

MEMBERS' DAY

HEARING
BEFORE THE
COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES
ONE HUNDRED EIGHTH CONGRESS
SECOND SESSION

HEARING HELD IN WASHINGTON, DC, MARCH 3, 2004

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MEMBERS' DAY

WEDNESDAY, MARCH 3, 2004

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

The committee met, pursuant to call, at 2:38 p.m. in room 210, Cannon House Office Building, Hon. Christopher Shays [acting chairman of the committee] presiding.

Members present: Representatives Shays, Garrett, Brown, Hensarling, Baird, Bonner, Scott, and Brown-Waite.

Mr. SHAYS. The Budget Committee hearing to hear and to learn from our fellow Members is now in order. I will suspend with any statement I have and go right to it.

[Statements for the record:]

PREPARED STATEMENT OF HON. JOE BARTON, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF TEXAS

Mr. Chairman, I appreciate the opportunity to submit my remarks for the record. I appreciate you and the other members of the Committee allowing me to explain why I believe we must pass fundamental budget process reform legislation this year.

Since the Republicans have taken the majority, I have been a strong supporter of budget process reform, which I believe is an essential key to reaching and maintaining a balanced budget. Passage of meaningful process reform would leave its mark on this Nation for generations to come. The American people are sick and tired, like I am, of the same old budget story coming out of Washington at the end of every year. The process in which we fund our government has become one big staring contest. Each year, hot political issues and scare tactics are used to hold up and stall the Federal budget process so that at the end of the year some can attempt to cater the final budget numbers to be most appealing to their constituencies, regardless of whether or not the spending direction and levels are good for the country as a whole. This political game must be ended and sanity must be brought back to the Federal budgeting process.

The current budget process is a long, grueling and bureaucratic way for Congress to allocate the taxpayer's money and run the Federal Government. I believe that Congress can make some important steps forward that will change the way that Washington works by enacting real budget process reform, and eliminating our current bias toward increased spending and runaway entitlement spending. Even better, we would empower the Congress and the American people to participate in a process that is understandable and fully transparent as to its purpose. I come to the Budget Committee today to urge you to work with interested Members to put forth a comprehensive budget process reform proposal.

I would like to see improvements to the process that include: a budget with the force of law, a supermajority vote to break the budget agreement, an automatic continuing resolution, ending baseline budgeting, creating a "rainy day" fund, protecting Social Security, and ending unlimited entitlement spending. In addition, I believe replacing the current annual budget with a 2-year budget will allow more time for oversight rather than partisan politics.

My colleagues probably recall that Congress passed balanced budget agreements in 1982, 1985, 1987, and 1990. Needless to say, none balanced the budget. We have tried many times to find procedures to force a balanced budget and reduced spending, like Gramm-Rudman, but only the 1990 nominal dollar caps for discretionary

spending have ever really held down Federal spending. Clearly, discipline must be restored—Congress must be required to balance its budgets. Therefore, I believe that it is crucial that Congress pass budget process reform to protect future balanced budget and reduce the size of the Federal Government. We must implement caps on discretionary and entitlement spending. I would propose global entitlement caps, and separate caps within the global caps for big entitlement programs. If actual or projected spending exceeds the caps, sequestration would affect only the programs or categories that caused the overage.

Everyone should have a stake in enforcing any budget agreement. Therefore, I propose that the budget resolution be a simple, one page joint resolution establishing spending levels for only four broad spending categories: mandatory spending, nondefense and defense discretionary spending, and a new “rainy day” fund for emergencies. This resolution would have the force of law as signed by the President. In this way, the White House and Congress will be involved with the budget process from the very beginning—making the major policy decisions prior to determining individual funding levels. In addition, nominal dollar limits, backed up by sequestration, will keep spending within the agreed to amounts. A two-thirds vote of Congress would be required to exceed those limits.

More importantly, I want to specifically and officially eliminate baseline budget projections. If we write into law caps for both discretionary and entitlement spending, the caps will become the base unless spending is lower than the caps. I would adjust the spending caps, revenue, and spending targets for actual changes in economic conditions and numbers of eligible beneficiaries, to avoid forcing policy change due directly and exclusively to the assumptions underlying the budget resolution.

In the 106th Congress, I included biennial budgeting for the Federal Government as one of the main points in my reform bill. There are many sound arguments as to why and how biennial budgeting would help make the Federal budgeting process more reliable and sensible. First of all, budgeting for a 2-year cycle would force Congress to be more careful in their spending habits and encourage Members to be more responsible in the amounts and directions in which they allocate taxpayer dollars. Far too often, pet projects for a certain party are added onto annual appropriation bills at the last minute, usually without the proper scrutiny of Congress. With one budget process every 2 years, the opportunities for that kind of spending would be cut nearly in half.

Federal agencies would also be more efficient and cautious in how they use their funds because of the length and stability of their funding over a 2-year cycle. In addition, Congress would be able to exercise better oversight over these government agencies and programs to ensure that the financial commitment involved is sound fiscal policy for the country to undertake.

However, the most important aspect of biennial budgeting in my opinion is not what enacting it would do for Congress, but rather what it would allow Congress to accomplish. Each year, both parties state the many goals and accomplishments they hope to pass in order to improve the life of the American people. And each year, achieving these goals are becoming more and more difficult because of the time that is required to be spent on the annual appropriations process. Imagine how productive Congress could be if instead of having to deliberate over every dollar the government will see that given year, we could commit more time to the different issues that most of us came here to work toward. I want to spend more time helping small business and small communities by cutting taxes and wasteful spending in our government and pushing for legislative proposals that give more freedom for the American people to work toward a better tomorrow. I think every Member would tell you that he or she would like to have more time and resources to pursue the types of issues that they were all sent to Congress for in the first place. Biennial budgeting can help to make that happen.

Biennial budgeting is simply one of the reforms I would like to see happen to the Federal budget process. However, I think it is one of the most vital. It is time for Congress to free up this process and allow this body to stand for more than annual appropriations battles. It is time for us to start spending our time and the American taxpayers' dime more wisely.

There are additional reforms needed to bring us the type of efficient and honest budgetary process, and I am a cosponsor of “The Family Budget Protection Act,” introduced by Representatives Hensarling, Chocoma, and Ryan. This legislation includes many of the reforms mentioned above and I believe it includes common sense provisions that should be adopted.

Again, I thank you for the opportunity to testify here today and stand ready to help in any way in future budget process reform considerations.

PREPARED STATEMENT OF HON. SHELLEY BERKLEY, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEVADA

Thank you, Mr. Chairman.

I would like to outline some of my concerns regarding the budget presented to Congress by the administration.

There is a provision in the budget that would require gaming establishments to intercept customer winnings because of the remote chance that the customer owes child support.

In effect, the gaming establishment would be unreasonably burdened with the duties of a law enforcement agency, and all winning customers would be presumed to be persons not in compliance with a child support order.

Under the proposal, each time an individual would win enough to require filling out an Internal Revenue Service W2-G form, the gaming establishment would be required to check Federal records in the Child Support Federal Parent Locator Service to ascertain whether the winner is delinquent in child support payments. There would be stringent penalties assigned to gaming establishments who fail to execute this function as mandated by the Federal Government.

This administration budget proposal is ill-conceived, creates unreasonable demands on gaming businesses and their employees, and sets alarming precedents.

It forces gaming establishments to pry into the court records of their customers, creating serious concerns regarding invasion of privacy. Bear in mind, this proposal would force gaming establishments to assume the investigatory and enforcement duties heretofore entrusted to law enforcement and government agencies. It inevitably creates liability for gaming businesses, who will be required to investigate and enforce a court order against a customer.

It creates a new bureaucracy to process information and leaves the gaming business and the customer at the mercy of any mistakes or misinformation generated by that new bureaucracy. It establishes the precedent of requiring a private business to directly apply the law to an individual; i.e., it makes a casino clerk equivalent to a law enforcement agent. Certainly it is no great leap to imagine that this opens the door to requiring many businesses doing cash transactions to similarly assume the burden of law enforcement duties. Should banks check the court records of all customers making deposits or withdrawals? Must car dealers invoke the same requirements against their customers? The answer is no, but approval of the administration's proposal will open the door to further costly and unreasonable mandates on our business communities.

On another subject, I am deeply concerned that this administration is asking for a more than 50 percent increase in the Yucca Mountain Project budget, some \$880 million. In view of our staggering deficit, and considering the rapidly mounting proof that the Yucca Mountain Project is dangerous policy for our environment and for all the cities and towns which will be exposed to nuclear waste during 38 years of shipping and inevitable calamities, I urge in the strongest terms, that this budget request be whittled down sharply, to historic levels or lower. There is absolutely no need to provide this administration with the funding to accelerate a project that has not even met the qualifications for licensing.

Further, I strongly urge restoration of funding for drop out prevention programs in our public schools. Critical Federal dollars have been helping schools in my district to improve a troubling dropout rate in an area with many disadvantaged students. I know funding is needed in a great many other communities in order to give our most at-risk youth a better chance of academic success. The cancellation of drop out prevention funding is a disaster for young people in need. It must be restored, if there is to be any credibility whatsoever in the slogan Leave No Child Behind.

Thank you, Mr. Chairman.

PREPARED STATEMENT OF HON. JUDY BIGGERT, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF ILLINOIS

As you prepare to mark up the fiscal year 2005 budget resolution, I strongly urge you to provide the necessary resources in Function 250 for the Department of Energy's Office of Science.

The DOE Office of Science is the nation's primary supporter of research in the physical sciences, providing an important partner and key user facilities in the areas of biological sciences, physics, chemistry, environmental sciences, mathematics and computing, and engineering. Furthermore, the DOE Office of Science supports a unique system of programs based on large-scale, specialized user facilities and large teams of scientists focused on national priorities in scientific research. This makes the Office of Science unique among, and complementary to, the scientific pro-

grams of many other Federal science agencies, including the National Institutes of Health (NIH) and the National Science Foundation (NSF).

I applaud the strong support shown for research conducted within the NIH and NSF, and ask that this level of support be extended to the DOE Office of Science. Future medical breakthroughs depend on fundamental advances in the physical sciences and other research conducted by the DOE Office of Science. One recent example is the Human Genome Project, which progressed so rapidly because of advanced computing and biological technologies pioneered by the DOE Office of Science. Harold Varmus, former director of the NIH, said, "Medical advances may seem like wizardry. But pull back the curtain, and sitting at the lever is a high-energy physicist, a combinational chemist, or an engineer."

While Federal funding for medical research like that conducted by NIH has doubled in the last decade, funding for research in the physical sciences has remained stagnant. In constant dollars, the budget for the DOE Office of Science remains at its 1990 level.

To ensure America's future economic, energy, and national security, we must provide strong support today for basic research across the physical sciences. Economic experts maintain that during the last half-century, science-driven technology has accounted for more than 50 percent of the growth of the U.S. economy. As for energy security, basic energy research funded by the DOE Office of Science will help address current and future energy challenges with technologies that improve the efficiency, economy, environmental acceptability, and safety of energy generation, conversion, transmission, and use. Finally, according to the 2000 Hart-Rudman Report on National Security, " * * * the U.S. Government has seriously underfunded basic scientific research in recent years. The quality of the U.S. education system, too, has fallen well behind those of scores of other nations. The inadequacies of our systems of research and education pose a greater threat to U.S. national security over the next quarter century than any potential conventional war that we might imagine."

The Hart-Rudman report went on to recommend doubling the Federal Government's investment in science and technology research and development by 2010. More recently, the President's Council of Advisors on Science and Technology recommended that research and development for the physical sciences and engineering should be brought to parity with the life sciences over the next five budget cycles.

Many members of the House and Senate agree that funding for the physical sciences in general, and for the DOE Office of Science in particular, should be increased. Last year, 91 of our colleagues joined me in sending a letter to appropriators supporting increased funding for the DOE Office of Science in fiscal year 2004. A similar letter was signed by 39 members of the Senate. The House and Senate also authorized in separate comprehensive energy bills over \$4 billion in fiscal year 2005 for the DOE Office of Science, and the conference report to accompany H.R. 6, as passed by the House, included a 20 percent increase for the DOE Office of Science over current funding levels.

While I understand it may not be practical to provide such an increase as we confront a sizeable deficit in this tight budget year, I urge you to provide the necessary resources in Function 250 to enable Congress to increase appropriated funding for the DOE Office of Science and the physical sciences research it supports. Please help ensure that the DOE Office of Science can attract the best minds, educate the next generation of scientists and engineers, support the construction and operation of modern facilities, and continue to provide the quality of scientific research that has been its trademark for so many years.

Thank you for this opportunity to testify.

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 2005 budget resolution.

I am a strong proponent of a balanced Federal budget and am concerned about projected future budget deficits. In fiscal year 1998, the Federal Government began operating in a surplus environment for the first time since 1969. Those surpluses continued through fiscal year 2001, which allowed for a balanced budget and a reduction of the national debt. As you know, due to an economic recession and spending increases after the September 11, 2001 terrorist attacks, the Federal Government is now operating in a deficit spending environment. I believe we need to work to achieve a balanced budget again as soon as possible. That is why, in February 2003, I became an original cosponsor to the Balanced Budget Amendment.

To facilitate the return to balanced budgets, Congress has a number of tools at its disposal, including reducing spending, improving government efficiency, and promoting economic growth through tax relief.

I believe that spending is one of the biggest problems plaguing our Federal Government and has contributed to the burgeoning budget deficit. In an effort to curb excess government spending, I would like to work with the Budget and Appropriations Committees to redirect mishandled government funds. For example, in some states, funds from the State Child Health Insurance Program have been used to provide health insurance for childless adults despite the statutory objective of SCHIP to improve health assistance to low-income children. Thus far, millions of SCHIP dollars have been spent in violation of statutory authority. Mr. Chairman, addressing this misallocation of funding is but one small example of how we can reduce government spending by improving government efficiency.

In his fiscal year 2005 budget, the President prioritizes economic growth, homeland security, and making healthcare costs more affordable and predictable.

I strongly believe that future economic growth depends, in large part, on the level of investment in transportation infrastructure that we make today. As a member of the Highways, Transit, and Pipelines Subcommittee of the Transportation and Infrastructure Committee, I look forward to working 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.

The reauthorization of Federal surface transportation programs is the top priority for my legislative agenda in the 108th Congress. 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. As you may know, my district includes the growing northern suburbs of the Dallas-Fort 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.

In Texas, our identified transportation needs outstrip available funding three to one. Texas has several specific transportation needs, such as supporting international trade transportation, more efficient environmental processes, and expanding innovative financing techniques. To address these needs, 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 via the Denton County Transportation Authority to my constituency.

Furthermore, Texas only receives 88 cents for every transportation dollar that it sends to Washington in gasoline taxes—ranking it 46th out of the 50 states. Working 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. I want to ensure that Texans get their money's worth out of every Federal fuels tax dollar sent to Washington.

The bipartisan leadership of the Transportation and Infrastructure Committee intends to explore all options to grow the program and produce a final version of H.R. 3550, The Transportation Equity Act: A Legacy for Users that adequately promotes economic prosperity, creates and sustains jobs, enhances safety, and continues to improve mobility for our nation's citizens.

As a fiscal conservative, I will continue to hold the line on the Federal deficit by constraining unnecessary spending. Now, more than ever, as our nation fights the war on terrorism, we must act wisely, and spend prudently. Fiscal discipline is the hallmark of a free society because it enables individuals to pursue their dreams without the burdensome intrusion of the Federal Government.

We must also continue pressing for more tax relief for American families and businesses. Relieving this tax burden ensures a healthy national economy, which, combined with fiscal restraint, will help alleviate our national deficit. We must not place the burden of our current national spending spree on our children and grandchildren.

Currently, Congress and President Bush are working to address deficit concerns. President Bush's fiscal year 2005 budget contains his proposals for reducing the def-

icit—the administration budget would cut the budget deficit in half over the next 5 years. While I applaud the President's efforts to reduce the budget deficit, I believe that it may not go far enough.

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 our domestic and international needs.

PREPARED STATEMENT OF HON. BARBARA CUBIN, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF WYOMING

As the House Committee on the Budget moves forward with its important charge of creating the budget resolution for fiscal year 2005, I fully recognize the difficult challenges we all face in spending decisions over the coming months.

As Chairman of the Energy and Minerals Resources Subcommittee, within the Resources Committee, I would like to bring attention to the following item of particular importance to our nation's economic and environmental health.

I strongly support the \$53 million increase listed in the President's Budget to reauthorize Section 402(a) of the Surface Mining Control and Reclamation Act (SMCRA) set to expire on September 30, 2004. This section, enacted in 1977, establishes a per tonnage fee for mined coal. These fees are placed in the Abandoned Mine Reclamation Fund (AML Fund), and are used to finance reclamation for dangerous abandoned mine lands in the United States. Interest accrues on the unused portion of the collected fees and becomes part of the AML Fund to be used for reclamation. A portion of the interest has recently been transferred to the United Mine Workers of America Combined Benefit Fund (CBF) in order to help finance health benefits.

In collecting the per tonnage fee, a compromise was reached by which 50 percent of the share would be returned to the state of origin, and the other 50 percent would be disbursed by the Federal Government based on historic coal production and other Federal priorities. This promise has been broken year after year since the inception of the AML Program.

Almost \$6 billion has been collected for the AML Program since 1977, all intended for reclamation projects. The AML Program was initially meant to take only about 12 years to complete. But, despite the enormous amount of money already collected, it is estimated that it will take at least an additional \$6 billion and anywhere from 12 to 100 years to complete work on priority one and two sites under current law.

As my Subcommittee works to reauthorize the AML program, we must ensure that our clean up efforts are reasonable and efficient so that we don't just keep throwing good money after bad.

The largest problem we face is that the money being collected is not being appropriated back to the states and to the AML program as was originally promised. The original 1977 statute made a commitment that half of the money would be returned to the states from whence the fee was collected. However, the House and Senate Appropriators have not been applying the funds to these states, nor to the high priority reclamation projects that need to be funded.

In fact, little over half of the funds are being appropriated. Year after year, Congress has failed to live up to its promises, and states like Wyoming are suffering the consequences.

The amount owed to Wyoming as of December 31, 2003 was \$408 million dollars and the total unappropriated state balance nationwide is as high as one billion dollars. This is a huge sum of money that could be put to legitimate reclamation needs, and pay down the debt owed to the states where the fee was collected.

Too much spending of these funds on other programs, as has occurred in the past, is bad practice and bad policy. The AML program should be about cleaning up our environment and therefore we must protect our environment and honor the Federal Government's responsibility to the states.

As we work to reauthorize this program, we need to find a solution to the appropriations problem and compel the Congress and Administration live up to their commitment to return the 50-percent state share balances to the states where they were collected. This must begin in the budget process, and the \$53 million dollar increase proposed by the President to this program to address the needs of those states owed by Federal Government is a much needed shift in this area.

Chairman Nussle and Ranking Member Spratt, I look forward to working with the Budget Committee to develop a smart and sensible budget that addresses our

Federal deficit while funding high priority items such as the AML Fund Re-authorization.

PREPARED STATEMENT OF HON. TOM FEENEY, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF FLORIDA

Mr. Chairman, thank you for granting me the opportunity to provide you and the members of this Committee with my thoughts on this year's budget resolution. As we begin the budget cycle faced with large deficits caused by recent record spending increases. With the current trend of increased discretionary spending coupled with the ever expanding burden of entitlement spending, the need for responsible budgeting is greater than ever. I commend this Committee and the House leadership for the seriousness they are approaching this matter and for their desire to control future spending.

Long term spending projections paint a bleak picture of the future—especially in regards to Federal entitlements. In 2003, entitlements reached a record level of nearly 12 percent of GDP. By comparison, total Federal spending in 1940 after the creation of the New Deal was only 9.8 percent of GDP.¹ Future projections suggest that entitlements will monopolize a growing portion of GDP. In the Social Security program alone, total spending is 4.4 percent of GDP. This level will rise to 6.6 percent by 2073, with more than half of the increase coming before 2033.² Federal Reserve Chairman Alan Greenspan diagnosed this problem and highlighted the need for action in his recent testimony before this Committee: “Today, Federal outlays under Social Security and Medicare amount to less than 7 percent of GDP. In December, the CBO projected that these outlays would increase to 12 percent of GDP by 2030 under current law * * * we will eventually have no choice but to make significant structural adjustments in the major retirement programs.”³ Although I do not presently share his opinion that it is necessary to reduce the benefits calculation structure or raise the age recipients begin to receive benefits, this is a clear indicator that the time to begin examining significant reforms to Social Security has come. As Members of Congress, we must accept that the need for reform is a reality and must closely examine legitimate options including the creation of personal savings accounts.

The dangers of long term spending growth are not limited to the ever expanding entitlement programs; recent growth in all areas of discretionary spending has been a major contributing factor in the growth of government. Any long term fiscal discipline begins with short term fiscal responsibility. No longer can government afford to squander taxpayer funds on programs that exceed the jurisdiction of responsible government. We can no longer afford to create new programs without first evaluating existing ones to determine if they continue to serve a legitimate purpose or are being managed responsibly, and now more than ever it has become necessary to watch every dollar that government spends, and combat the waste, fraud, and abuse in government.

Over the last 5 years government has not only begun to expand the amount of money it spends, but it has expanded into new territories of expenditures. A 2003 Heritage Foundation study by Brian Riedl shows that: “Since 1998, real discretionary spending has jumped 36 percent from \$603 billion to \$820 billion.” The same study clearly points out that discretionary spending in programs unrelated to defense and 9/11 have increased by 27 percent over the same period. Much of this is fueled by double digit percentage increases since 1998 in education (78 percent), health programs (81 percent), agriculture (76 percent), and international affairs (87 percent).⁴

These increases once again force our body to ask the question whether these are legitimate Federal expenditures. In education, K–12 spending is \$13 billion a year higher than 5 years ago, and this increase comes in an area where decisions may better be left to the states. The unprecedented increases to foreign aid point out another example of how expansions of the role of government are increasing the burden on taxpayers.

One solution is to require the creation of new Federal programs be offset by corresponding eliminations or reductions to outdated or less important programs. The current fiscal situation provides less room than ever to increase deficits simply to create more government. If as a legislative body we determine changes in national priorities or emerging issues require the creation of new Federal programs, we must find another government program of lesser importance and eliminate it. Just as individuals and families make tough decisions everyday on what is important and what they can afford, we must make the same tough decisions with American tax dollars.

Another way to put government on a diet is to watch its waste. Government waste, fraud, and abuse exists in nearly every agency and department. Reigning in this waste would produce a significant savings for the taxpayer. The endemic nature of this problem has so concerned me that I joined with two of my colleagues, Representatives Jeb Hensarling and Mario Diaz Balart, in creating Washington Waste Watchers. Our mission is straightforward—identify government waste and eliminate it. We have been inspired by this Committee's efforts to identify waste, fraud, and abuse in the Federal Government. I urged you to act on the \$85 [billion] to \$100 billion⁵ in waste reduction recommendations gathered last year by this Committee. This study along with others—including the identification of ineffective and poorly managed Federal programs through the President's Management Agenda—provide excellent directions for serious spending reductions. Furthermore, savings achieved through eliminating waste, fraud, and abuse should be directed to deficit reduction and not to funding new Federal programs.

Any commentary on this year's budget would not be complete without acknowledging the profound need for budget process reform. The current process almost encourages annual spending increases and expansions in government. I applaud the efforts of Representatives Hensarling, Ryan, Chocoma, and Cox, the sponsors of the Family Budget Protection Act. This groundbreaking legislation will provide a thorough review of the entire budget process. The most essential reforms include the creation of a one page budget, biennial budgeting, procedural changes to limit Congress' ability to increase spending, controls on entitlement growth, provisions to combat waste fraud and abuse, and, most importantly, the end of baseline budgeting—a tool used by spenders to label reduction in the rate of growth as a spending cut. Additionally I support the 12 Consensus Principles to Reform the Budget Process reached by the conservative Republican Study Committee and the moderate Republican Tuesday Group. This dialogue represents real progress in bringing genuine budget reform.

In summary, I hope the committee would consider the following recommendations for this year's budget resolution: a minimum 1-percent reduction to the total level of nondefense, nonhomeland security discretionary spending, make additional reductions throughout all Federal spending from the elimination of waste, fraud, and abuse, and finally the budget process reforms previously mentioned. Thank you, for providing me with this opportunity to share my thoughts with this committee.

ENDNOTES

¹ (a) calculation of 11.8 percent based on actual mandatory spending of \$1,279 million in mandatory spending and a GDP of \$10,829 million GDP for 2003. Information listed in CBO Current Economic Projections, January 26, 2004. (b) 9.8 percent Federal spending as a percentage of GDP, as listed in office of management and budget historical budget tables.

² CBO Long-range Fiscal Policy Brief, Measuring Challenges to Social Security Benefits; December 1, 2003; Congressional Budget Office.

³ Testimony of Chairman Alan Greenspan; Before the Committee on the Budget, U.S. House of Representatives; February 25, 2004.

⁴ Brian Riedl, \$20,000 per Household: The Highest Level of Federal Spending Since World War II, December 3, 2003, The Heritage Foundation.

⁵ Addressing Government Waste, Fraud, and Abuse; Committee on the Budget, U.S. House of Representatives. September 2003.

PREPARED STATEMENT OF HON. JIM GIBBONS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEVADA

As your Committee begins the challenging task of drafting the fiscal year 2005 budget resolution, I would like to call your attention to a funding concern that is of the utmost importance to my constituents in the State of Nevada and to me. As the Representative from Nevada's Second Congressional District, a vast district that encompasses the proposed Yucca Mountain nuclear waste repository site, I must express my strong opposition to the funding level for the Yucca Mountain project included in President Bush's budget request for fiscal year 2005. Additionally, I also strongly oppose any language that would eliminate Congressional oversight of the annual Yucca Mountain funding process.

While the overall funding level of \$880 million in fiscal year 2005 is a tremendous concern, I would first like to address the proposal to take the Yucca Mountain project off-budget. The Administration budget proposes legislation that would allow utility company contributions to be paid directly to the Department of Energy, thus severely limiting Congress' ability to oversee and manage how DOE spends these funds. As fellow fiscal conservatives, you and I both understand that annual Con-

gressional oversight of every funding measure that is signed into law is key in executing our duty of ensuring that every cent of American taxpayers' dollars is spent responsibly and efficiently. I strongly encourage you not to include this legislative proposal in the final budget resolution and to strongly oppose such a proposal should it come before your committee in the future.

As you know, the Administration's budget request for the Yucca Mountain project in fiscal year 2005 is \$880 million—a 50 percent, or \$303 million, increase from the last fiscal year. Certainly, the unanswered scientific questions, public safety and health concerns, and unresolved issue of how the nuclear waste will be shipped across country to Yucca Mountain warrant further examination before Congress allows the budget for this proposed repository balloon to this unprecedented level. At a time when Congress should be tightening its spending belt whenever possible, it would be ill-considered for us to allow funding to increase at an astronomical rate for a project that may very well be proven unfeasible before it is even licensed.

With this letter, I respectfully request that as you continue your deliberations over the budget resolution for fiscal year 2005 that you do not include \$880 million for the ill-advised Yucca Mountain project and that you express your strongest opposition to taking the Yucca Mountain budget off-budget, thus removing all Congressional oversight from the process. As we work to exert fiscal responsibility to reduce our deficit while still ensuring that our highest priorities of national defense and homeland security are met, such irresponsible expenditures and authority requests at this critical time should not be supported. Thank you for your consideration of this request and for your continued leadership.

PREPARED STATEMENT OF HON. DAVID L. HOBSON, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF OHIO

On behalf of the Subcommittee on Energy and Water Development, Committee on Appropriations, I want to express serious reservations about the inadequate budget request submitted by the Administration for the Army Corps of Engineers and about the proposed reclassification of fees for the nuclear waste repository at Yucca Mountain, Nevada.

The fiscal year 2005 budget request for the Corps of Engineers is, when the proposed rescission of \$1 million is included, only \$4.115 billion. This is a historically low request, and is particularly damaging to the Corps Civil Works program because it follows several years of meager budget requests for which the Congress has been unable to compensate adequately with additional funds. In constant dollar terms, the Corps budget was \$6.6 billion in 1986, and that budget has declined by over one-third in subsequent years. In the same timeframe, the demands on the Corps have risen steadily as new environmental missions have been added and the physical infrastructure for which the Corps is responsible grows ever older, demanding more attention and funding.

The budget request, if enacted, would stop hundreds of authorized Corps of Engineers projects and studies already underway around the Nation, wasting the funds already invested by Congress and the local sponsors as well as requiring additional funds to terminate these ongoing projects, and to pay claims to contractors when contracts are breached. In many other cases, the proposed funding level is so constrained that little meaningful progress can be made on ongoing projects and studies.

The proposed budget would stop or slow progress on a long list of construction projects ranging from Alaska to Puerto Rico and covering all Corps project types, from flood control and navigation to shore protection and environmental restoration. There are major commercial harbors that will be unable to accommodate fully-loaded vessels, lock and dam projects on which major rehabilitation will be stopped, and flood protection work that will be terminated without providing the protection promised to the communities at risk. The Administration proposes a new policy on beach renourishment, in which renourishment would no longer be considered a Federal responsibility after initial construction. Through its authorizations of these renourishment projects, which are generally for 50 years, Congress clearly considers periodic renourishment to be part of the construction cost. This policy change alone would cost States and localities almost \$2 billion in the loss of Congressionally authorized funds.

In its areas of emphasis, the budget request does a few things well: it provides adequate funding for the New York/New Jersey Harbors and Olmsted Lock and Dam on the Ohio River, for flood and storm damage reduction in Houston and New Orleans, and for a number of environmental mitigation or restoration projects, including the Florida Everglades, all of which have been embraced and supported in

previous years by the House. In the main, however, this budget request repudiates the role of the Congress in the determining of priorities for the Corps of Engineers.

For example, Congress has passed a number of regional and statewide authorizations in the last several years authorizing the Corps of Engineers to assist communities with environmental infrastructure needs, and many communities have benefited from funds appropriated for this purpose. Despite the popularity of these programs, the Administration requests no funds for this type of work. The Administration also refuses to request funding for the maintenance of most small ports and shallow-draft waterways, despite the economic dependence of many communities on these waterways. I believe this budget request ignores the needs and concerns of the Members of Congress and their constituents, and ignores the priorities and policy directions that have been provided by Congress in recent years.

I ask you to work with the Subcommittee on Energy and Water Development to secure a fiscal year 2005 appropriation for the Corps of Engineers of \$4.85 billion. This amount represents the minimum necessary to do no harm to current projects and to fulfill prior commitments to Congress. This amount will allow the Corps to continue ongoing work on a scale which will make reasonable progress toward meeting the priorities of both the President and the Congress, to save money by executing major projects at a pace which maximizes efficiencies and delivers benefits on schedule, and which enriches the lives of millions of American by contributing to increased prosperity and good health.

Additionally, the Administration submitted with its budget request for Yucca Mountain a proposal to reclassify the mandatory fees paid into the Nuclear Waste Fund as an offsetting collection to offset discretionary spending on this program. I do not disagree with the merits of reclassifying the fees as proposed by the Administration. Such reclassification should help to ensure that these funds are spent for the purpose intended by Congress when it established the Nuclear Waste Fund. However, the Administration has made a high-stakes gamble with this proposal on a program of vital importance to the country.

As you know, the consumers of electricity generated by nuclear power pay into the Nuclear Waste Fund to finance the construction and operation of a permanent repository for the Nation's spent nuclear fuel. Under the terms of the Nuclear Waste Policy Act of 1982, as amended, the Department of Energy (DOE) entered into contracts with the generators and holders of spent nuclear fuel to take such fuel for disposal beginning not later than January 31, 1998. DOE failed to meet this statutory and contractual obligation, and damage awards for this failure are now pending against the Federal Government. Under DOE's current schedule, the earliest the repository can begin accepting spent nuclear fuel for disposal is 2010. Any further delay in this schedule will add to the mounting liability that already faces the Federal Government.

The Administration's budget request seeks a total of \$880 million in fiscal year 2005 for the repository program. This is an adequate request that will keep the program on track to open the repository and begin accepting spent fuel in 2010. However, the budget request also assumes that the proposal to reclassify \$749 million of receipts into the Nuclear Waste Funds as an offsetting collection will be adopted, yielding a net budget request of \$131 million. I am very concerned that this legislative proposal may not be enacted into law this year and this offset of \$749 million that may not materialize. Therefore, I request the Budget Committee to adopt a budget resolution that makes the full amount of \$880 million available as discretionary budget authority for the nuclear waste disposal program. In the event that the reclassification proposal is enacted into law, the Budget Committee can adjust the total discretionary allocation to reflect that change at a later date. The repository program is too important to risk having a shortfall of three-quarters of a billion dollars over a reclassification proposal that may not be enacted.

Thank you for considering my views on these two issues.

PREPARED STATEMENT OF HON. WALTER B. JONES, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NORTH CAROLINA

Mr. Chairman and Members of the Committee: Thank you for setting aside time today for this candid discussion about our nation's budget.

As the Committee knows, America's fiscal house is anything but stable. In fact, I believe any reasonable observer would recognize that the U.S. Government is quickly spending this country into bankruptcy.

As of today, the national debt—which our children and grandchildren must repay—is \$7.1 trillion.

The sad fact is that this number grows dramatically every day as Federal spending spirals further out of control. For example, over the past 3 years, discretionary

spending grew at an average annual rate of 10.3 percent—nearly six times faster than inflation. As a result, over this time the U.S. Government racked up over \$405 billion in deficits.

Meanwhile, neither Congress nor the last two administrations have addressed the impending explosion in spending on mandatory entitlement programs. Social Security, Medicare and Medicaid now consume over 40 percent of the Federal budget, and without reform they will balloon to nearly 80 percent as more baby boomers retire in the next 30 years. To pay for this expansion, Federal taxes will have to double by the year 2040.

Instead of making tough choices today to reform these programs and to protect our grandchildren from a crushing Federal tax burden, Congress and the President recently enacted the Medicare Prescription Drug Bill—the largest entitlement expansion in the last 3 decades. In fact, CBO now estimates that over the next 20 years this program will cost America over \$2 trillion.

The result of the lack of fiscal discipline in Washington is that the American people are increasingly buried under an avalanche of red ink. While the Administration has taken steps in its fiscal year 2005 budget to slow the growth of spending, its proposal is still over \$365 billion in deficit.

Clearly, Congress must improve on the President's efforts to reign in spending.

We can start by holding the line on overall nondefense domestic discretionary spending in the fiscal year 2005 budget, while keeping our commitment to the Veterans who have courageously served our country. We can do this by allowing reasonable increases in Veterans Benefits and Services, and offsetting those costs with reductions in spending on foreign aid and the Department of Education.

Furthermore, the reality is that efforts to control discretionary spending will be meaningless in the long term unless Social Security and Medicare are reformed in the near future. Therefore, Congress must demand that the Administration make entitlement reform a priority, and then work with the Administration to pass reform into law.

Finally, I'd like to remind the Committee that the defense of our nation remains the single most critical function of the Federal Government. This is especially true as we protect America against the forces of terrorism around the world. As such, we need to ensure that the operational requirements of our Armed Forces are met, and that the needs of our men and women in uniform and their families are adequately provided for. Therefore, I strongly oppose reducing or diverting the President's defense budget request for other purposes, and I would feel compelled to vote against a budget resolution that contained such action.

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. 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.

Three years ago, the Administration and Congress were predicting 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.

Those tax cuts, coupled with unpredictable circumstances, including the attacks of September 11, corporate scandals, and a recession, have erased the projected surplus and created a projected \$1.9 trillion deficit. Unfortunately, when Congress and the Administration had an opportunity to improve the budget outlook with sound fiscal policy, the majority opted for more irresponsible tax cuts for the wealthy, more IOUs to be repaid by our children and grandchildren.

This year, the President's budget proposal, would result in a record \$521 billion deficit, the largest in our history. To reduce this deficit, we must make difficult choices, and both spending and taxes need to be on the table. Unfortunately, the President's budget does not reflect this reality, and the budget uses fuzzy math that even John Nash could not decipher.

During the 1990's, Congress and the White House made tough decisions and enacted smart policies that led to the longest sustained growth in the history of this country. Now that the successful fiscal restraint of the last decade has vanished, we

need to make protecting the strong economic foundation of this country Congress's top priority.

Interest on the national debt is becoming an increasingly large portion of the Federal Government's spending, and like anyone in debt, we should be focused on paying it off rather than applying for more loans. This year, a family of four owes nearly \$4,500 in interest on the national debt. Under the President's own optimistic scenario, the debt will increase so rapidly that the same family will owe more than \$10,000 per year in interest alone by 2014! Anyone with a credit card understands that once you rack up that kind of debt, it is very hard to pay off.

The President proposes cutting the deficit in half by fiscal year 2007. While deficit reduction is the right path, our goal should be a balanced budget, not cutting a huge deficit to a "more manageable" large deficit.

I stand united with the President and my colleagues on both sides of the aisle in our commitment to winning the war on terror and preserving national security both at home and abroad. However, despite the many new security and economic challenges confronting us, the war and our homeland protection efforts should not, and need not, shortchange our domestic priorities.

I urge my colleagues on the committee to craft a realistic and responsible budget that adequately funds priorities we share, including No Child Left Behind, job training, the COPS program, clean drinking water, housing assistance for low-income workers, transportation improvements, veterans' health care, and college grants, just to name a few.

I hope my colleagues share my concerns and work to develop a budget that will ensure security at home and abroad, without dramatically increasing our debt, borrowing against Social Security and Medicare, or abandoning our commitments to children, workers, veterans, senior citizens and all Americans.

Thank you Mr. Chairman.

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 in crafting a fiscally responsible and also workable budget.

In addition, I appreciate the difficulty of the demands made of you and the members of your committee. We are faced with difficult circumstances in trying times, including the war on terror, rebuilding in Iraq, and maintaining domestic safety. It is the third task, that of maintaining homeland security, that concerns me today.

As you are aware, the Administration has wisely included \$178 million for renovations and improvements to the National Animal Disease Center (NADC), the National Veterinary Services Laboratory (NVSL) and the Center for Veterinary Biologics (CVB) in its fiscal year 2005 Budget Request to Congress. The importance of this much needed facility—to be called the National Centers for Animal Health—has been underscored by the recent Bovine Spongiform Encephalopathy (BSE), and Avian Influenza (AI) incidents. Animal health, as we have seen, affects our food supply and the stability of our markets. According to a recent General Accounting Office (GAO) report, the economic effect of foot-and-mouth disease in the United Kingdom resulted in over \$10 billion in economic losses. Were foot-and-mouth to strike in the United States, economic losses could be as high as \$24 billion. The previous example is a hypothetical example, but with the U.S. agriculture sector accounting for nearly 13 percent of the gross domestic product and 18 percent of domestic employment, the threat of agricultural terrorism is real and frightening.

The \$178 million included in the Administration's request represents the final installment of funding necessary for construction of the facility. The completed facility will provide the nation with a single center to combat the threat of food-borne illness, whether intentional or unintentional. In these times, with threats constantly a possibility in the United States, I believe that expedited completion of the National Centers for Animal Health represents a wise investment in our nation's health and homeland infrastructure.

From my position as vice chairman of the Agriculture Appropriations subcommittee, I assure you that I will do everything in my power to make my colleagues on the Appropriations Committee aware of the need for this facility.

Again, I emphatically support the administration's far-sighted request for the final phase of National Centers for Animal Health and urge that the House fiscal year 2005 budget resolution reflect this request. In addition, I ask that the report accompanying the budget resolution include the following language:

The Department of Agriculture National Animal Disease Center plays a critical role in responding to, and addressing, numerous animal diseases such as Mad Cow

disease. The importance of the Center has become more pronounced in the context of potential terrorist acts against food production assets, as well as random disease outbreaks. The Committee emphasizes the fact that the administration budget request for fiscal year 05 includes the final funding amount necessary to finish the overall Animal Disease Center modernization project. Accordingly, the Committee believes that the request should be fully funded so that the modernization project can be finished in a timely manner.

Thank you Mr. Chairman. This concludes my testimony.

PREPARED STATEMENT OF HON. JON C. PORTER, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEVADA

Thank you for inviting me to testify to express my concerns with the proposed fiscal year 2005 budget. I appreciate this opportunity and regret that another committee hearing prevents me from testifying in person.

My first concern is that the President's budget proposes to take funding for the proposed Yucca Mountain Nuclear Waste Repository off budget. As you know, I and my constituents share an absolute opposition to opening this proposed civilian nuclear waste repository. Allowing funds to be spent on this project without congressional oversight would deny my constituents their right to be represented when taxpayer dollars are spent and violate the budget practices that the Congress has worked so hard to establish. I urge you to oppose any inclusion of language authorizing the civilian nuclear waste program spending to be off-budget and not subject to congressional oversight.

My second concern with the President's budget is a proposal to require gaming establishments to collect unpaid child support debts from winning wagers. Every Member of Congress is committed to making sure dependent children receive the support they need, and that parents fulfill their obligations to their children and community. However, imposing a costly new regulatory requirement on hundreds of establishments, and establishing a national database requiring massive amounts of personal data and financial records would not significantly increase collections while threatening the privacy of millions of gamers and imposing massive costs on businesses and their employees. This provision was rejected by the Congress in the fiscal year 2004 budget, and I urge you to oppose any attempt to include projected funds from this measure.

I strongly support a third provision in the President's budget, to appropriate \$50 million dollars to establish Personal Reemployment Accounts in states that volunteer to do so. This program would help more than ten thousand long term unemployed people get back to work, and accelerate our ongoing economic recovery. I am the sponsor of similar legislation, HR 444, reported by the House Education and the Workforce Committee in 2003, and am hopeful to pass legislation this year authorizing funds to begin this program. I urge you to work with me to retain the funding for this program in the fiscal year 2005 budget resolution, and to pass legislation authorizing Personal Reemployment Accounts into law.

I also request that funding be restored to the fiscal year 2004 level, of \$50 million, for the United States Travel and Tourism Promotion Advisory Board (USTTAB). The USTTAB was created to help an international travel and tourism marketing and promotion campaign in the fiscal year 2003 Omnibus Appropriations bill.

The travel and tourism industry is one of the nation's largest employers, and the third largest retail industry in the United States. The tragic events of September 11 affected nearly every business sector in America, but they hit those in the hospitality industry particularly hard. We in Nevada have united and come a long way to overcome the devastating effects but we still have a long way to go. My hometown of Las Vegas continues to attract visitors and business delegates despite the effects of September 11, and the tempestuous economy underscores the destination's resilience relative to other destinations throughout the world. I respectfully ask that you consider this request to restore funding to such a vital marketing and promotional campaign for U.S. travel and tourism, which affects every congressional district.

I urge you to keep all of these items in mind when working with fellow members of leadership and the House Budget Committee in drafting the fiscal year 2005 budget. I look forward to the passage of a budget resolution that reflects all of these concerns while fulfilling our commitment to sustaining economic growth and protecting veterans, seniors, children and the defense of our nation.

PREPARED STATEMENT OF HON. JIM SAXTON, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF NEW JERSEY

Thank you Chairman Nussle and Ranking Member Spratt, for giving me the opportunity to convey two of my highest priorities for the fiscal year 2005 appropriations cycle before the House Budget Committee. Specifically, I want to call your attention to funding for programs relating to the Department of Veterans Affairs and veterans health care programs as well as ensuring the Army Corps of Engineers has adequate resources within its budget for beach replenishment and other important projects.

First, in terms of funding for veterans programs, I am sure you are aware, the President has requested \$67.7 billion in total budgetary authority for the Department of Veterans Affairs, including \$32.1 billion for discretionary programs. That request represents an increase of \$5.2 billion in total budget authority and a \$1.2 billion increase, or 3.8 percent, over the fiscal year 2004 enacted funding level for discretionary funding. While I am pleased that the President's request continues to reflect the need for increased funding to the Department of Veterans Affairs, I am concerned that the proposed budget will be insufficient to meet the needs of the Department of Veterans Affairs and our nation's veterans.

With a new generation of our veterans returning home from war everyday, it is imperative that we provide the VA with the funding it necessitates in order to adequately provide the care and services that our veterans need and deserve. The number of veterans turning to the VA for services continues to increase annually, and it is again expected to rise this year, particularly for health care.

Congress has appropriately responded to that growth by increasing VA medical care funding to meet the demand. In fact, Congress has increased VA medical care funding by 50 percent in the past 5 years. Funding for the current fiscal year, provided through the Consolidated Appropriations Act, has continued to demonstrate Congress' support of our veterans by providing an increase of \$2 billion, or 9 percent, over the previous year's funding for veteran's health care. The fiscal year 2005 budget request from the Administration, however, provides only a 2.7 percent increase over the fiscal year 2004 enacted funding level for those health care programs, and Congress must continue to provide the VA with the budgetary resources it needs to match the increased and increasing levels of demand for its services.

The House Veterans Affairs Committee has concluded, after careful consideration of the budget submission, testimony received, and other resources, that an additional \$2.478 billion will be required in discretionary budget authority in order for the VA to maintain current services. I believe that we have an obligation to provide for our veterans, and I join the committee in requesting and recommending an increase in VA discretionary budget authority of \$2.478 billion. We must continue provide the VA with funding to maintain the current levels of service, health care, and benefits to those veterans who seek them.

Our veterans have made tremendous sacrifices for our great nation, and we have an obligation to provide them with the health care, services, and benefits they need and deserve. There are more than 250,000 veterans in South Jersey, plus another 100,000 military retirees and their families who have settled in communities near the three joint installations here, namely Fort Dix, McGuire Air Force Base and Lakehurst Naval Air Engineering Station. They have done their duty; now we must do ours. As a Member of the House Armed Services Committee, I feel we must show today's volunteer service members that we take care of our veterans.

Second, I want to also discuss the issue of the lack of funding for beach replenishment projects. There are many Members whose districts include coastal areas that will be affected by the proposed Administration policy for the fiscal year 2005 budget, which calls for doing construction on existing beach projects only and does not seek funding for any renourishment. Also, the proposal has reductions for dredging work that impacts navigational safety.

In my own district, there is a critical need to enable the Corps of Engineers to move forward with beach replenishment. As a result of several storms over the last 10 years, significant erosion has occurred, causing the narrowing and lowering of the beaches and dunes. As a result, storm protection that would otherwise have been available has significantly been reduced and numerous homes are in critical danger. On our largest barrier island, where 7500 people live and hundreds of thousands more vacation, public and private properties are now subject to extensive storm damage from erosion, wave attack, and tidal inundation. East coast beaches and other beaches on the west coast and in gulf states are a tremendous economic asset to national economy. In fact, tourism in New Jersey is the largest sector of the economy. If beaches are not replenished, the tourist industry will dwindle, posing a significant threat to local economies across the nation.

Additionally, funds for dredging channels and inlets have been proposed to be reduced, which could result in navigational hazards to commercial fishing and recreational boating in my and other districts. In many cases, such as the New Jersey Intercoastal Waterway, these funds have been used for annual maintenance and should be included in the budget.

As a Federal Representative of a coastal area in dire need of funding for replenishment, I know firsthand that these projects represent an important part of these communities as a whole, with wide-ranging implications should these projects be forced to come to a halt, without the funding to move forward. Therefore, I urge you to provide the Corps of Engineers adequate funding within the House budget resolution to begin, continue with, and complete beach replenishment projects. Districts like mine are in critical need of this funding.

Thank you for the opportunity to present both of these issues to the Committee, and I look forward to working with you as we proceed forward on the fiscal year 2005 budget cycle.

PREPARED STATEMENT OF HON. GREG WALDEN, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF OREGON

Federal funding is important to communities and regions nationwide; however, I contend that such funding is crucial to the district that I represent. Although our nation's economy is showing signs of rebounding, this recovery has yet to take root in Oregon. Oregon's current fiscal crisis is exacerbated by the state's dubious distinction of maintaining one of the highest unemployment rates in the country, with 7.7 percent of our workforce out-of-work, including counties in my district with unemployment rates as high as 16.4 percent. During such challenging periods, it is imperative to my constituents that the Federal Government maintain its commitment to cost-effective, worthwhile programs and projects, such as those listed below. As the Committee on Budget continues to develop the budget resolution for fiscal year 2005, I wish to share with you the principal interests of the Second Congressional District of Oregon.

DEPARTMENT OF ARMY, ARMY CORPS OF ENGINEERS, CIVIL WORKS, COLUMBIA RIVER
CHANNEL DEEPENING

In the President's budget there was a placeholder for the Columbia River Channel Improvement Project, so that once the Office of Management and Budget has reviewed the project they can recommend a funding amount. I would like to encourage the inclusion of \$15 million in the House budget to enable the Corps of Engineers to initiate dredging in approximately 54 percent of the Columbia River deep draft navigation channel to a new depth of 43-feet in fiscal year 2005. Deepening of the Columbia River Channel will allow commerce from ports along the Columbia and Snake Rivers to be shipped to markets abroad.

DEPARTMENT OF ARMY, ARMY CORPS OF ENGINEERS, CIVIL WORKS, FEDERAL COLUMBIA
RIVER POWER SYSTEM

Please support adequate funding for the operation and maintenance of Federal dams that are part of the Federal Columbia River Power System (FCRPS). The U.S. Army Corps of Engineers ("Corps") and the Bureau of Reclamation ("Bureau") have to use scarce operation and maintenance funds for necessary homeland security enhancements at dams along the FCRPS. As a result, dams, including The Dalles Dam, John Day Dam and McNary Dam, have not been able to implement routine operation and maintenance projects like lock maintenance. Please support adequate funding for the Corps and the Bureau that would reverse this trend. Operation of the locks and dams on this system is crucial for transport of commercial goods along the Columbia and Snake River systems.

DEPARTMENT OF AGRICULTURE, FOREST SERVICE, NATIONAL FOREST SYSTEM, HEALTHY
FORESTS RESTORATION ACT (PL 108-148)

This comprehensive piece of forest health legislation, which was crafted to combat the plague of wildfires and insect infestations that have ravaged our Federal forestlands, authorized \$760 million annually to implement the hazardous fuels reductions projects which are an integral part of carrying out the intent of this act. The President requested approximately \$480 million for both the U.S. Forest Service and the Bureau of Land Management to fund these projects. It's imperative that the House not only meets the President's request, but also exceeds it and funds this act at the fully authorized amount of \$760 million. Supporting this request would not

only restore the health of our Federal forestlands, but also provide well-paying jobs to depressed rural and frontier communities surrounding these lands.

DEPARTMENT OF AGRICULTURE, FARM SECURITY AND RURAL INVESTMENT PROGRAMS,
KLAMATH BASIN, OREGON

The administration's budget request includes \$103 million for a variety of activities to be conducted in the Klamath Basin. Those activities include finding additional water storage, improvements to fish habitat and the implementation of a "water bank" to ease the demand on the supply of water within the Basin. Please support the President's funding request for these activities. Funding of the initiatives in the Basin is essential to help the local economy recover from the Federal Government's detrimental decision to shut off the water supply to 1,200 family farms in the Basin in 2001.

DEPARTMENT OF HEALTH AND HUMAN SERVICES, HEALTH RESOURCES AND SERVICES
ADMINISTRATION, RURAL HOSPITAL FLEXIBILITY GRANT (FLEX) PROGRAM

The FLEX Program preserves rural Oregonians' access to inpatient and emergency hospital services through the establishment of Critical Access Hospitals (CAHs). As a result of the 2003 reauthorization of the FLEX Program, additional hospitals throughout my district are in the process of converting to CAHs status. The FLEX Program provides resources to these small rural hospitals to assist them with the administrative, regulatory, technical and logistical challenges presented by the CAH conversion process. Without such support, small rural hospitals would not be able to undergo the restructuring required to achieve CAH designation and provide much needed care to already underserved areas. I urge the Committee to include \$39.7 million for the FLEX Program in the fiscal year 2005 House budget resolution, an amount equal to what the House allocated in its version of the fiscal year 2004 Labor, Health and Human Services, and Education Appropriations Act.

I appreciate your thoughtful consideration of the requests outlined in this letter. I look forward to working with you as the budget process unfolds.

Mr. Young, chairman of the Transportation Committee, you are recognized to address the committee.

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

Mr. YOUNG. I thank you, Mr. Chairman, for allowing me to testify today. I will try to make this as short as possible. I will ask unanimous consent to submit my written statement for the record.

Mr. SHAYS. Without objection, so ordered, all statements will be submitted without objection. I will also ask unanimous consent that members may be allowed 7 days to submit statements for the record, as well.

Mr. YOUNG. Mr. Chairman, economic growth depends on a transportation system that moves people and goods effectively. Unfortunately, some people have not recognized that recently in the United States. Yet, China is going to build as many roads as we have in the United States in the next 15 years to improve their ability to be the economic power in the world.

The committee, very frankly, recognizes congestion problems, because we have not addressed it correctly. It has affected our competitiveness; and very frankly, one out of every three of the 43,000 highway fatalities each year is caused by roads that are inefficient and, very frankly, in decay.

Congestion now extends to more time than most people have for holidays, sitting still in traffic. It creates a tremendous backlog and burns a considerable amount of fuel.

It really costs about \$69.5 billion each year in wasted time and in fuel. Considering that, last week, the committee unanimously approved its views and estimates for the 2005 budget, including a

recommendation that highway, highway safety, motor carrier safety, and transit programs be funded at the levels in H.R. 3550, the Transportation Equity Act: A Legacy for Users.

The programs actually go to \$53.6 billion that are needed annually to maintain our highways and transit systems in the current condition, just to maintain, including keeping congestion from getting worse; not any better, but from getting worse.

However, to improve the condition of these systems, we believe that we have to have a Federal program size of \$74.8 that is needed annually. The TEA-LU total investment of \$375 billion from 2004-09 would not only maintain the condition of our Nation's transportation infrastructure, but also improve these conditions, so we can decrease congestion and improve safety.

The \$55 billion in combined highway, transit and highway safety funding that the committee adopted as its recommended fiscal year 2005 funding level, in our view, necessarily reflects the TEA-LU funding levels.

The Transportation Infrastructure Committee stands by its belief that \$55 billion is the right investment level for the fiscal year 2005. However, the committee recognizes the lack of consensus on this issue. Therefore, the important part of my testimony today, Mr. Chairman, is I am requesting a contingency procedure for surface transportation again to be included in the budget resolution this year as it was last year.

As in last year's resolution, this contingency procedure should allow spending for surface transportation programs to be increased as new receipts are added to Highway Trust Fund. This will provide the flexibility we need to reauthorize these programs, once consensus on funding levels is achieved.

In addition to the surface transportation funding needs I have already discussed, I would like to highlight the committee's recommendations regarding aviation. The committee supports the administration budget of \$3.5 billion for the FAA's Airport Improvement Program, which is the funding level guaranteed in Vision 100, Century of Aviation Reauthorization Act, that came out of my committee.

However, the committee is dismayed by the 14 percent decrease proposed for the FAA facilities and equipment program, from \$2.893 billion in fiscal year 2004 to \$2.5 billion in fiscal year 2005. This proposed reduction is extremely shortsighted.

To ensure our Nation's air traffic control system remains safe, efficient, and able to accommodate the increased number of passengers anticipated in the near future, the committee recommends the facilities and equipment program be funded at least at the \$2.993 billion level guaranteed in Vision 100. This guaranteed funding level is based on the administration's own FAA reauthorization proposal, transmitted to Congress last year.

It is important that Vision 100 extended through 2007 the Capital Priority Point of order initially established by the Aviation Investment and Reform Act for the 21st Century. The \$493 million shortfall between the President's budget and the Vision 100 guaranteed level must be corrected, or the entire Transportation-Treasury Appropriations Bill would be subject to a point of order.

While the cost of meeting our infrastructure investment needs may seem high, the cost of not meeting them is greater still. Increased investment in transportation makes sense for our economy, our business, and our citizens. I urge your support for my committee's proposal as you develop the 2005 budget resolution. I am through, Mr. Chairman, and will gladly answer any questions.

[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 to testify before you on transportation and infrastructure funding needs. I appreciate your committee's assistance in ensuring that last year's budget resolution provided the flexibility necessary to reauthorize surface transportation programs. I look forward to continuing to work cooperatively with you as the surface transportation reauthorization process moves forward this year.

Economic growth depends on a transportation system that moves people and goods efficiently. We know this to be true, yet we allow our economy to be strangled more and more each year by ever-increasing traffic congestion, putting our economy, global competitiveness, and quality of life at risk.

In the nation's 75 largest urban areas, traffic congestion levels have increased in every area since 1982. Congestion now extends to more time of the day, more roads, affects more trips, and creates more extra travel time than in the past.

In fact, the extra time needed for rush hour travel has tripled over the last two decades. This problem is not restricted to the largest cities. In small urban areas, the extra time needed for rush hour travel has nearly quadrupled over these same years.

The cost of congestion is continuing to climb. In 2001, traffic congestion cost motorists in the nation's 75 largest urban areas a staggering \$69.5 billion in wasted time and fuel, \$4.5 billion more than in 2000.

Last week, the Transportation and Infrastructure Committee unanimously approved its views and estimates for the 2005 budget, including a recommendation that highway, highway safety, motor carrier safety and transit programs be funded at the levels set forth in H.R. 3550, the Transportation Equity Act: A Legacy For Users.

The program levels in H.R. 3550 are based on data from the Department of Transportation that indicate a combined Federal highway and transit program of \$53.6 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.

The Tea Lu total investment level of \$375 billion from 2004–09 would not only maintain the conditions of our nation's transportation infrastructure, but also improve these conditions, so we can decrease congestion and improve safety. The \$55 billion in combined highway, transit and highway safety funding the Transportation and Infrastructure Committee adopted as its recommended fiscal year 2005 funding level in our views and estimates reflects these Tea Lu funding authorizations.

The Transportation and Infrastructure Committee stands by its belief that \$55 billion is the right investment level for fiscal year 2005.

However, the committee recognizes there is a lack of consensus on this issue. Therefore, I am requesting that a contingency procedure for surface transportation again be included in the budget resolution to allow spending to be increased over and above a base allocation for highway, highway safety, motor carrier safety and transit programs, to the extent such spending is offset by new receipts to the highway trust fund. This will provide the flexibility we need to reauthorize surface transportation programs, once consensus on funding levels is achieved.

It is critical to ensure that the user revenues in the highway trust fund are adequate to meet highway and transit investment needs, and are actually made available to be 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 seek your cooperation on this key component of the reauthorization effort.

In addition to the surface transportation funding needs I have already discussed, I would like to highlight the committee's recommendation regarding aviation funding needs.

By the year 2005, the number of air travelers is expected to return to the record-high levels that were experienced in 2000, when one in every four commercial flights was delayed, cancelled, or diverted. In that year of extraordinary delays, demand simply outstripped the capacity that our aviation system could supply. Without improvements in aviation system capacity, airline delays will quickly return to the levels experienced in 2000. Increased capital investment is necessary to increase aviation system capacity and avoid gridlock in our skies. The committee supports the administration's budget request of \$3.5 billion for the FAA's airport improvement program, which is the funding level guaranteed by the Vision 100—Century of Aviation Reauthorization Act. However, the committee is dismayed by the 14 percent decrease proposed for the FAA's facilities and equipment program, from \$2.893 billion in fiscal year 2004 to \$2.5 billion in fiscal year 2005.

This proposed reduction is extremely shortsighted. To ensure that our nation's air traffic control system remains safe, reliable, efficient, and able to accommodate the increased number of passengers anticipated in the near future, the committee recommends the facilities and equipment program be funded at least at the \$2.993 billion level guaranteed by Vision 100.

This guaranteed funding level is based on the administration's own FAA reauthorization proposal, transmitted to Congress just last year.

It is important to note that Vision 100 extended through fiscal year 2007 the "capital priority" point of order initially established by the aviation investment and reform act for the 21st century. This point of order ensures that aviation capital needs are not shortchanged in a budget process that tends to defer needed long-term investments while focusing on meeting more immediate needs.

The \$493 million shortfall between the President's budget request level for facilities and equipment and the Vision 100 guaranteed level must be corrected in the fiscal year 2005 Transportation-Treasury Appropriations Bill or the entire Appropriations Bill will be subject to this point of order in both the House and the Senate. Therefore, it is important that the fiscal year 2005 budget resolution assume \$493 million above the President's budget for the facilities and equipment program.

In summary, we are significantly under funding many of our transportation and infrastructure investments, from surface transportation and aviation to ports, inland waterways, clean water infrastructure, and public buildings. For more comprehensive information on the committee's recommendations, I refer you to the views and estimates adopted by the committee last week.

While the cost of meeting our nation's transportation and infrastructure investment needs may seem high, the cost of not meeting them is greater still. 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 2005 budget resolution.

Mr. SHAYS. Thank you, let me just quickly ask you to verify your reference to China. What was your point about China?

Mr. YOUNG. China is becoming our strongest, I call, competitor worldwide. Because they did not have an infrastructure system in place, they are now building an infrastructure system to equal the amount of miles of road in the United States to connect all their provinces together, so they will be a united China, instead of when they had the warlord trivial area. They will be a united China.

They recognized the reason the United States was so strong and it was able to win the cold war. It is because we have a transportation system in place, bar none. We did have, and Russia had none. Russia collapsed because they could not deliver food, they could not deliver product, and they collapsed because of that. It was not because of our military might; it was because they did not have the transportation system in place.

That is the strength of this nation. The reason we won all our wars is not because of the military. It is because we were able to provide the necessary equipment, provide the necessary materials, provide the necessary food for not only troops, but our citizenry itself; and the key to our economy is transportation. We have to

recognize that, the sooner the better, because if we do not do that, we get further behind.

We are being penny wise and pound foolish today in this present climate, because this is a true investment and returns dollars back. I do not want to be in a position of a third rate nation, which we will be if we do not do what I suggest today, and China will be ahead of us.

Mr. SHAYS. Thank you; Mr. Garrett, do you have any questions before we go on to Mr. Hunter?

Mr. GARRETT. Just one question, in the long term picture, not the immediate concerns you have right now, can we save some additional money on the transportation side by looking to say that the people who are closet to the action, the people who are actually going to be literally using the transportation facilities, infrastructure, are in the best position to make the decisions as far as the engineering and the safety aspect, as opposed to those who are far away from it; in other words, the people down at the county and the State level versus the people down here in Washington?

Mr. YOUNG. We believe that is occurring now, because under the formula program, the money under my programs goes to the Department of Transportation. Of course, the State DOTs may have to work with the local communities. We cannot directly appropriate monies to local communities. But it is supposed to go through the formula process.

Now if you are referring to the earmarking process, that is the only area which we possibly could do differently. The earmarking process is done for a purpose, because many of our Congressmen are in districts of two Senators and many Congressmen, where those Congressmen are in what we call less populated areas, and the State Department of Transportation puts all the money in the more populated areas, and earmarking is the only time any member can have what I call a fair shot of getting some of it done in their local community.

Mr. GARRETT. I agree with that. I am in one of those areas, wondering whether I get a fair shot. But now my question actually goes to just once the dollars are allocated, for whatever program it is, whether it is at the State or local level, sometimes there is a divergent point of view.

Mr. YOUNG. Not down here, because we do not have anything to do with it. Once the money is delivered to the State Department of Transportation under the formula program, it is under the State Department of Transportation. They decide how it shall be spent.

I agree, sometimes they do not listen to the local people. But that is not our responsibility. That is the responsibility of the State Department of Transportation. I do not think we should get into the total management of what should be built or should not be built here at the Washington level. So it has to go back to the State Department of Transportation.

Mr. SHAYS. Mr. Hensarling.

[No response.]

Mr. SHAYS. OK, thank you, Mr. Young.

Mr. YOUNG. Thank you very much, and if you will excuse me, I have got to go to another hearing.

Mr. SHAYS. You may be on your way, sure.

Mr. YOUNG. Thank you.

Mr. SHAYS. Thank you very much.

Duncan Hunter, chairman of the Armed Services Committee, you are recognized. Thank you for being here.

**STATEMENT OF HON. DUNCAN HUNTER, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. HUNTER. Mr. Chairman and members of the committee, thanks for letting me be with you and be here with my colleague, Ike Skelton, the ranking member of the Armed Services Committee, to give you our views of the defense requirements in the President's defense budget.

First, I think it would be a mistake for this country to cut a dime out of the President's defense budget. Right now, and if you could look over at our posters that we have over here depicting Operation Iraqi Freedom, we have 157,000 uniform personnel in theater right now in one of the most massive troop rotations since World War II. When that settles in, we will have about 129,000 folks there.

We are in the middle of a shooting war. We have ongoing operations that are sucking up ammunition, sucking up readiness dollars, and Mr. Chairman, this administration has put together their best requirement, their best case, and their best estimate of what we need over this coming year. Let me tell you why we are still short, because we are still short.

First, we have aging equipment. The average Army helicopter is about 18 and-a-half years old. Two-thirds of our Naval aircraft are over 20 years old. We have bomber aircraft that average over 30 years old.

We asked the Congressional Budget Office a couple of years ago to analyze our trucks, tanks, ships, planes, all the big systems, and figure out how many we had to buy each year on a steady state basis, to make sure that we had a halfway modern force.

When they did that, they came up with a figure in 2002 of \$110 billion to be spent on modernization, buying new equipment. It is the same as if you were a taxicab driver and you had 100 taxicabs. You figure out how many you have to buy each year to keep your fleet halfway modern, so you do not end up with a bunch of 1956 Chevys.

We are in danger of ending up with a bunch of 1956 Chevys, because we are only spending this year about \$74.9 billion in what are known as the modernization accounts. That means we are \$35 billion short of what the Congressional Budget Office says is the requirement on a ready state basis to keep our forces halfway modern.

That is why we have old helicopters. That is why we have old jet aircraft. That is why we have old trucks. That is why we have old bomber aircraft. So we have about a \$35 billion shortfall with respect to modernization.

The munitions accounts are largely classified. But I can tell you that this year, on an unclassified basis, we are \$2.9 billion short with respect to munitions, \$2.9 billion, and that is monies that could be executed this year if we had the money. That is everything from M-16 rounds up to these precision-guided rounds that we use, coming off of our major aerial platforms.

We spend a lot for people now. But you know, this is an all volunteer military, and we do not have many people. In 1991, we had 18 Army divisions when we went into Iraq the first time. Today, we have roughly 10 Army divisions. That means we have cut the U.S. Army by almost 50 percent since 1991.

That means, very simply, when your constituents ask you why their husband or their son or their father has to be over in Iraq for such a long period now, whether he is in the National Guard, the Reserve, or the active component, one reason is, we cannot afford to send somebody else over there replace him, because there is no one else.

To prove that, as we undertake this massive troop redeployment, we are pulling out the 101st Airborne from Northern Iraq. We are pulling out the 82d Airborne from the Western Zone, west of Baghdad. We are pulling out the Fourth Infantry Division that is north of Baghdad, and we are pulling out the 1st Armored Division that is in Baghdad.

We are going to replace all of those. We are going to replace the 82d, for example, with the First Marine Division, or MEF, Marine Expeditionary Force, made up primarily of that division.

You might ask, are the Marines not the guys we send in on an emergency basis; are they not the cops, or the guys you dial when you dial 911, they are the first ones to arrive at the scene; the guys who “kick in the door” so to speak? Why are they going over in an occupational role? The reason they are going to go over in an occupational role, Mr. Chairman, is because there is nobody else to go over, because we have such a small force.

So we have cut the Army from 18 to 10 divisions, cut it roughly in half. We have cut our active air wings from 24 air wings to only 13. We cut those roughly in half for the Air Force, and we have cut our Navy from almost 600 ships to under 300 ships. By numbers, we have cut that force in half.

So, Mr. Chairman, beyond that, the military has cut severely on the civilian side. We have gone down from one million civil servants to 660,000. So of all the branches of Government, we made the only massive cut in civil service personnel. We have now eliminated two of the major weapons systems that were in the plan, in the blueprints over the last several years.

We have canceled the Crusader, the biggest artillery system, and we have now canceled our newest helicopter, the Comanche. We also have a base closing round coming up in 2005, after four base closing rounds, which could cut as much as 20 to 25 percent of America’s bases, eliminate those numbers of bases.

So the facts are that we have a Secretary of Defense in Mr. Rumsfeld who is frugal, who is a budget cutter, who has been in there trying to figure out how to do more with less, and he has so far resisted any efforts to try to add an extra couple of Army divisions, which lots of experts think we may need. He thinks he can produce more brigades by re-configuring the Army and he is working hard at that.

The point is, we made lots of cuts, Mr. Chairman. We are in a shooting war, with the biggest deployment since World War II. It would be a mistake to cut a dime out of the President’s defense budget; thank you.

[The prepared statement of Mr. Hunter follows:]

PREPARED STATEMENT OF HON. DUNCAN HUNTER, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CALIFORNIA

Mr. Chairman, Mr. Spratt and members of the committee, I appreciate the opportunity for Mr. Skelton and I to appear before you this afternoon to testify on the critical importance of the defense budget at this point in our nation's history.

I realize you have a long day ahead of you, so I will attempt to keep my comments brief and to the point.

Let me begin with the bottom line. It is the strongly held bipartisan view of the Armed Services Committee that the funding level requested by the President for the national defense budget function should be the absolute minimum that you consider for inclusion in the budget resolution.

You will hear a lot of facts today from our colleagues who will be making a case for their priorities and programs. I would also like to present you with some important facts for your consideration.

I would submit that the most critical fact that you must consider as you sit down to write the budget is this—under our system of government, defense and the national security function are the most fundamental and overriding responsibilities assigned to the Federal Government by the Constitution. Nothing else comes close.

I raise this because the budget process, by definition, pits one priority against another and forces us to make difficult choices among them. However, this approach tends to assume that in the competition for Federal dollars, all competing priorities are entitled to some standard of "equity." Since the defense of the nation is an inherently Federal responsibility and the fact that all other activities of our nation would essentially cease or be significantly disrupted without a secure national environment, I believe such notions of equitable treatment are fundamentally flawed.

Let's review some other facts. A casual observer of the evolving budget debate could assume that our nation's military has been living high on the hog for several years without regard for the taxpayer and the defense needs of the nation. References to defense getting a "free ride" and must be put "back on the table" are being thrown around with increasing frequency.

The fact is that defense has been and remains the only function of government that has endured steady and significant reductions over the past decade. For the purpose of this discussion, I believe that the incremental costs of ongoing combat operations in Iraq and Afghanistan must be set aside as these are mostly fact-of-life expenses that have traditionally been funded outside of the baseline defense budget.

These reductions have taken many forms. First, the past decade resulted in dramatic reductions in the overall size of the defense establishment in terms of size and funding. This post-cold war contraction of the U.S. military cut the size of our combat forces essentially in half, while reducing investment in new equipment to historical lows.

I believe there is now bipartisan agreement that, as a nation, we cut back too fast and too deep in the mistaken belief that the collapse of expansionist global communism would usher in a new era of reduced international tension and threats to American interests around the world. Wars in the Persian Gulf, Balkans and other simmering hot spots proved this thesis to be overly optimistic.

Thus, while the geopolitical assumptions didn't work out as planned, our military was pressed to make do and carry out the nation's interests with a reduced set of capabilities. We are still paying for this miscalculation today, particularly given the realities visited upon our shores the morning of September 11, 2001.

That said, I give tremendous credit to the Bush administration for inheriting a very difficult situation but resolving to make the tough decisions necessary to transform our military into a force more effectively organized and oriented to today's realities. All while having to fight the scourge of international terrorism in Afghanistan, Iraq and around the world.

As it has gone through these evolutions, the Department of Defense has been more aggressive and effective in eliminating infrastructure, personnel and programs than any other Federal agency, bar none.

- In 1990, DOD had 2 million active-duty personnel in uniform, today it has 1.390 million;

- In 1990, DOD had roughly one million civilian employees, today it has around 660,000. By comparison, nondefense Federal civilian employment has stayed largely flat during this same period;

- Since the late 80s, DOD has closed nearly 100 major military installations and is preparing for another significant round of closures next year;

- In the past 3 years, DOD has cancelled or cut back dozens of major acquisition programs, as detailed in the chart attached to the end of my prepared remarks.

Further, there is a mistaken notion that Congress has been giving the Department of Defense budget a “free ride” since the beginning of this administration. In fact, the appropriations process has cut the President’s baseline budget in each of the past 3 years for a total of \$8 billion, or by \$17 billion if you count total reductions through rescissions in supplementals.

So, where are things today?

As we meet this afternoon, there are close to 157,000 Americans deployed in Iraq to bring democracy to that troubled country. Another contingent of over 100,000 fresh American troops is starting to flow into the Iraqi theater to replace the current force and carry out this difficult duty for the next year. It is entirely likely that this second force will have to be replaced by another in 1 year and yet another following that.

At the same time, our forces continue to take casualties from a shadowy enemy who is seemingly content to harass and terrorize hoping that it can inflict enough casualties on coalition forces to cause a loss of political support for the operation.

The Pentagon is supporting this conflict based on the resources it asked for and Congress provided through last fall’s supplemental appropriations bill. DOD received \$65 billion for this purpose based on the planning assumptions known and used at the time.

But the nature of war, particularly an unconventional war such as the one we face in Iraq, is highly unpredictable and subject to constant change. Thus, it is already apparent that the \$65 billion in supplemental funds Congress provided for fiscal year 04 may not be enough to fully cover the growing costs of this war.

With the fiscal year only half over, the military services are already having to resort to borrowing against normal programs and activities to pay higher priority bills to properly equip and support our troops in the field. I am strongly pushing all of the services to leave no stone unturned and to take every step needed to make sure we push forward all available equipment and technology options to protect our men and women in uniform. But this takes money, and it is clear to me that these expenses are going to continue to grow as the year goes on and the situation on the ground evolves.

Already, the Navy estimates that it is short \$1.6 billion for this purpose. A preliminary similar number from the Army appears to be \$3 billion. And an additional \$1.4 billion is needed by the Army to begin its innovative restructuring plan for the future. The Armed Services Committee has been notified that we will start receiving a steady stream of requests to reprogram a significant amount of funds for the remainder of the year as the services determine how to best rob Peter to pay Paul.

Mr. Chairman, the point here is that war is expensive and the Department of Defense has already started to cannibalize itself to pay these bills. That is exactly what they should be doing because there is no other option but to make sure our soldiers are properly resourced.

I find it surreal that while the military is scrambling to make ends meet and pay for the life-and-death needs of our soldiers in the field, Washington is engaged in this detached debate over whether or not Defense is getting a “free ride” and needs to join other Federal claimants on the altar of budget solvency.

To me it’s a simple matter of whether or not we are resolved to behave as a nation at war and are willing to muster the sacrifice and conviction to devote the resources necessary to win this war. While some may argue that the amount of funds under consideration for reduction from the President’s request is insignificant, its not insignificant to a Department that today is already facing serious budget challenges in getting through the remainder of this year. And it is certainly not insignificant in light of the likelihood that the Department will likely start next fiscal year having dug itself into a serious fiscal hole to make up for the widening gap between available resources and the reality on the ground in Baghdad, Kabul and now Port Au-Prince.

In closing, I strongly urge you to consider the full and serious impact that any reduction to the President’s defense budget request would have on the fiscal challenges facing the Department of Defense and ultimately the war effort. I can assure you that what may make political sense in the minds of some in Washington, will be largely lost on both our brave men and women in uniform and our adversaries who will puzzle over the spectacle of Congress cutting the President’s defense budget in the midst of this difficult conflict.

Thank you once again for allowing me to appear and I stand prepared to answer any questions you may have.

Mr. SHAYS. Thank you, you are a powerful spokesman for the Armed Services. Let us hear from your ranking member, Mr. Skelton, and then we will ask questions.

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

Mr. SKELTON. Mr. Chairman, actually, I could stop right there and say, ditto, sail on, Chairman Hunter, that is exactly the way I feel. I think it would be very, very inappropriate to not fully fund the request of the National Defense.

Let me tell you, I had a young man, a sergeant in my office from Missouri, Sergeant Buxton, who was one of the three on Time Magazine's cover as the soldier of the year, or one of the three mentioned. The next time I see him, I would hate to say, oh, by the way, Sergeant, we cut the military budget, despite the fact you are over there risking your life and your comrades' every day.

According to Congress, they do not understand this committee's concern of a .5 percent cut to Defense spending. I think, Mr. Chairman, that is unconscionable. On the discretionary side, I think I would go a little further than the administration, the temporary end-strength increase of 30,000 that the Department of Defense is seeking and they are paying for with the supplemental should be a permanent increase, not a temporary one.

I do not think 30,000 goes far enough. Actually, since 1995, we have been recommending increasing the Army alone by 40,000. Back then, we were just beginning to go into Bosnia and look at the deployments we have had since that time. Today, we have Iraq, Afghanistan, and now we are beginning to go into Haiti. We just cannot afford the small forces for Armed Services.

I have several important personnel items. Chief among these would be the Department of Defense health program which is called Tri-Care, continuing to target pay raises for certain personnel, extending last year's increase in danger pay and the family separation allowance.

Regarding military spending, Chairman Hunter and I, in our joint views letter to you, argued that we should eliminate the Social Security offset to the Survivor Benefit Program. However, I think the tenure fees could be and should be speeded up immediately, but that is on track.

If the Congress Daily report is accurate, I want to say a word of commendation that this committee's planning on including the \$50 billion more in the President's request as a good faith estimate of the likely costs of the war in Iraq and Afghanistan. When the President sent his recommendation over, that was to be funded by a supplemental, months from now.

So I think it is doing the American taxpayer right by putting it in the budget. If the only way to get it in there is the estimate of the likely cost, I think that is the proper way to do it.

Other than that, I appreciate the Budget Committee hearing us out. But more than anything else, take a good look at cutting this budget. It would be pretty hard for any Member of Congress to explain to any sergeant or any petty officer in the United States military why we cut the budget when we are at war.

We have a guerilla warfare in Iraq, a real one. We know what is happening there. We read the headlines every day. We are going after the genesis of the terrorists in Afghanistan. We must persevere and we must win. If we cut the capability of our Armed Forces, I think, by two cents, I think we are doing them a great disservice. I agree with Chairman Hunter on that point very much, 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: I appreciate the opportunity to join my friend and colleague, Duncan Hunter, the Chairman of the Armed Services Committee, to give you our thoughts on the national security function of the Federal budget.

As Chairman Hunter indicated, we both believe that it would be inappropriate to not fully provide for the President's request for national defense in the budget resolution. Yesterday, the Congress Daily reported that the Budget Committee is considering a 0.5 percent cut to defense funding. While a 0.5 percent cut does not sound significant, that would mean a \$2.1 billion cut in discretionary budget authority for the national security function, most of it surely falling on the Department of Defense.

With our troops engaged in large operations and on the front line in Iraq, Afghanistan, and now perhaps Haiti, now is not the time to cut the Defense Budget.

In fact, Mr. Chairman, I urge you to increase defense funding in the budget resolution, both on the discretionary and mandatory side of the ledger.

On the discretionary side, I would go further than the Administration; the temporary end strength increase of 30,000 that the Defense Department is seeking should be a permanent increase, not a temporary one. Frankly, I don't think 30,000 goes far enough, but it is a step in the right direction. Iraq and Afghanistan are stretching our forces thin, and now we may have to deal with Haiti. As I have been arguing for about a decade, our Armed Forces are too small in number. We are asking a lot of them. If we don't relieve some of the pressure on our forces, recruiting, retention and the quality of our great force will decline. We can't afford to let that happen; the adverse impact on the security of our nation outweighs the budgetary cost.

In addition, several important discretionary personnel benefits were omitted from the President's budget request. Chief among these are allowing increased reservist participation in the DoD's health program (TRICARE), continuing targeted pay raises for certain personnel, and extending last year's increases in Imminent Danger Pay and Family Separation Allowance.

Turning to mandatory spending, Chairman Hunter and I in our joint Views and Estimates letter to you argued that we should eliminate the Social Security offset to the Survivor Benefit Program. However, I think the 10 year phase-in we advocated is the minimum the budget resolution should provide. A more equitable solution for SBP beneficiaries would be immediate elimination of the Social Security offset, and I urge you to include an allocation to our committee sufficient to do so.

Mr. Chairman, I do not see how we can possibly reduce defense funding when the Department of Defense has needs like these that are not addressed in the President's budget. I urge you not only to not cut defense in the budget resolution, but to add to it along the lines I have suggested.

Mr. Chairman, if the Congress Daily report is accurate, I do want to commend you on planning to include \$50 billion more than the President's request as a good faith estimate of the likely costs of the war in Iraq and Afghanistan. While it may be difficult to foresee the exact nature of what costs may be incurred in Iraq and Afghanistan, it is important to budget for them as best we can. I believe that Congress as a whole must have some estimate of the impact these operations will have on the government's bottom line, and I encourage you to include these costs.

According to the Pentagon itself, the "burn rate" of our operations in Iraq and Afghanistan are about \$5 billion per month. Assuming some reduction in personnel and operational tempo associated with fewer troops in Iraq once we transfer sovereignty to the Iraqis at the end of June, I believe a good faith estimate of \$50 billion is about right. If we end up spending less, it means that progress in Iraq has gone well. We will all be able to celebrate fewer casualties, the return of National

Guard and Reserve forces to their families, and a better deficit picture. If we end up spending more, then at least we have put forth a good faith estimate.

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. I ask permission to submit my full written statement for the record.

Mr. SHAYS. I thank the gentleman very much. Chairman Hunter, maybe you would just respond to the concept, because I thought you made such a strong case on so many different levels. But we are hiring a lot of outside contractors, and is that not something you have got to give credit for on the other side of the equation?

Mr. HUNTER. You are talking about the reduction in the number of the civil service workers with DOD, the 660,000 down from one million?

Mr. SHAYS. Yes, but we are replacing.

Mr. HUNTER. Some of them.

Mr. SHAYS. You know, the folks guarding some of our bases, et cetera, are outside contractors.

Mr. HUNTER. Yes, I would simply say that ever since 1980, we have had the substantial battle and, in fact, probably long before that, Mr. Chairman, on so-called contracting out; how much, for example, for ship repair, guarding, other support activities, how much of that work load you give to the private sector, how much you give to the public sector. We have had lots of arm wrestling over that in Congress and elsewhere.

So you have always had a large part of the Defense sector supported by private industry, sometimes more than others. So I would say that we took down the civil service force from roughly a million to 660,000.

I would say maybe a percentage of those, in my estimate which would be less than 20 percent, is attributable to contracting out. In other words, did that guy simply take off his civil service uniform and go over and put on a Boeing uniform and come back as employee of Boeing Aircraft, for example, instead of the U.S. Government?

In a few cases, that is the case, but in other cases, we have just massively cut, Mr. Chairman. When you cut the Army from 19 to 10 Army divisions, I mean, if those people are gone, then the support function is cut with them.

Mr. SHAYS. Yes, I know that part of it. Let me just ask one other part. Mr. Skelton, feel free to jump in, as well. It is really to both of you. Do you want to address the first question?

Mr. SKELTON. Yes, you know, people speak about doing studies and analysis, and the best analysis that I can think of is going to any post, whether it be in country or out of country, talking with the young men and young women in uniform, and asking how they are stressed and strained. They are.

There is a shortage almost everywhere you go with the young folks in uniform. To say, hey, sergeant, we are going to take that corporal away from you, you know, that just does not make sense.

Mr. SHAYS. Let me just quickly ask on the concept of bases, if I was required to have a base in every community I represent, I would not even be able to hire staff. I would just have rent for all the different spaces.

There are a number of us who would view the extension of bases that we have as endangering the military, taking away precious re-

sources, and that it really is Members of Congress, frankly, who are not willing to give up these bases even if, in fact, it was to our Nation's benefit.

Mr. SKELTON. Mr. Chairman, that is not correct. We have been through several base closures, facility base closure situations, already which Congress passed. You know, the Department of Defense did not pass that. We did that, and they have been successful so far, and I think we are going to have one more round of it.

Of course, we have to trust the judgment of the base closing commission. But the purpose is to streamline, consolidate. I think if the past is any recommendation, I think they are doing it right.

Mr. HUNTER. Mr. Chairman, I would agree with what Mr. Skelton said. But also, this budget that we have before you contemplates this round of base closing. In fact, the DOD budget, it is now law that we will have a round, and DOD is starting to solicit information for that round of base closures.

So I offered that up as evidence of the fact that you have a frugal cost-cutting, conservative Secretary of Defense, who has been out eliminating major weapons systems. He has been trying to make do with the number of personnel that he has, instead of trying to add new divisions, and he is going forward with this round of base closings.

So this is a situation where a very sharp pencil has been put to the Defense budget that is before you, and what we have to do now is win this war.

Mr. SHAYS. Are there any members who want to ask questions before we go to Mr. Evans; Mr. Baird?

Mr. BAIRD. Just very briefly, Mr. Chairman, first of all, I thank the gentlemen for the great testimony and for your leadership on these issues. I share your concerns about particularly our troops on the ground. We have got soldiers over there in canvas-sided Humvees without adequate body armor still. I think it was really shameful that we sent them over under those conditions.

But I do have a question that comes up a lot when I am back home talking to constituents. A year ago on this committee, a message was given repeatedly; can we not look at agencies and expect an across-the-board 1 percent cut in their budgets? In other words, do all of us not have some waste, fraud, and abuse in our budgets?

While I respect the need to make sure we take care of our troops, is that question not applicable at all in any way to this Defense budget that has been proposed? Because I am not talking about a cut from the current budget. But could we shave 1 percent off from the President's proposed increase, as we have often said other agencies could do?

Mr. SKELTON. I think it would be a major mistake to do that. The Defense budget is glued together quite well. The authorization in our committee and the appropriators do very, very well.

At the end of the day, there is always room for improvement in helping the troops more. I listed some of them in my testimony. I do not think we are doing enough for them, and to even contemplate or think about cutting anything, whether it is .5 or 1 percent, I think is a major mistake, because if anything, we should add a bit to it to cover some of these items that I mentioned that are not being addressed already.

Mr. BAIRD. I would agree with you on taking care of the troops. My question is, you know, we have got ballistic missile defense. There are other systems that are mightily expensive, that maybe there is some savings to be had there.

Mr. HUNTER. Let me just ask that with a real example. We did not contemplate that the First Marine Division would be going in, in an occupation role, into Iraq. It is now going in. When we put that plan together for this last supplemental, for example, we did not plan for funding the First Marine Division with a lot of the stuff that they need, like night scopes and other things.

Now they are going in. So a few weeks ago, in real life, the First Marine Division was asked to come up with the equipment list that they need to survive in Iraq. They came up with a list. It is about \$300 million. It is not funded for in the supplemental. They are taking that out of hide.

That means that the vast majority of that money, they are going to have to find it by cutting their own accounts. So that means, and I have asked some of the Marines, "where are you going to cut?" They said, "well, we think we can cut down on ammunition procurement. We think we can cut down on maintenance for the stuff that is coming back that has been heavily used in the last year when they made the first attack on Baghdad." That stuff has got to come back and be reworked.

So the real life problem with cutting, with the so-called waste, fraud, and abuse argument is, there is no line item that says, \$1 billion, waste, fraud, and abuse, take it now. The problem is that in everything that we do, whether it is in the civil sector or the Government sector, there is a waste element imbedded in everything we buy.

Everything we could buy could probably be bought more efficiently and effectively. But because we are the Government, when we have to cut down a budget or we have to take money from some place, you have to have a readily identifiable line item to take it from. So I would just say that trying to go through that exercise right now, when you have got troops in a shooting war is the wrong time.

But secondly, the point is, you have got a Secretary of Defense who thinks he can cut up to 25 percent of existing bases out. I mean, this guy likes to find places where cuts can be made. I think that is, in some places, cutting more than we should cut.

But right now, you knock this budget down, and this money is going to come out of the fast spend accounts, and that is ammunition, fuel, operations, and maintenance, and the things that are important.

Mr. BAIRD. I concur wholeheartedly with making sure they are well supplied over there on the ground. There may be some areas where we could some from some systems not so urgently needed and of less demonstrable efficacy.

I guess the only other question I would ask is, it seems to me that we are trying to do this without telling the American people they have to pay for it. My question would be, do we need to talk to the American people and say exactly what you have said; look them in the eye and say, and it is going to cost money and there may be some other things we have to sacrifice, possibly including

tax cuts for the very top level, possibly including other spending? Is there merit to that?

Mr. HUNTER. If one of my staff folks could put up my GNP illustration up there, I think that answers the question fairly effectively.

We did a study on where defense is, in terms of percent of GDP, gross national product or gross domestic product. Defense spending today is 3.6 percent of GDP. That is the lowest it has ever been, with the exception of the last year of the Clinton administration, since World War II. Under John Kennedy, this country spent 9 percent of GDP on defense. Under Ronald Reagan, it was 6 percent of GDP. Now we are down to 3.6 percent.

So the idea that defense cannot be funded at 3.6 percent, to me, makes no sense, whatsoever. Now if your question is, well, do we take tax cuts out to pay for defense? I think that is not the tradeoff you want to make. I think you want to start with defense. I think defense should be 4.5 percent of GDP, and then wrap the rest of the budget around the most important function, which is securing our defense.

Mr. BAIRD. I thank the gentleman and I thank the Chair.

Mr. SHAYS. Thank you; Mr. Hensarling.

Mr. HENSARLING. Thank you, Mr. Chairman.

Chairman Hunter, thank you very much for your testimony. I, for one, believe there is no greater line item in our budget than national defense.

I read in your written testimony that the budget process, and I am quoting, “* * * by definition, pits one priority against another, and forces us to make difficult choices among them.”

In my limited time in Congress, that has not been my observation, but we do make difficult choices and prioritize. Instead, we make a choice between the Federal budget and the family budget, and unfortunately the family budget tends to lose. For only the fourth time in the history of America, we are spending over \$20,000 per American household.

I do understand that we are in a shooting war, and we need to fund the budget to whatever is necessary to win that war. There are many of us here who do want to protect the family budget from the Federal budget, many of us would like to freeze the Federal budget or actually see a reduction in spending.

There has been some historical precedent for that. During the Korean conflict and World War II, nondefense spending was curtailed significantly as we ramped-up defense spending.

So my first question is, for those of us in Congress who are interested in either freezing the Federal budget at last year's level or actually seeing reductions in spending but are sympathetic to increasing the Department of Defense budget, do you have any suggestions where we might make other reductions in the Federal budget?

Mr. HUNTER. Let me take a whack at that and let Ike speak for himself here. First, if you look at the GNP slide we have got off to the right and the Korean Conflict, it was 11.6 percent spent on defense of GDP, and now we are down to 3.6 percent. So we are down to the lowest figure we have had since Pearl Harbor, except for the last year of President Clinton's administration.

So my point is, I think we should start with defense. Do what you have to do with security. I could live with the freeze on the rest of the budget. I think if you do not have national security, you are not going to have Social Security; and when you are in a shooting war, there is one thing you have got to do and that is win. There is no substitute for victory.

So I would fully fund the President's budget. My recommendation was that they spend, and again, I went through this early on, I think we need to be spending upwards of \$50 billion a year more to replace this outdated equipment. But I could live with doing what is necessary without, as you said, crowding out the very private sector that makes this economy run. That is, having less for the private side and more for the public side.

In the year since 1980 when I have been here, we voted for lots of tough budgetary measures that have been called draconian, from Gramm-Rudman on, at various times. So I think there are times when you have to take tough measures.

I would say this though, Mr. Hensarling. I think that anybody who suggests you can have a balanced budget in a war time is not looking at the lessons of history. I think saying we should have a balanced budget this year is like saying we should have a balanced budget in 1942.

We had, with 911, according to many economic analysts, hundreds of billions of dollars of economic damage as a result of 911. You had entire industries, like the airline industry, collapse.

Then you had to go get the guys that did this to us, and we had to spend a ton of money on mobilization. So the idea that somehow in the middle of this shooting war, we can be balancing the budget is, I think, not workable.

Mr. HENSARLING. One other question, Mr. Chairman, I understand there is no line item in the budget that says waste, fraud, and abuse. Perhaps it is bad timing to be rooting it out during a shooting war.

Mr. HUNTER. No, it is never a bad time to be rooting it out. But what you do not want to do is, you do not want that next supply of ammunition to be dependant on some other condition occurring where they find some pot of money that had been lost in the Department of Defense. Get the ammunition first, but keep working on waste, fraud, and abuse.

Mr. HENSARLING. Well, I am looking at a GAO report from a couple of years ago where the Pentagon made \$4.4 billion in disbursements and they could not attach a payment to a bill. GAO says we can save \$100 million a year lax credit card processes. We run three different systems on providing retail services.

How can we tell the American people that we are trying to be efficient when we have experience such as there examples from the Pentagon?

Mr. HUNTER. OK, here is what I have done and, once again, when I finish this monologue, I will give the mike back to my colleague, Mr. Skelton.

In 1994, we had approximately 300,000 people in DOD who were what I called "the shoppers." That is, they did the paperwork for acquisition of weapon systems. That is two U.S. Marine Corps of people doing paperwork.

I put in a provision in the defense law every year after that, mandating a reduction of at least 25,000 paperwork folks; that is, procurers or acquisition people or shoppers, every year. We have now taken that number down to about 175,000. I think we can take that down lower. I think that can be done.

But my point is, you have got probably the toughest fiscal hawk you have ever had running DOD right now in Don Rumsfeld. He has forced the Army to go back and choke up an extra 10 brigades out of the current force structure. So you are not going to get more force structure. You get me 10 more brigades with what you have got. Start cutting your own in-house bureaucracy. Get those bayonets on the front lines.

He has canceled major weapons systems like the Comanche helicopter, the number one helicopter program. He canceled the number one artillery program. He just killed them. He said, you do not have enough money. You are going to have to fix the ones you have got. You are going to have to do new stuff; you are canceled.

He has now got a base closing round coming up that may cut, after four rounds of base closings, another 25 percent of what is left after the four rounds. So you have a guy who is really going after waste, fraud, and abuse.

On the other hand, having done all that, he put this budget together and said, this is what I need to win the war and balance the future; that is to keep the modernization programs going, so that one of our fighter aircraft can take down 10 of the bad guys, when we get into the next shooting war.

Mr. SHAYS. I think that we are going to have to be a little more heads-up with our time. Mr. Brown, I am sorry, do you have questions?

Mr. BROWN. I have a 30 minute answer. [Laughter.]

Mr. SHAYS. I am sorry. Do you know what, Mr. Skelton? I would prefer to have you give the longer answers; so fire away here, sir.

Mr. SKELTON. I will make it very, very, very brief, Mr. Chairman. Every time you use the phrase "difficult choices," it usually means, friend, we are going to cut your budget. I wish you would not use that phrase any more.

But I have got to agree with the chairman. The number one priority, and it has been ever since we became a nation, is national of one sort or another. It is different today than it was then. It is different today than it was during most of our history.

You have to give that priority. You know, when you are speaking about what are you going to cut, there are those of us that say, hey, be careful with veterans. Be careful with education. There are other areas that, my goodness, you had better think twice before you give them the difficult choice, cutting answers.

I will not get into the tax cut debate here. But the answer is, we need to give priority to securing the people of our nation.

Mr. SHAYS. I thank both of you a great deal. I would like to say there are 435 Members of Congress, and the Comanche is in my district. You said it three times, and I wanted to scream.

Gentlemen, thank you so much.

Mr. BROWN. Mr. Chairman, if I might just have a quick moment?

Mr. SHAYS. Mr. Brown, you have the floor.

Mr. BROWN. Thank you very much, Mr. Chairman. Mr. Chairman and ranking member, we certainly are glad to have you all here, and we are glad that you are setting the pace for defense for this Nation.

I had the privilege to go to Iraq back in January. It was amazing to me, as we flew those Black Hawks around the countryside, to see the limited damage, which I know was generated by those smart missiles and smart bombs.

So I know that we are in a different technology war than we were back during World War II. I know we have lost some men, but I recognize that in comparison to other wars, I think the fighting machine that we have now is absolutely the best in the world, and it was good for me to go and witness firsthand. I applaud you for being the advocate for our troops and for the defense of this nation.

Mr. HUNTER. Thank you very much, Henry, and it is great to be here, too, with Frank LoBiondo and Lane Evans, who are great members of our committee. So we appreciate being with you, thanks for your efforts, thanks for going over.

Mr. SHAYS. Thank you, gentleman.

Lane Evans, I admire you a great deal. You have the floor. You are just a very valued member of this Congress. You are a ranking member of the Veterans Committee. At one time, I think you were chairman?

Mr. EVANS. I am sorry?

Mr. SHAYS. You have got the floor. You are just a very valued member of this Congress. You are a ranking member of the Veterans Committee. At one time, I think you were chairman?

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

Mr. EVANS. Mr. Chairman, thank you for this opportunity to address the issues of mine and Chris Smith in the 2005 budget for the VA.

Veterans are disappointed, even insulted, by the 1.2 percent increase in fiscal year's 2004 funding for VA medical care proposed by the administration. Increasing veterans' copayments and adding the new enrollment fee has greatly enhanced revenues.

The Congress has previously rejected these proposals. I hope it will do so again. Views and estimates submitted by me and Chairman Smith will provide VA with a true, current service level budget. It is a fair budget. I have proposed a new way to fund veterans' health care that would result in a process which is less adversarial to our veterans.

I ask this committee to consider the need for this change, as you consider the budget resolution for fiscal year 2005.

Often, Congress funds VA at a level that allows it to tread water. This does not occur, even without a prolonged and bloody battle. My bill, H.R. 2318, would make VA's funding process more consistent with VA health programs, such as Drive Care for Life.

H.R. 2318 would establish and process the Veterans' health care by the growth in VA's enrolled patient population and projected medical inflation.

In my view, and that of every other veteran organization, this would result in a fair and vastly improved budget for all of our veterans. The resolution should reflect the sense of these priorities.

I implore to demonstrate that veterans are a priority in this Congress. Veterans' needs must be recognized as part of the continuing costs of war. I thank you for your time and your attendance, Mr. Chairman.

[The prepared statement of Mr. Evans follows:]

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

Chairman Nussle and Ranking Member Spratt, I thank you for the opportunity to express my views on the fiscal year 2005 budget request for the Department of Veterans Affairs. I know you have received the Views and Estimates Chairman Smith and I sent last week, so I will only briefly touch upon those recommendations.

Mr. Chairman, it is fair to say that veterans are disappointed, even insulted, by the 1.2-percent increase to fiscal year 2004 funding for VA medical care proposed by the administration. I know that the administration has proposed increasing veterans' copayments and a new enrollment fee to enhance revenues, but these are proposals Congress has previously considered and rejected. I hope it will do so again.

The Views and Estimates submitted by me and Chairman Smith improve the budget and make it a true "current services level" budget. Indeed, some on my side of the aisle want to go even further and endorse the Independent Budget as their budget guidance. But I believe the bipartisan Views and Estimates will correct some of the most glaring budget deficiencies and allow us to overturn budget proposals that may prove as unpopular with Congress this year as they were last year.

The Committee's budget proposal will restore funding to allow the VA's research program to function at the same level as it did in the previous fiscal year. It will make some modest enhancements in mental health services to allow VA to prepare for the needs of troops returning from Iraq and Afghanistan. It will allow VA to comply with the law by restoring some of its nursing home beds. It is an adequate and fair budget.

Mr. Chairman, as you may know, I have proposed a new way to fund veterans' health care that would hopefully result in a process that is less adversarial and fairer to veterans than the one we now have in place. In many fiscal years, Congress eventually funds VA at a level that allows it to continue to tread water, but this is usually after a prolonged and bloody battle. For the last two fiscal years, VA has received its budget well into its second quarter of operation.

My bill, H.R. 2318, would relieve Congress of having to address our veterans' needs in the same way we address discretionary non-health programs and make its funding process more consistent with that of other Federal health programs, such as TRICARE for Life. It operates under a simple premise—increase funding for veterans health care by the growth in VA's enrolled patient population and projected changes in medical inflation. I know this revised process would challenge the way we traditionally do business around here, but in my view and that of every major veterans' service organization, it would result in a fairer and vastly improved budget for veterans' health care. I ask this Committee to consider the need for this change as you consider the budget resolution for fiscal year 2005.

In closing, our budget resolution will reflect a sense of this Congress's priorities. The President's budget clearly sets its priorities on continuing tax cuts, and making modest improvements in homeland security and defense. Chairman Nussle and Ranking Member Spratt, I implore you to demonstrate that veterans are a priority of this Congress and that their needs must be recognized as part of the continuing costs of war.

Thank you for your time and attention.

Mr. SHAYS. Thank you; can you give us an amount that you are requesting?

Mr. EVANS. \$2.5 above on the administration's proposal.

Mr. SHAYS. Thank you very much; I am going to proceed this way; that we are going to listen to members, unless a member on the committee chooses to just get my attention to ask for a question. So Lane Evans, thank you very much; I think we are all set.

We have got your statement, and I appreciate that. Thank you, Mr. Chairman.

Mr. SHAYS. Thank you.

Mr. BAIRD. Mr. Chairman, if I could, I want to thank Mr. Evans for his leadership in standing up for American's veterans. I share his concerns about the potential cuts; what I believe are cuts.

Even if you were having an increase, but it does not keep up with inflation, a demographic increase in your demand, that is an effective cut, and we do a disservice to the people we are serving our country and have served our country. I thank you for raising this concern before this committee.

Mr. SHAYS. I thank the gentleman.

Mr. LoBiondo, thank you, sir.

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

Mr. LOBIONDO. Thank you, Mr. Chairman; I appreciate the opportunity to be here with you today to discuss budget priorities. I have a complete statement I would like to submit for the record. But I would like to briefly touch on these critical issues.

The first has to do with the Coast Guard. I am rather pleased that I am rather fast on the heels of Congressman Hunter. Because in talking about national defense and homeland security, the Coast Guard is key in this very critical role.

Mr. SHAYS. Could the gentlemen suspend for a second? You are chairman of the committee that oversees the Coast Guard?

Mr. LOBIONDO. Yes, I am Chair of the Coast Guard Subcommittee and Transportation. As the committee is probably aware, the President has requested a 6.1 percent increase in overall funding for the Coast Guard in their budget. I am very pleased with the President's continued commitment to increased funding for the Coast Guard, but I am very concerned with the requested level of funding for the integrated Deepwater Program.

The Deepwater Program is the program that Congress agreed to and started a couple of years ago that replaces the aging assets of the Coast Guard, some of which were commissioned in World War II and were expected to keep operating today, and are having to be decommissioned because, in fact, we cannot keep up with maintenance, and we are putting lives at risk by keeping them in the water.

So as you know, this is an ambitious procurement program, and what we are finding is that the successful and timely implementation of Deepwater is necessary to ensure that 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 \$678 million requested by the administration for Deepwater, the recapitalization project, is well below what is needed to keep this critical procurement issue on track. Expanded responsibilities went into the Department of Homeland Security, and the need to sustain core mission effectiveness have resulted in significantly higher operation tempos and a severe strain on aging assets.

Therefore, the Deepwater Program and Coast Guard, for their inventory of major cutters, air craft, and supporting systems, is a

very near-term national priority. We really cannot do without it, and it is now more critical than ever.

I respectfully request the committee strongly endorse a minimum level of \$1.5 billion in capital acquisitions funding, and accommodate a total of \$1.1 billion for the Integrated Deepwater System in order to sustain the on-time delivery of these important issues.

If, in fact, we do not go along with these increases I requested, Mr. Chairman, the Deepwater Program is going to slip by years in implementation. It was originally designed to be a 20 year program. We slipped behind initially. We caught up a little bit last year. This will put us years behind and it has a dramatic impact on homeland security and national defense.

I will add that the Coast Guard has recently released a Congressionally mandated report on the benefits of expediting Deepwater's procurement schedule, as they found a modest, near-term increase in the annual level of funding for Deepwater will result in approximately a \$4 billion savings to the taxpayer and will deliver the full capability of these vital homeland security assets 10 years ahead of schedule. That is real money, real savings, and a real commitment to our national security and homeland defense; so in addition to homeland security and other national priorities, improving our economic opportunity.

There is a program in my district and across the country known as Empowerment Zone. This is a Federal assistance program that is a job creation program. It is a comprehensive revitalization of designated communities across the country. It is a 10 year program that targets Federal grants to distressed communities and creates jobs.

The original Empowerment Zone designation in 1994 received full funding as an entitlement. But unfortunately, the Round Two zones have not received the funding necessary.

The grants were promised to be \$100 million over 10 years. That is not what has taken place, Mr. Chairman. Unlike the Round One zones, we have only received a small fraction of the funding. As a result, our zones lack the certain and predictable funding stream to implement our strategic plans, and we must seek an annual appropriation for a Federal grant.

It is unfortunate that the President did not request funding for the Empowerment Zone in his budget; and this is a great partnership that we have developed, that for every Federal dollar we put into the program, we are leveraging many more private sector dollars.

That is, in real terms, creating jobs, and at a time when we are looking to stimulate our economy and, in fact, stimulate our tax base which will, in fact stimulate revenue to the Government and help us out of the bind we are in. This is exactly the type of program that we should be continuing.

In fact, there is about \$12 in private investment for every single dollar of Federal investment. That is a big ratio. I do not know how many other areas of government we can say that in.

So for future success and viability of these programs, it really hinges on the ability to continue and to attract private investment. It is imperative that Round Two zones receive their full multi-year funding to facilitate this implementation.

As I said, unfortunately, the President did not request that. I am asking that the committee look, and it would be extremely helpful, to secure \$15 million in funding for the program for 2004; and that this would be, again, a job creation program.

The last point I would like to make, Mr. Chairman, and I will wind up very quickly, is to stress the importance of the Army Corps and the projects that they do when there are coastal communities.

As you know, they work with State and local coastal communities to replenish eroded beaches and dunes, and protect residents and business owners from hurricane and storm damage.

I know with your State, you are well aware of the benefits that are received from this. Building these projects has a true economic benefit for the Federal Government. It reduces the amount we have to pay in flood insurance claims and disaster relief when storms hit these areas.

Unfortunately, the administration has cut shore protection by 47 percent over 2004 enacted levels, and has placed a series of new arbitrary restrictions on funding these projects. I strongly urge the committee to reject the administration's budget request for the Army Corps Shore Protection Program, and encourage you to continue funding at least at the fiscal year 2004 level.

I recognize, as all the other folks testifying do, that we have significant problems that we are facing, Mr. Chairman. I thank you for listening and thank you for your consideration in these vital matters.

[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 and the Army Corps shore protection program, a proposal in the President's budget to increase child support payment collections, and funding for Veterans Healthcare.

As the committee is well aware, the President requested a 6.1 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 \$678 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 \$322 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 endorse a minimum level of \$1.5 billion in Capital Acquisitions funding to accommodate a total of \$1.1 billion 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 recently released a Congressionally mandated report on the benefits of expediting Deepwater's procurement schedule. As they found, a modest near term increase in the annual level of funding for Deepwater will result in approximately \$4 billion in savings to the taxpayer and deliver the full capability of these vital homeland security assets 10 years ahead of schedule. I hope the committee will embrace the findings of this report and support my efforts to 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 initiative provides special Federal assistance to support the comprehensive revitalization of designated communities across the country. It is a 10 year program that targets Federal grants to distressed 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. 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 Zone 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. 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.

In my District, the Cumberland County Empowerment Zone is a collaborative revitalization effort between the communities of Bridgeton, Millville, Vineland and Port Norris. Cumberland has committed nearly 100 percent of the \$23 million that has been made available by HUD so far. Over 360 jobs have been created to date with an additional 1,400 anticipated over the next 18 months, if the Federal funding source continues. Over 166 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 120 initiatives through the EZ program, utilizing over \$17 million. These projects are estimated to leverage a total of over \$238 million in private, public and tax exempt bond financing. Put plainly, the Cumberland EZ has leveraged nearly \$12 in private investment for every one dollar of public funding, a remarkable achievement that demonstrates the success and promise of the Zone. The future success, viability and sustainability of the Empowerment Zone 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 multi-year funding to facilitate the implementation of the long term strategy plan as required by each Zone.

Unfortunately, the administration did not request funding for Round II EZs in the fiscal year 2005 budget. Last year, when the administration did not include funding for this initiative in the fiscal year 2004 budget, the Budget Committee included supportive language in the committee report accompanying H.Con. Res. 95, the fiscal year 2004 budget resolution. This language was extremely helpful in our efforts to successfully secure \$15 million in funding for the program in the fiscal year 2004 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. (108th Congress, Conference Report 108–71).

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 2005, I am very concerned with the continued prohibitions on "new starts", and the new restrictions on periodic renourishment and construction funding when a signed Project Cooperation Agreement is not in place. I have several projects that have either made it through the feasibility stage favorably, but are now delayed from moving to construction due to insufficient "new start" funding, or are awaiting their contractually assured periodic renourishment, or are otherwise ready for construction pending a PCA. These projects are critical to my district. I urge the committee to reject the administrations budget proposal for the Army Corps shore protection program and encourage you to restore funding to at least the fiscal year 2004 enacted level.

Another important budget priority for my district is the defeat of a proposal in the administrations's fiscal year 2005 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 childsupport, 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 2005 budget resolution.

Finally, I would like to express my continued disappointment with the administration's request for Veterans' healthcare and benefits. The Veterans Committee found the budget request falls approximately \$2.5 billion short of what is needed to maintain the current level of service to our veterans. The administration again proposes to increase copays, implement new enrollment fees and shut down nearly 5,000 of the 12,000 nursing home beds at a time of rising demand. Cutting funding for these programs and forcing our veterans to pay out-of-pocket for these services is indefensible. Congress should be expanding access to healthcare and other services for our veterans.

During my time in Congress, I have made it a priority to ensure adequate access to veterans' health care in my District. Veterans in Southern New Jersey are often still forced to make long trips, often out of state, to access their inpatient health care needs. Therefore, I am working with several Federal and State leaders in an effort to establish an inpatient health care facility at South Jersey Healthcare's new hospital in Vineland. On December 6, 2003, we took an important step forward when President Bush signed S. 1156, the Veterans Health Care Facilities Capital Improvement Act into law. S. 1156 contains language to require the Secretary of Veterans' Affairs to develop a plan to establish an inpatient VA facility in Southern New Jersey. At a time when our servicemen and women are fighting overseas to protect this nation from terrorism, Congress should be willing to fulfill the commitment to those who fought so bravely before by ensuring an adequate level of funding for veterans' programs.

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. SHAYS. Chairman LoBiondo, you have been a wonderful chairman of the committee, and we appreciate the input you are giving to the committee.

Mr. LOBIONDO. Thank you.

Mr. SHAYS. Thank you very much.

Chairman Hayes, you are chairman of the Agricultural Subcommittee on Livestock and Horticulture. I am assuming that is why you are here, but you can speak on any issue you want.

**STATEMENT OF HON. ROBIN HAYES, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NORTH CAROLINA**

Mr. HAYES. I am here supporting my friend, Henry Brown. Mr. Chairman, thank you for allowing me to testify today. I am grateful for the chance to highlight three of my priorities for the budget for fiscal year 2005: funding for economic development, veterans, and impact aid.

Mr. Chairman, as you know, my district has been one of the hardest hit in the Nation with manufacturing job losses. One of the keys to improving our local economy is to encourage new economic development.

With that in mind, nearly 2 years ago, I began working with the Commerce Department's Economic Development administration and local officials to develop a comprehensive economic development strategy, CEDS, for my district.

While every county in America is working to attract new businesses, the vast majority are not working together in a regional effort to maximize their strengths. Their strategy will literally serve as a blueprint for regional economic development for the entire region, and will help these counties attract investment and create jobs in North and South Carolina.

Mr. Chairman, the top priority identified by these counties working together was improved transportation infrastructure; specifically, our interstates and highways. The identified highway improvements, such as the completion of Interstate 73 and 74, will allow local communities in North and South Carolina, all the way through West Virginia and into Michigan, to maximize existing resources and economic assets.

Improved infrastructure will also provide strong incentives for the expansion of local businesses and recruitment of business and industry. I firmly support an increase in transportation funding in an effort to provide economic development and opportunity for citizens of the 8th District and all across the Nation.

I additionally ask that you would fully fund the Economic Development Administration which, through the CEDS process, is working to create investment in our Nation's hard-hit areas.

Mr. Chairman, you also know that our veterans are the heroes who have helped define our American heritage. They are living evidence that freedom has a high cost, and they carry the honor of hundreds of thousands who left their last breath on the field of battle.

The memory of those we lost and the sacrifice of those who lived to tell the tale must be held in high esteem by Congress. We must extend to our veterans our utmost respect and gratitude by funding their needs.

This past year, direct appropriations for veterans' medical care increased by \$2.4 billion, which represented a 10 percent increase over the fiscal year 2003. Overall, veterans funding rose to \$63.3 billion in 2004.

As you and your committee begin assembling the budget resolution for 2005, I ask that you do everything in your power to adequately fund programs for our Nation's veterans. I am aware that Secretary Principi and the House Veterans' Affairs Committee have asked for at least \$1.2 billion more than the administration's request.

As you proceed with preparing the 2005 budget, I urge you to fully consider and support these requests for additional funding. We must adequately fund and care for our Nation's heros. They safeguarded our future, and now it is our duty to safeguard theirs.

Additionally, during this time, when we are calling on our military to do so much, it sends a strong message that we will take care of them by adequately funding veterans programs.

As you craft the budget resolution for 2005, there are many challenges are there to overcome. Funding the global war on terrorism, reducing the deficit, providing for our men and women in uniform, and taking care of our domestic needs, all must be priorities.

In balancing these priorities, I ask that you consider reducing the funding for certain foreign operations. Sending hard-earned American taxpayer dollars overseas to fund programs in other countries and international organizations must be weighed against our needs here at home.

I urge you to fund America first, to increase funding for veterans programs, and fully fund our military requirements, before allocating money toward foreign programs.

To support our Nation's military further, you must adequately fund Impact Aid. This program began in 1950, as the Federal Government accepted it has responsibility to reimburse local public school districts for local tax revenues lost due to a Federal presence, such as a military base.

Impact Aid funds are sent directly to local school districts, making Impact Aid one of the most efficient programs that the Department of Education administers. Students in the 8th District of North Carolina depend on this funding, as do the teachers and the administrators in the school districts adjacent to Fort Bragg.

As you know, Cumberland County, North Carolina, is the proud home of Ft. Bragg and Pope Air Force Base, the largest military installation in the world. Last year, Cumberland County received over \$5 million in payments from the Federal Government to make up for lost taxes caused by the presence of the post.

Giving the large number of troops being deported from Ft. Bragg, there is a good chance that additional local tax revenues will be diminished. Needless to say, this loss of funding represents a devastating blow to the Cumberland County school system.

The President's budget does not adequately fund Impact Aid. Due to a cost of living adjustment, this is automatically triggered by the Impact Aid formula, and these school districts actually receive less money in real dollars, as a result of level funding for the program.

I urge you to increase funding for the support of the program to \$1.414 billion, a 15 percent increase over last year's conference funding level. Also, I am hopeful that there will be a full \$50 million allocated from the Department of Defense for Impact Aid.

I urge the committee to send a message loud and clear to our military families and the communities in which they reside, that we support them and we are willing to provide the resources they need to educate their children.

Mr. Chairman, thank you for the opportunity to come and share some of my priorities with you today which are, in these trying times, both for economic and national security, second to none. As you and your committee develop the budget resolution for 2005, I urge you to provide adequate funding for economic development, veterans' programs, Impact Aid. I know you will; thank you very much.

[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, Thank you for the opportunity to testify in front of you today. I am grateful for the chance to highlight three of my priorities for the budget for fiscal year 2005: funding for economic development, veterans and impact aid.

Mr. Chairman, as you know, my district has been one of the hardest hit in the nation with manufacturing job loss. One of the keys to improving our local economy is to encourage new economic development. With that in mind, nearly 2 years ago, I began working with the Economic Development Administration and local officials to develop a Comprehensive Economic Development Strategy (CEDS) for my district. While every county in America is working to attract new businesses, the vast majority are not working together in a regional effort to maximize their strengths. This strategy will literally serve as a blueprint for regional economic development for the entire region that will help these counties attract investment and create jobs.

Mr. Chairman, the top priority identified by these counties working together was improved transportation infrastructure—specifically our interstates and highways. The identified highway improvements, such as the completion of Interstate 73/74, will allow the local communities to maximize existing resources and economic assets. The improved infrastructure will also provide strong incentives for the expansion of local businesses and recruitment of new business and industry. I firmly support an increase in transportation funding in an effort to provide economic development and opportunity for the citizens of the 8th District of North Carolina and the nation. Additionally I ask that you fully fund the Economic Development Administration which, though the CEDS process, is working to create investment in our nation's hard-hit areas

Mr. Chairman, you also know that our veterans are the heroes who helped define our American heritage. They are living evidence that freedom is never free, and they carry the honor of hundreds of thousands who left their last breath on the field of battle. The memory of those we lost and the sacrifice of those who lived to tell the tale must be held in high esteem by a Congress that extends our veterans its utmost respect and gratitude.

This past year direct appropriations for veterans' medical care increased by \$2.4 billion, which represented a 10-percent increase over fiscal year 2003 funding. Overall veterans funding rose to \$63.3 billion in fiscal year 2004. As you and your committee begin assembling the budget resolution for fiscal year 2005, I ask that you do everything in your power to adequately fund programs for our nation's veterans.

I am aware that Secretary Principi and the House Veterans Affairs Committee have asked for at least \$1.2 billion more than the administration's request. As you proceed with preparing the fiscal year 2005 budget, I urge you to fully consider and support these requests for additional funding. We must adequately fund and care for our nation's heroes. They safeguarded our future and now it is our duty to safeguard theirs. Additionally during this time when we are calling on our military to do so much, it sends a strong message that we will take care of them to adequately fund veterans programs.

As you craft the budget resolution for fiscal year 2005, there are many challenges to overcome. Funding the Global War on Terrorism, reducing the deficit, providing

for our men and women in uniform and taking care of our domestic needs all must be priorities. In balancing these priorities, I ask that you consider reducing the funding for certain foreign operations. Sending hard-earned American taxpayer dollars overseas to fund programs in other countries and international organizations must be weighed against our many needs here at home first. I urge you to increase funding for veterans programs and fully fund our military requirements before allocating money toward foreign programs.

To further support our nation's military, we must adequately fund Impact Aid. As you know, this program began in 1950 as the Federal Government accepted that it has a responsibility to reimburse local public school districts for local tax revenue that is lost due to a Federal presence such as a military base. Impact Aid funds are sent directly to the local school districts making Impact Aid one of the most efficient programs that the Department of Education administers.

Students in the 8th District of North Carolina depend on this funding, as do the teachers and administrators in the school systems adjacent to Ft. Bragg. As you know, 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 over five million dollars in payments from the Federal Government to make up for the lost taxes caused by the presence of the Post. Given the large number of troops being deployed from Fort Bragg, there is a good chance that local tax revenues will be further diminished. Needless to say, this loss of funding represents a potentially devastating blow to the Cumberland County school system.

The President's budget does not adequately fund Impact Aid. Due to a cost of living adjustment that is automatically triggered by the Impact Aid formula, many school districts actually receive less money in real dollars as a result of level funding for the program. I urge you to increase funding for this important program to \$1.414 billion, a 15-percent increase over last year's conference funding level. I am also hopeful that there will be a full \$50 million allocated from the Department of Defense for Impact Aid. I urge the committee to send a message loud and clear to our military families and the communities in which they reside—that we support them and are willing to provide the resources they need to educate their children.

Mr. Chairman, thank you for the opportunity to come and share some of my priorities with you today. During these trying times, bolstering economic and national security should be second to none. As you and your committee develop the budget resolution for fiscal year 2005, I urge you to provide adequate funding for economic development, veterans programs, and impact aid. Thank you.

Mr. SHAYS. Thank you, Chairman Hayes; thank you very much.
Mr. Kirk.

STATEMENT OF HON. MARK STEVEN KIRK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. SHAYS. Thank you for being here. I know you are a new member, but you have been on the staff so long, you look like a veteran to me.

Mr. KIRK. Thank you; Mr. Chairman, I ask unanimous consent that my written statement be included in the record.

Mr. SHAYS. Done.

Mr. KIRK. I want to speak to you with a unique title I just got last Friday from the National Journal, I am now regarded as the Center of the House, 217 Members of Congress are more liberal than me; 217 members are more conservative.

So what I might say might surprise you, because I think we need to gather a group together of what I would call "budget huns" to bring this budget back in the process. I know you are one. My colleague, Mr. Ryan, over on Wisconsin, is another.

I think we have got to build a bipartisan commitment to balance the budget faster than the President has. The last time we faced this was in 1985. You refer to my staff's service. I was here in 1985 as a staffer. Very few elected Members of Congress serving now were here, when we faced this problem the last time.

One of the lessons I learned is that we have an extremely difficult time cutting specific programs, because the key battle is not between Democrats and Republicans. The key battle is between bipartisan budget balancers and K Street.

Regularly, the Congress loses that battle on specific programs; but has won that battle if we have a systemic attack against the deficit, and not identifying specific programs. What do I mean?

In 1985, we looked at the budget deficit using specific amendments attached to budget related legislation, we developed a bipartisan agreement behind Gramm-Rudman-Hollings, which was agreed to by Speaker O'Neill and President Ronald Reagan.

That systemic attack generated great downward pressure on the budget at the time, and built the ground work for the budget surpluses of the 1990s.

We need to do that again, and we need to base that around key budget reform principles, built from the center out. These principles will look something, I hope, like what the Republican Study Committee, which represents a number of conservative members in the Congress, and the Republican Tuesday Group, which represents the moderates, have already agreed to.

These 12 principles, which are outlined here, represent a series of budget reforms that stand for the following principle. Whatever budget you work between Mr. Spratt and Mr. Nussle, it should be enforced.

That is a critical principle that I think we should rally around; that we can have our battles here on the Budget Committee. Once you decide what the plan is, it is vital that we stick to the plan, because the record in the past is, we have not. We have not under Democratic Congresses. We have not under Republican Congresses. This is a bipartisan concern for us all.

There are a couple of rules in the House Rules, which are unwaivable. There is a rule allowing a member to raise a point of personal privilege. It cannot be waived.

There is another rule, always allowing the minority to offer a motion to recommit. That cannot be waived, either. There might be two or three key budget points to make sure that we head toward a balanced budget; that go into the unwaivable section of the House rules, to make sure that we instill discipline, regardless of who runs this institution or who is in power.

The second set of ideas is behind the automatic reductions. I think that you need to set a key targets on discretionary spending and on nondiscretionary spending. Then if we exceed those targets, as we appear to, then an automatic set of spending reductions goes into place.

When it happened before, I was here as a staffer in 1986 and 1987. It generated enormous political pressure to make the key decisions, and we need to do that again.

In all of these ideas, and we laid out 12 of them—I will not belabor the point. There is one less that I want to mention, which is the ability to have a real rescission package.

The rescission package that we have had before would be an automatic spending mechanism triggered by the President of the United States. However that would be an automatic action of the Executive Branch, so it would be ruled unconstitutional by the Su-

preme Court of the United States. The real way to make rescissions work is to model our rescissions package after the base closing legislation. To have the President send up a rescission package, full of pork that the Congress approved, like the rain forest in Iowa, and then to have that package proceed on an expedited basis to the House and Senate for an up and down unamended vote. You can believe that “sturm nach drang” in the political process that will be an overwhelming popular vote to cast on behalf of taking those appropriations back out of the process. It would introduce a welcome discipline into the process.

I hope that as we consider your budget resolution, which I will support, we also have a reform package which carries the idea that once you make your decisions, we set up some procedural forms to actually make them stick to the long term. I thank you very much, Mr. Chairman.

[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 and Ranking Member Spratt, with this year’s budget resolution, Congress faces the challenge of managing scarce resources during a time of war and national economic recovery. This challenge is compounded by the need to nurture our economy as it continues to recover from recession and produce jobs. The Congressional Budget Office has just revised its budget projections, anticipating an accumulated \$1.4 trillion deficit from 2005 through 2009. To keep deficits as low as possible, Congress must enact budget enforcement rules that provide the backbone to control spending and reduce deficits.

Realizing the urgency of this task, members of the moderate Republican Tuesday Group and the conservative Republican Study Committee joined together to discuss each group’s budget priorities. On February 11, the Tuesday Group and the Republican Study Committee announced twelve consensus principles for the Federal budget:

- 1) If Federal spending exceeds the amount set by Congress, OMB should use the sequester requirements put into law by the Gramm-Rudman-Hollings Balanced Budget Act to implement across-the-board spending cuts
- 2) Budgets should have the force of law, passed by both houses of Congress and signed by the President
- 3) The 20 budget functions now used in our budget resolution should be replaced by four broad spending categories: mandatory programs, defense and homeland security, non-defense discretionary programs, and emergency spending
- 4) The current emergency appropriations procedure will be replaced by a “rainy day fund” reserve account for emergencies, which is built up over time and drawn down as needed
- 5) Social Security and Medicare should be exempt from sequesters, and should be given full inflation increases every year
- 6) Budget projections for the next fiscal year will be compared to actual spending for the previous year, not inflation-adjusted “baselines”
- 7) Congressional procedures will allow the President to propose a package of recommended spending rescissions. Congress will consider the President’s proposed rescission package through expedited debate and an up-or-down vote
- 8) The President will appoint a bipartisan Commission to make recommendations on proposals to eliminate waste, fraud, and abuse in the Federal budget
- 9) The President would be given authority to eliminate wasteful spending, subject to congressional approval of his action
- 10) Using accrual accounting, Federal funding of pensions and retirement benefits for Federal employees and uniformed services personnel will be properly accounted for in the annual budget
- 11) Federal debt to the public would break out a separate accounting of intra-governmental debt
- 12) Points of order to block spending proposals that exceed budget caps would be protected from waivers included in rules adopted for floor action

We all agree that budget discipline must be a high priority for Congress this year. However, this is not a new initiative. It is the second step toward building a vibrant

economy in which Federal spending does not crowd out private investment. Let's review the success of our first step.

- Unemployment is falling, and we have 1.4 million more civilian jobs that a year ago
- Inflation-adjusted retail sales are up 3 percent—an all-time high
- The Institute for Supply Management tells us that manufacturing activity is operating at the fastest rate in 20 years
- Last year, non-farm productivity grew at its fastest rate in 23 years
- The Dow Jones Industrial Average jumped 35 percent during the past year
- The average sales price of new homes rose 10 percent in 2003
- Corporate profits hit an all-time record high in the fourth quarter of 2003
- Interest rates are at a 45-year low

The economy is getting back on track, and I look forward to the time when the recession of 2000 is nothing more than a bad memory for American workers.

Now on to step two—budget discipline. Mr. Chairman, these consensus principles are a precursor to legislation that will continue the initiative you undertook in 2000, when you brought “The Comprehensive Budget Process Reform Act” to the House floor. Your ideas are as sound today as they were in 2000, but with one important addition: updated PAYGO rules. These enforcement mechanisms will again act as a means to keep the budget under control. This bill will contain the following provisions:

- Renewed Federal spending disciplines
- A simple and binding budget with the force of law
- Provisions to trim pork barrel spending
- Incentives to eliminate waste, fraud, and abuse
- An expedited budget process that can't get bogged down in special rules or floor procedures
- Truth in accounting for accrued expenditures and Federal Debt Held by the Public

One key reform, strongly endorsed by moderates and conservatives alike, is that both discretionary and mandatory spending should be subject to a sequester ax—provided that Social Security and Medicare remain fully funded. Discretionary programs cannot bear the full impact of spending cuts needed to control Federal deficits. In fiscal year 2005, funding for discretionary programs represents only 38 percent of the administration's total \$2.1 trillion of projected outlays; mandatory spending outside of Social Security and Medicare represents another 31 percent.

Consensus will prevail if we continue to listen to each other and focus on reforms that we all find imperative. I look forward to participating in this process.

Mr. SHAYS. I thank the gentlemen very much. I am just curious, were you page in 1985?

Mr. KIRK. That is right, thank you.

Mr. SHAYS. Thank you; yes, Mr. Baird?

Mr. BAIRD. I appreciate your commitment to balancing the budget. I think that is very meritorious. However, it has probably not escaped your notice that the prior speakers before this committee today, I do not think, have called for budget cuts, to a significant degree. In fact, most have called for spending increases to one program or another.

There is a quite understandable belief, I suppose, that whatever committee you are on is the committee that needs the increase. I wonder if you could comment on that observation?

Mr. KIRK. You know, there is a bipartisan compact here to spend. But if we agree to everyone, then we will dramatically misserve the American people. I am couching my comments to be as bipartisan as possible.

In this election season, we have seen that negative campaigners have lost. Now the reason why John Edwards did so well is, he stayed positive in the whole campaign. He came from no where and became the last guy standing before Senator Kerry won.

I think that rule, that political atmosphere, will hopefully infuse this place, as well; that the American people are not interested in blame. They are interested in a bipartisan solution.

After yelling at each other in 1985, when we had a Democratic Congress and a Republican President, President Reagan and Tip O'Neill sat down and approved Gramm-Rudman-Hollings, and an enormous downward pressure then began on the budget. That is what we need to do again, and that is what I am hoping that we will encourage the leadership to do.

Mr. BAIRD. I agree with that and I have got to ask one follow-up, if I might. We had Chairman Greenspan here last week, and he talked about reinstating PAYGO rules. One of the points that I thought I heard him say was that the PAYGO rules should apply not only to spending increases, but also to revenue cuts in the form of tax cuts. Have you any observation or thoughts on that matter?

Mr. KIRK. If we do this right, a number of key constituencies will lose on both sides.

Mr. SHAYS. I thank the gentleman very much.

Mr. Tiahrt.

**STATEMENT OF HON. TODD TIAHRT, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF KANSAS**

Mr. TIAHRT. Thank you, Mr. Chairman, I want to talk to you about saving time and money. I have got a statement that I will submit for the record and just summarize. I also want to thank you for not having a quorum called, that way the Q & As will go much quicker.

I want to talk to you about the Commission on Accountability and Review of Federal Agencies Act. It is H.R. 3213, and basically it is a BRAC-like commission for the remainder of the Government.

It is a 12 member commission that is appointed by the President. They will meet for 2 years. It is funded for 2 years under the bill, and they will make recommendations for an up or down vote on inefficiencies in the Government, on redundancies. It will be a way for us to extend our oversight capability when we do not have time to do it today.

I think one of the most frustrating things that I have is the ability to spend enough time to obtain the oversight information and meetings that are necessary. This is a way that we can extend our own efforts.

All of us have constituencies. We have our committee meetings. We have travel time, and it is difficult for us to really look at Government agencies in the detail that we need in order to find the inefficiencies and the redundancy.

I have heard several earlier members talk about how we could reduce the budget. Well, this is one way that we could help balance the budget, get rid of the waste and the redundancy, something that we all have as a common goal, bring it to the Floor for an up or down vote, and then move on.

The way this is structured in the bill, it is funded for fiscal year 2004, 2005, and 2006, and then it is sunsetted unless it is further continued. So it is really experiment, and it is an experiment as to how we can reach beyond our own capability and the capability of our offices and our committees and our leadership, and find areas of the Government that are wasting taxpayer dollars. It will help us keep the cost of Government down and become more efficient.

As I said, it is based on a proven model of the Base Realignment Closure Committee, and it is something I would like to see you incorporate into the budget resolution.

I spoke with my own Senators today. They believe that the budget has a good opportunity to be passed in the Senate, one of the few things they are looking forward to seeing passed.

So I think this is a very good vehicle for us to get this experiment into law, help us save money, and achieve our goal of balancing the budget more quickly than we would without this. I would be glad to take your questions.

[The prepared statement of Mr. Tiahrt follows:]

PREPARED STATEMENT OF HON. TODD TIAHRT, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF KANSAS

Mr. Chairman, thank you for the opportunity to testify before the committee today.

As I think you would agree, the President's tax cuts are to be commended for getting our economy moving in a positive direction again. However, the other half of the formula for economic success is to cut wasteful and unnecessary spending. It is certainly no secret that the Federal budget is filled with examples of duplicative, inefficient, and failed Federal agencies and programs. I am here today to discuss legislation that I have introduced that I believe would eliminate much of the fraud and abuse that persists in our Federal Government in a politically viable manner.

When Republicans gained control of Congress in 1994, we proposed to eliminate wasteful and deficit spending. In fact, in the Contract with America, which several of us in this room signed, we pledged to (and I quote) "restor(e) fiscal responsibility to an out-of-control Congress, [by] requiring them to live under the same budget constraints as families and businesses." For several years, we held to that promise by modestly curtailing spending growth and balancing the budget in 1998 for the first time since the 1960s. Since that time, however, Federal spending has jumped drastically and we have returned to a time of massive budget deficits.

Some of this increased spending is understandable—especially in the defense budget, considering the one-two punch of being under-funded by the previous administration and the exigencies of 9/11. But these events do not justify the fact that nondefense discretionary outlays have increased by over 30 percent over the past 3 years. These tremendous spending increases have been a significant cause of the massive deficits that we now face.

Another factor behind these deficits can be traced to the billions of taxpayer dollars that go every year to Federal programs and agencies that are redundant, wasteful, and altogether irrelevant. I certainly support a 1 percent cut in nondefense, non homeland security discretionary spending as well as a cap of 1 percent percent on the rate of growth of mandatory spending. These are measures that we must take given our current fiscal climate. I also think there are other meaningful ways that we can confront the deficit, including by rooting out fraud and abuse in our government.

Some say that a growing national debt will force us to curtail government growth. So far we have seen none of that. It is also commonly believed that economic growth will reverse the effects of running up the national credit card. Although the economy is perking up, we cannot become complacent. As a matter of fact, Federal Reserve Chairman Alan Greenspan warns us that "impressive gains" in our economy will not outshine the negatives of our growing budget deficits. Mr. Greenspan promised that the Fed will hold short-term interest rates; now at a 45-year low of 1 percent, then he warned that these rates "will not be compatible indefinitely" with the Fed's fight against inflation.

If interest rates go up, what will happen to the stock market, the housing market and personal credit card debt? A rise in interest rates could stall economic growth by damaging fledgling business projects and cause other complications.

We now have just about \$380 billion left to spend before we have to start borrowing again! We are spending a few billion dollars a day, so it won't be long. As you know, deficits REQUIRE the Treasury to borrow money to raise cash needed to keep the Government operating. Yes, our economy is rebounding, but we are simply not keeping pace with our rate of spending—therefore the deficit is growing like a gelatinous monster from a "B grade" movie.

Concerned grassroots conservative organizations including The Club for Growth, The Free Congress Foundation, Citizens Against Government Waste, The Heritage Foundation, The American Conservative Union, Citizens for a Sound Economy have been vocal in their criticism of the rate of growth of the deficit and the large spending increases that we have witnessed over the past few years. It is mystifying that many otherwise "reasonable" conservatives want to ignore the fact that all this spending is endangering our economic stability. The government cannot spend or give anything until they have collected the money to do so. Magic does not happen. Taxes and borrowing happen.

It has become increasingly clear that Congress' normal procedures cannot address the spending and waste problems that persist within our Federal Government. Time and again, we see congressionally authorized programs become institutionalized, ultimately becoming a permanent fixture at the expense of taxpayers. This ties up precious Federal resources that could be used toward paying down the national debt or higher Congressional priorities.

By cutting out unnecessary Federal programs and agencies, we will send a strong message that we are serious about exercising fiscal responsibility and controlling government spending. With this in mind, I have introduced a bipartisan piece of legislation that will accomplish this very purpose.

A first step toward a stable financial future for this country currently can be found in H.R. 3213, which is also known as the Commission on the Accountability and Review of Federal Agencies Act (CARFA). CARFA is based on a process with an established record of successful program elimination and prioritization of spending—the Base Realignment and Closure Commission (BRAC). H.R.3213 will "establish a commission to conduct a comprehensive review of Federal agencies and programs and to recommend the elimination or realignment of duplicative, wasteful, or outdated functions * * *" CARFA provides for a disciplined spending review process for nondefense, nonentitlement programs. Congress will have to simply vote up-or-down on the commission's recommendations in their entirety. The congressional log-rolling that normally bogs down the process will be short circuited. In this way, real reform can emerge, and the deficit and debt problems can be brought under control. H.R.3213 offers Congress and the administration a unique opportunity: rather than simply refund and increase funding for every Federal program, CARFA will eliminate unproductive, duplicative and outdated programs.

Here's how CARFA would work. The Commission would consist of 12 members, appointed by the President, no later than 90 days after the enactment of this Act. Members would be appointed for the life of the Commission, and would be required to meet no later than 30 days after the date on which all members of the Commission have been appointed. CARFA's duties would then include conducting a top to bottom review of all Federal programs and agencies—excepting the Department of Defense and any agency that solely administers entitlement programs. CARFA would seek to identify those programs or agencies that could be considered duplicative in mission, grossly wasteful or inefficient, outdated, irrelevant, or failed. The assessment of these programs would be based primarily upon the achievement of common performance measures, financial management, and other factors determined by the President. No later than 2 years after the enactment of this Act, the Commission would be required to submit to the President and Congress a plan with recommendations of the agencies and programs that should be realigned or eliminated and propose legislation to implement this plan. The Commission itself would terminate 90 days after the date on which it submits this report and accompanying legislation. CARFA would require congressional consideration of the review's findings under expedited legislative rules. In short, Congress would be voting "up or down" to continue or stop wasteful spending.

CARFA's main focus would be to make our government smarter and more efficient, and also to ensure that taxpayer dollars are not used to support programs such as the "Federal Tea taster," who until 1995 headed the "Board of Tea Experts" which was created by the Imported Tea Act of 1897. Until this program's elimination just 8 short years ago, the Federal Government was spending \$120,000 in salary and operating expenses per year to taste tea. Obviously this is only one example of the type of programs that CARFA would target, but I am convinced that our Federal Government is replete with programs such as this that make a mockery out of the hard-earned tax dollars that we are responsible for administering. Other examples of government waste that CARFA would target include surplus lands owned by the Department of Energy, which if sold would save taxpayers \$12 million over 5 years. In addition, eliminating four duplicative bilingual education programs at the Department of Education would save taxpayers over \$800 million over a 5 year period. We could save \$1 million dollars every year by simply eliminating overlapping responsibilities and reducing administrative positions at the Consumer

Product Safety Commission. The examples of inefficient and wasteful government practices that CARFA could target are far too numerous to cite in this short amount of time. However, it is clear to me that the need for CARFA is very real.

The strict time limits governing the Commission would ensure that its costs are kept to a minimum. I believe that the savings that would occur as a result of the Commission's findings will more than justify the minimal expenses that the study might incur. In addition, it is worth noting that CARFA requires that ALL funds saved by the implementation of this plan can ONLY be used for supporting other domestic programs or paying down the national debt.

H.R.3213 offers Congress and the administration a test: Can we address a real and present crisis by adopting a method that has been successful in the past? The answer will tell us much about the prospects for our country in the 21st century. CARFA offers an idea other than hiding our heads in the sand and ignoring the problem. CARFA is a realistic plan that will make genuine reform possible. It takes LEADERSHIP to point out hard truths and LEADERSHIP to find and implement a workable answer. We welcome support to this politically viable solution to government spending gone awry: If the CARFA commission comes to fruition, it will give Congress arms length distance to do the right thing and vote down ridiculous, redundant and outdated programs. Over 45 of my colleagues in the House have agreed to cosponsor this legislation and our numbers are growing stronger. We hope to see the CARFA commission hard at work cutting wasteful spending by this by this time next year, if not sooner.

Thank you for your time.

Mr. BAIRD. I appreciate the intent, I think, of the measure. We have received some letters about this, so maybe I can ask a question. Did I hear you correctly, that the Congress would direct the Executive Branch to nominate members for this panel?

Mr. TIAHRT. Yes, we would basically fund 12 people, give them an office and staff and travel expenses. Then if they are a Government employee, they do not get a pay raise for being on the commission. If they are a non-governmental employee, they would simply be volunteering their time. I think there probably would be plenty of candidates out there available. They would then make recommendations to us on an up or down vote.

So, yes, it is appointed by the administration. We would simply fund the travel expenses, basically, and office expenses. So it is not a great investment. It has not been scored yet, so I do not know the exact dollar amount. But I assure you that if they could just find a small amount of savings, it would be more than worth our time. As I said, right now, it is set up like an experiment and we ought to try it.

Mr. BAIRD. Yes, now when we receive the President's budget every year, well, not every year, but particularly of late, there have been these score cards for various agencies. To some degree, at least, there is a justification. Mr. Bolton spoke to us of some effort to justify various cuts or increases, based on those score cards. Would your proposal be redundant with that, or would it be complimentary?

Mr. TIAHRT. I think it would be complimentary and not redundant, in that they would look at not the score card; but inside the Agency, what they are doing, what is efficient and what is not.

If I was running the commission, I would say, OK, where are the last 2 years with the GAO reports; where are the last 2 years of Inspector General reports for each of the agencies? That would be a good place to start, because they are good at uncovering problems. We are not very good at having the time to deal with those problems they uncover.

Just from my personal experience, I would like to spend more time on oversight, because I think we waste more money than we should. This is an extension that would not be duplicated by what Josh Bolton is doing or CBO or OMB, either one. It would be one way for us to look beyond just the top numbers, down into the depths of the agency and eliminate waste and redundancy.

Mr. BAIRD. Why vest this authority with the Executive Branch rather than Article One?

Mr. TIAHRT. It probably is for convenience sake. You know, I got together with Senator Sam Brownback and we came up with this structure. We could have done it a lot of ways.

As you know, it is open to the amendment process. But we thought this would be one way where an administration, whoever they are in the future, could get the people they have confidence in to go and look at the details of our Government. So it was a way, I think, to expedite the process, since it is only 2 years and 3 months, basically, that it is funded for.

Mr. BAIRD. This is a somewhat lighthearted questions. Would you still support this if there is a significant turnaround on November 2?

Mr. TIAHRT. Sure, I think this is good for any administration. It is good for us. It is good for the American public and the taxpayer dollars, so absolutely.

Mr. SHAYS. I thank Mr. Baird.

Mr. Ehlers, you sat down after Mr. Ryan, but you are technically ahead of him and you have more seniority.

One of you go; smart decision, Mr. Ryan. Mr. Ehlers.

**STATEMENT OF HON. VERNON J. EHLERS, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MICHIGAN**

Mr. EHLERS. Thank you, I appreciate that, because I am supposed to be in a meeting in the Senate at 4:00, so thank you, Mr. Ryan.

I will submit my comments for the record in detail and I will try to make this somewhat more brief. Thank you, Mr. Chairman, for allowing me to testify before the committee today. I realize that the fate of many of the specific programs I mentioned in this testimony lies with the appropriators and not with you.

While the budget does not spell out exact funding for these programs, I believe you can send a strong signal about their importance to the Appropriation Committee by making basic science funding in Function 250 top priority in the fiscal year 2005 budget. Behind your lead I, along with many colleagues who also support science funding, will fight for these programs throughout the appropriations process.

When faced with the difficult choices you must make this year, I urge you to remember that we cannot afford to sacrifice the research and education which current and future generations need to ensure their economic prosperity and domestic security.

On the first slide, I am simply making some comments. We obviously have a very austere budget environment, and the priorities, as I see them discussed, are to maintain fiscal responsibility, economic development, and national security. Science and technology, I would maintain, underpins all of these priorities.

I believe you were present this morning, Mr. Chairman, when Former Speaker Gingrich made the comment that he thought the most important thing that the Budget Committee and the Congress can do this year would be to triple the research budget in science, and he has ascribed it that importance.

I could also quote from the Hart-Rudman Commission; that is that they made the comment that they could not imagine any higher priority of this Nation and any greater danger to the national security, other than nuclear war, than failing to fund science and technology appropriately. It is that important for our future.

My science and technology priorities in the fiscal year 2005 budget, first of all, basic research, for the simple reason that no one else is going to fund it. Industry no longer can fund basic science, because they are in such a competitive situation with other countries, that they can only do the applied and developmental research.

If you look at what has happened to the budget, NIH has done very well, as you heard Mr. Gingrich say this morning, over the past few years. If you look at the other departments, however, NASA, DOE, NSF, the largest research organizations, in constant dollars, they have been relatively constant or have gone down. NSF is the only one that has steadily gone up at a very slow pace. Overall, in total, they have not improved their position in the past decade.

In addition to basic research, science and math education is extremely important, and we have passed the math/science partnership program in both the Department of Education and in the National Science Foundation, and we do have to continue providing appropriate funding for that. I will not get into all the details of that.

But just to illustrate the importance of this, because we do not do a good job in K-12 education, engineering enrollments have declined for the past two decades, and the number of Bachelors Degrees has declined. Math and computer science, declined for most of that time, and recently started improving. Physical sciences, in general, have declined. We are simply not producing the scientists and engineers that we need.

Let me just skip over to the final slide, correlation of Federal R&D spending and bachelors degree students. It shows that the students do follow the money. If we put money into research, we get more students, and there is a direct correlation here for one particular field.

The President's request, I find to be very sparse, and I understand the difficulty he has had. But he puts each of these departments and agencies in difficulty with his request. My request to you is a higher priority in Function 250, so that we can then proceed through the appropriations process to seek better funding for science.

I would point out one item I have added here that the President did not include, but should have, under the Department of Energy, Office of Science, the last item. They desperately need \$200 million to develop a leadership class of super computers. I will be working with the appropriators on that. I would appreciate it if you would take that into account, as well.

If we get that money and it is followed-up in the next few years, we can once again achieve supremacy in the field of computing; whereas, we lost it about 6 years ago to another nation and we are still following them.

My request, to make basic research, math, and science education and Function 250 top priorities in fiscal year 2005 budget. I appreciate your listening to this, and we will be happy to answer any questions.

[The prepared statement of Mr. Ehlers follows:]

PREPARED STATEMENT OF HON. VERNON J. EHLERS, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MICHIGAN

Thank you, Mr. Chairman, for the opportunity to testify as the committee considers a fiscal year 2005 budget resolution. I know the committee must weigh several pressing national priorities as you prepare the fiscal year 2005 budget resolution, including the continuing war on terrorism, facilitating economic stimulus, and maintaining fiscal responsibility.

Mr. Chairman, I very strongly support your determination to carefully scrutinize all discretionary spending, including the proposed increases in defense and homeland security funding, and to curb overall spending in this year's budget resolution. The committee faces many difficult choices in order to balance these priorities, control the deficit and perhaps review our considerable mandatory and discretionary spending commitments within this year's austere budget environment.

In making these choices, we must not overlook the fact that scientific research and development underpins our economic and national security. Scientific research and development forms the foundation of increased innovation, economic vitality and national security. Scientific research is an investment that promises, and has historically delivered, significant returns on that investment. As you begin the budget process, I strongly urge you to give high priority to scientific research and development and math and science education.

For the past several years, research and development funding for defense, weapons development, biomedical sciences, and national security has increased while other areas of Federal research and development, especially basic research in the physical sciences, has remained flat or declined in real terms. The President's fiscal year 2005 request of \$132 billion for research and development continues this trend.

Basic research and science education are essential to advances in medicine, military applications and continued economic prosperity, including the development of cancer therapies, GPS- or laser-guided missiles, and the Internet. As a nation, we cannot afford to starve basic science research and education.

With this in mind, I urge you to make the basic research components of Function 250 a top priority in the fiscal year 2005 budget. I want to particularly emphasize several basic science research and development programs that deserve Congress' utmost attention: the National Institute of Standards and Technology, the National Science Foundation, the Department of Energy's Office of Science, and the National Aeronautics and Space Administration.

Much of the technology we use every day can be tied to research done by scientists at the National Institute of Standards and Technology (NIST). For example, work at NIST's labs supports our nation's efforts to improve cybersecurity, building safety, and voting technology. The President's fiscal year 2005 request of \$422 million for NIST's labs is an \$85 million (22 percent) increase over the levels enacted in fiscal year 2004. But, it is important to note that NIST's fiscal year 2004 enacted budget was \$22 million below the fiscal year 2003 appropriation, primarily due to significant cuts in NIST's core laboratory account. I believe that the fiscal year 2005 request for NIST's labs should be considered the absolute minimum required for NIST to carry out its critical research activities.

I am very concerned about the fiscal year 2005 request for the Manufacturing Extension Partnership (MEP) program. The fiscal year 2004 appropriation cut the funding for MEP by more than 65 percent. Manufacturers throughout the country have expressed dismay that the fiscal year 2005 request did not seek to restore this cut. I fear that if we embrace this request, it will cripple this program's ability to promote innovation among small and medium-size manufacturers as they adapt to the globalized economy, and further antagonize the beleaguered manufacturers.

The National Science Foundation (NSF) is the only Federal agency dedicated solely to supporting basic scientific research. NSF represents 4 percent of the total Federal R&D budget, yet it accounts for 45 percent of non-life science basic research

at U.S. academic universities. NSF is also the primary Federal supporter of science and math education; it underwrites the development of the next generation of scientists and engineers. The NSF fiscal year 2005 budget request of \$5.75 billion is a 3 percent increase; however, it is \$1.6 billion below the authorized funding level necessary to complete the commitment Congress made to double NSF funding in 2002. I continue to support this doubling commitment, and I regret that in this austere budget environment it may not be immediately possible to fulfill this obligation. I urge the committee to provide NSF with the highest possible budget allocation this year.

The Department of Energy's, Office of Science funds 40 percent of our nation's physical science research. Research in these areas has led to new economic and medical advancements including new energy sources, cell phones and laser surgery. To maintain our economic, technical, and military pre-eminence, the Federal Government must continue to support research in these areas. Yet, the fiscal year 2005 budget request for the Office of Science is \$3.43 billion—a decrease of 2-percent from the fiscal year 2004 enacted level. I respectfully request that the committee provide the Office of Science with a budget that reflects the critical role that it plays in maintaining our economic and military pre-eminence. Of special importance is the need to provide an additional \$200 million to the Office of Science to develop the leadership class of supercomputers and regain our lost lead in that field.

The National Aeronautics and Space Agency (NASA) is an agency in transition. The President has challenged NASA to begin a new era in its history and accept a mission that will take it beyond low-earth-orbit and the space station. This mission will be costly and will pose significant technical obstacles that will only be solved through basic research. Although NASA's fiscal year 2005 budget request of \$16.2 billion includes an increase of \$866 million dollars, most of the increase would go to returning the shuttle to flight and building the International Space Station. NASA research and development would increase by 3.8 percent to \$11.3 billion; however, development and R&D facilities construction would take priority while basic and applied research funding would actually decline (down 3.4 percent). Basic science and engineering research underpin all of NASA's major accomplishments as well as many of the technologies you and I use everyday. I urge you to protect NASA's future by supporting its basic research accounts and making the Function 250 budget a significant concern.

I realize that the fate of many of the programs I have highlighted in this testimony lies not with you, but with the appropriations committee. While the budget does not spell out exact funding for these programs, I believe that you can send a strong signal about their importance to the appropriations committee by making basic research funding in Function 250 a top priority in the fiscal year 2005 budget. Behind your lead, I, along with many colleagues who also support science funding, will fight for these programs throughout the budget process. When faced with the difficult choices you must make this year, I urge you to remember that we cannot afford to sacrifice the research and education which current and future generations need to ensure their economic prosperity and domestic security.

Thank you again for allowing me to testify.

Mr. SHAYS. Vern, let me just say that your continual education of all the members, I think, will ultimately pay off, I hope, sooner rather than later.

Mr. EHLERS. Thank you, I appreciate that comment. It is, unfortunately, a lonely task, since I am the only physicist on the Republican side.

Mr. SHAYS. Right, I hate to use this comment, but in our hearts, we know you are right. So now we have just got to figure out how to do it.

Mr. EHLERS. I would appreciate that very much, thank you.

Mr. SHAYS. Thank you; we will also point out that Newt said that if he had it to do over again, that besides the significant increases in NIH, he felt it needed to go into the sciences in general. He regrets that he did not do it when he had the power to.

Mr. EHLERS. That is correct; thank you very much.

Mr. SHAYS. Thank you; while you were a classmate and technically Ranking, Paul, do we let him go next, or what do we do here?

Mr. RYAN. You are the chairman. [Laughter.]
Mr. SHAYS. Paul.

**STATEMENT OF HON. PAUL RYAN, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF WISCONSIN**

Mr. RYAN. I will be brief. I have prepared remarks. I would like to ask that that just be included in the record without any objection.

Mr. Chairman, I want to basically come to you and say, I do not want more spending. We have a deficit problem that we have to deal with, an economic problem.

The President did a good job of sending a fairly lean budget to the Congress. I think we can improve upon that budget. So while you are preparing the budget resolution, I hope that this committee looks at improving upon the President's budget in the nature of reducing the amount of discretionary spending, and even considering mandatory spending.

Let me just be a little more clear. No. 1, the President proposed, I think it is a .4 percent increase for domestic discretionary spending. I think we can do better than that and go beyond a freeze and perhaps somewhat of a cut, like 1 percent across the board.

No. 2, we do not have to have homeland security and defense spending off the table. I think that there are some areas of waste, fraud, and abuse that should not be immune to the budgeting process; that those two should be things that the Budget Committee looks at.

We recognize the fact that we will have to increase spending on homeland security and defense, but that does not mean that we cannot scrutinize the numbers and perhaps provide an even more frugal budget than the administration on that point.

No. 3, I serve on the Ways and Means Committee. That is the committee that is in charge of probably two thirds of the Federal budget, the entitlement side of our budget. We should not have to take those off the table.

I believe that in the budget resolution you should consider for unearned entitlements—not earned entitlements like Social Security and parts of Medicare, but for unearned entitlements—an across-the-board cut of something in the nature of 1 percent, in addition to sending to the committees the instructions so that the committees look after waste, fraud, and abuse.

One of the subcommittee chairmen on Ways and Means is sitting to my right, Congressman Herger. He has done an excellent job on the human resources side of the budget.

Mr. SHAYS. That is the gentleman that you inserted yourself in front of?

Mr. RYAN. Exactly, so I am kissing up right now.

Mr. SHAYS. Good luck. [Laughter.]

Mr. RYAN. But I am going to be brief, because I, too, have meetings and constituents waiting for me right now in my office who flew all the way out from Milwaukee.

So I hope that the budget resolution that you are preparing can do more than the President's budget, can do more especially in discretionary spending, and should entertain the possibility of actually reducing some mandatory spending to achieve a better result in

getting the balance faster than the President's budget allows. That is what I hope that we can achieve, getting to balance faster than the President's budget provides for.

Now I want to also associate my comments with my colleague, Congressman Kirk. Mark and I are among the group that negotiated the 12 budget reform principles that the Tuesday moderate "lunch bunch" group and the Republican Study Committee negotiated. Those two groups alone account for over 100 members of the Republican caucus. We are also talking with the Blue Dogs as well to make sure that this is a bipartisan effort.

What we are hoping to do, after the budget resolution is completed, which is what you are in the midst of doing, is really take seriously the issue of budget process reform.

I will put it in a nutshell. The budget process is broken. I served on this committee in the 106th Congress. I was budget associate staffer on this committee in the 104th Congress.

I have been watching this budget process for 10 years now. The budget process does not work. It is an unenforceable process, to the extent where every single year we usually break through our spending caps that really are not enforceable, that can get waived at the Rules Committee before they come to the Floor.

So I really hope that this committee, like it did in the 106th Congress, can mark up a good budget reform bill that has teeth, that has a budget law with the force of law, a resolution that is signed by the President, is codified in law, and therefore has more enforcement mechanisms that can be attached to it.

I believe an enhanced rescission power for the President is very important. I believe there are a lot of things that we can do to change the rules to get spending accountability back into the system.

I will not bore you with the details. My colleague, Mark Kirk, went into that. I will only say that there are many of us, on our bill that we introduced. I introduced a bill with Congressmen Hensarling, Cox, and Chocoma. We already have over 60 cosponsors on our bill, and we just began soliciting cosponsors.

So this is an issue that is clearly coming down the pike, with a lot of support. The Tuesday "lunch bunch" group has their own bill, very similar to our bill. Probably seven out of ten items from our bill are in their bill. They are getting great cosponsorship.

So I hope that this is an issue the committee can really address very soon. With that, I want to thank you for hearing us, and I would like to yield to my colleague, my more senior colleague from the Ways and Means Committee, Congressman Herger. Thank you for your indulgence, Mr. Chairman.

[The prepared statement of Mr. Ryan follows:]

PREPARED STATEMENT OF HON. PAUL RYAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

In 2003, the Federal Government ran a deficit of \$374 billion. Based on Congressional Budget Office (CBO) estimates, including the unexpected costs of increasing national security and stabilizing our economy, the Federal Government is on track to reach government surpluses by 2012. However, even this less-than-optimal time-frame hinges on Congress's ability to control spending. Unfortunately, as we have seen with the Senate this year, the lack of fiscal discipline leads to unchecked spending and legislative deadlock.

Stop excessive government spending and clean up government accounting.

The past 5 years, fiscal year 2000–04, were some of the highest spending years in American history. If you took the total amount of Federal spending in 2003, \$2,156,536,000,000, in \$1 bills, it would stack halfway to the moon, weigh 10 times as much as the Sears Tower, and blanket the State of New Jersey. Less than half of the increase in spending since 2001 can be attributed to defense and the attacks on September 11, 2001. The rest went toward a myriad of small- and medium-sized government programs.

Additionally, the Federal Government is as guilty as some large companies have been when it comes to fudging the books and accounting mistakes. When determining the Federal budget overall, the government uses accounting tricks to make it more difficult to determine true spending levels. For example, Social Security and Medicare surpluses are used to balance the budget. The inclusion of these funds in our balance sheet gives Congress cover to keep spending after discretionary funds are gone. Further, Congress can break its own spending rules by declaring appropriations an “emergency,” even when they are not. For all of these reasons, I strongly support making dramatic changes to the Federal budget process and the way Congress spends taxpayer money.

FIX THE BUDGET PROCESS

The biggest obstacle facing government officials when prioritizing spending decisions is the budget process. Changing the tax and spend nature of Congress is one of my highest priorities. Right now, there is little motivation to reduce spending. In the House of Representatives, 16 committees authorize spending and one appropriates, which means that every Member of Congress has a hand in the spending process at some point. The committee on Appropriations has 13 subcommittees overseeing each of the 13 appropriations bills. Each subcommittee has the incentive to spend as much as it can because any money not spent by one subcommittee must be spent by another. According to current budget rules, spending during the appropriations process cannot be saved and returned to the taxpayer or used to pay down government debt; it can only be spent. I believe Members of Congress should be able to cut money from appropriations bills through the amendment process and return it to taxpayers.

The budget process also allows for supplemental emergency spending, which is money spent above annual budget caps. Under the current budget process, the definition of “emergency” is subjective. Emergency spending is not necessarily sudden, urgent, unforeseen and temporary, as it should be defined. Nor does the process allow for a point of order if an emergency spending item violates common sense. Instead, it allows supplemental bills to be loaded up with non-emergency spending, such as increased support payments to mohair wool and peanut farmers. Even if these initiative were valid spending items, they should be decided during the normal appropriations process and not passed under the guise of emergency spending.

However, with the current 1-year budget process cycle, it is hard to determine what is necessary spending and what is not. Many States like Wisconsin work under a biennial (two-year) budget, which gives legislatures time to focus on government performance reviews and increased oversight of agency efficiency. Currently, Congress does not have the time to review how taxpayer money is spent. A biennial budget for the Federal Government would allow Congress to appropriate in 1 year and conduct oversight hearings the next. A longer budget process would ensure that taxpayer money is being spent effectively, without agency duplication or waste.

A better budget process would also allow enhanced rescission for the President. In other words, the President could carve out pork and send it back to Congress to be voted on again—separate from the appropriations bill in which it was contained. While this would be a painful process for legislators accustomed to bringing home the bacon, Members of Congress who request funds for legitimate district projects, on the other hand, would have an easy time defending their appropriation requests.

Taxpayer money spent on new or expanded discretionary programs should instead be spent on shoring up Social Security and Medicare, which face bankruptcy when the baby boomers start to retire. Additionally, money could be used for tax relief to boost economic growth.

I have introduced legislation with Congressman Hensarling, Chocoma, and Cox, the Family Budget Protection Act (HR 3800), to fix many of the problems associated with the congressional budget process, including the ones listed above. I will continue to fight for responsible spending and greater accountability for taxpayer money sent to the Federal Government.

THE DEFICIT

I am a strong supporter of paying down our national debt, but I also believe that the Federal Government needs to balance this priority with winning the War on Terrorism and encouraging growth in our economy. Based on Congressional Budget Office (CBO) estimates, including the unexpected costs of increasing national security and stabilizing our economy, the Federal Government is on track to reach government surpluses by 2012. I favor paying down as much debt as possible over the next 10 years to prepare for the inevitable demographic change as the baby boom generations begin to retire.

Some observers argue that the tax relief packages of the last 3 years are the primary reason that budget deficits have replaced surpluses. This is incorrect. In fact, the large deficits reflect the near "perfect storm" that has rocked the Federal Government's budget: 1) revenues plummeted due to a weak economy and a sharp drop in the stock market, 2) spending increased due to two wars and new homeland security requirements, and 3) fiscal discipline weakened following the emergence of budget surpluses.

Government revenue is directly tied to the health of the U.S. economy. The weak economy reduced the size of the tax base, increased spending on programs like Medicaid, and revealed technical adjustments that needed to be made to the budget estimates. In all, those factors account for 53 percent of the changes in OMB's projections, none of which are due to legislation.

Ensuring that the economy comes out of this period of slow growth is one of my top priorities. As long as the economy grows, Americans work. A growing economy is the only way to increase revenue collection—except for increasing taxes, which I oppose. In addition, the more money that comes into the Federal Government, the more quickly we can pay down the national debt and shore up the Social Security Trust Fund.

Congress can ensure economic growth by protecting the pro-growth tax reductions signed into law and by reducing unnecessary government spending. The new tax laws focus on making it easier for small businesses to grow and invest, and workers to save more for their retirement and keep more of what they earn. This policy will help ensure our economy grows.

Mr. SHAYS. Let me just say, Mr. Ryan, the challenge we have with the procedural budget processes, we cannot put it in the budget resolution.

Mr. RYAN. Right.

Mr. SHAYS. That is the challenge. It has got to be signed ultimately by the President.

Mr. RYAN. That is correct, and that is why after you are finished with your resolution, I am hoping that that is the next order of business before this committee.

Mr. SHAYS. Thank you for your very good work in this area. You have been an extraordinarily consistent member over the life of your time in Congress. It is quite remarkable.

Mr. RYAN. Thank you.

Mr. SHAYS. Thank you.

Wally, you are the man.

**STATEMENT OF HON. WALLY HERGER, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. HERGER. Thank you very much, Congressman Shays and the entire committee, for allowing me to testify before you today. As you know, I served for 8 years on the Budget Committee, 4 years of which we had a balance, unified Federal budget. I fully understand the extreme challenges that all of you face in constructing a fiscally responsible budget resolution.

I believe our current Federal budget deficit constitutes one of the greatest threats to the future of our Nation. The Office of Management and Budget predicts a \$521 billion deficit for just this year alone, and over a \$1.3 trillion deficit over the next 5 years.

While much of this deficit is a result of the economic downturn in 2001 and the period of slow growth that has immediately followed the attacks of September 11th, 2001 and the costs of the war on terrorism, some of it is a result of increases in other discretionary and mandatory spending.

I have supported some of this spending in the past, but the current situation is much different, and now is the time to put a lid on spending. We can do better. We should do better, and for the sake of our country, we must do better. The task would be a difficult one and many hard decisions will have to be made.

One month ago, the President submitted his fiscal year 2005 budget request. His budget makes great strides toward more fiscal responsibility through calling for only a one-half percent increase in nondefense, non-homeland security discretionary spending, and for cutting the deficit in half within 5 years.

I believe the President's budget gives Congress a great starting point. I believe this budget resolution should build upon the President's budget request by incorporating the following four principles.

First, the budget resolution should reflect a 1-percent overall decrease in nondefense, non-homeland security discretionary spending from last year's enacted levels. Although some would say that reducing spending by 1 percent is unacceptable, I believe the current budget deficit is unacceptable. We have to tighten our belts and find places to save taxpayers' dollars.

State budgets around the Nation have faced deficits, relative to the Federal budget, and have made hard choices. The State of Tennessee recently made a 9-percent across-the-board cut in discretionary appropriations in order to balance the budget.

We can make the hard choices, as well. All Federal agencies have some ways. Surely, we can find 1 percent, one penny out of every dollar to reduce.

I also believe that defense and homeland security funding should be closely examined. I strongly support the war on terrorism and our defense of the homeland, but even this essential spending, is not immune from ways.

Second, I believe that the budget resolution should not take into account funding for any new programs. The best way to reduce funding for programs is to not start them. Many of the proposed new programs may very well have merit. The question is not whether the program is well intentioned, but rather whether the Federal Government should continue to expand when faced with a \$521 billion deficit. It is clear that there is no room for new programs in this year's budget.

Third, we must give greater scrutiny to all existing mandatory and discretionary programs that have been slated for increases. Massive increases in programs seem imprudent, considering our current budget situation. It is not without precedent to freeze or limit increases in a program in order to re-evaluate its purpose and effectiveness within a prioritized Federal budget.

In 1996, for example, Congress took an aggressive approach toward reforming the aid for dependent children or AFDC program. Congress froze spending, consolidated it into a block grant, and gave more flexibility to the State. The reforms created the temporary assistance to needy families or TANF program that has re-

duced Welfare roles by over one-half and saved taxpayers billions of dollars.

The success of welfare reform proves that there are better ways of running programs, and that not every program is destined for perpetual spending increases.

Fourth, we must make fundamental reforms in the budget process in order to help force fiscal discipline. Testifying before this committee last week, Federal Reserve Chairman Alan Greenspan expressed his concern that the expiration of the rules laid out in the Budget Enforcement Act of 1990, especially PAYGO rules, have further eroded the will to control spending.

He stated, "The data actions that would lower forthcoming deficits have received only narrow support, and many analysts are becoming increasingly concerned that without a restoration of the budget enforcement mechanisms and the fundamental political will they signal, the end bill political bias in favor of red ink will once again become entranced."

I urge this committee to pursue the reinstatement of the PAYGO and pursue budget process reform such as those contained in H.R. 3800 that was introduced by our colleague and a member of your committee, Jim Hensarling.

This bill would give the budget resolution the force of law allowed for by biennial budgeting, eliminate the practice of base line budgeting, and address waste, fraud, and abuse.

None of these four principles are easy to implement. We all know that it is always much easier to say yes than it is to say no to spending, but we must have loftier goals. We must show the courage to restrain spending, to be better caretakers of taxpayer dollars and to make tough choices regardless of the consequences. The consequences of not pursuing an aggressive agenda of fiscal discipline, will be far more disastrous.

Again, I thank you, Mr. Chairman, for inviting me to testify today. I appreciate your attention and work on this Federal budget.

[The prepared statement of Mr. Herger follows:]

PREPARED STATEMENT OF HON. WALLY HERGER, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CALIFORNIA

Good afternoon and thank you Chairman Nussle, ranking member Spratt and all of the committee members for allowing me to testify before you.

I served 8 years on the Budget Committee—4 years of which we had a balanced unified Federal budget—and I fully understand the extreme challenges that all of you face in constructing a fiscally responsible budget resolution.

I believe our current Federal budget deficit constitutes one of the greatest threats to the future of our nation. The Office of Management and Budget predicts a \$521 billion deficit for just this year alone and over a \$1.3 trillion deficit over the next 5 years. While much of this deficit is the result of the economic downturn in 2001 and the period of slow growth that immediately followed, the attacks of September 11, 2001, and the cost of the war on terrorism, some of it is the result of increases in other discretionary and mandatory spending.

I have supported some of this spending in the past, but the current situation is much different and now is the time to put a lid on spending.

We can do better. We should do better. And for the sake of our country, we must do better.

The task will be a difficult one and many hard decisions will have to be made. One month ago, the President submitted his fiscal year 2005 budget request. His budget makes great strides toward more fiscal responsibility through calling for only a .5 percent increase in non-defense/non-homeland security discretionary spending and for cutting the deficit in half within 5 years. I think the President's budget gives Congress a great starting point.

I believe this budget resolution should build upon the President's budget request by incorporating the following four principles.

First, the budget resolution should reflect a 1-percent overall decrease in non-defense, non-homeland security discretionary spending from last year's enacted levels. Although some would say that reducing spending by 1 percent is unacceptable, I believe the current budget deficit is unacceptable. We have to tighten our belts and find places to save taxpayer dollars.

State budgets around the nation have faced deficits relative to the Federal budget and have made hard choices. The State of Tennessee recently made a 9-percent across-the-board cut in discretionary appropriations in order to balance the budget.

We can make the hard choices as well. All Federal agencies have some waste. Surely we can find 1 percent to reduce.

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I strongly support the war on terrorism and our defense of the homeland, but even this essential spending is not immune from waste.

Second, I believe that the budget resolution should not take into account funding for any new programs. The best way to reduce funding for programs is to not start them. Many of the proposed new programs may very well have merit. The question isn't whether the program is well intentioned but rather whether the Federal Government should continue to expand when faced with a \$521 billion deficit. It is clear that there is no room for new programs in this year's budget.

Third, we must give greater scrutiny to all existing mandatory and discretionary programs that have been slated for increases. Massive increases in programs seem imprudent considering our current budget situation.

It is not without precedent to freeze or limit increases in a program in order to reevaluate its purpose and effectiveness within a prioritized Federal budget. In 1996, Congress took an aggressive approach toward reforming the Aid For Dependent Children—or AFDC program. Congress froze spending, consolidated it into a block grant, and gave more flexibility to the states. The reforms created the Temporary Assistance to Needy Families—or TANF program that has reduced welfare rolls by over half and saved taxpayers billions of dollars. The success of welfare reform proves that there are better ways of running programs and that not every program is destined for perpetual spending increases.

Fourth, we must make fundamental reforms in the budget process in order to help force fiscal discipline.

Testifying before this committee last week, Federal Reserve Chairman Alan Greenspan expressed his concern that the expiration of the rules laid out in the Budget Enforcement Act of 1990—especially Pay/Go rules—have further eroded the will to control spending.

He stated:

“To date, actions that would lower forthcoming deficits have received only narrow support, and many analysts are becoming increasingly concerned that, without a restoration of the budget enforcement mechanisms and the fundamental political will they signal, the inbuilt political bias in favor of red ink will once again become entrenched.”⁵

I urge this committee to pursue the reinstatement of Pay/Go and pursue budget process reforms such as those contained in H.R. 3800 that was introduced by our colleague Jeb Hensarling.

This bill would give the budget resolution the force of law, allow for biennial budgeting, eliminate the practice of baseline budgeting, and address waste, fraud, and abuse.

None of these four principles are easy to implement. We all know that it is always much easier to say yes than it is to say no to spending. But we must have loftier goals. We must show the courage to restrain spending, to be better caretakers of taxpayer dollars, and to make tough choices regardless of the consequences.

The consequences of not pursuing an aggressive agenda of fiscal discipline will be far more disastrous.

Thank you again for inviting me to testify today and I appreciate your attention and work on the Federal budget.

Mr. SHAYS. Thank you, Congressman Herger. You have been so consistent for 18 years on this issue. It is, as well, very remarkable. I appreciate your willingness to come here and to address just one member of the Budget Committee. Thank you very much.

Mr. HERGER. Thank you.

Mr. SHAYS. Mr. Radanovich.

STATEMENT OF HON. GEORGE RADANOVICH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. RADANOVICH. Thank you so much, Mr. Chairman, not only for having this hearing, but for the good work that you do on the budget proposal year after year, including this year.

I did want to come to you today and discuss, on behalf of numerous farmers in my district, to request that the fiscal year budget resolution provide funding for the settlement of a lawsuit, called the Sumner Peck Ranch, Incorporated versus the Bureau of Reclamation from the Department of Justice Judgment Fund established under Title XXXI of the United States Code, Section 1304, and not out of the Bureau of Reclamation of Budget. The Bureau of Reclamation's responsibilities to the plaintiffs in this lawsuit stems from the Federal Government's commitment to provide drainage for farm land under the San Luis Act of 1960. I know of no appropriation fund or other provision in the San Luis Act that would be used to compensate the plaintiffs in this litigation.

Given that payment is not other provided for, the judgment funds should be used to cover the Government's debt in the Sumner Peck settlement, which totaled about \$107 million. In the President's fiscal year 2005 budget, it includes \$34 million for the Sumner Peck settlement payment within the Bureau of Reclamation, Central Valley Project, Water and Energy Management and Development Account.

I, along with many other members from California am concerned about using this account because it has funding for so many valuable water projects, such as water conservation, watershed and drainage management, and water quality efforts. Instead, the \$34 million should be left in this account for critical water programs in my home State, and the settlement funding should come from the DOJ Judgment Fund.

By specifying the use of the Judgment Fund in the fiscal year 2005 budget resolution, to make the final \$34 million payment to the Sumner Peck plaintiffs, we ensure that the Federal Government fulfills its settlement commitment to the farmers in the lawsuit. At the same time, we prevent the Federal Government from tapping into funds authorized for needed California water projects.

Mr. Chairman, I encourage you to seriously consider this request which has bipartisan support within the California delegation. I appreciate you allowing me to bring this issue to you. Thank you.

Mr. SHAYS. Thank you. Just a point of clarification. This is not a question of whether they will be paid. The Court will require that. It is just a question of where it comes from?

Mr. RADANOVICH. Correct. It was a \$107 million lawsuit. There was an installment of \$5 million, and two \$34 million installments out of the DOJ fund. This is the last installment, \$34 million. In the President's budget it was slated to come out of the Bureau of Reclamation Budget. We are saying, no, it should come out of the DOJ Judgment Budget which is my request of you today.

Mr. SHAYS. Thank you. I am sure you will just touch base with staff on this as well.

Mr. RADANOVICH. Absolutely.

Mr. SHAYS. Thank you very much.

Mr. RADANOVICH. Thank you very much, Mr. Chairman.

Mr. SHAYS. Mrs. Blackburn, and then Mr. Shaw we will get to you.

STATEMENT OF HON. MARSHA BLACKBURN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mrs. BLACKBURN. Thank you, Mr. Chairman. Thanks for the opportunity to be with you today. You know, I like the discussion that I am hearing about Chairman Nussle and the proposed budget that would freeze fiscal year 2005 nondefense, non-homeland security discretionary spending. I think it is a great start, and to be quite frank, given our budget situation, I do not see any other responsible option less than a freeze or an actual reduction.

Right now we are talking about a projected deficit of somewhere between \$471 billion and \$521 billion this year. I believe we would be well served to follow the example of 26 States, including Tennessee, that have enacted across-the-board cuts to get their financial house in order.

While serving in the Tennessee State Senate, I proposed across-the-board cuts as the most effective approach to balancing our budget. Newspapers from one end of the State to the other complained that my plan was too simple. It would not work. Special interests bemoaned the thought of losing even one single cent of spending.

As Mr. Herger mentioned, this past year Tennessee enacted cuts to widespread acclaim similar to those that I had proposed, and even a few of those newspapers recognized that perhaps my calls for across-the-board cuts were on target. Clearly, it is possible to make the necessary reductions. Sometimes good ideas, and the right idea, require time to take shape. Spending reductions are an idea that has had ample time to take shape.

In the spirit of fiscal responsibility and discipline that so many of our States have adopted, and that Chairman Nussle is supporting, and this committee is supporting, I will be proposing three bills this year to support the Budget Committee's efforts. The first bill would require a 1-percent across-the-board cut in nondefense, non-homeland security, to discretionary spending in fiscal year 2005 and a spending freeze at that level thereafter. The second is a 2-percent cut, and the third is for those of us who believe that we can do better, a 5-percent reduction.

These are three options and three choices. All of us should be able to commit to some level of reduction. Our objective should be to help speed up the President's goal of reducing the deficit. If we passed the 5 percent proposal and froze spending, it would cut \$20 billion from the deficit this year alone. Over 5 years we would save \$243 billion.

I found that a few phrases in the English language inspire the sort of reaction like across-the-board cuts do. But we have reached a point where it becomes necessary. Across-the-board cuts ensure that all entities within the Federal Government shoulder the burden of reducing rampant spending and give each agency the opportunity to find within their budgets the spending that they would choose to live without.

It provides an opportunity for the agencies to walk through a self-evaluation process and for managers, to exercise a little per-

formance based budgeting, and for division heads, maybe a little zero-based budgeting. I find it difficult to imagine that there is not at least 5 percent in Government waste that could be cut from departmental operations.

Over the past 12 months the Government Reform Committee has held hearing-after-hearing in which we have investigated hundreds of millions of dollars worth of waste, fraud, and abuse. Too frequently, there is little to no serious action to address the drain on taxpayers dollars.

An across-the-board cut would serve two purposes. It would force a better accounting of appropriated funds and it would strengthen our agencies' oversight of the dollars we send them. In short, it would do much to restore our overall fiscal health.

Thank you, Mr. Chairman. Thank you for the opportunity to be before you today.

[The prepared statement of Mrs. Blackburn follows:]

PREPARED STATEMENT OF HON. MARSHA BLACKBURN, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TENNESSEE

The debate over the Federal budget is not simply an argument about numbers. It's a debate about our values, our priorities, and not least our discipline as lawmakers. This is how our constituents view the issue, and it's exactly how we should approach the subject.

Chairman Nussle gets it. His proposal to freeze fiscal year 2005 nondefense, non-homeland security discretionary spending is a fantastic start. To be quite frank, given our budget situation, I don't see any other responsible option less than a freeze or an actual reduction.

Right now we're talking about a projected deficit of somewhere between \$471 and \$521 billion this year.

I believe we'd be well served to follow the example of 26 states, including Tennessee, that have enacted across-the-board cuts to get their financial houses in order.

While serving in the Tennessee State Senate, I proposed across the board cuts as the most effective approach to balancing our budget. Newspapers from one end of the state to the other complained that my plan was too simplistic and wouldn't work. Special interests bemoaned the thought of losing even a single cent in spending.

This past year Tennessee enacted cuts to widespread acclaim similar to those I proposed—even a few of those newspapers recognized that perhaps my calls for across the board cuts were on target. Clearly it is possible to make the necessary reductions. Sometimes good ideas, the right idea, require time to take shape—spending reductions are an idea that has had ample time to take shape.

In the spirit of fiscal responsibility and discipline that so many of our states have adopted, and Chairman Nussle is supporting, I will be proposing three bills this year to support the Budget Committee's efforts:

The first bill would require a 1 percent across the board cut in nondefense, non-homeland security discretionary spending in fiscal year 2005 and a spending freeze at that level thereafter.

The second, a 2 percent cut,

And the third is for those of us who believe we can do better—a 5 percent cut.

These are three options, three choices—all of us should be able to commit to at least some level of reduction. Our objective should be to help speed up the President's goal of reducing the deficit.

If we passed the 5 percent proposal and froze spending, it would cut \$20 billion from the deficit this year alone. Over 5 years, we'd save \$243 billion.

I've found that few phrases in the English language inspire the sort of reaction that 'across the board cuts' does, but we've reached a point where it becomes necessary to be blunt.

Across the board cuts ensure that all entities within the Federal Government shoulder the burden of reducing rampant spending and give each agency the opportunity to find within their budgets the spending they can live without. It provides an opportunity for the agencies to walk through a self evaluation process and exercise a little performance-based budgeting and a little zero-based budgeting.

I find it difficult to imagine that there is not at least 5 percent in government waste that could be cut from each departmental operations. Over the past 12 months the Government Reform Committee has held hearing after hearing in which we investigated hundreds of millions of dollars worth of waste, fraud, and abuse. Too frequently there is little to no serious action to address this drain on taxpayer dollars. An across the board cut would serve two purposes—it would force a better accounting of appropriated funds, and it would strengthen our agencies' oversight of the dollars we send them. In short, it would do much to restore our overall fiscal health.

Mr. SHAYS. Thank you very much for your patience. Thank you for your testimony. Mr. Scott is recognized.

Mr. SCOTT. Thank you. What percent across-the-board cuts would be talking about?

Ms. BLACKBURN. There is a 1 percent, 2 percent, or 5 percent, discretionary, nondefense, non-homeland security.

Mr. SCOTT. Non-defense, non-homeland security, discretionary?

Ms. BLACKBURN. Correct.

Mr. SCOTT. What is 1 percent of that amount?

Ms. BLACKBURN. One percent would be \$3.997 billion. Two percent would be \$7.994 billion. Five percent would be \$19.995 billion.

Mr. SCOTT. You indicated that the deficit may be as much as \$521 billion?

Ms. BLACKBURN. Correct.

Mr. SCOTT. Thank you.

Ms. BLACKBURN. You are welcome.

Mr. SHAYS. Thank you very much.

Ms. BLACKBURN. Thank you, Mr. Chairman.

Mr. SHAYS. Chairman Shaw is obviously a very senior member of the Ways and Means Committee and also chairman of the Committee on Social Security. Thank you for your patience and thank you for your testimony.

**STATEMENT OF HON. E. CLAY SHAW, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF FLORIDA**

Mr. SHAW. I appreciate, Mr. Shays, you and Mr. Scott being here to listen to my testimony. I will try to be brief.

There has been a great deal of media attention regarding the Federal Reserve System's Chairman Alan Greenspan's testimony before this committee last week on how to extend the life of Social Security. I issued a statement in response which would I would like to submit for the record. I would ask unanimous consent to submit that statement.

Mr. SHAYS. Without objection, so ordered.

[The information referred to follows:]

PREPARED STATEMENT OF HON. E. CLAY SHAW, JR., A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF FLORIDA

Washington, DC: Today, Federal Reserve System Chairman Alan Greenspan provided testimony to the House Budget Committee and discussed his perspective on how to extend the life of Social Security. Chairman E. Clay Shaw, Jr., of the Subcommittee on Social Security provided the following comments:

"Chairman Greenspan is right to point out the demographic challenges facing Social Security and Medicare. Modern medicine is enabling people to live longer, and families are having fewer children—in the long run that means fewer workers supporting each retiree."

"Chairman Greenspan is also right that tax increases are not the answer to securing Social Security's future. We cannot risk slowing economic growth."

“However, I respectfully disagree with the Chairman’s recommendation to cut promised benefits by reducing the cost of living adjustment and increasing the retirement age. Those proposals are not the right answer.”

“My message to seniors and those nearing retirement: You will receive nothing less than 100 percent of what you’ve been promised. Your benefits are safe and secure.”

“There is a viable alternative that doesn’t require tax increases or benefit cuts. Allow workers to save today through voluntary personal accounts that back Social Security with real assets. These accounts would help workers build a retirement nest egg and deliver real retirement security.”

“My Social Security Guarantee Plus Plan (H.R. 75) illustrates how personal accounts would ensure payment of full promised benefits, and even provide enhanced benefits, without tax increases and without individual investment risk,” said Shaw.

Mr. SHAW. It includes the following key points.

Chairman Greenspan is right to point out the demographic changes facing Social Security and Medicare. Chairman Greenspan is also right that tax increases are not the answer to securing Social Security’s future. We cannot risk slowing the economic growth. However, I respectfully disagree with the Chairman’s recommendation to cut promised benefits by reducing the cost of living adjustment and increasing the retirement age. These proposals are not the right answer.

My answer to seniors and those nearing retirement is you will receive nothing less than 100 percent of what you have been promised. Your benefits are safe and secure. American workers deserve better. My Social Security Guaranteed Plan, H.R. 75, illustrates how personal accounts help enhance payments of full promised benefits and even provide enhanced benefits and without increases and without individual investment risk. The Social Security debate will and should continue as Americans, particularly younger Americans, learn more about Social Security challenges and options to strength the program’s future.

I might add here, Mr. Chairman, that the accounting system of the Federal Government is badly flawed. It is something that you and this committee should spend some time looking at. If we set up individual retirement accounts and pay into it from the Federal Government, it is likely that every dime put into this would be counted against the deficit, even though that money will be available to assist the Social Security Administration in paying benefits later when the individual retires.

That is a flawed process. We should get more toward a business-type of accounting, an accrual-type accounting. This also affects capital expenditures and right on down the line. It is something that I think its time has come and we should be concentrated on.

Second, the Social Security Administration’s core workloads have grown significantly in the last year and will increase steadily with the aging of the Baby Boom generation. The President’s budget proposes to dedicate \$561 million for the Social Security Administration to conduct continuing disability reviews. These reviews of an individual’s eligibility for disability benefit ultimately saves taxpayers \$10 for each \$1 invested. Some disability recipients are found no longer eligible for Supplemental Security Income or Social Security Disability Insurance benefits.

In 1996, the Republican Congress recognized the importance of funding these reviews and provided \$3.68 billion over the 1996–2002 period to allow the Social Security Administration to conduct

the CDRs. Now that this special funding has expired, review backloads are climbing again. Denying the Agency's special funding for these reviews undermines public confidence and disability programs and costs taxpayers money.

It is imperative that the budget resolution follows the lead of the administration and sets aside funds for these reviews. The President has done his part by requesting a budget that will allow the Agency to keep its commitment to seniors, individuals with disabilities, and to survivors. Even in this tight budget environment, Congress must fulfill its responsibility to the Social Security beneficiaries.

I thank you, Mr. Chairman.

Mr. SHAYS. Thank you, Mr. Shaw.

Mr. SCOTT. I have no questions other than I was intrigued by his use of the word "cut." I tried to get the chairman to use that word and he would not do it—cutting benefits. [Laughter.]

Thank you.

Mr. SHAW. Well, the younger workers are going to pay more into Social Security than my generation. It is basically unfair that we do not craft a system that will guarantee them at least as good, if not a better, retirement than we are looking forward to. Social Security is nearing a crisis. There were 40 workers per retirees when it was put on line back in the late 1930s and 1940s. There is now a little over three workers per retiree. Soon it is going to be two. Obviously we have to do something more than we are doing if we are going to keep this. In its present form it cannot continue as a pay-as-you-go system. Why should not we be taking this surplus right now that is coming into Social Security and putting it into individual accounts for American workers?

Mr. SCOTT. Well, I can tell you why, because we are using it for something else. But I was intrigued by your categorization of a reduction in the cost of living and an increase in the retirement age would constitute a cut.

Mr. SHAW. I agree with you. I can tell you that to those beneficiaries they will certainly think it is a cut.

Mr. SCOTT. I agree with you.

Mr. SHAW. Why should we go through this notch thing again? That is what we would be looking at.

Mr. SCOTT. Thank you, Mr. Chairman.

Mr. SHAYS. Thank you. I recognize myself to just say that I think by the time I retire I get benefits at age 67. I do not think it is a cut because I was given enough of time to anticipate it. I could be wrong, but my mom is a healthy tennis-playing woman who drives a car. She was born a long time ago. I just think many people live much longer. I cannot imagine why we try to encourage people to retire at age 65 and then live for another 30 years.

Mr. SHAW. We are raising the retirement age slowly. That is not a bad thing right at this particular point. But what the chairman was talking about was further modification of the program. If it was the only way to do it, I would say do it. But in that I have a model right now that is online and that has been filed by both the Clinton and the Bush administration as saving Social Security for all time without increasing taxes, and without cutting benefits, and creates a surplus, why would we not do it? Why do we not do

it? If you have to make modifications to save the program, so be it. But you do not. That is the bottom line. I have demonstrated that. This is what we need to go forward.

I would say to you, Mr. Scott, I am looking for some assistance on the Democrat side of the aisle. I would be glad to spend some time with you to go over this program because it is something that I think the Democrats should really support. I think they would like it. In fact, I think they may be easier to sell on it than some of my Republican friends.

Mr. SHAYS. I thank the gentleman. He is right. He has been advocating this a long time. I would think we would do what he suggests, plus some other things as well and really nail it down nicely.

Mr. SHAW. We will leave those other things for another day. Thank you, gentlemen.

Mr. SHAYS. OK. Thank you, Mr. Shaw.

At this time, Mr. Rogers, I think you are next. We will recognize you. Thank you for being here.

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

Mr. ROGERS. Thank you, Mr. Chairman, and members of the Budget Committee for allowing me to come before you today and share a few of my thoughts with you.

Mr. Chairman, I come before you once again with a message of fiscal restraint, personal responsibility, and sacrifice. The events of the past year have reminded us once again of our need to sacrifice at the Federal level. Right now in Afghanistan and Iraq, tens of thousands of soldiers, including National Guardsmen and Reserves, are fighting for our country and the cause of liberty. These brave Americans understand the meaning of sacrifice and have said good-bye to their families, their loved ones, and their communities to serve our country for extended periods of time.

As we speak, thousands of Alabamians all across my home State are looking for work. To these families, tight budgets and unpaid bills are facts of life, not political slogans, and serve as daily reminders of the challenges of unemployment. For many of these Alabamians, sacrifice means not being able to pay for groceries or get gas for their car. It means putting off home repairs. Sacrifice means having to make a choice between the things you want and the things you can afford. That is the choice we have in Congress, Mr. Chairman.

While the demands placed on the Federal Treasury were unique in this past year, we must now look to the future with clear and sober eyes. We must get the Federal budget squarely on track toward a balanced budget and resist the urge to spend beyond our means. That said, we are still a Nation at war. Fiscal discipline in Washington must be practiced but not on the backs of our fighting men and women defending liberty overseas. We must meet our responsibility to fully fund the Defense and Homeland Security Departments.

Mr. Chairman, I said last year the sacrifices should not stop in Washington. You and your colleagues on the Budget Committee will continue to face pressures to drastically increase spending. I respectfully urge you not to relent on your commitment to keep our

fiscal priorities in line. It will not be easy, but I firmly believe we are up to the task.

On behalf of the Alabamians sacrificing at home and abroad, I commend you, Mr. Chairman, as well as the other members of the Budget Committee, for your past efforts in remembering our fiscal responsibilities. Once again, I 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 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 you once again with a message of fiscal restraint, personal responsibility, and sacrifice.

The events of the past year have reminded us once again of our need to sacrifice at the Federal level. Right now in Afghanistan and Iraq, tens of thousands of soldiers, including National Guardsmen and Reserves, are fighting for our country and the cause of liberty. These brave Americans understand the meaning of sacrifice, and have said goodbye to their families, their loved ones, and their communities to serve our country for extended periods of time.

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That said, we are still a nation at war. Fiscal discipline in Washington must be practiced, but not on the backs of our fighting men and women defending liberty overseas. We must meet our responsibility to fully fund the Defense and Homeland Security Departments.

Mr. Chairman, as I said last year, the sacrifices should not stop in Washington. You and your colleagues on the Budget Committee will continue to face pressures to drastically increase spending, but I respectfully urge you to not relent on your commitment to keep our fiscal priorities in line. It will not be easy, but I firmly believe we are up to the task.

On behalf of the Alabamians sacrificing at home and abroad, 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 once again urge you to continue the practice of fiscal restraint in the coming year.

Thank you, Mr. Chairman.

Mr. SHAYS. I thank the gentleman. Are you talking about the National Guard?

Mr. ROGERS. Our guardsmen and reservists serving overseas are making sacrifices for their families.

Mr. SHAYS. And the challenge is in some cases is that their mortgage may be higher than their actual salary in the military?

Mr. ROGERS. Not just the mortgage. I am just talking about many of them take dramatic paycuts to go overseas away from their full-time jobs, just as was the case when my legislative director, who just spent 11 months in Iraq. He took a dramatic pay cut to serve his country.

Mr. SHAYS. But my sense is that because they are used to a higher level of income, they probably have brought their expenses up.

Mr. ROGERS. Exactly.

Mr. SHAYS. Such as a higher mortgage, and so on.

Mr. ROGERS. Correct.

Mr. SHAYS. The challenge I wonder, though, is how do we pay them more than we pay the active forces? That is what I wrestle with. I happen to agree with your comment. I am not looking to have a long debate on this, but I am wondering if you have given some thought to that?

Mr. ROGERS. No, sir.

Mr. SHAYS. But you raised the point that is well taken, especially when they are called more than once.

Mr. Scott?

Mr. SCOTT. I introduced a bill a couple of days ago that would increase salaries for Reservists, National Guards, and anyone deployed away from home more than 6 months \$1,000 a month.

Mr. ROGERS. I like that. You say you introduced that?

Mr. SCOTT. Right.

Mr. ROGERS. I will get a copy of it. Thank you very much for bringing that to my attention.

Mr. SHAYS. Mr. Rogers, thank you very much for being here. I appreciate your testimony. It is a very important issue.

Mr. Case, and then we will go to you, Mr. Issa.

STATEMENT OF HON. ED CASE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF HAWAII

Mr. CASE. Mr. Chair, colleagues, and members of the Budget Committee, good afternoon and aloha'.

First of all, I wish you a Happy Girls Day. In the Japanese tradition which we follow in Hawaii, this is Girls Day when we celebrate the special qualities of young women. So, to all of the girls in our lives, Happy Girls Day. By the way, the boys get their own day on May 5th in the Japanese culture, so we will have to wait a little longer.

Thank you for the opportunity to testify on the fiscal year 2005 Federal budget. I did give you written testimony which I ask be inserted into the record. In the interest of time, I would simply highlight and summarize my testimony.

We are engaged in a great debate over our Federal finances and budget and everything inbetween—taxes, economic performance, spending, efficiencies, priorities—as well we should be. In fact, that debate is long overdue. There are incredibly difficult decisions to be made. I hope we make them this year. I hope we make them in the coming years rather than putting them off.

But what I find too often missing in this debate is really the real-life human dimension. How this great debate actually translates to our States, our communities, our families, and the people we represent; what the decisions we make here actually mean to the everyday lives of those that we represent.

I would like to use my time to tell you, then, a little bit about the perspective from which I take this debate, and the context in which I view it, and the people in my district view it so that you will understand it and perhaps the Budget Committee will have the human dimension, at least, from one representative's perspective.

Let me tell you about my district, briefly. I represent Hawaii's Second Congressional District. That is all eight of the major islands of Hawaii, plus all of the Northwestern Hawaiian Islands. It stretches out over 1,500 miles of the Pacific. There are many islands. The only part of that archipelago that I do not represent is urban Honolulu.

In many ways this district is like other comparable suburban or rural districts. It relies on a smaller scale economy. It has challenges in terms of access to Federal and State services that are primarily provided and increasingly provided in centralized urban areas.

But my district is also virtually unique in some very special ways that make the challenges even more unique and special. First of all, just basic geographic isolation. Just think that once you travel from Washington, DC to the west coast, you are only halfway home. You have to go that much farther across the Pacific before you reach Hawaii, one of the most remote if not the most remote archipelagos in the world.

Second is the fact that it consist of islands. This creates special challenges from the perspective of transportation, of access to services. I will talk a little bit more about this later. But these are islands here separated by water. You cannot just hop a bus. You cannot just hop rail. You cannot just hop a ship. It does not work that way.

Third, basic ethnic diversity, the most ethnically diverse district in the entire country. The largest population of native Hawaiians nationwide, the largest population of Filipino-Americans nationwide, one of the two largest populations of Asian-Americans nationwide, and the third highest percentage of residents that are foreign born Statewide in the United States.

Fourth, just basic environmental diversity—a really unique ecosystem with the most unique and endangered flora and fauna anywhere in the world. We love to show off to fellow Members of Congress our scenic resources if they want to come to do some work with us in Hawaii.

This combination of factors creates some circumstances leading to unique challenges. I just want to give you a couple of examples to give you the flavor of what we deal with on the ground from a budget perspective.

Let me take the first example of the community of Kalaupapa. Kalaupapa is well known as one of the few Hansen's Disease settlements in our country. Father Damien's colony, for those of you familiar with it, is located on a peninsula on the island of Molokai, which is a very remote island. It is only 50 miles by air from Honolulu International Airport, but it is a world away. Kalaupapa, therefore, suffers from the fact that it is totally remote. Sometimes the rules do not apply to a place like Kalaupapa.

For example, the amendment last year that proposed to cut off essential air services to any community within 100 miles, I think it was, of a major international airport. Well, Kalua Paupa is half that distance, but you cannot get there from here, as they say.

Another example is Native Hawaiian education. What works for us education-wise in Hawaii is education in the Native Hawaiian language for Native Hawaiian people. Education that is culturally

relevant. It works for them. Yet that is something that is really foreign from the perspective of Washington.

So, as we look for programs from our Federal Government to assist us, we have to tailor them to the unique challenges of our district.

Some specific areas of need that arise from these challenges include education. We have all debated long and hard on No Child Left Behind and IDEA full funding. I want to be on record as fully endorsing that. Either we fund them to the level of commitment that the Federal Government undertook, or we do not have the mandate to start with. I think that is a virtually uniform judgment and political philosophy.

I want to respond briefly to the comment from some that the problem with education is that the money from the Feds is going to the States and the States are not spending it. In fact, I asked my State whether that was the case and was told that there is about \$800,000 from fiscal year 2003 that went to the State of Hawaii, but was not spent. That is a drop in the bucket, really. Yes, it is still a lot of money, and we have to understand why they did not spend it. But it is not a significant portion of the amount that is coming. I think the problem is, in fact, funding.

I dealt briefly with transportation and essential air services. For my communities in an island State, that is a lifeline, not an option. The communities of Hawaii that rely upon essential air services rely upon it for their virtual community life and not as just another way to get to the other areas.

Health care has its own unique challenges for those of us representing rural isolated communities. The emphasis on community health centers by the President in his budget is welcome.

I spoke about an environment and the environmental protection needs of my State. This is not just a matter of protecting these resources for Hawaii. It is a matter of protecting them for our country and our world. Again, not just as an obligation that we all bear to try to preserve the endangered species of our world, but also for future research in medicinal purposes. Just as we often talk about Brazil, the same is true of a place like Hawaii.

We are under threat in terms of our endangered places, and our endangered species. So the provisions of the budget that do not adequately fund Federal acquisition protection of natural resources, I believe, should be beefed up, and similarly in the area of invasive species where we have a tremendous problem in Hawaii with such things as the brown tree snake, the ʻŌʻō frog, and other unique and exotic, in the true scientific sense of the word, species coming into Hawaii.

I really have only just touched the surface. There are many other areas like small business, veterans, Native Hawaiian issues, and traffic that have unique needs. But what does all these mean really in the big picture of our budget?

First of all, we can talk all we want here in Washington, DC, but these are the needs. These are real needs. These are not just wants. These are not just wishes. They are needs. These are people, counties, and State needs. They should get help from our government, provided that our government can provide them. This is not abstract thinking.

I think the challenge we all have—and I try to take it from a nonpartisan perspective—is how do we afford what we need as opposed to what we want or what we just desire. Over time, how do we afford what is needed? Not just next year, not just 2 years down the road, but over time.

In my sense what we are all looking for is the recognition of the needs of our communities, not the wants, but the needs. How do we provide them, and how do we arrive at a balance between a fair, appropriate, and adequate level of taxation and revenues, and appropriate and justified spending.

I am not on the Budget Committee, and although I follow the debate closely, I think the number one challenge for our Congress is balancing this budget. Everything else starts there and ends there. We have to do it. I see the debate unfolding as a relatively junior member of this body. I see a bunch of exclusivity cropping up where some people say the solution is here and some people say the solution is there. But very few people are saying the solution is all of the above.

I think that is where we are going to end up. I think we all need to give a little bit. I think we need to curb revenue reduction. I think we need to curb spending increases. I think we need to curb Federal borrowing. I think we need to curb inefficiency and waste in Government. I think all of them have a place to play. Most of all, we need a long-term vision.

I appreciate the time of the committee today.

[The prepared statement of Mr. Case follows:]

PREPARED STATEMENT OF HON. ED CASE, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF HAWAII

Chairman Nussle, Ranking Member Spratt, and members of the committee:

Thank you very much for providing me with an opportunity to appear before you today.

As we evaluate the President's fiscal year 2005 Federal budget and make the difficult choices we must, I believe it is critical that we remember many of the important domestic programs that are vital to the quality of life and well-being of our nation's citizens. I also believe it is my obligation to provide this committee with an understanding of the needs of my district—Hawai'i's second—and the extent to which our needs and concerns are similar to those of the rest of the country and where our needs are unique given Hawai'i special circumstances. In other words, I want to put a human face on this budget debate from the perspective of those I represent.

I. SECOND CONGRESSIONAL DISTRICT OF HAWAII

I represent the Second Congressional District of Hawai'i, which encompasses the eight major islands of the State of Hawai'i, including the Big Island of Hawai'i, Maui, Kaho'olawe, Moloka'i, Lana'i, Kaua'i, Ni'ihau, and O'ahu (except for urban Honolulu), as well as the Northwestern Hawaiian Islands.

The State of Hawai'i generally and the Second District specifically are among the most ethnically diverse political jurisdictions in the nation. Minorities account for over half the population, including the highest percentage of Asian and Pacific Islanders. Native Hawaiians, the State's indigenous people, account for 20 percent of the population. Hawai'i also ranks third among the States for having the highest percentage of persons born outside the United States. Accordingly, the delivery of Federal services is most effective when it takes into account, and is designed with an understanding of, the language and cultural barriers that exist in Hawai'i and my Second District.

The 600,000 residents of the Second District, which is suburban and rural, are separated by water and almost entirely dependent on expensive commercial aviation to get from one island to another. Because its residents are unequally distributed among the islands, parts of the district are relatively sparsely populated. The Island

of Hawai'i, for example, covers an area of 4,000 square miles yet has only 160,000 people. The Island of Moloka'i covers 260 square miles and has just 7,800 people. There are communities in my district, particularly on the islands of Maui and Moloka'i, that are very isolated and depend on essential air services.

In addition, the Hawaiian Islands, which are even more geographically isolated than the Galapagos, are home to numerous native plant and animal species, many of which are increasingly threatened by invasive plants and animals.

For all the reasons noted, when I speak of the needs of my district, I also speak of the needs of the different ethnicities, the different islands, and the different environments that make up my district.

II. UNIQUE NEEDS

Many of the needs and concerns in my district are similar to those found in other congressional districts across the country. The dominant concerns, like elsewhere, are the economy and jobs (especially small businesses), education, health care, crime and drugs, traffic and infrastructure, and the environment. But Hawai'i, especially my rural district spread over many islands, also has some special needs that I want to bring to your attention.

Education: Education is and should be our primary challenge and our top priority. I strongly support the goals of the No Child Left Behind (NCLB) Act and the Individuals with Disabilities Education Act (IDEA). However, the government's failure to fully fund these programs has placed a heavy burden on the States, which are unable to fulfill what they consider an unfunded Federal mandate. I urge this committee to focus on the need to fully fund NCLB and IDEA in the consideration of the fiscal year 2005 budget.

I would like to note, however, that NCLB's structure does not necessarily work in my district. I believe there must be greater flexibility for rural areas, like Hana, an isolated community on the Island of Maui that qualifies for essential air services. Teacher retention is a major issue for Hana Elementary and High School. Under NCLB, a teacher who has a degree in only one content area is not considered to be "highly qualified" to teach anything other than that content area. This particular NCLB regulation should not be applied to isolated rural communities where a limited teacher pool often results in one teacher teaching a multitude of subjects.

Transportation: I am very concerned with the cuts in the President's fiscal year 2005 budget to the essential air service (EAS) program. Due to their remoteness and isolation, the Second District communities of Kalaupapa, Hana, and Kamuela currently qualify for EAS. Kalaupapa on Moloka'i is the perfect example of the unique needs of my district. Located on the north coast of the Island of Moloka'i on a peninsula at the foot of some of the most spectacular sea cliffs in the world, Kalaupapa is just 50 miles from Honolulu. However, there are no roads, bridges, tunnels, or ferries linking this remote and isolated community to other islands or to the rest of Moloka'i. Accordingly, residents and visitors to Kalaupapa must rely on EAS. While Kalaupapa clearly qualifies for EAS designation, a credible case could be made that all of Hawai'i's communities, both urban and rural, qualify for EAS given the State's near total reliance on the airplane for travel from island to island and the difficulties facing its interisland air carriers, one of whom remains in bankruptcy. I want to impress on the committee that EAS is indispensable to States such as Hawai'i and would urge the restoration of funds for this program.

Army Corps of Engineers Water Projects: With regard to water projects, the President's fiscal year 2005 budget focuses on completing work already started and on reducing the backlog of such civil works projects. However, the President's budget zeroes out funds for several ongoing projects in my district. I ask Congress to restore funding for the Army Corps' overall budget and for the following projects in my district. These include:

Ma'alaea Harbor Construction on the Island of Maui. The Army Corps of Engineers is modifying the harbor's breakwater to eliminate the harbor's adverse navigation conditions and increase its berthing capacity for commercial craft.

Kaumalapau Harbor on the Island of Lana'i. The Corps is improving the State's Kaumalapau Harbor to construct a 350-foot long breakwater and to deepen the harbor to make it less dangerous for barge traffic to enter and berth in the harbor when rough seas and surge conditions prevail. The harbor is the only berthing facility of the Island of Lana'i, which has a population of 4,600 and is entirely dependent on ocean traffic for the delivery of goods and supplies.

Kikiaola Small Boat Harbor Construction on the Island of Kaua'i. The Corps is modifying the Kikiaola Small Boat Harbor, which was built in 1959 on Kaua'i by the State of Hawai'i, to provide additional wave protection for boats and to prevent shoals from forming. The harbor has a shallow and narrow entrance, and it often

experiences overtopping at its east breakwater. These conditions severely limit maximum utilization of the facility.

Small Business: Microloan Program. Low-income communities in need of revitalization will be negatively affected by the administration's decision to terminate several programs designed to foster economic development, especially the Microloan program. It makes no sense to cut the one program that is designed to make loans to extremely small firms and entrepreneurs. Last year, the Microloan program provided \$26.5 million in loans and \$15 million in technical assistance.

Hawai'i has many extremely small and isolated communities that depend on microenterprises. For example, the 7,800 residents of the Island of Moloka'i do not have any shopping malls or even fast-food restaurants. New small businesses on the island do not need the larger loans typically provided by other Small Business Administration assistance programs. In fact, the typical Microloan borrower would not qualify for a 7(a) loan due to any number of reasons including lack of collateral and formal business training. These businesses only need a few thousand dollars and technical assistance to bring their entrepreneurial dreams to reality.

By eliminating the Microloan program and other similar economic development initiatives in the fiscal year 2005 budget, we are hurting those who only need a small helping hand to bring them to economic self-sufficiency.

Manufacturing Extension Program. Many communities have been hurt by the loss of manufacturing jobs, yet due to the administration's budget priorities an effective program for helping our small manufacturers, the Manufacturing Extension Partnership (MEP) program, is in danger of being rendered ineffective. The funds in the President's fiscal year 2005 budget are two-thirds less than what are required to maintain the existing MEP network of centers and services. As the country struggles to expand upon the positive economic indicators we have seen the past year, we must maintain the Federal support needed for the manufacturing sector, not cut it.

MEP is especially crucial in Hawai'i, where the small manufacturing sector does not have the traditional support network found on the mainland. Many local businesses depend on the MEP because they have very few alternatives.

This program has repeatedly proven itself in Hawai'i. For example, Kapala Ahu, a local company from Kane'ohe, came to the Hawai'i MEP for help in developing its strategic plan. Working closely with a local consultant, the Hawai'i MEP helped Kapala determine its strategic direction. By avoiding expansion costs and loss of revenue associated with products with low profit margins and instead focusing on the company's optimum potential, Kapala Ahu saved nearly \$100,000 in short-term costs and developed a strategy for the future. This is only one example of the MEP's many success stories.

Clearly, supporting the MEP allows the government to ensure the survival and health of our economy by making businesses more productive, profitable, and globally competitive.

Health: We in Hawai'i face many challenges, many of them unique to our State or specific communities, in providing quality healthcare to our citizens, including our veterans. My Second Congressional District shares the concerns other smaller, more isolated areas in our nation cope with in terms of basic healthcare access, delivery, and quality. However, our geographic isolation, not only from the contiguous U.S., but also from our neighbor islands to the Island of O'ahu, as well as our multicultural population and commitment to Native Hawaiians, creates challenges requiring specially tailored solutions.

Community Health Centers. We all know that community health centers improve the health of our nation by providing comprehensive primary and preventive health care services to underserved populations, regardless of ability to pay. I believe that our community health centers play an even larger role in our rural communities where options and access are severely limited. I support President Bush's fiscal year 2005 budget request of \$219 million to help our community health centers extend services to an additional 1.6 million individuals. New health centers in remote communities need our continued support, and I am hopeful that such funds will aid in the establishment of community health centers in West Hawai'i and North O'ahu or further the development of Moloka'i 'Ohana Health Care.

Telehealth. We are all familiar with many of the types of technologies used in telehealth, such as videoconferencing, the internet, and wireless communications. However, full use of these technologies to maximize resources and collaborative communication in healthcare has not been fully realized by many of our rural, underserved populations. To that end, I wholeheartedly support increased funding for the Telemedicine Grant Program and the Federal Office for the Advancement of Telehealth.

Substance Abuse. General drug abuse, of course, has plagued many of our communities for decades. We know that the roots of drug abuse lie largely where educational and economic opportunity are lacking and the social and community fabric are torn. Thus, in the big picture and long term, our best efforts to stamp out drug abuse lie in fixing our economy, improving our schools, and strengthening our families and communities.

I fully support providing additional assistance for a major rural health concern in Hawai'i: fighting the crystal methamphetamine epidemic. The true solution to end the scourge of crystal methamphetamine, also known as ice, lies in supporting the efforts of our law enforcement officers, preventing drug use through education, and providing local rehabilitation options to treat the disease of addiction. It is uniquely up to our Federal Government to lead on this issue as it is the only entity with the full resources and ability to coordinate this indispensable multi-pronged approach to stamping out drug abuse.

Most encouraging, whole communities are rising up across our State to say: yes, ice is our problem, and we must all be part of the solution. Kahalu'u on the Island of O'ahu was the first community to hold "ice breaker" meetings and start sign waving efforts. My own home island, the Big Island of Hawai'i, recently held its third islandwide "Hugs Not Drugs" sign waving campaign, which in the past has had the support of over one thousand citizens from 23 communities and neighborhoods.

Veterans' Healthcare: Mr. Edward S. Banas, commander in chief of the Veterans of Foreign Wars, recently called the VA's health care spending proposal "a disgrace and a sham." The Veterans of Foreign Wars and other veterans' groups realize that the fiscal year 2005 budget request threatens the fiscal solvency of the VA health care system.

Even though the VA Under Secretary for Health testified last year that it requires an average yearly increase of 12 percent to 14 percent to meet the cost of inflation and mandated salary increases for VA medical care, the administration only increased the VA health care budget by \$310 million, a meager 1.2 percent more than the fiscal year 2004 amount. In addition to this derisory increase, the administration's budget proposal relies far too heavily on budget gimmicks and higher out-of-pocket costs for veterans. For example, the President wants to establish a \$250 enrollment fee and impose a \$15 prescription drug copayment fee for some veterans along with preventing category 8 veterans from even enrolling for medical care.

The 120,000 veterans in Hawai'i already pay too much to receive their benefits, and the proposed policy changes will only make it more expensive for them to receive the health care benefits they earned by honorably serving our nation. The budget does nothing to account for the geographic isolation of veterans in Hawai'i and many rural areas through the United States. This geographic isolation is one of the largest cost drivers for the veterans I represent. Hawai'i is an island State with people spread across seven islands, yet the VA only has facilities on four islands. Moreover, only the Island of O'ahu has a full service medical facility. To obtain the benefits our veterans rightly deserve, many veterans have to take expensive flights from their home islands to the Island of O'ahu and sometimes they must fly to the West Coast to receive critical medical care. Why should we ask our veterans to pay even more when they already pay too much to even reach a VA facility?

It is time to refocus our budget priorities so that our veterans do not suffer. We need to place them outside the partisan budget fights.

Environment: Hawai'i's environmental concerns are another area where our challenges are somewhat different than those faced on the mainland United States. Although anyone visiting Hawai'i will be impressed by our beautiful beaches, green mountains, and clean air, we face significant challenges in protecting our unique environment.

As one of the most remote areas geographically in the world—more than 2,000 miles from a major land mass—Hawai'i developed a unique ecosystem of native plants and animals that are particularly vulnerable to extinction. In fact, more species have become extinct in Hawai'i over the past 200 years than in the whole of North America from the time of Columbus. Some 100 native Hawaiian plant species have fewer than 20 known individuals remaining.

The major threats to Hawai'i's environment are invasive species and rapid development, which often threatens irreplaceable ecosystems and coastal lands.

Invasive Species. I ask the committee's support for efforts by the USDA Wildlife Services, U.S. Fish and Wildlife Services, the Department of Defense, and the Office of Insular Affairs to address invasive species problems in Hawai'i.

Of particular concern is preventing introduction of the brown tree snake to Hawai'i. This pest has virtually eliminated the native bird and lizard populations on Guam. Over the years, several snakes have stowed away on army transports and civilian flights from Guam and arrived live in Hawai'i. Efforts to control the snake

population on Guam and to prevent introduction in Hawai'i are a top priority. Introduction of the snake into Hawai'i would be a monumental ecological disaster. I therefore appreciate the slight increase in fiscal year 2005 funding for brown tree snake funding out of the Office of Insular Affairs at the Interior Department.

Another concern is a recently introduced invasive species, the coqui frog. This frog, which is native to Puerto Rico, has spread rapidly in Hawai'i, where it has no natural enemies. The frog is about the size of a quarter but has a call that ranges from 70 to 90 decibels (comparable to a lawnmower) and is repeated by male frogs all night long. Concentrations are 5 times higher in Hawai'i than in Puerto Rico. Aside from being a major noise nuisance, coqui frogs have a voracious appetite that puts Hawai'i's unique insects and spiders at risk. They can also compete with endemic birds and other native fauna that rely on insects for food. The economic impacts include constraints on the ability of Hawai'i's important nursery industry to export its product, as well as potential damage to our vital tourist industry and land values throughout the State.

Other major risks to Hawai'i include the West Nile Virus, which would endanger our native birds; the Red Imported Fire Ant, the Africanized Honey Bee (Hawai'i has one of the purest and most disease and parasite-free populations of honey bees in the world), and so on. Other invasives, like the Mediterranean fruit fly, have damaged not only our ecosystem but prevent Hawai'i from exporting much of its tropical fruits and vegetables to the U.S. mainland and internationally.

Protecting Unique Places. Land conservation is another vital tool for protecting our endangered species and unique environments. I encourage the committee to provide the highest possible level of funding for the Land and Water Conservation Fund, and specifically to support the president's fiscal year 2005 funding request for land acquisition by the National Park Service.

At the end of the 107th Congress, H.R. 1906 (P.L. 107-340) authorizing expansion of Pu'uuhonua o Honaunau National Historical Park was signed into law. This was the last bill to become public law that was introduced by my predecessor, Congresswoman Patsy T. Mink. The acquisition of 238 acres to expand this park is a high priority for the National Park Service and for the people of the Big Island of Hawai'i. I would be grateful for any assistance you could provide in this regard.

III. THE BIG PICTURE

So where do all of my requests fit in the big picture as your committee works to prepare a budget resolution? Clearly my district has needs in common with the rest of the nation and unique needs given our location, geography, population characteristics, and history. These needs are real, and can and should be serviced by the Federal Government.

If the Federal Government is to fund its core programs and to help our districts address critical needs, it will have to find a balance between an appropriate and justifiable level of taxation and an appropriate and justifiable level of spending. It is critical, however, that we not fail to make prudent investments today in our children's education, in preventive health care, in transportation infrastructure, in small businesses, and in protecting our environment that will not only save money in the future but will ensure the quality of life and natural heritage of future generations of Americans, for both Hawai'i's Second District and our entire country.

Mahalo!

Mr. SHAYS. I appreciate the gentleman's time. I had the opportunity to train in the Peace Corps in Molokai. I consider Hawaii one of the most beautiful places I have ever seen in the world. It is in a magnificent place. But it is as diverse as you can imagine. I think it is important that you come and share this with us. I thank you for doing that.

Mr. CASE. Thank you, Mr. Chair.

Mr. SHAYS. Thank you very much.

Congressman Issa, you are a force to be reckoned with. It is great to have you here.

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

Mr. ISSA. Thank you, Mr. Chairman, and Ranking Member Scott. I would ask that my formal statement be put in the record. I will

be brief. I am in complete support of the talk that we are talking here in Washington that we are going to have a strong budget, that we are going to force reconciliation, and we are going to live within our means.

September 11th is now a bitter memory. It is time that we fiscally move on from many of the challenges that we faced and answered with dollars in the days following that terrible attack. Obviously we have a continued commitment to homeland security and the war on terrorism. To that extent, I would like to take just a moment to thank the President's budget people for their proposal.

I support the proposal that we create homeland security fairness. The formula will now ask Congress to reallocate monies based on need and not based on simply every State getting the same amount. That resulted in California getting about \$5 per capita, while States like North Dakota and Wyoming getting \$29 to \$35 per capita. I do not believe that my fellow members from those States would feel that that was just. Hopefully, this rearrangement will bring some much needed funds to our ports in California, but again, being fund neutral.

I do have a couple of areas of specific concern. I do not want to be a budget buster, but one of them specifically is SCAAP funding, and impact aids. These are not areas that I believe that are really discretionary. The Federal Government has a responsibility to deal with immigration, deal with our borders, and deal with the effects of those failures. SCAAP funding is what reimburses law enforcement when we incarcerate criminal aliens we catch. We are only talking about the worst of the worst.

We are not talking about the medical costs for indigents who come from other countries illegally and become wards. We are talking strictly about criminal aliens that, to be candid, would cost the Federal Government much more money if we simply demanded them to be transferred to Federal prison to serve out their terms. In many ways, it is saving the Federal Government money. I assure you that the people of California would be happy if they could empty those prisons in some legitimate way, but for public safety, they need to be kept.

The \$300 million that was in the previous year that has now been zeroed out, is a significant cut because California incarcerated a huge amount of these illegal aliens. I ask that that be put back in at last year's level, recognizing that we have not done immigration reform and until we do, we certainly cannot ask the States to bear the cost of something which we are not even dealing with.

Secondly, when it comes to impact aid, impact aid is not a discretionary expense. As the chairman knows, we do not pay property tax on Camp Pendleton with 43,000 Marines, and basically 30,000 of them are on rotation right now to Iraq. We have onbase housing. Children living in that onbase housing go to public schools. Impact aid simply helps defray the cost of educating these children in public schools when, in fact, we are not paying the property tax that normally pays for that. Actually some of the public schools are on base, but if we started paying directly for those schools, hiring Federal workers to be teachers, and so on, it would cost us more.

Again, this is a reimbursement for an expense that the children of fighting men and women very often deployed overseas are being

educated in these schools. We are simply reimbursing a portion of the cost. I must tell you that the calculations are that we reimburse less than a quarter of what the property tax would be on the built-up home areas.

Even though my Governor has made it very clear that at 77 cents on the dollar, California is about \$30 billion under return the monies that we send to Washington, I am not here today on that issue. That is an issue of redoing formulas that are well above one hearing or one meeting in order to get a little bit of fairness in those formulas.

I am here to say that when it comes to obligations the Federal Government makes, if they are not being reimbursed for at least part of it, that is not meeting a commitment that is undeniable. I would hope that those two areas would receive the highest priorities.

I thank the chairman and the ranking member for your indulgence.

[The prepared statement of Mr. Issa follows:]

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

Thank you for allowing me to testify today. I appreciate all the hard work the committee has done to arrange this hearing, allowing Members a chance to voice their thoughts on the fiscal year 2005 budget resolution.

Mr. Chairman, once again this year, we are faced with the prospect of a record budget deficit. With pressing needs for homeland security and defense, it is more important now than ever that we hold the line on spending.

I, along with a number of other members, have pledged to the President that I will do my part by voting to maintain a Presidential veto of wasteful spending.

The President's budget request holds the line on spending in some areas, increasing spending (excluding defense and homeland security) by only 0.5 percent. Mr. Chairman, it is critical that we maintain this fiscal discipline for the fiscal year 2005 budget resolution. Changes in funding need to be made with offsets, not overall increases.

One part of the President's budget proposal that marks a significant improvement in spending practices is the change in the system for homeland security funding that will allocate money to areas under the greatest threat.

Under the current formula, 40 percent of all homeland security funding is divided up evenly by State. This results in a horrendous distortion, where California receives less than \$5 per capita in homeland security funding, while lower-risk States like North Dakota, Vermont and Wyoming receive between \$29-\$35 per person.

Joining California in the list of under-funded States are Texas, New York, and Florida—all States with serious homeland security risks.

If we are serious about creating a real homeland security network in this country, we must provide resources to the communities that face the greatest risks. The current formula for homeland security funding ignores the fact that certain parts of the country are under greater threat than others. I urge the committee to include the President's change to homeland security funding in the budget resolution so that the States that need this funding most, receive it.

Having said this, I remain concerned about certain aspects of the President's budget request, which need to be addressed in the budget resolution.

Over the past decade, California, the largest contributor of revenues to the Federal budget, has suffered a steady decline in its share of the Federal budget. Last year, California reached a new low in Federal funding, receiving only 77 cents for every dollar it sent to the Federal Government in taxes and fees. There are only five other States, all of which are far wealthier than California, that do worse.

Despite its above-average per capita income, California has high levels of poverty and a Federal tax burden that continues to grow. It also has special needs that are often overlooked by the Federal budget process.

One of the programs that received no funding in the President's Budget Request was the State Criminal Alien Assistance Program (SCAAP), which provides funding for States that have to use their own resources to carry out border enforcement. Every time an illegal alien is detained by California State authorities, the State of

California is left with the bill for the detainee's food, transportation, lodging, etc. This program is essential for border States, particularly as homeland security threats increase the budget pressures on State and local law enforcement agencies.

If Congress fails to fund SCAAP, it will be turning its back on efforts to enforce our immigration laws. At a time when the President has called on Congress to consider changes to our immigration laws and we examine how to best address the millions of illegal aliens already residing here, depriving State and local authorities of the funds needed to detain criminal aliens would be significant step in the wrong direction. I urge your committee to return SCAAP funding to a minimum of last year's level of \$300 million, plus inflation.

Furthermore, I want to express my concern for the funding level in the President's Budget Request for Impact Aid. Last year, Impact Aid was funded at just over \$1.1 billion—\$100 million less than fiscal year 2003. This level of funding is simply not enough for the schools that serve our military children and Native American reservations. In the face of a serious budget crunch for education in California, Impact Aid schools are in dire need of Federal assistance.

Mr. Chairman, my district includes Camp Pendleton, the home of the First Marine Expeditionary Force, which is in the process of deploying to Iraq. The schools that serve the children of Camp Pendleton and the surrounding military communities provide vital educational and counseling services to help ease the problems associated with combat deployments. Military communities need our support. We should be bolstering our military families and strengthening educational resources for our military children, not shortchanging communities that have already been asked to carry the greatest burden of the war on terror.

I urge you to increase funding for Impact Aid to \$1.25 billion. Again, I would like to thank the committee for its work in preparing the fiscal year 2005 budget resolution and making the decisions to control spending that have to be made.

Mr. SHAYS. I just have a comment to the member that I do agree with him that these are obligations that really should not involve discretion. If you are successful in increasing the return from, what is it, 77 cents?

Mr. ISSA. Seventy-seven cents. Texas, for example, the home of the President, is 92 cents.

Mr. SHAYS. Connecticut is 67 cents. I would like you to put us in your package.

Mr. ISSA. I was very aware of that, Mr. Chairman. I chose not to include it in my statement. I will say that Connecticut also has poor in addition to the super rich. That is part of the reason that neither your State nor my State will ever get to the same level as States which seem to have no rich, and maybe less poor.

The whole system of reimbursement favors not having rich people in your State. Connecticut's success and successful people probably will make that impossible. California, we would say, has an unusual situation in that we are the home of more undocumented and uncounted immigrants than any other State. That tends to create a poverty that is unaccounted for.

Mr. SHAYS. Thank you. I thank Mr. Scott for not getting encouraged to join this conversation. [Laughter.]

Mr. Scott, what do you get back?

Mr. SHAYS. Wait a second. Do not go there. He would keep you here an hour. [Laughter.]

Mr. Miller, you have the floor. Thank you for being here. Thanks for your patience.

STATEMENT OF HON. JEFF MILLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. MILLER. I thank the chairman and members of the committee. I would also ask that the full text of my remarks be entered into the record.

I appreciate the opportunity to present my views on the fiscal 2005 budget resolution. I do, too, applaud this committee's continued efforts of fiscal responsibility, and do look forward to a budget which this entire body can be proud of.

As many may know, since I came to this Congress a little over 2 years ago, I have been working on a specific issue of particular interest to the surviving spouses of our military retirees, and that is restoration of the Minimum Survivor Benefit Plan basic annuity to 55 percent for survivors age 62 and older.

Under present law, surviving spouses are subject to a reduction of 35 percent, as part of the initial SBP law enacted in 1972. But this critical piece of information did not find its way into military retirement briefings and SBP election forms until many years later. Large numbers of our retirees and survivors feel betrayed by what they perceive as a bait-and-switch under which they were asked to sign an irrevocable contract to pay lifetime SBP premiums without being told what annuity level they were actually buying into.

This is just one of the many flaws in the SBP plan, but one that affects approximately a quarter of a million survivors of America's finest service members. Think of Dottie Welch, whose husband was Lieutenant Colonel Roger Welch, United States Army, Retired. He signed up for SBP years ago. He signed the irrevocable agreement, paid for premiums the rest of his life, and upon his death, Dottie's SBP benefit is actually one-third less than what they were led to believe.

SBP election forms from the 1970s and 1980s illustrate why the Welch and so many others were misled. I have provided for the committee copies of this form for you to look at today.

Why should the spouses of career military members, many of whom sacrificed their own retirement security in order to fully support their transient military families, be unknowingly penalized in the autumn of their lives? In the First Session of the 108th Congress, I introduced H.R. 548, which will restore the SBP annuity to the understood 55 percent. Just 1 month ago I introduced H.R. 3763, which accomplishes the very same objective, but with a more appropriate balance between equity and cost consideration. Both bills have received strong bipartisan support with 291 members sponsoring at least one or both of these legislative measures. I am pleased that 31 members of this committee have cosponsored either H.R. 548 or H.R. 3763.

My own thanks to your committee member, Mario Diaz-Balart, who became our newest cosponsor just today. Senate companion bills, S. 451, and S. 1916, have also received strong bipartisan support.

As many of you know, the 106th Congress took steps toward addressing this inequity via the fiscal year 2001 Defense Authorization Act, which included a provision in asserting the sense of this Congress that there should be enacted legislation to reduce, and eventually to eliminate the different levels of SBP for surviving spouses who are under 62, and those who are 62 years of age or older.

But we have failed as a Congress to follow through on that commitment. It is time to fix this problem and the budget for that fix. I commend this committee's deliberation on restoring the SBP an-

nuity last year, and regret that we were not more successful. Following the close vote on last year's committee amendment, I went back to the drawing board with the service associations and tried to address the concerns that this committee brought forward.

Together, we crafted H.R. 3763 and we have cut the cost by an estimated two-thirds with an amended phase-in plan for restoring the annuity. It is an inexpensive option to address this long-standing problem, and probably the most inexpensive as we are ever likely to see. It is my hope that this committee will acknowledge and respond to this significant level of bipartisan cooperation and seize this opportunity to address this issue at such a low cost.

A few key points that are worth making that I hope you will use as you deliberate the budget authority on this issue is that some 35 associations known as the Military Coalition, have made this their top initiative or legislative priority for this year, and that the view of SBP reform would mean a double windfall for the recipients of last year's concurrent receipt reform, is just plain false. The fact is that SBP affects survivors, actually three times as many people as concurrent receipt. There are 1.2 million retirees and 250,000 survivors at a fraction of the cost.

Due to the inclusion of an 1-year open enrollment period, as provided by the new bill, the effective date is October 1, 2005, eliminating many first-year costs. On the matter of costs in subsequent years, in the 5-year scoring window, I am committed to working with this committee to identify the appropriate offset. While we await a formal CBO scoring, the cost should be less than \$800 million over a 5-year period with the potential for offsetting cost savings of \$500 million due to the bill's option to let current unenrolled retirees opt into the program. This will reduce retired payout lays due to SBP premium deductions.

Mr. Chairman, I urge your committee to include the appropriate language in the fiscal year 2005 budget so that the surviving spouses of the brave men and women who served our Nation can finally receive the annuity that they expected and for which their spouses believed they were paying. I would urge the entire committee to address this issue in your deliberations over the fiscal year 2005 resolution. I am committed to working again with this committee to help you find the appropriate offset.

Our Nation is calling upon the members of the Armed Forces today to defend democracy and freedom. We have no doubt that these brave men and women will rise to the challenge. However, for those of them who have selected to make their career in our military, they face the unknown risk. It is time for us to show our appreciation to the men and women who made the ultimate sacrifice.

The supporters and I stand ready to work with you on this matter. I appreciate the time.

[The prepared statement of Mr. Miller follows:]

PREPARED STATEMENT OF HON. JEFF MILLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. Chairman and members of the committee: Thank you for giving me an opportunity to present my views on the fiscal year 2005 budget resolution. I applaud this committee's continued efforts at fiscal responsibility and look forward to a budget of which this body can be proud.

As many of you know, since coming to Congress a little over 2 years ago, I have been working on an issue of particular interest to the surviving spouses our nation's military retirees—restoration of the minimum Survivor Benefit Plan basic annuity to fifty-five percent (55 percent) for survivors age sixty-two (62) and older.

Under present law, surviving spouses are subject to a reduction to thirty-five percent (35 percent) as part of the initial SBP law enacted in 1972. But this critical piece of information didn't find its way into military retirement briefings and SBP election forms until many years later. Large numbers of retirees and survivors feel betrayed by what they perceive as a bait and switch, under which they were asked to sign an irrevocable contract to pay lifetime SBP premiums without being told what annuity level they were actually buying.

How can we possibly expect to maintain a viable national defense—the fundamental role of the Federal Government, and by extension, this Congress—if Servicemembers and their spouses feel misled and betrayed?

This is just one of the many flaws in the Survivor Benefit Plan, but one that affects approximately a quarter of a million survivors of America's finest Servicemembers. Think of Dottie Welch, whose husband, Lt. Col. Roger Welch, United States Army-retired, signed up for SBP years ago, signed the irrevocable agreement, paid premiums for the rest of his life, and upon his death, Dottie's SBP benefit is actually one-third less than they were led to believe. SBP election forms from the 1970s and 80s illustrate why the Welch's and so many others were misled, copies of which I have brought with me today.

[The information referred to follows:]

This SBP Election Form 5002, signed in 1982, didn't tell the enrollee about any benefit reduction below 55 percent of retired pay — even in the fine print.

coverage is 10 percent of full retired pay, plus an additional 5 percent of full retired pay that of the natural interest person. The total cost may not exceed 40 percent of full retired pay. **Reduction in annuity of 5 percent of full retired pay.** **Reduction in annuity of 5 percent of full retired pay.**

The cost is subject to change based on CLI's in retired pay. Annuities paid to survivors are based on CLI's in retired pay. Annuities paid to survivors are based on CLI's in retired pay.

Why should the spouses of career members of the U.S. Armed Forces, many of whom sacrificed their own retirement security in order to fully support their transient military families, be unknowingly penalized in the autumn of their lives? The impact of this inequity is devastating to many survivors, because SBP isn't exactly a king's ransom at 55 percent of retired pay. At 35 percent, SBP provides only a poverty-level—or lower—annuity for most survivors, even those of relatively senior officers.

In the first session of the 108th Congress, I introduced H.R. 548, which will restore the SBP annuity to the understood fifty-five percent (55 percent). Just 1 month ago, I introduced H.R. 3763, which accomplishes the very same objective, but with a more appropriate balance between equity and cost considerations. Both bills have received strong bipartisan support with 291 Members sponsoring one or both. I am pleased that 31 members of the Budget Committee have cosponsored either H.R. 548 or H.R. 3763. My thanks to your own Mario Diaz-Balart, who became our newest cosponsor today. Senate companion bills, S. 451 and S. 1916, have also received strong support with 45 cosponsors of one or both measures.

As you may know, the 106th Congress took the first steps toward addressing this inequity via the fiscal year 2001 Defense Authorization Act, which included a provision asserting the "sense of Congress that there should be enacted legislation * * * to reduce (and eventually eliminate) the different levels of [SBP] annuities * * * for

surviving spouses who are under age 62 and those who are 62 and older.” But we have failed to follow through on that commitment. It is time to fix this problem—and to budget for that fix.

I commend this committee’s deliberations on restoring the SBP annuity last year, and regret that we were not more successful. Following the close vote on last year’s committee amendment, I went back to the drawing board with the service associations to try and address this committee’s cost concerns. Together, we crafted H.R. 3763, and we have cut the cost by an estimate two-thirds with an amended phase-in plan for restoring the annuity. This is as inexpensive an option to address this long-standing problem as we are ever likely to see, and it is my hope that your committee will acknowledge and respond to this significant level of bipartisan cooperation and seize this opportunity to address this issue at such a low cost.

A few key points that are worth making that I hope you will use as you deliberate budget authority on this issue:

- Numerous military organizations, including the thirty-five (35) associations of The Military Coalition, have made this initiative a top legislative priority for the year.
- The view that SBP reform would mean a “double windfall” for recipients of last year’s concurrent receipt reform is just plain false. In fact, SBP affects survivors, and three times as many people as concurrent receipt—1.2 million retirees and 250,000 survivors—at a fraction of the cost of concurrent receipt.
- Due to the inclusion of a 1-year open enrollment period as provided by H.R. 3763, the effective date is October 1, 2005, eliminating any first-year costs. On the matter of cost in subsequent years in the 5-year scoring window, I am committed to working with this committee to identify the appropriate offset.
- While we await a formal CBO scoring, the cost should be less than \$800 million over 5 years, with the potential for offsetting cost savings of \$500 million due to the bill’s option to let current unenrolled retirees opt into the program. This will reduce retired pay outlays due to SBP premium deductions.

Mr. Chairman, I urge your committee to include the appropriate language in the fiscal year 2005 budget resolution so that the surviving spouses of the brave men and women who served our nation can finally receive the annuity they expected and for which their spouses believed they were paying. I urge the entire committee to address this issue in your deliberations over the fiscal year 2005 budget resolution, and am committed to working together with you to identify the appropriate offset.

Once again, our nation is calling upon the members of the U.S. Armed Forces to defend democracy and freedom. We have no doubt that these brave men and women will rise to the challenge. However, for those of them who have selected to make their career in the U.S. military, they face an unknown risk. It is time for us to show our appreciation to the men and women who have made the ultimate sacrifice for our great nation. So noble a cause, with so small a price tag, SBP reform should have all of our full support. We must not allow this to slip through the cracks yet again.

I, and the supporters of H.R. 548 and H.R. 3763, stand ready to work with you on this important matter.

Thank you.

H.R. 3763: MILITARY SURVIVOR BENEFITS IMPROVEMENT ACT OF 2004

FAQ

Q: Why is The Military Survivor Benefits Improvement Act of 2004 necessary?

A: We must keep faith with older retirees and survivors. We must restore the intended 40 percent Federal subsidy. And we must put SBP on an equal footing with its Federal civilian equivalent. Congress already has acknowledged the need for this legislation. The fiscal year 2001 Defense Authorization Act included a provision asserting the “sense of Congress that there should be enacted legislation * * * to reduce (and eventually eliminate) the different levels of [SBP] annuities * * * for surviving spouses who are under age 62 and those who are 62 and older.” But we have failed to follow through on that commitment. It is time to fix this problem. Military widows and widowers have waited long enough in their fight for fairness. Now is the time for Congress to step up and enact relief for the aging survivors of our “Greatest Generation” World War II and Korean War retirees and for the following generations of retirees and survivors who deserve no less than the SBP deal they were promised—and the one the government already provides for other Federal survivors.

Q: What is the “BENEFIT REDUCTION SHOCK”?

A: Actual SBP Election Forms signed by service members of the 1970s and 1980s specify that SBP will pay the survivor 55 percent of the member’s retired pay. No-

where, even in the fine print, did the forms mention any lower figure (see 1982 SBP Election Form 5002). The age-62 annuity reduction to 35 percent was part of the initial SBP law enacted in 1972. But this critical piece of information didn't find its way into most military-retirement briefings and SBP election forms until many years later, after complaints started to roll in. Large numbers of retirees and survivors feel betrayed by what they perceive as a bait and switch, under which they were asked to sign an irrevocable contract to pay lifetime SBP premiums without being told what annuity level they were actually buying.

Q: What is the "BROKEN PROMISE"?

A: When SBP was enacted in 1972, Congress set the premium formula in law with the intent that retirees' monthly premium payments would cover 60 percent of the long-term cost of the survivor benefits, with the government paying the remaining 40 percent. Because retiree premiums were locked in law and covered a greater portion of program costs than had been projected, the government reaped an economic windfall and found its share of the cost for the SBP program was much lower than expected. As of 2003, the government's share has dropped to 17 percent—leaving retirees once more paying a higher-than-intended share of the benefit. Congress should restore the government's intended 40 percent cost share by raising the benefit for survivors, and the Military Survivor Benefits Improvement Act of 2004 will do just that.

Q: What is the "MILITARY-CIVILIAN INEQUITY"?

A: In contrast to the military SBP subsidy of 17 percent, the SBP for Federal civilian employees under the post-1984 Federal Employees Retirement System (FERS) provides a 33 percent subsidy. For those under the pre-1984 Civil Service Retirement System (CSRS), the subsidy (at 48 percent) is nearly three times as high as the military's.

Even more important, FERS survivors receive 50 percent of retired pay and CSRS survivors receive 55 percent for life, with no benefit reduction at age 62. Although Federal civilian premiums are higher, military retirees pay SBP premiums for far longer than most civilians because they are required to retire at a younger age. Because their mortality rates aren't much different, this means Federal civilian retirees have a far more advantageous benefit-to-premium ratio. Military retirees typically pay SBP premiums about twice as long as Federal civilians because they retire at younger ages. But their spouses' longevity is about the same, so military SBP enrollees see a lower return, and a much lower government subsidy.

Q: How does The Military Survivor Benefits Improvement Act of 2004 restore equity?

A: This measure will balance equity and cost considerations by phasing out the SBP age-62 benefit reduction over 10 years. Upon enactment, the age-62 benefit increase phase-in will begin October 1, 2005, and continuing through 2014, until the benefit is restored to 55 percent. In order to offset part of the cost of the benefit increase, the bill authorizes an open season provision in the legislation that would allow more retirees to participate, generating SBP program savings and significantly reducing outlays.

Q: Why this bill versus HR 548?

A: Obviously, we want to eliminate the SBP benefit cut as soon as possible. But despite 290 bipartisan House cosponsors, the hard reality is that we did not make progress last year, due in large part to the cost of a 5-year phase-in. We need to increase our chances of making progress and reduce the risk of coming away with nothing again. The Military Survivor Benefits Improvement Act of 2004 strikes a reasonable balance between cost considerations and the need to eliminate this inequity for the 250,000 military survivors nationwide in the SBP program.

Q: Who supports the Military Survivor Benefits Improvement Act of 2004?

A: SBP reform is the number one legislative priority of the Military Officers Association of America (MOAA) in the 108th Congress. In addition, the measure is strongly supported (see 01/23/04 support letter) by The Military Coalition, a consortium of 33 nationally prominent military and veterans organizations representing more than 5.5 million members of the uniformed services—active, reserved, retired, survivors, veterans, and their families.

Q: How much more cost-effective is the Military Survivor Benefits Improvement Act of 2004?

A: Preliminary estimates suggest a 70 percent savings. This bill is estimated at \$2.6 billion over 10 years, versus a preliminary estimate of \$8.5 billion for HR 548.

Q: Is there companion legislation in the Senate?

A: S. 1916, introduced by Senator Mary Landrieu of Louisiana, also proposes a 10-year phase-in to increase the minimum Survivor Benefit Plan basic annuity for surviving spouses age 62 and older, and likewise includes a 1-year open season

under that plan, and for other purposes. All are encouraged to contact their respective Senators to urge cosponsorship of the measure.

Q: How many survivors stand to benefit from H.R. 3763?

A: 250,000 survivors currently draw SBP, and 88 percent of these are over age 62. These survivors are all over the country; Florida, for example, has 25,300 survivors drawing SBP.

Mr. SHAYS. Thank you, Mr. Miller.

Mr. Scott, would you like some dialogue here?

Mr. SCOTT. Thank you. Your total cost at most is \$800 million and could get as low as net \$300 million; is that what I understand?

Mr. MILLER. That is correct. With the open enrollment for those that are not enrolled of \$500 million, the cost could be as low \$300 million over 5 years.

Mr. SCOTT. Let me get this straight. Do you cover anybody that did not sign the form that had the wrong information?

Mr. MILLER. No, not currently. Those that signed the form that you have in front of you, it would cover them. But there is now a new form that is being given out. That form includes the disclosures that were not provided the first time.

Mr. SCOTT. So basically what we would be doing would be fulfilling the promise that people signed up for?

Mr. MILLER. That is correct.

Mr. SHAYS. I thank the gentleman for bringing this to our attention. It is pretty surprising.

Mr. MILLER. Thank you, Mr. Chairman.

Ms. Bordallo, thank you for being here. It is a pleasure to have you testify. Thank you for your patience.

**STATEMENT OF HON. MADELEINE Z. BORDALLO, A DELEGATE
IN CONGRESS FROM THE TERRITORY OF GUAM**

Ms. BORDALLO. Thank you very much, Chairman Shays, and Ranking Member Scott. Thank you for allowing me to testify before the House Budget Committee regarding the administration's fiscal year 2005 budget proposal.

While the administration's proposed budget adequately funds the Department of Defense in its mission to protect our Nation from exterior targets, I respectfully request that the Budget Committee consider augmenting the administration's DOD budget to include more funding for weapons of mass destruction civil support teams in every State and territory.

Furthermore, I am looking to your leadership to help me address three other nondefense issues that will be important to Guam in this year's budget resolution, including Federal responsibility for the earned income tax credit on Guam and the Virgin Islands, funding for the Department of Housing and Urban Development's Section 108 Loan Guarantee Program and disparity, gentlemen, in the application of Federal health programs on Guam.

First, I would like to address defense issues. Much like this year and last, our National Guard will continue their service in defending our freedom at home and across the world in fiscal year 2005 and beyond. In fighting the war on terrorism, these volunteers have demonstrated the value of our investment in their training, their facilities, and their equipment. They are trained professionals that our small island community relies upon for health services.

They are going to be deployed. The 1224th Engineering Detachment and the 294th Military Intelligence Detachment are composed of service men and women who are also policemen, firemen, and emergency services personnel on Guam.

If this trend is occurring on Guam, it is happening, I am sure, across the Nation and we must account for it in the budget resolution. Given this demand on our emergency specialists, we must do all that we can to bolster emergency response capabilities in the field.

Specifically, I would like to see the budget fully fund the requirement under Public Law 107-314, that each State and territory have a weapons of mass destruction civil support team. This budget includes funding for only four additional teams. These units enter the site of a terrorist attack to detect the use of chemical, biological, or nuclear weapons. Without them, our first responders may themselves become victims.

In 2002, Congress authorized each State and territory to have a team, but this budget does not reflect our intent. At this rate, it will be at least another 3 years before it is close to completion. So I ask you: Does your State have a team? Even if the answer to that question is yes, what will you do when that unit is called away to a place that does not have one, like Guam?

To make sure that the answer is yes, I respectfully urge the Budget Committee to consider increasing the President's request for the Department of Defense by \$54.4 million. This will buy eight more teams to ensure each State and territory has a team. That way our National Guard can head to Iraq, knowing someone is guarding the home front.

In its fiscal year 2005 budget, the administration proposes to make permanent both the Economic Growth and the Tax Relief Reconciliation Act of 2001, and the jobs and Growth Tax Relief Reconciliation Act of 2003. As the Guam tax code mirrors that of the Internal Revenue Code, it is important to me that the budget resolution takes into account the impact of any legislation affecting the Internal Revenue Code on the territories under the Mirror Code arrangement.

The cost of implementing the earned income tax credit on Guam is estimated today at about \$25 million per year. This tax credit constitutes approximately 6 percent of the projected Government of Guam revenues for fiscal year 2005. As a Mirror Code jurisdiction, the Virgin Islands must also bear the disproportionate burden of the EITC for its taxpayers. The EITC provides important tax relief to low-income families. However, given the current strain on the Government of Guam's treasury, I am hopeful that this year Congress will address the long-standing issue of the Federal sharing of financial responsibility for the EITC on Guam and the Virgin Islands.

The Virgin Islands has proposed a regulatory solution that would result in a 60-40 cost-sharing arrangement between the Federal Government and the Mirror Code territories, utilizing provisions in existing law. Additionally, I have proposed a legislative solution as part of a more comprehensive Insular Areas Tax Fairness Proposal, H.R. 2186. Therefore, I respectfully request that the budget resolution takes into account the Federal responsibility for earned income

tax credit for territories, such as Guam and the Virgin Islands, whose tax codes mirror that of our Federal Tax Code.

The administration has proposed zero funding for new guaranteed loans under the Department of Housing and Urban Development's Section 108 Loan Guarantee Program. This program is a very useful tool for State, territorial, and local governments to utilize their Community Development Block Grant allotments to address larger and longer-term projects. I am hopeful that the budget resolution will take into account funding to continue this important HUD program.

Last year I worked with my colleagues to pass legislation that now allows the territories to participate in the Section 108 program. Section 108 is a highly successful program that is very popular in cities and municipalities throughout the country. I look forward to the Government of Guam being able to utilize its new authority to apply for these loans. I urge Congress to continue providing sufficient funding to support Section 108 in this year's budget resolution.

Finally, gentlemen, I want to call your attention to the continuing health disparities facing Guam and the other territories. The lack of adequate facilities, reliable funding streams, up-to-date equipment, and the shortage of providers and specialists, make it difficult to provide quality health care to all our residents.

Adding to this problem is the cap on Federal Medicaid and the new cap on Medicare payments for prescription drug programs. I respectfully request that the Budget Committee work with the territories to address a fair and equitable solution to this issue in the fiscal year 2005 budget resolution.

Gentlemen, the territories are often forgotten in the big scheme of things, not intentionally, but we are very, very important assets of the United States. I want to thank you for considering my views with regards to the administration's 2005 budget.

Thank you.

[The prepared statement of Ms. Bordallo follows:]

PREPARED STATEMENT OF HON. MADELEINE Z. BORDALLO, A DELEGATE IN CONGRESS
FROM THE TERRITORY OF GUAM

Thank you very much Chairman Nussle and Ranking Member Spratt for allowing me to testify before the House Budget Committee regarding the administration's fiscal year 2005 budget proposal. While the administration's proposed budget adequately funds the Department of Defense (DOD) in its mission to protect our nation from exterior targets, I respectfully request that the Budget Committee consider augmenting the administration's DOD budget to include more funding for Weapons of Mass Destruction—Civil Support Teams in every State and Territory. Furthermore, I am looking to your leadership to help me address three other nondefense issues that will be important to Guam in this year's budget resolution including Federal responsibility for the Earned Income Tax Credit (EITC) on Guam and the Virgin Islands, funding for the Department of Housing and Urban Development's (HUD's) Section 108 Loan Guarantee Program, and disparity in the application of Federal health programs on Guam.

NATIONAL GUARD WEAPONS OF MASS DESTRUCTION CIVIL SUPPORT TEAMS

Much like this year and last, our National Guard will continue their service in defending our freedom at home and across the world in fiscal year 2005 and beyond. In fighting the War on Terrorism, these volunteers have demonstrated the value of our investment in their training, facilities and equipment. As I review the list of those from Guam called upon to serve, I notice a disturbing trend: Colonel Cruz, a surgeon; Captain Garces, a nurse; and Major Valles, a dentist. Each is a trained

professional that our small island community relies upon for health services, and each is going to be deployed. The 1224th Engineering Detachment and 299th Military Intelligence Detachment are composed of servicemen and women who are also policemen, firemen and emergency services personnel on Guam. If this trend is occurring on Guam, it is happening across the nation, and we must account for it in the budget resolution.

Given this demand on our emergency specialists, we must do all we can to bolster emergency response capabilities in the field. Specifically, I would like to see the budget fully fund the requirement under Public Law 107-314, that each State and Territory have a Weapons of Mass Destruction—Civil Support Team. This budget includes funding for only four additional teams. These units enter the site of a terrorist attack to detect the use of chemical, biological, or nuclear weapons. Without them, our first responders may themselves become victims. In 2002, Congress authorized each State and Territory to have a team, but this budget does not reflect our intent. At this rate, it will be another 3 years at least before it is close to completion. So, I ask you, does your State have a team? Even if the answer to that question is yes, what will you do when that unit is called away to a Territory that does not have one, like Guam? To make sure that the answer is yes, I respectfully urge the Budget Committee to consider increasing the President's request for the Department of Defense by \$54.4 million to ensure each State and Territory has a team. That way our National Guard can head to Iraq, knowing someone is guarding the home front.

TAX CUTS

In its fiscal year 2005 budget, the administration proposes to make permanent both the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). As the Guam Tax Code mirrors that of the Internal Revenue Code, it is important to me that the budget resolution takes into account the impact of any legislation affecting the Internal Revenue Code on the territories under the "Mirror Code" arrangement.

The cost of implementing the Earned Income Tax Credit (EITC) on Guam is estimated at \$25 million per year. This tax credit constitutes approximately 6 percent of the projected Government of Guam revenues for fiscal year 2005. As a "Mirror Code" jurisdiction, the Virgin Islands must also bear the disproportionate burden of the EITC for its taxpayers.

The EITC provides important tax relief to low-income families. However, given the current strain on the Government of Guam's treasury, I am hopeful that this year Congress will address the longstanding issue of the Federal sharing of financial responsibility for the EITC on Guam and the Virgin Islands. The Virgin Islands has proposed a regulatory solution that would result in a 60/40 cost sharing arrangement between the Federal Government and "Mirror Code" territories, utilizing provisions in existing law. Additionally, I have proposed a legislative solution as part of a more comprehensive insular areas tax fairness proposal (H.R. 2186). Therefore, I respectfully request that the budget resolution takes into account the Federal responsibility for Earned Income Tax Credits (EITC) for territories such as Guam and the Virgin Islands, whose tax codes mirror that of our Federal tax code.

HUD SECTION 108 LOAN GUARANTEE PROGRAM

The administration has proposed zero funding for new guaranteed loans under the Department of Housing and Urban Development's (HUD's) Section 108 Loan Guarantee Program. This program is a very useful tool for State, territorial and local governments to utilize their Community Development Block Grant (CDBG) allotments to address larger, long-term projects. I am hopeful that the budget resolution will take into account funding to continue this important HUD program.

Last year, I worked with my colleagues to pass legislation that now allows the Territories to participate in "Section 108" (P.L. 108-186, Title V). "Section 108" is a highly successful program that is very popular in cities and municipalities throughout the country, and I look forward to the Government of Guam being able to utilize its new authority to apply for these loans. I urge Congress to continue providing sufficient funding to support "Section 108" in this year's budget resolution.

HEALTH DISPARITIES IN FEDERAL PROGRAMS

Finally, I want to call your attention to the continuing health disparities facing Guam and the other Territories. The lack of adequate facilities, reliable funding streams, up-to-date equipment and the shortage of providers and specialists make it difficult to provide quality health care to all residents. Adding to this problem is the cap on Federal Medicaid and the new cap on Medicare payments for prescription

drug programs. I respectfully request that the Budget Committee work with the Territories to address a fair and equitable solution to this issue in the fiscal year 2005 budget resolution.

Thank you for considering my views with regards to the administration's 2005 budget.

Mr. SHAYS. Thank you. That was a very thoughtful statement. I appreciate you spending the time with us.

I think you guys are going to go in tandem. We are going to have Mike Ross and Rodney Alexander both speak. We will recognize you first, Mr. Ross.

**STATEMENT OF HON. MIKE ROSS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF ARKANSAS**

Mr. ROSS. Mr. Chairman, thank you very much for giving this opportunity. I would ask that my statement be entered into the record. As a result of that, I am not going to bore you with this typed statement. I would much rather come and speak from the heart. This is the first time I have ever appeared before the House Budget Committee. I am not here to be able to issue a statement so I can do a press release or say that I have done something just for the sake of saying that I have done it. I am here begging for your help.

Mr. SHAYS. What you are doing is educating us.

Mr. ROSS. Whatever you want to call it, Mr. Chairman, is fine with me. I just need some money back. [Laughter.]

Within the President's fiscal year 2005 budget, they decided to define low-use waterway systems and determine which of those low-use waterway systems should no longer be funded. Someone pulled a number out of a hat and decided if there was not a billion ton miles on that low-use waterway, then they should be cut.

Mr. SHAYS. Would you define low-use waterway?

Mr. ROSS. Basically, for example, you have the Mississippi River. Barges go down the Mississippi. Many of them do not stop on the Mississippi. They enter other rivers that are considered low-use waterways. It is like when you get on an interstate, but to get to the house you end up on a city street. Many rivers out there help move from major rivers, like the Mississippi, to the ports in smaller towns by way of smaller rivers. They are called low-use waterway systems.

They decided that any low-use waterway system, basically any river that did not have a billion ton miles on it in a year, they would stop funding. We are the largest low-use water system in America—800 million ton miles. We missed it by a couple hundred thousand based on this billion ton mile number they pulled out of the air.

The bottom line is they have cut 100 percent. They have totally eliminated navigation on the Ouachita Black River. A few other rivers were also impacted, but no other river that was impacted has 800 million ton miles of barge traffic on it each year.

This concerns us because they have been maintaining navigation of the Ouachita Black River just about since the beginning of the Corps. Some would argue that they were doing that before there was a Corps. It has been going on forever. I believe it would be a huge mistake to see navigation stopped on the Ouachita Black

River. That is exactly what is in the President's budget this year. It cuts it 100 percent.

I have three concerns. One is the economic impact. It will impact economically 11 counties and parishes in Arkansas and Louisiana. I could give you many examples, but just one example is Cross Oil is the main employer in Smakover, Arkansas. It is a small town in my district. About 2,000 people live there. Shutting down the river system would dissolve 125 jobs with an annual payroll of \$6 million, a company that has sales exceeding \$100 million.

That is one of many examples we could give you. At a time when we have nine million people out of work, I am hoping that the President and OMB did not realize when they were doing this, they were talking about peoples' livelihood. I would think that if they knew it was cutting jobs, they would change this. I am hoping you will find a way to try to help me to change it. There is a huge economic impact. We could give you dozens, but that is one example of a business that will no longer exist. The business has been around for many, many years.

There are families in South Arkansas tonight going to bed worried about whether they are going to have a job come next year if this budget is passed and the Ouachita Black River is no longer navigable.

The second issue is water supply. Many cities and industries in that area of the State, depend on the Sparta Aquifer. The Sparta Aquifer is drying up. Cities have taxed themselves. They have created Commissions. They have created boards to now get water out of the Ouachita River to supply water for cities and for industries. Industries have invested millions of dollars building a pipeline to the river. They will no longer be able to count on water from the river if it is not being maintained with the locks and dams that are in place now, as it always has been.

The final thing is the environmental impact. We have the Felsenthaw National Wildlife Refuge. The Felsenthaw National Wildlife Refuge is in Arkansas and Louisiana and was created by and large because of the water opportunities available from flooding and so forth related to the Ouachita Black River system. We do not know. No one knows what the environmental impact will be on wildlife as well as opportunities for sportsmen if those four locks and dams on the Ouachita Black River are no longer maintained and is basically mothballed as is proposed in the fiscal year 2005 budget.

For some reason they did throw us \$1.974 million for recreation. Recreation is a good thing. We want to continue to have recreation on the Ouachita River, but \$1.974 million is not going to be nearly enough for recreation if they totally mothball the four locks and dams on the river. Not only do we lose the jobs, we lose the water supply for cities and industries, and the environmental impact, and perhaps the demise of Felsenthaw National Wildlife Refuge.

We are here today to ask that you consider restoring the \$10 million that has been in the budget forever for the maintenance and operation of the locks and dams. Mr. Chairman, we spend \$1 billion a day simply paying interest on the national debt. We are talking about \$10 million here, a few minutes interest on the national debt to keep people working in Arkansas and Louisiana.

In closing, let me just say that I do not think that any of us would build an interstate system and not have exits that get you to your house or to get you to your business. The river system is the same way. Barges come from the ocean to the Mississippi River, and from the Mississippi River they make their way up the Ouachita Black, bringing products that create the raw materials needed. The end result is a lot of jobs.

Cross Oil cannot operate without receiving 8 to 12 barges a month in crude oil. They make the specialty oil that you buy for your weeder and those kinds of things. There is not enough of a profit margin to be able to truck it by truck or by rail. They have already done the numbers. We need to have this money restored, as it has been for nearly 100 years. We just need the Ouachita River to be navigable again, as it always has been. We want to maintain that funding and try to get it restored in this budget. This is the first year it has ever been cut.

Again, we fell through the cracks with the other low-use waterways, but we are the largest low-use waterway out there with 800 million ton miles a year. The cut-off was one billion.

With that, I would yield, if I may, to my colleague.

[The prepared statement of Mr. Ross follows:]

PREPARED STATEMENT OF HON. MIKE ROSS, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF ARKANSAS

I am here today to talk to you about the dire need to adequately fund the Ouachita/Black River Navigation System. The President's proposed budget for fiscal year 2005 cuts funding for the Navigation project by 81 percent—from \$10 million to just under \$2 million. If passed, this significant reduction in funding would essentially "mothball" the river system, leaving insufficient resources for the Corps to operate the four locks and dams it currently maintains, and that permit the river to be navigable. In other words, the waterway would be forced to shut down if the President's proposed budget request for the Ouachita Black River Navigation System is passed.

Shutting down this Ouachita Black River Navigation system would have dire consequences on South Arkansas's economy, which is part of my district. This part the region employs numerous businesses associated with the agriculture and paper industries, oil and gas refineries, and power plants, all of which heavily depend on the waterway to operate. And in fact, many of these companies have spent millions of dollars to expand their businesses, based on the assurance that the navigation system would remain in tact. Case in point is Cross Oil, the main employer of Smackover, Arkansas, population 2000. Shutting down the river system would dissolve 125 jobs, with an annual payroll of \$6 million.

As a member of the fiscally conservative Blue Dog coalition, I am a strong supporter of maintaining fiscal responsibility within our government. I understand when times are tough, cuts have to be made, some of which we don't like to make. But colleagues, the President's budget priorities are misplaced. When 9 million Americans are out of work today, why does his budget propose to slash funding for the Ouachita/Black River system to the point that the system is inoperable, thereby destroying hundreds of jobs in Arkansas and Louisiana that are dependent on waterway transportation?

I urge all of you to please consider what I, and my colleague Rep. Rodney Alexander, have told you today. Shutting down this Ouachita/Black River Navigation System would do the very opposite Congress needs to do to stimulate the economy and get people back on their feet in this country. Jobs would be lost, and people would be out of work.

Mr. SHAYS. We will recognize Mr. Alexander, but we will have a question or two for you.

STATEMENT OF HON. RODNEY ALEXANDER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. ALEXANDER. Thank you, Mr. Chairman, and ranking member. I have never had the opportunity to sit at the witness table with someone as influential as Mike Ross. I wanted to tell my grandkids about it. That is the main reason I am here.

Mr. SHAYS. Are you having pictures taken?

Mr. ALEXANDER. I hope so. [Laughter.]

I will not take up a lot of time. I will just echo what Mr. Ross has said. He has done an excellent job of presenting our argument. He represents the southern part of Arkansas. I represent the Northeastern part of Louisiana where the Ouachita and Black Rivers are located. I agree with him. We desperately need funding restored there.

If we lose the ability to be creative and use that river as a source of infrastructure improvements to move our goods and products, then we will be depriving the poorest area in the Nation of the right to use that river, not just the State of Louisiana or Southern Arkansas, but it is the poorest region in the Nation. We need to do all that we possibly can, again, to restore that money if at all possible.

Thank you.

Mr. SHAYS. Are you saying it is the poorest area in the country?

Mr. ALEXANDER. Yes, sir.

Mr. SHAYS. Based on what?

Mr. ALEXANDER. That is what we are told, the Fifth Congressional District.

Mr. SHAYS. Based on income?

Mr. ALEXANDER. Yes, sir. One of the poorest regions in the Nation. The area running along the Mississippi River up through North Louisiana and into Arkansas.

Mr. SHAYS. Let me just understand. Of the \$10 million, how much is for dredging and how much is to run the locks? How many locks do you have? How many people are employed, if you know?

Mr. ROSS. I can tell you that in the past they have been getting about \$10 million. Quite frankly, they need more about \$16 million. The first 3 years I was in Congress, I spent that time getting the money to repair what is called the Jonesville lock and dam. I finally got the money to repair it. It is now in the process of being repaired, only to learn that in the fiscal year 2005 budget, they are going to mothball all four locks and dams.

Mr. SHAYS. So it is four locks?

Mr. ROSS. Four locks and dams I believe is correct; and the dredging. All that comes to a total of about \$10 million. They do maintain a 9 foot channel.

Mr. SHAYS. How much more commerce would you have to have on the river in order for them not to meet this threshold of a billion ton miles?

Mr. ROSS. Well, through fiscal year 2004, we have always had plenty of commerce. They just changed the rules on us. While the Corps will not testify to this, I can tell you that they do not agree with what OMB is proposing here. OMB this year, for the first time ever, just decided that they pull a billion out of the air and

say that any river that does not have a billion ton miles on it a year, they are just going to mothball.

Mr. SHAYS. They said a billion ton miles?

Mr. ROSS. One billion ton miles. We are running 800 million ton miles. While there are other rivers impacted in this, we are the most impacted because we are the closest to reaching a billion than any of the other rivers.

Mr. SHAYS. Is it one business or more than one businesses?

Mr. ROSS. There are a number of businesses. Cross Oil is just one good example.

Mr. SHAYS. OK, that is what I was wondering.

Mr. ROSS. They get 8 to 12 barges a month and take crude oil and turn it into specialty oils.

Mr. SHAYS. It is pretty surprising. We guarantee everybody their mail in the farthest reaches, but it seems to me that we would want to find a way to deal with this issue.

Mr. ROSS. Just one last point on that. In this year's transportation reauthorization bill, in my discretionary money, I am requesting money to build a road to the port in Camden. The lock and dam that needed to be repaired is now being repaired. We have roads being built to ports. It used as an economic tool to locate new industries in that area. There are a lot of jobs in Arkansas and Mississippi impacted. We just picked Cross Oil as a good example of the 125 families tonight that are worried about whether they are going to have a job from now.

Mr. SHAYS. I hear you.

Mr. Scott.

Mr. SCOTT. Just very briefly. Do you have legislation pending on the authorizing committees on this? You come into the Budget Committee to get funding. Is the funding authorized?

Mr. ROSS. It always has been. The Ouachita Black River has always been navigable. It has always been funded. I do not believe the energy and water appropriation deadline is even here yet, but it will be our top priority, as it is every year. It has been funded every year. But the problem we have is in the budget framework. For the first time in the history of our country, they zero out navigation on the Ouachita Black River. Did I miss something?

Mr. SCOTT. Listening to what I thought was an authorization problem, but this is actually the money is authorized of spending, but it is just not in the budget. If it is not in the budget, it is unlikely to be appropriated. So that is why you are here?

Mr. ALEXANDER. Yes, in other words, in the budget, the Corps has been cut something like 12 or 13 percent overall. But on the rivers designated as low-use, they are cut more. The Ouachita is 80 percent, which does away with the dredging operations.

My argument is that we ought to factor in and put something in the equation that a ton of material on one river might benefit ten people. A ton of products on another river may benefit 1,000.

Mr. SCOTT. The question before us, then, would be priority of funding. There is no question that this is authorized if we can find the money.

Mr. ALEXANDER. It has been authorized in the past.

Mr. ROSS. In the past. In this year's budget it is zeroed out. That is the challenge that we have.

Mr. SHAYS. What was the threshold before?

Mr. ROSS. There was not one.

Mr. SHAYS. It was zero?

Mr. ROSS. Yes. It is my understanding there was not one. Someone in OMB just decided to pick a billion ton miles a year out of the air and decided that anything below that would be zeroed out.

Mr. SHAYS. I think it would be wise to make sure that you determine whether it is the Transportation Committee or not. I would think you would want a hearing on whether this, in fact, is arbitrary as it sounds. It sounds pretty outrageous. I marvel at your patience, frankly.

Mr. Holt will solve this problem somehow.

Gentlemen, thank you both very much.

Mr. ROSS. Thank you.

Mr. ALEXANDER. Thank you.

Mr. SHAYS. Thank you, Rush, for coming here. You have the floor.

**STATEMENT OF HON. RUSH D. HOLT, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEW JERSEY**

Mr. HOLT. Thank you, Mr. Chairman. I thank the committee for staying to hear our testimony. If I were still serving on the Budget Committee, I would take that opportunity to make the case, but since I am not now, I thank you for the opportunity to come and testify.

I am coming really as the co-Chair of the Caucus on Research and Development. My co-Chair, Judy Biggert, was unable to be here at this time. But I want to make the case for Function 250. Our Nation's investments in basic and applied research have led to so many familiar technologies, industries, and job growth. Federally funded R&D helps maintain U.S. technological superiority. It ensures our safety and our ability to defend ourselves. I can cite any number of samples that have not only created new industries and jobs, but have changed the quality of our lives for the better.

Let me just touch on a few that should be obvious and should make the need for increasing Function 250 obvious. Because of the determination of scientists to understand Einstein's theory of relativity better, Federal funding through the National Science Foundation, the National Institutes of Standards and Technology, and the Department of Defense, funded research for the development of precise atomic clocks. What use of that is to you?

Well, no doubt you use and benefit from global positioning systems now. It certainly has helped defend this country. But it is also a multi-billion dollar consumer industry now with 70,000 units produced per month. You are familiar with what Federal research in semiconductor processing materials, magnetic materials, lithography, and plasma physics has done to create circuitry and processors. This is one of the largest industries in America. In energy research, the fruits of Federally funded research are the Department of Energy, the Department of Defense, the National Science Foundation. They have made our homes warmer, our offices brighter, and have saved billions of dollars. Environmentally friendly research-based technologies are making our lives better. There are real improvements that could be made.

In all of those areas, and in other areas of energy research and telecommunications, there is example after example where Federally funded research has resulted in payoffs far, far beyond the investment. Economists will argue about the payback on investments in research and development. They will argue whether it is maybe 40 percent or 60 percent. Whatever it is, it is a huge investment. We need to do better.

The R&D Caucus chaired by Judy Biggert and I recently briefed Members of Congress on the digital human, whereby the entire body will eventually be simulated in software. For example, virtual surgery can be done on a simulated body before the actual operation.

If all of these payoffs are coming, it is very nice, you say, so everything must be just fine. No. What I am here for today is to ask you to beef up Function 250 well beyond the budget request. We are underfunding research in nearly every sector. Let me just give one example. We spend in the United States about \$800 billion a year on energy—energy goods and services all told. We are not spending 1 percent of that amount in public and private research on developing alternatives to fossil fuels.

Now, whether you were a cobbler or a candlestick maker, if your raw input was in jeopardy for whatever reason, you would spend some of your receipts in finding other sources. We are not doing that in energy. We are grossly underfunding energy research. I could go down in area after area where we are underfunding research. The National Science Foundation is not on the doubling path as promised—I should not say promised—as expected. There are no promises in the budget business. I understand that having served on the Budget Committee.

But once again this year the President's budget makes optimistic predictions about future economic growth so the deficit will not be as bad as some people say it will be. Without more investment in research and development we have, I would say, a minimal chance of achieving that kind of growth.

Would an increased investment in research and development, Function 250, be well spent? Well, again, I would say in almost every sector, we are currently underinvesting in research and development. So the payoff really is there for us. This is not, as you can tell, a parochial request. I do not think there is a Congressional district in the country that would not benefit from a better investment in Function 250.

Thank you.

[The prepared statement of Mr. Holt follows:]

PREPARED STATEMENT OF HON. RUSH D. HOLT, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEW JERSEY

Our Nation's investments in basic & applied research have lead to our explosive growth in innovative technologies, new industries and job growth. In addition, federally funded R&D helps to maintain U.S. technological superiority, ensuring our safety and ability to defend ourselves against a military or terrorist threat. I will cite several examples that have not only created new industries and jobs, but have changed the quality of our lives for the better.

GLOBAL POSITIONING SYSTEMS:

Because of the determination of scientists to test Einstein's theory of relativity, the U.S. Government through the National Science Foundation, the National Insti-

tute of Standards and Technology, and the Department of Defense funded research in the development of precise and accurate atomic clocks. These timepieces now are critical components of the Global Positioning System that broadcasts location coordinates to receivers anywhere on Earth. These units are now employed in the conduct of airline, trucking and maritime businesses in the United States and throughout the globe. They are used to monitor earthquake zones and observe shifts in the earth's geological plates. This investment has resulted in a powerful tool for military applications safely guiding our troops in navigating over unknown lands in Afghanistan and Iraq. It has spawned a multi-billion dollar consumer industry estimated at \$2.3 billion, with over 70,000 units produced per month.

- NIST: Advanced Technology Program \$171 million in fiscal year 2004 and fiscal year 2005 \$0
- DOD: Basic research decrease by 4 percent in fiscal year 2005, applied research decrease of 13 percent.

MATERIAL SCIENCE RESEARCH

Federally funded work in materials research such as semiconductor processing, magnetic materials, lithography, and plasma physics created the integrated circuit and microprocessor and one of the largest industries in America. Today, computers and microprocessors are found everywhere from our desktops to our cars, cellular phones, TVs, traffic lights, gas pumps and ATM machines, influencing our daily lives in ways too numerous to count. 25 years ago the price of one megabyte of memory was a half a million dollars. Today it is \$38, a reduction in price by over 10 thousand. A computer circuit the size of a pencil eraser has millions of transistors, processing over a billion computer instructions per second. The electronics and semiconductor industries account for 6.5 percent of the gross domestic product, representing over \$400 billion and 2.6 million jobs.

ENERGY RESEARCH

In the area of energy, the fruits of research in the Departments of Energy and Defense and National Science Foundation have made our homes warmer and offices brighter, while saving billions of dollars. New thin film coatings on windows reflect heat back into houses instead of losing it to the outdoors. Results of plasma physics research enable the development of new energy-efficient light sources. Because of more efficient motors and new lightweight materials the costs of wind turbines and components have been cut by 90 percent since 1981, making electricity generation rates competitive with that of coal fired plants. Wind turbine and component manufacturing contributed directly to the economies of 44 states.

In DOE:

- Solar energy has dropped [\$82 million to \$80.3 million] by -2 percent.
- Geothermal energy R&D has dropped [\$28.3 million to \$25.8 million] by -9 percent
- Biomass and Biorefinery dropped -15 percent.
- While wind energy budget has remained constant.
- From 2003 to fiscal year 2005, the hydrogen budget has grown from \$ 38.1 million to \$95.3 million an increase of +150 percent.

ENVIRONMENT

Energy research and the health of the planet's environment are closely coupled. From the detection of environmental effects to the implementation of environmental solutions, R&D is helping to keep the planet clean while building a \$400 billion worldwide environmental technology market. Again plasma physics is used instead of fossil fuel combustion to extract large volumes of metal from ores. Basic research in laser physics and computing technologies has resulted in the ability to monitor levels of air pollutants, while materials processing and design has led to the development of more efficient energy generation methods and recycling techniques. For instance, lasers and computers are used in remote monitoring of air pollutants, with adequate sensitivities. Electrostatic precipitators are used in factories and homes to filter out pollutants before being released into the atmosphere. Environmentally friendly research-based technologies are making our lives better.

Department of Commerce:

- Oceanic & Atmospheric Research [climate change]: -14 percent DOE;
- Clean Coal Technology; Phase out; -42.9 percent in fiscal year 2005
- Biological and environment research: -21 percent in fiscal year 2005
- Real time electrical grid monitoring and remove barriers to energy distribution;
- Electric transmission reliability: -8.5 percent in fiscal year 2005
- Electric Distribution Transformation: -63 percent in fiscal year 2005

NASA:

- Earth Sciences: – 3 percent in fiscal year 2005

PLASMA PHYSICS

From integrated circuits and energy efficient light sources to methods of coating razor blades with new thin film materials, the applications arising from the field of plasma physics have permeated all aspects of our lives. Plasma physics is the basis for controlled thermonuclear fusion energy generation, powered by fuels readily available for thousands of years. Its energy advantages are numerous. Today, the United States has taken the critical and important decision to partner in the International Thermonuclear Experimental Reactor, ITER, with funding levels from \$3 million in fiscal year 2004 to \$7 million in fiscal year 2005.

In DOE:

- PPPL is 85 percent of DOE funding in NJ].
- Spherical Torus: –\$5 million.
- Compact Stellarator –\$5 million result in delay in fabrication and assembly.
- Fusion Simulation Project: \$3 million
- Argonne Fusion Energy Science program: \$1.3 million in fiscal year 2003 to \$0.9 million in fiscal year 2005

TELECOMMUNICATIONS

The telecommunications industry, which earns \$1.5 trillion each year and employs 360,000 Americans, got a boost from early physics and electrical engineering research on radio signals and circuit behavior funded by the Department of Energy, DARPA and the Office of Naval Research. World Wide Web, designed by particle physicists as a way to collaborate scientifically, now provides 30–50 million people with everything from earthquake help lines to online fast food orders. Physics research at universities, Federal and industrial labs continues to move society even faster along the information superhighway. The development of new materials, electronics and lasers makes fiber optic communications faster, cheaper, and less noisy than copper wire. For instance, from 1956 the cost for a transatlantic phone channel has decreased from \$60,000/yr to \$60/yr. The market for local telecommunications services is \$100 billion/year.

HEALTH

Federally funded research is used to develop new cures for disease and new ways to quickly diagnose health problems. The dynamics of blood flow through veins and arteries is modeled using computers, leading to new treatments for disease, and an understanding of circulatory disorders unavailable from experiments. In just the past 2 years, supercomputers have reduced the time needed to model blood flow through veins and arteries from weeks or months down to minutes. In addition, particle beams and detectors used in highenergy physics research have led to the development of new proton and neutron cancer therapies. And fiber optics, the telecommunications tool, has enabled the use of novel probes in noninvasive surgery and cancer detection techniques. Research is helping us to live longer, healthier lives.

The R&D Caucus chaired by me and Rep. Judy Biggert recently briefed Members of Congress on the “Digital Human” whereby the entire body will eventually be simulated in software. Henceforth, virtual surgery can be done on the simulated body before actual operations.

I hope the committee takes these points to heart and reconsiders the positive affects of federally funded R&D on our nation’s economy.

Mr. SHAYS. Thank you, Mr. Holt.

I would just point out that Mr. Alyer has made this message to the Republicans ad infinitum. He is gaining adherence. Newt Gingrich addressed a group of members and said that his biggest regret was that when we increased the NIH budget that we did not increase that part of the budget that you make reference to. He feels that it should have been funded at three times the amount. I wish he had done it when he was Speaker.

Mr. HOLT. If I may say, Mr. Chairman, without doubling or something of the sort in the National Science Foundation, the NIH will be ill-prepared to deal with its increased budget. Not only the

scientists themselves and the training they get, but also the instrumentation and the techniques have generally come from the National Science Foundation funded research.

Mr. SHAYS. Thank you.

Mr. Scott.

Mr. SCOTT. Rush, what is the total of Function 250 now? How much money are we talking about? In round numbers?

Mr. HOLT. I hurried here from another function and I am sorry I do not have the number with me.

Mr. SHAYS. I thank the gentleman very much. It is an important message. It is nice you took the time to share it.

Mr. Culberson, I am going to have you go before Mr. Simmons partly because you came first, and partly because we need to put him in his place. [Laughter.]

**STATEMENT OF HON. JOHN ABNEY CULBERSON, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS**

Mr. CULBERSON. Well, I will be as brief as possible, Mr. Chairman.

Thank you very much for having me. This is the beginning of my second term. You have watched me in my first term. I think I had one of the highest fiscal conservative ratings in the House. I want to echo Rush Holt's testimony of how vital it is really for the future of the Nation that we invest in the National Science Foundation and the National Institutes of Health.

I do hope the Budget Committee will see to it that there is an increase in funding for both the National Science Foundation and the National Institutes of Health. If not a doubling, certainly just a predictable path that is fairly stable. I think that, more than anything else, would help our scientists to know that there was a predictable stable glide path of increases so that as they do their research, they know that from year-to-year that we will be there behind them. I would certainly include the JPL and NASA in that.

I have been vigorous in trying to say no to new appropriations requests. But when it comes to the sciences, that is our insurance policy for the future. I echo your sentiments, Rush, strongly, and hope that the committee will see to it that we take care of the National Science Foundation, the National Institutes of Health, NASA, and JPL.

Mr. Chairman, I also wanted to be sure, if I could, just to bring you a couple of ideas that I hope will be helpful to the Budget Committee and in the appropriations process as well. I am a new member of the Appropriations Committee. It has been quite an experience to see the number of people that have shown up with all kinds of ideas and ways to spend money.

I have been diligent in prioritizing those appropriations requests. This last year I said no to over \$340 million of new Federal spending. The only things that I said I would support would be in scientific research, medical research, essential flood control and cost-effective transportation projects in other people's districts. There are no earmarks for my district in this year's appropriations bill. I have done my best to walk the walk and live up to what we are all trying to do which is balance the budget.

The frustration I have, as I know all of us do, is that the money that I say no to and try to save, somebody else is spending somewhere else.

Mr. SHAYS. Also in the Senate, sir.

Mr. CULBERSON. And the Senate. Well, if I could, let me toss out a couple of ideas for you that I will hope will help. I have a chart that I will not give the committee because I do not want to agitate people. This is an internal chart that I had my office prepare of all the things that I have said yes and no to.

So far this year, only in the last 2 weeks, I have already said no to about \$60 million of new Federal spending. Again, I am trying to stay on track. My frustration is if I say no to these folks, I know they are going to go up the hall to somebody else. They are going to earmark the money some other way.

Mr. DeLay has suggested that earmarks have to be signed off on, that we ought to put our name on an earmark and justify it. I think we need intelligent earmarks. You cannot just blanket it and say no to all of them.

A good example is this: A radar control facility in Houston is 30 years old. It was built below sea level. It floods every time it rains. Over the last several years, Mr. DeLay and others had put money in the FAA budget that was not earmarked to build a new radar control facility for the Houston airports. The FAA used it for personnel, or pay raises. In the current appropriations bill, I put most of my effort behind getting a \$25 million earmark for a new radar control facility in Houston. I earmarked it specifically.

Jeff and I are pretty close in our fiscal conservative ratings. But the earmark was essential because if I had not earmarked it, FAA would have just turned around and used the money for payroll or something else. We cannot just blanket and say no earmarks. But we ought to sign our names to them and justify them. They ought to be done intelligently.

I have given you language that I had legislative counsel draft for me. I discovered that there was an executive order signed in August 1993 to create a deficit reduction fund so that any money that we cut out of the appropriations bill, if you add this language to the budget resolution, would go into an automatic deficit reduction account to reduce the deficit. It would be nice if this \$340 million that I said no to, and I could keep other people from earmarking it or spending it, would actually go to reduce the deficit by \$340 million. I offer that language for your consideration.

Mr. SHAYS. Let me ask you, though. Are not those requests for the increase?

Mr. CULBERSON. Yes, these were requests for increases and also asking me to support spending within the President's budget request. I have really done my level best as an appropriator to vigorously reject not only new spending but to cut wherever I can.

Finally, what I want to throw out to you is an idea that I have been kicking around with some legal scholars. It is one that I know will work to restore the Tenth Amendment. I think it will also have a dramatic impact on helping us control mandatory spending.

As a State legislator, I discovered in Texas that there were many Federal Block Grant programs. For example, the Texas Education Agency had signed us up while we were at a session. We came back

from the legislation session and all of a sudden we have all these Federal restrictions on the way we run our schools in Texas. The legislature never agreed to it. We were taking all this Federal money. I did not have anything to do with it. The legislature is in session every other year for 6 months. We were just stuck with the decision of this State agency.

I have had language drafted and I have had several legal scholars to look at this with me. This works. What this is designed to do is to say basically that Federal grant programs go away after the next regular session of the legislature in a State, unless the legislature has specifically approved it.

There are vast quantities of Federal grant programs out there that just go flying out the door. We do not know whether they are working or not. The legislature is no better than anybody of whether a grant program is actually working or achieving its intended purpose.

I am handing out to the committee a few of the internal State grant programs and social programs. There is a total of \$41 billion worth of grant programs. They are still preparing the list for me. It is such a huge long list that the Congressional Research Service has not been able to get it all to me yet.

I intend to work on putting this in the appropriations bill as well. This is designed to do two things. First, to allow the legislatures to be sort of a sunset review agency for these grant programs. It would decide whether or not, for example, in Arizona or in Connecticut, is this grant program achieving its purpose? Is it underfunded or unfunded? Do we really want this money with all the strings attached to it? And if the legislature of Texas, or Arizona, or Connecticut decide that they do not want the money and it is not worth it, then they can reject it.

That does two things. That will help us, I believe, to control Federal spending. It will allow us to get a handle on which one of these programs are working. It also puts the State legislators on the hook equally and politically for unfunded or underfunded mandates. Finally, the other part of this that I am really particularly interested in achieving is the restoration of the Tenth Amendment by statute, giving real authority back to the States over areas that have traditionally been left to the States, for example, in education. The language I have given you, Mr. Chairman, can be used on any grant program you wish. You could make it apply blanket to all Federal grant programs, but essentially the idea is that no Federal officer, employee, or other authority can enforce against an authority of the State any requirement imposed as a condition to receiving Federal assistance under whatever grant program you want to list, unless the State legislature has passed a law and says, "We want the money and we accept all the strings that go with it."

I believe this will help us control spending. This again, finally, will put those State legislatures in the position of reviewing these programs. They are the ones that know best whether or not they work. It puts them on the hook politically with us as to whether they are unfunded or underfunded.

Most importantly, I believe this language—and judicial scholars have looked at this agree—restores the Tenth Amendment by stat-

ute which is an extraordinarily important thing that we need to pay more attention to up here.

I hope you will take a look at it. I hope it is helpful. Thank you.

Mr. SHAYS. It is helpful. Thank you. I appreciate all of the work that you spent on this. I appreciate what you do to try to control spending.

Mr. Simmons, you are the alpha and the omega. You are an awesome Member of Congress. You just also happen to be from my State.

STATEMENT OF HON. ROB SIMMONS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. SIMMONS. Thank you, Mr. Chairman. You also are an awesome person from an awesome State.

Mr. SHAYS. This is true.

Mr. SIMMONS. With that love feast, I should probably just turn over my testimony and leave.

Mr. SHAYS. You have to convince Mr. Scott. [Laughter.]

Mr. SIMMONS. Thank you, Mr. Chairman, for giving me the opportunity to testify today. I appear here today, I guess, in my capacity as chairman of the Veterans Health Subcommittee of the Veterans Affairs Committee. I have been honored to serve in that capacity for the past year, and look forward to another productive year serving our country's veterans.

I have some fairly substantial testimony that I want to submit for the record. If I can, Mr. Chairman, what I will simply do is summarize my written statement and make a few comments based on the attachments and request unanimous consent that they all be included as part of the record.

The President has submitted a veteran's budget request which, in my opinion, and in the opinion of most members of my committee, falls below what is necessary to adequately fund veteran's health care needs in the coming fiscal year. I use the word "adequate."

This concept of adequate funding is derived from testimony by the Veterans Administration before our committee. It is derived from an analysis of the independent budget, which is a budget put together in great detail by certain veteran service organizations and, in fact, by members of the Veterans Affairs Committee.

Following hearings that we had earlier this year on the budget, as submitted, my chairman and my ranking member submitted a letter and a summary of where we felt the President's proposal fell short in the area of veteran's health care funding as well as other veteran's funding areas.

Let me just highlight briefly a couple of items that concern the committee and the subcommittee. First and foremost, on January 17, 2003, the Secretary of Veterans Affairs suspended all further enrollment of Priority 8 veterans. These are veterans with non-service connected disabilities whose incomes are at or above the regionally adjusted means test.

What that means as a practical matter is that somebody like myself who served on active duty for 4 years with 20 months in a war zone, put in an additional 34 years of Reserve service, and retired with 37 years, 7 months, and 24 days of service in the U.S. Army,

active and reserve, as a Priority 8 veteran is not eligible to receive services from the VA. Thirty-seven years, 7 months, and 24 hours, but is not eligible to receive services from the VA because I am a Priority 8.

What that essentially means is that literally millions of veterans like me with long and substantial service cannot access the VA because Priority 8s have been shut out. I think that this is a serious matter that needs to be considered. I personally am not seeking that service, but there are others that are. That is part of the challenge we face.

Secondly, capacity and demand for long-term care services. Veterans 85 years or older are increasing in size and number. In fiscal year 1998, there were 387,000 of them; in fiscal year 2002 there were 640,000 of them. These are veterans 85 years and older. Currently, in fiscal year 2003-04, we expect to see 870,000 of them; in other words, a 100 percent increase, and over the next decade this population will rise to about 1.3 million.

So this growing population of aged veterans demanding long-term health care represents the future of what we anticipate in VA health care in the future, and yet it is not adequately funded today and certainly is not going to be adequately funded in the outyears.

The statement of the committee chairman and the ranking member has been submitted to the committee, and I call it to your attention.

We have a GAO report that deals with changes in service delivery and the issue of the aging veteran population. We have a President's Task Force Report on Improving Health Care Delivery for our Nation's Veterans which states, up front and personal in the executive summary, "Congress and the Executive Branch must work together to provide full funding to meet demand. Even though the Veterans Administration budgets have been increasing by substantial percentages, the demand for veterans' health care services has outstripped those funding increases," and that presents the problem that we face today. Over the last six or 7 years, veterans' funding has increased upwards of 50 percent for health care, but the numbers of patients seeking services has increased by almost 100 percent, and that is the challenge we face.

I simply will conclude, Mr. Chairman, by saying that I was gratified this year when Time Magazine selected the American soldier as "Person of the Year." I felt that was an appropriate selection, given what our young men and women are doing in the war against terrorism around the world. But I also remind the members of the Budget Committee that these soldiers who are Person of the Year this year will be veterans next year, and will be asking for benefits and will be asking for health care, and we have to be prepared to honor them with more than a cover of Time Magazine.

I thank the chairman and would be happy to answer any questions.

[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 members of the Committee on the Budget: I appreciate the opportunity afforded me by the Committee on the Budget to offer my testimony on the needs of the Department of Veterans Affairs for fiscal year 2005. While veterans

benefits and services, Function 700 of the annual Resolution on the Budget, constitutes needs across a broad spectrum of discretionary and mandatory accounts, I am confining my testimony today primarily to the needs of the VA health care system over which my Subcommittee on Health has primary jurisdiction.

On February 4, 2004, the Committee on Veterans Affairs held a hearing to receive the testimony of the Secretary of Veterans Affairs and national veterans' organizations on the proposed budget for veterans programs. The Committee also heard testimony from the authors of the Independent Budget proposed by the Veterans of Foreign Wars, Disabled American Veterans, AMVETS, and Paralyzed Veterans of America. The Secretary presented the Administration's fiscal year 2005 budget request for a total of \$67.324 billion, an increase of \$5.27 billion in budget authority. Entitlement programs would receive \$35.3 billion and discretionary programs would receive \$32.1 billion. The overall increase in discretionary funds would be \$517 million.

In my view and that of my Committee, Congress must provide VA with sufficient funding to maintain current levels of service for veterans health and benefits programs. After carefully considering the VA's budget submission, the Independent Budget submission, and the testimony presented at the budget hearing, we have concluded that an additional \$2.524 billion in budget authority for VA's discretionary programs would be needed to ensure a current services budget. A current services budget would enable the VA to continue providing the level of services it provides today and be responsive as well to known and expected increases in demand and cost in the budget year.

The budget requested by the Administration for veteran's medical care is \$29.1 billion in total resources. Of this amount, \$26.646 billion would come from appropriated funds, an increase of \$708 million over the adjusted appropriated level for the fiscal year 2004. The balance of the request for medical care consists of an estimated \$2.4 billion in collections from veterans' private insurers and from veterans themselves, an increase of \$667 million over the fiscal year 2004 projection.

The Administration also proposes that Congress authorize VA to impose a \$250 annual enrollment fee for priority 7 and 8 veterans seeking VA medical care, and to approve an increase in drug and primary care copayments. Similar fee increases requested by VA last year were rejected by Congress, and my Subcommittee will not report legislation imposing them this year. Also, Mr. Chairman, this budget would cause VA to close 5,000 of its current 12,000 nursing home beds. Given the expected number of elderly veterans from World War II and the Korean War who are expected to seek nursing home care over the next 10 years, these proposals are illogical and indefensible. I call to the Committee's attention testimony my Committee received on January 28, 2004 from the General Accounting Office concerning the status of VA's long term care programs versus known and expected needs over the next several years. I ask that that testimony by GAO be included in the record of today's hearing.

Last year, the Committee favorably considered an Administration legislative proposal to provide VA with additional health care resources. Acting on the proposal, the Committee reported H.R. 1562, a measure that would increase VA medical care collections by holding insurers responsible for the cost of covered care provided by VA. The Congressional Budget Office estimated that this authority would boost collections by almost \$800 million over 5 years. However, our efforts to have the House consider this measure have been unsuccessful thus far. We will continue working toward this goal, because VA truly needs these funds to promote high quality care for the nation's veterans.

I want to call this Committee's attention to views and estimates my Committee Chairman Smith and Ranking Member Evans filed last week with this Committee. We provided a detailed justification for your consideration in disposing of the Administration's request for budgetary authority for all VA's programs. I commend our report to you, and ask that a copy of that report be included in the record of this hearing. Also, Mr. Chairman, last summer, the President's Task Force to Improve Health Care Delivery for Our Nation's Veterans delivered its final report. My Committee conducted two hearings on the work of the Task Force. The Task Force clearly and succinctly recognized that VA health care is subject to chronic underfunding by the Congress. The Task Force made a series of recommendations dealing with budgetary support for veterans' health care. I commend the report of the President's Task Force to Members of this Committee, and I ask that the complete text of the report be made a part of the record of this hearing. Finally, Mr. Chairman, today's Washington Post carries a significant article on funding for the VA health care system, crystallizing many of the arguments raised in both the views and estimates of my Committee and issues discussed in the President's Task Force report. I ask

that a copy of the Post article also be included in the record of today's hearing on the VA health care system.

Mr. Chairman, I believe I have served in the United States Army longer than any current sitting House Member, over 37 years altogether. I am proud of that service to my country. Earlier today I addressed members of the Paralyzed Veterans of America, here in Washington to testify tomorrow before a joint hearing of my Committee and its sister Committee in the other Body. If you ever had a question about the rights of veterans to expect this Congress to support adequate funding for VA health care programs, one need do no more than stand before a group of veterans in wheelchairs and on permanent crutches, who sacrificed their bodies in the service of their nation. As a veteran of service in Vietnam and one who has served his nation in both war and peace, I am committed to fight every day for every dollar this Congress can spare, to care for him who shall have borne the battle and for his widow and his orphan.

I thank the Committee on the Budget for its consideration of my recommendations and concerns, for inclusion in the record of the materials I have requested, and I ask that you do the right thing for veterans in this budget.

Mr. SHAYS. Thank you, Mr. Simmons. As always, you are a very eloquent and very forceful speaker on this issue, and I know you have spoken publicly on this and privately to individual Members of Congress, to the leadership, and I know you have won their love and affection for doing that. [Laughter.]

Mr. SIMMONS. Do you know that for sure? [Laughter.]

Mr. SHAYS. And with that—we do have a vote, so I am going to make sure that Mr. Flake has an opportunity to speak and that Mr. Bradley also has an opportunity to speak as well.

Mr. SIMMONS. I thank the Chair for your courtesy, and I thank the Ranking, Mr. Scott.

Mr. SHAYS. Mr. Flake.

STATEMENT OF HON. JEFF FLAKE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Mr. FLAKE. Thank you, Mr. Chairman. I will just summarize very quickly and submit my statement for the record, if I could.

I just want to echo what has been said already about the moratorium on earmarks that Chairman Nussle has proposed. I think that is extremely important. One man's steak is another man's pork. I don't think that we can say that "pork" is defined as something that is essential, only that, only this—we just need to simply say, "Let's have a moratorium for a year." Certainly the crisis that we are under in terms of deficit ought to persuade us that we need to go that route, so I commend the chairman and I will support him and volunteer my services to that effect.

In particular, on transportation—I don't so much care how many earmarks people get for their own States on transportation, so long as that money would come out of their own States' transportation formulas. If that were the case, I would have no problem at all, and people could earmark to their hearts' content. But when one Member of Congress gets a \$50 million earmark to relieve tolls on a toll road in his district, and that comes out of Arizona's formula—as well as Connecticut's and Virginia's and everyone else's—that is unfair. There are a handful of Members who get most of the earmarks, and the rest of us are left wanting. Arizona this year is supposedly guaranteed 90.5 percent of what we send to Washington, and we're supposed to be happy with that. Yet this year, we will probably get about 86 percent, because over a billion dollars was removed from the formula by virtue of all the earmarks in the om-

nibus bill with regard to transportation earmarks. We have to stop that. It is out of control, and the Republican's aren't ashamed to say that in 1994, the number of earmarks in all the appropriations bills was about 2,000; this last year, it was over 10,000—

Mr. SHAYS. Over 10,000 what?

Mr. FLAKE. Over 10,000 earmarks in all the appropriations bills together. In 1994, it was only 2,000. President Reagan vetoed a transportation bill because it contained 187 earmarks. The transportation bill, I believe, that was part of the omnibus had over 600 last time. So it is really out of control by any definition.

If we are going to keep this budget under control, we have to control earmarks, because it is greater than the sum of its parts. It is more than just the money for the earmarks. Once you have an earmark in a bill, you are presumed to vote for that bill, so Members are voting for bills that they would otherwise oppose, and spending is driven higher because you have an earmark you are trying to protect. So we have to do that.

On a second issue, very briefly, I would propose that we fully fund the PILT program. This "Payment In Lieu of Taxes" is extremely important for States like mine, that has 87 percent of all land publicly owned. This is for counties that can't—

Mr. SHAYS. You are saying 87 percent?

Mr. FLAKE. By the Federal and State governments. So only about 13 percent is privately owned. So in counties with all that Federal and State ownership—Federal ownership in this case—Payment In Lieu of Taxes is used.

I would suggest that we ought to offset this by taking funds out of the President's request for more Federal land acquisition. The President has authorized \$340 million—I'm sorry, the PILT has been authorized at \$340 million. It has only received \$226 million. We need to take—if we cut \$170 million out of the Federal land acquisition, and I have it all in my notes here, I'm just trying to get the numbers—we can find savings of \$170 million in combined Federal land acquisition money in the Land and Water Conservation Fund for both the Department of the Interior and the U.S. Forest Service. We can take that and apply it toward PILT funding, and then we would save—and actually be able to apply \$56 million against the deficit. So this is actually a savings of money. This has been endorsed by the Western Caucus, of which I am a member, and I am proud to submit this, and thank you, Mr. Chairman.

[The prepared statement of Mr. Flake and accompanying documents follow:]

PREPARED STATEMENT OF HON. JEFF FLAKE, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF ARIZONA

Thank you for this opportunity to offer my views on the budget today. I believe the President's budget provides funding in many key areas, most especially in providing funding to fight the War on Terrorism, as well as providing funding to combat the threat of wildfires in the West.

I would also like to thank the chairman for his efforts to control Federal spending by proposing a 1-year moratorium on earmarks in this year's budget resolution. I whole heartedly support the chairman's proposal, and I volunteer to help in the effort.

There is broad consensus that earmarks are out of control. Not only do they lead to wasteful spending, but they are increasingly used to lock in Members' votes on bills they would otherwise oppose.

With the deficit at an unprecedented high, we ought to take unprecedented steps to address spending. Some may argue for the merit of earmarks in their own districts, but I doubt they would argue that their projects are more important than the financial health of the country.

While the Federal transportation program is not the only offender, I am concerned about the level of Member-specific, 1-year earmarking in transportation legislation.

This year, House Members were told that something in the neighborhood of 15 million dollars would be available to each of them for transportation projects in their districts. Once requests were in, was Leadership was presented with the cost of the bill along with all the Member requests.

Do the math, and you quickly realize that in a single bill, we are talking about billions of dollars of earmarks that we call "high priority projects." And yet, several States, including Arizona, are getting less than their fare share of the formula funding. To add to the inequity problem, some of these States are not even getting the supposed guaranteed minimum of transportation funding.

Again, Federal transportation programs are only part of the problem. Similar earmarking is done in other authorizing and spending bills.

Unfortunately, much of the earmarking is done in conference committees, after the committees of jurisdiction have debated and after each chamber has debated. Only on their last opportunity to vote for or against a bill do Members see the earmarks—that is if there's been enough time to dig through hundreds or thousands of pages in some of these bills. The troubling trend of grouping spending bills into omnibus packages makes identifying earmarks even more difficult.

This kind of earmarking needs to stop.

Shifting gears * * * I would also like to highlight the need to fully fund the Payment-in-Lieu-of-Taxes program or PILT by reducing funding for more Federal land acquisition.

I believe this can be accomplished by finding savings of \$170 million in the combined Federal land acquisition money in the Land and Water Conservation Fund account for both the Department of Interior and the U.S. Forest Service and then shifting \$114 million of that money to fully fund the PILT program.

This shift in funding would raise PILT funding from \$226 million in the President's fiscal year 2005 budget to \$340 million, which is the fully authorized level. The remaining savings of in Federal land acquisition money would be used to reduce overall discretionary spending in Function 300 by \$56 million, thus contributing to deficit reduction.

It is important to note that under this proposal fifty million would remain for Federal land acquisition authority in the budget for emergency Federal land acquisition to protect private property owners who must sell their land.

The need for fully funding PILT over continuing to fund more Federal land acquisition is clear. As you know, PILT funding goes to counties with high percentages of Federal land. Counties can not draw tax revenue from these Federal lands, and PILT funds provide the funding for schools, roads, and public safety programs that local tax revenue would usually pay for.

Although the PILT program has been authorized at \$340 million, it is only receiving \$226 million in the President's budget for fiscal year 2005. That is one million more than last year's level, but woefully short of what is needed.

At the same time, the President has provided over \$220 million for new Federal land acquisition in his budget, which would further create the need to counties to receive more PILT funding.

It is important to note that cutting the \$170 million for new Federal land acquisition would not affect the remaining \$730 million in the President's budget for the Land and Water Conservation Fund, which includes State LWCF money as well as the President's Cooperative Conservation Initiative.

The Western Caucus, of which I am a member, is supportive of this request.

Again, I thank the chairman.

Mr. SHAYS. Thank you.

We thought as an incentive for our State, for this whole hearing, that we would each be entitled to at least one earmark. [Laughter.]

That was a joke, for the record, please.

Jeb Bradley, you are going to finish up.

Thank you, Mr. Flake.

**STATEMENT OF HON. JEB BRADLEY, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEW HAMPSHIRE**

Mr. BRADLEY. Thank you very much, Mr. Chairman. I will be very brief. Has the 15-minute bell gone off?

Mr. SHAYS. Yes.

Mr. BRADLEY. OK, and I will take advantage of the opportunity to submit written remarks for the record.

Mr. Chairman, as a member of the House Veterans' Affairs Committee, I know—as Congressman Simmons just stated—how important it is that the Congress provide the VA with sufficient funding to maintain the current level of services for veterans' health and benefits programs. When it comes to the health care and the benefits provided to our Nation's veterans, I believe it is imperative that the Congress account for the sacrifice that these men and women have made for our country, defending our liberties, as we debate providing budget authority for the VA's discretionary program.

I want to stress that the recommendation of the Veterans' Committee that an additional \$2.524 billion in budget authority for the discretionary programs needs to be appropriated to ensure the current levels of service.

With that said, I am here today to also comment on the administration's proposal for a \$250 annual enrollment fee for Priority 7 and 8 vets seeking VA care, and an increase in drug and primary copayments. Attempts were made last year to increase fees and copayments, and for the second year in a row, I disagree with these copayments because they provide an additional burden on our Nation's veterans.

We need to increase the budget authority to ensure that the 8 million Priority 8 veterans that have been denied coverage, as Congressman Simmons just explained in his case, that they have ample resources to expand the coverage—

Mr. SHAYS. You said over 8 million for Priority 8?

Mr. BRADLEY. Yes, yes, it is. This is wrong, as I am sure you are aware, and hopefully our budget is going to reflect ample funding to correct the situation.

Mr. Chairman, thank you very much, and I will walk quickly with you over to the hall.

[The prepared statement of Mr. Bradley follows:]

PREPARED STATEMENT OF HON. JEB BRADLEY, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEW HAMPSHIRE

Mr. Chairman, as a member of the House Veterans' Affairs Committee, I know how important it is that Congress provide the VA with sufficient funding to maintain current levels of service for veterans' health and benefits programs. I also know how important it is to the approximately 135,000 veterans who call New Hampshire their home—roughly 10 percent of the State's total population—many of which are forced to travel great distances to receive the care promised to them. I certainly recognize our current fiscal situation and I share the desire of most members of this body to rein in spending. However, when it comes to the health care and benefits provided to our nation's veterans, I believe it is imperative that Congress account for the sacrifice these men and women made for their country when providing budget authority for VA's discretionary programs.

Mr. Chairman, we have made significant progress funding veterans' health care and benefit programs. Overall veterans' spending has increased to more than \$63 billion in 2004, a \$5.6 billion increase over the previous year. In addition, spending on veterans medical care has risen from \$17.3 billion to \$26.7 billion—a 54 percent increase—over the past 5 years. We have enacted numerous measures to enhance

and expand compensation such as the landmark progress we made last year on concurrent receipt. However, we must continue to improve these services as Congress has greatly expanded the number of veterans who are eligible for health benefits. While spending has increased substantially, so too have the number of eligible veterans, causing long wait times and the inability of some veterans—the priority 8 veterans—to be able to access VA medical care. At this time, when so many men and women are sacrificing so much in the defense of our nation, we should not, in my opinion, be denying health care benefits to many veterans.

I carefully examined the VA's budget submission, the Independent Budget submitted by the veterans' service organizations (VSOs), and the testimony provided at the budget hearing. I want to stress the recommendation of our committee that an additional \$2.524 billion in budget authority for VA's discretionary programs would be needed to ensure current levels of service.

With that said, I am also here today, Mr. Chairman, to comment on the administration's proposal for a \$250 annual enrollment fee for Priority 7 and 8 veterans seeking VA medical care, and an increase in drug and primary copayments. Similar attempts were made last year to increase these fees and copayments, and for the second year I do not agree with these additional burdens on our nation's veterans.

Furthermore, additional budget authority is needed to maintain current levels of staffing in the Veterans Benefits Administration and to support initiatives to improve claims processing. Approximately 8 million Priority 8 veterans have been denied coverage because of recent changes in their eligibility, and the veterans that are eligible are burdened by extremely long wait lines for even the most basic appointments. This is wrong, and Congress must provide ample funding to correct this.

I want to thank you, Mr. Chairman and the Committee on the Budget for hearing my testimony today, and I look forward to continued discussion on these important issues.

Mr. SHAYS. Thank you. I appreciate your testimony. That's a nice way to end this hearing. Thank you.

With that, we stand adjourned.

[Whereupon, at 5:45 p.m., the committee was adjourned, to reconvene at the call of the Chair.]

