in keeping our fiscal priorities in line.

On behalf of the mothers and fathers called to service, and our State and local leaders, I commend you, Chairman Nussle—as well as members of the full Budget Committee, and the Republican leadership—for your past efforts in remembering our fiscal responsibilities, and urge you continue the practice of fiscal restraint in the coming year.

Thank you, Mr. Chairman.

Mr. GUTKNECHT. Thank you, Mr. Rogers. Mr. Baird.

Mr. BAIRD. Nothing, Mr. Chairman.

Mr. GUTKNECHT. Mr. Rogers, we are particularly delighted to conclude with you because we have heard from I think, it may not be an official count, roughly 30 of our colleagues today and probably 28 or 29 of them were here specifically for one program or another which is important to them and their testimony was excellent. But it seems appropriate now that we are trying to squeeze about \$3 trillion worth of requests into about a \$2.4 trillion package that you would be the cleanup hitter for the Budget Committee. We appreciate your testimony and your membership in the Congress.

Mr. ROGERS OF ALABAMA. Thank you very much, sir.

Mr. GUTKNECHT. There being no further witnesses, we would adjourn the meeting.

[Whereupon, at 5:10 p.m., the committee was adjourned, to reconvene at the call of the Chair.]

