

MEMBERS' DAY

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

HEARING HELD IN WASHINGTON, DC, February 14, 2002

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MEMBERS' DAY

THURSDAY, FEBRUARY 14, 2002

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

The committee met, pursuant to call, at 10 a.m. in room 210, Cannon House Office Building, Hon. Jim Nussle (chairman of the committee) presiding.

Members present: Representatives Nussle, Sununu, Gutknecht, Ryun, Collins, Fletcher, Spratt, McDermott, Hooley, Holt, Honda, and McCarthy.

Chairman NUSSLE. Good morning and happy Valentine's Day.

Today is an opportunity for us to listen to Members from both parties, from other committees of jurisdiction. We have Members on our list who have asked to testify. Some are former members of the Budget Committee, members of the leadership, former members of leadership, people who have been doing this for longer than many of us even on the panel.

So it's always an interesting day to hear their perspective. Last year when we had Members' day, we decided to do it a little bit differently. We began with the freshman class, thought we would listen to the freshmen fresh out of the field at that point in time, what their thoughts were. Today we're back to a little bit more traditional, whoever can show up, kind of schedule. And especially after last night, to have the very distinguished gentleman from Maryland here, bright and early, is amazing. Because you were certainly one of the leaders last night in the debate, and we appreciate that you would keep your commitment and come today to visit with us.

If I could also say parenthetically, thank you on behalf of the committee, for your assistance with our committee and so many others in helping us upgrade equipment from the House Administration Committee. You're getting to see some of the things today. We can give you a little tour. You've probably had enough of these. But we worked with your committee, as you know, over the last three budget cycles. We appreciate the assistance the House Administration Committee has given us.

Last week we kicked off our first web cast. If I'm not mistaken, we had somewhere around 50-different people across the country who—without any advertising at all that we were even doing this—had already started to tune in to what we were doing. Maybe that's not a lot, but without any notice at all, to have 50-more Americans be able to take a look at what's happening here in this committee

and in Congress I think is at least a good start. We'll get the word out about that.

Without any further ado, we welcome you to the committee. We look forward to your testimony. If you have a written statement, it will be submitted for the record and you may summarize as you see fit. All other members on the committee certainly are welcome to submit a statement for the record at this point.

[The prepared statements of Representatives: JoAnn Davis of Virginia, Delauro, English, Evans, Kanjorski, Langevin, Linder, Lowey, Maloney of New York, Pelosi, and Schiff.]

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

Mr. Chairman, members of the committee, I want to thank you for the opportunity to testify before the House Budget Committee today on the important issue of budgeting for the Maritime Administration's (MARAD) ship disposal program. This is an important program for not only certain districts, but exists to protect both the environment for, and health of, all Americans.

As I am sure you are aware, the National Defense Authorization Act of 2001 (P.L. 106-398) requires MARAD to dispose of all vessels in the National Defense Reserve Fleet (NDRF) by September 30, 2006 that are not administered by the Ready Reserve Force or designated for another specific purpose. To this end, MARAD has attempted to implement their disposal mandate. However, they have not received the requisite amount of funding for this initiative.

Mr. Chairman, I wanted to bring this to the attention of the House Budget Committee, because the situation with respect to the MARAD ships is time critical. In January of 2001, the General Accounting Office (GAO) issued a report titled, Major Management Challenges and Program Risks: Department of Transportation (GAO-01-253 January 1, 2001). This report explored in some depth the problems associated with MARAD's administration of its ship disposal program. I have attached the requisite pages as part of my testimony for your consideration (pgs. Cover, 32-35).

Mr. Chairman, in the course of the committee's consideration of the budget, I would ask that you give full consideration to the effects on the environment an underfunded ship disposal account could have. The results could be potentially disastrous. As the photo on page 33 indicates, the "Ghost Fleet" located on the James River in Virginia is particularly vulnerable to environmental disaster. However, the picture really cannot do complete service to the facts of the case.

On the James River alone, of the 74 ships in the "Ghost Fleet," 16 are considered at "high-risk" for environmental disaster. On April 30, 2001, the Maritime Administration in A Report to Congress on the Program for Scrapping Obsolete National Defense Reserve Fleet Vessel noted,

"The urgency to remove obsolete ships from MARAD's NDRF anchorages, especially many in the JRRF [James River Reserve Fleet] in Virginia, has been documented by the Department of Transportation (DOT) Inspector General Audit Report (March 2000) and the General Accounting Offices Report to Congress on Major Management Challenges and Program Risks in DOT (January 2001). Public attention has been recently elevated by recent news publications (National Geographic Discovery series and ABC Nightline News). The urgency is in part due to the location of the three fleet sites in areas bordering on sensitive estuarial wetlands where the release of petroleum products or hazardous materials could generate significant clean up costs and have lasting negative environmental impact" (pg. 21) [Italics and bold not in original].

Mr. Chairman, after you consider the facts, I genuinely believe that you will agree with me that the United States must do better in funding our ship disposal needs.

I appreciate the consideration you have given to me today and look forward to answering any further questions you may have regarding this topic. Mr. Chairman, members of the committee, thank you.

PREPARED STATEMENT OF HON. ROSA L. DELAURO, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CONNECTICUT

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

The Nation's budget is a blueprint not just for spending, but for where we are going as a Nation and how we will address our priorities. The events of September 11 changed that blueprint in ways none of us could have imagined before that tragic day. We urgently need to act to fund the war on terrorism and to promote homeland security so to prevent any future attacks. The threat is still there, and we must act now.

Toward that end, the President's budget has proposed \$48 billion in new military spending. We all stand four-square behind the President in this war on terrorism and we'll examine the spending proposal in that light. Of course, we must provide all the tools needed to pursue that fight and protect American citizens.

I am proud that citizens in my own State have played a leading role in that effort. In Connecticut, we build the Blackhawk helicopter and have employees whose years of dedicated hard work have ensured our country's safety. As our men and women in the military serve on the front lines of the war against terrorism, it is vital that we maintain, if not improve the current production level of Blackhawks. Currently these helicopters are playing an important role in the war against terrorism by transporting troops and equipment. Blackhawks are also used to perform search and rescue operations and bring the wounded to safety. I am proud that the people of my own district in Connecticut have been able to participate in this effort.

Clearly, the economy, the budget fiscal and tax policy and the related issue of military spending and how to provide all the necessary resources to fight the war on terrorism will remain front and center issues in the months ahead.

But while the war demands significant resources, there is no evidence that it must come at the expense of other priorities. The biggest drain on our resources is not the war, but \$600 billion in new tax cuts. I have deep concerns that, if the President's budget is enacted, it will hurt people in my district and people across the Nation.

The President's budget forfeits the notion of a balanced budget. In 1 year, we've gone from a projection of \$5.6 trillion surplus over 10 years to a projection of \$1.5 trillion deficit over that same time. That's one of the fastest budget turnarounds in recent history.

With this budget, the administration has turned the clock back on everything we have accomplished over the past 5 years in reestablishing some semblance of sanity to our fiscal policy. It leaves us with nothing but deficit spending in the foreseeable future and forces us to use the Social Security and Medicare surpluses to finance the government. That means Social Security will be weakened just when baby boomers begin to collect their checks.

To pay for the new tax cuts, President Bush's budget calls for cuts in spending, including cuts in education and in programs that he signed into law just a few weeks ago. His budget cuts funding for the his own top priority, the No Child Left Behind Act, leaving behind \$90 million less than was authorized. And it fails to provide a Medicare-based prescription drug benefit for all of our seniors.

We're in the middle of a recession yet the President's budget cuts job training programs by 12 percent. In my home State alone, almost 27,000 jobs have been lost in the last year. Cutting job training at a time when so many are looking for new jobs seems like such an obvious mistake.

And, as I said earlier, it will force cuts in other vital areas. For instance, the budget cuts funding for Children's Hospital Graduate School Medical Education (GME) by \$85 million, or 29.8 percent. Hospitals like the Connecticut Children's Medical Center in Hartford depend on this funding to help pay for the higher costs of providing advanced training to pediatricians.

The budget cuts funding for LIHEAP formula grants to States by \$300 million, or 17.6 percent. LIHEAP helps 4.7 million of the most vulnerable households in this country, including 410,270 eligible households in Connecticut, to pay their heating and cooling bills. Only 68,000 Connecticut households in need were actually served in 2001, so additional funds are desperately needed. The President's cut would cut \$6.289 million in LIHEAP funds from Connecticut.

The budget freezes funding for Ryan White AIDS programs at last year's level. With the advent of effective therapies such as the "triple cocktail," people with HIV/AIDS are living longer, but many have difficulty paying for the drugs they need to stay alive. The number of people seeking help through the AIDS Drug Assistance Program (ADAP) has more than doubled since 1996. My State of Connecticut receives more than \$26 million in Ryan White funding, and people in our region suffering from HIV/AIDS desperately need this funding.

And, of course, there is the President's top legislative priority, education. The President's budget cuts the Federal investment in education in real terms. He proposes just a 2.8-percent increase (or \$1.4 billion), the smallest in 7 years and less than the inflation rate. Hidden within this overall increase is \$1.7 billion in cuts

from education programs, including a net cut of \$84 million from the bipartisan education reform law he signed just last month.

It decreases Safe and Drug Free School Programs by 13.7 percent. The 21st Century Community Learning Centers after-school program was only able to fill 11 percent of the requests for funding in 2001. However, the administration budget includes no increase in this vital after-school program. It is funded at the fiscal year 2002 level of \$1 billion. This would actually result in 27,000 fewer children receiving the support they need from constructive after-school activities. After-school programs can help to ensure that children succeed in school and are engaged in safe activities after school. Today, nearly 7 million children are home alone during some part of each week.

Head Start funding currently reaches only three out of five eligible preschool-age children, and less than 5 percent of eligible infants and toddlers can participate in Early Head Start. The administration's proposed \$130-million increase (2 percent) for Head Start means not only that no additional children can be served but also that programs will have to struggle to cover basic cost increases with no new resources to support continued efforts to strengthen the quality of Head Start. Head Start is crucial for preparing our children for a successful future.

The Child Care Development Block Grant (CCDBG) received no increase for fiscal year 2003 (either in mandatory or discretionary funds). Instead it was funded at last year's level of \$4.8 billion. This program provides subsidized child care services to eligible families through certificates or contracts with providers. This freezes the purchasing power of the program by \$40 million. Flat funding would mean that at least 30,000 fewer children could receive child care assistance and no new investments could be made to strengthen the quality of care. It is estimated this would serve 2.2 million children. Currently, only one in seven children whose families need help in paying for child care receives any assistance.

The list goes on. To cut these types of programs to pay for an oversized tax cut for the wealthy does not reflect the clear priorities of the American people. It is imperative that we stand behind the President on the war effort. But in doing so, we must not turn our back on the progress of the last few years. We made so many strides: investments in crucial priorities, fiscal responsibility, paying down the national debt, and meaningful steps toward saving Social Security and Medicare. We should not risk it all. We do not need to. The American people do not want us to.

Thank you again for this opportunity.

PREPARED STATEMENT OF HON. PHIL ENGLISH, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF PENNSYLVANIA

Chairman Nussle, Ranking Member Spratt and members of the committee, thank you for allowing me to present testimony to you today to convey what I believe should be a strong budget priority for fiscal year 2003.

I urge the committee to take a careful look at funding levels for the Department of Transportation for fiscal year 2003. Because of a negative Revenue Aligned Budget Authority (RABA) calculation, a \$4.39 billion short fall is expected for Federal highway funds in 2003. The administration's overall transportation request is \$8.5-billion less than fiscal year 2002.

If these cuts to Federal highway funding proceed, it will be difficult for States including Pennsylvania to continue forward with their planned highway programs. Because of the reduction in funds, States will be forced to re-examine their priorities statewide until additional Federal funds for highway construction can be allocated. This will cost Pennsylvania an estimated 14,536 good-paying jobs.

Last week, I met with the Pennsylvania Secretary of Transportation Brad Mallory to talk with him about the impact of any decrease in Federal funding. Secretary Mallory assured me that a decrease in Federal funding would have a huge impact on many of Pennsylvania's highway projects. And it will happen all over the United States.

While it's too early to say that projects are on the chopping block, allow me to provide you with one example of a crucial project that could be facing the axe. Erie's eastside access highway is a 6.2-mile long stretch that will link Erie's Bayfront Parkway to Interstate 90.

While that may not mean much to you, let me tell you what it means to the people of Erie. It means easy access to an area of the city primed for economic development. It means good-paying jobs as businesses choose to locate in Erie because it is directly linked to a major interstate. It means a return to economic security on Erie's east side and the entire community as a whole. This is a fundamental eco-

conomic development priority for the area. But if the Federal funding falls short, the project faces an uncertain future. And so do the people of Erie.

Looking beyond Erie, the impact of cutting highway funding would further devastate our already struggling national economy. Cutting funding means States cut projects. Cutting projects means ending construction contracts, ending the jobs for thousands of road construction crews. Ending jobs means more and more people are out of work and struggling to support their families.

Ironically, this decrease in spending would impose significant costs on Federal Government. Unpaid taxes, and unemployment compensation would represent a \$513 million loss for the Federal Government.

During the weeks and months ahead, your committee will take on the monumental task of establishing a budget. With so many pots to fill and only so much to fill them with, I urge the committee to fully fund the Federal Highway Fund. We must preserve the Federal funding that will allow us to continue with vital highway projects in order to provide economic stability throughout the country. Thank you.

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

Thank you Mr. Chairman and members of the committee for the opportunity to submit testimony on the Department of Veterans Affairs budget for fiscal year 2003.

My testimony and request are simple. I recommend the Budget Committee support a \$26 billion appropriation to fully fund veterans' medical care in fiscal year 2003. The budget is about numbers. In this case, the numbers speak for themselves. In support of my recommendation, I have prepared a chart explaining my request. I believe you will find this information useful.

Mr. Chairman, \$21.3 billion was provided to VA to furnish medical care to veterans in fiscal year 2002. This amount has proven inadequate and more veterans have come to VA for medical care than were expected. The cost of this unanticipated increase in VA medical care workload is \$1.34 billion this fiscal year. When these costs are included, the adjusted baseline for VA medical care in fiscal year 2002 is \$22.64 billion. From this baseline, VA needs \$3-billion more to fully fund veterans' medical care in fiscal year 2003. The details of this needed additional funding are provided in the attached chart.

Some will say an appropriation of \$26 billion to fully fund veterans medical care in 2003 will increase the deficit. It will—the increase is $\frac{8}{10}$ or 1 percent. We can afford to fully fund veterans' medical care. We must fully fund veterans' medical care.

Mr. Chairman, we honor and appreciate the service and sacrifice of America's veterans. The budget I am recommending does.

PREPARED STATEMENT OF HON. PAUL E. KANJORSKI, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, thank you for allowing me to come before the Budget Committee to express my concerns about some of the Bush administration's budgetary priorities. I would like to call the committee's attention to a few specific issues that are very important to the people I represent in Northeastern and Central Pennsylvania.

While I certainly understand the need to strengthen our military and homeland security, this budget shortchanges the Federal Government's responsibility to future Medicare and Social Security beneficiaries and provides inadequate funding for important environmental restoration programs. Senior citizens in Northeastern and Central Pennsylvania count on Medicare and Social Security as anchors of their retirement security. The health of Medicare is also crucial for our region's overall health care system because we have a higher-than-average elderly population. This budget also fails to provide adequate funding for the reclamation of the abandoned mine lands that are prevalent throughout not only my congressional district but also across the entire Commonwealth of Pennsylvania. Moreover, the President's proposed funding level for our Nation's highway programs could, if enacted, result in job losses and postponement of current and future highway projects, thereby impeding economic growth and development. In one way or another, these issues affect all of my constituents and I hope that the committee will give these matters the full and fair attention that they deserve in the coming weeks and months.

The President's budget desperately underfunds Federal abandoned mine land cleanup programs. The fiscal 2002 Department of the Interior appropriations legislation provided only a 0.5-percent increase for the Abandoned Mine Land Fund over fiscal 2001, not even enough to keep up with inflation. That was bad enough. This year, the administration's budget proposal of \$175.5 million for the Abandoned Mine Reclamation Fund is almost \$30-million less than last year. This decrease is devastating to the communities across the Nation that desperately need their abandoned mine lands economically and environmentally rehabilitated. I represent a number of these communities in Northeastern and Central Pennsylvania and, on their behalf, I urge you to fully fund these vital programs as you work on the 2003 budget. From my perspective, environmental restoration is a necessary precursor to economic revitalization. Without programs like the Abandoned Mine Reclamation Fund that help communities recover from environmental devastation, areas like Northeastern Pennsylvania will face great difficulties in realizing its full economic potential.

Further, millions of dollars dedicated for the clean up of abandoned coal mine sites now available for reclamation throughout the United States sit unappropriated in the Abandoned Mine Land Trust Fund. Important reclamation work, including the cleanup of 12,000 miles of streams polluted by acid mine drainage, is being needlessly postponed in an effort to offset other expenditures from the Federal budget.

This situation must be corrected. As you may know, the Abandoned Mine Land program receives the largest percentage of its funding from a fee paid by current coal producers on each ton of coal produced in the United States. This money paid by coal producers for the reclamation of abandoned coal lands should be used for its intended purpose and not as a convenient bookkeeping tool. Because this fee is dedicated for a specific purpose, it should be taken off budget rather than allowing a surplus to accumulate to offset the budget deficit.

Furthermore, Mr. Chairman, I have genuine concerns about the priorities set forth in the administration's budget in terms of our Nation's elderly retirement programs. This budget proposal unfortunately marks the return to deficit spending for the first time since 1997, which means that our Nation could end up using surplus Social Security money to pay for other Federal programs. Although this budget will provide adequate funding for seniors currently receiving Social Security benefits, I have sincere concerns about the effects that budgetary deficits will have on the Federal Government's ability to meet its other responsibilities to the residents of Northeastern and Central Pennsylvania.

The return to budget deficits also means that we no longer have the resources needed to strengthen Social Security and Medicare for current and future generations. For example, we now lack the funding needed to increase the Social Security payments made to those Americans born between 1916 and 1926 who are commonly known as "notch" babies.

The Bush budget plan additionally fails to fulfill a commitment to provide meaningful and affordable prescription drug coverage for our Nation's seniors. Rather than creating a guaranteed prescription drug benefit within Medicare, the President recommends a patchwork quilt of state-based reforms that will at best help just 3 million individuals, according to the President's estimates. The remaining 37 million Medicare recipients—including the majority of senior citizens living in Northeastern and Central Pennsylvania—would receive no help.

At a time when the cost of prescriptions continues to rise dramatically, we should work in Washington to include a voluntary defined benefit package for those seniors who want to purchase prescription drug coverage through Medicare. Offering this coverage directly through Medicare ensures that no private plan can one day abandon the program and leave participating seniors without prescription drug benefits, as was the case with the HMOs that recently left the Medicare program in Northeastern and Central Pennsylvania.

Furthermore, the Bush budget request fails to provide sufficient funding for other desirable Medicare reforms. We need to expand preventive screening exams and provide new health services through Medicare. We also need to increase reimbursements for the health care providers in the Scranton/Wilkes-Barre/Hazleton Metropolitan Statistical Area. Because of a glitch in the Medicare reimbursement formula, these professionals receive significantly less than medical providers in other regions of our State. We need to fix this problem.

Finally, Mr. Chairman, cutting highway funding would require Pennsylvania to postpone numerous planned highway projects and cost thousands of jobs at a time when the economy is struggling at the regional and national levels. This cut would be particularly devastating for communities that are counting on highway projects to spur economic development.

While highway funding is primarily based on fuel tax collections, it would be shortsighted to halt or delay planned highway projects based on a temporary drop in collections. This proposed cut is especially shortsighted when there is a balance of \$18.5 billion in the Federal highway trust fund. Both this fund and the mine reclamation fund should be used for their intended purposes.

In closing, Mr. Chairman, I look forward to working with my colleagues on both sides of the aisle in developing a budgetary framework that preserves Social Security, protects Medicare, promotes homeland security, lowers the national debt, and invests in our future prudently. Moreover, I urge the committee and the entire Congress to restore funding for environmental-friendly and economically justified programs like the Abandoned Mine Land Fund. Accordingly, I look forward to hearing from each of the committee members and yield back the balance of my time.

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

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

Let me begin by saying that I stand united with the President and my colleagues on both sides of the aisle in our commitment to defeat terrorism and to do what is necessary to preserve national security both at home and abroad. However, in light of the many new security and economic challenges confronting us, our homeland protection efforts and fiscal policies should not shortchange Social Security and other national priorities. We can win the war against terrorism without raiding the Social Security and Medicare Trust Funds and without increasing the national debt.

Earlier this month, the Congressional Budget Office (CBO) confirmed that in less than a year the 10-year projected surplus declined by \$4 trillion. While portions of this decline are a result of the war, the depletion of the surplus to date was also largely caused by last year's fiscally irresponsible policies. The additional \$800 billion in tax cuts proposed in this year's budget would only worsen our current situation and lead us further down the path of mounting deficits and escalating public debt. To pay for the additional tax cuts, this budget would raid more than \$2 trillion from the Social Security and Medicare Trust Funds to cover deficits in the rest of the Federal budget over the next 10 years. We need a wartime freeze on tax cuts to avoid deficit spending.

When I was elected to Congress, I promised my constituents that I would protect the Social Security and Medicare Trust Funds. And I was not alone. Over one hundred of my colleagues have co-sponsored legislation to prevent Congress from spending the Social Security and Medicare surpluses, and the House of Representatives has voted seven times in the past 3 years to establish lockboxes for these funds.

The current administration made the very same pledge to not touch these vital trust funds. This budget breaks that promise. It is time to honor our commitments by acknowledging our current situation and work together to craft a budget that is fair and fiscally responsible.

Moreover, the projections used to frame this budget are optimistic. They do not include the administration's budget request for an additional \$48 billion for the military and homeland security, which I support but needs to be included in the budget projections. Further, they do not include a Medicare prescription drug plan, which was also promised by both the administration and Congress. The projections also leave out an assessment of the lost revenue resulting from extending expiring tax credits and modifying the individual alternative minimum tax that will impact millions of middle-income taxpayers over the next 10 years. And they rest on the smoke-and-mirrors premise that all of the tax cuts enacted last year will be rescinded in 2010. A more realistic set of assumptions would show that the 10-year budget surplus has already vanished.

The disappearance of the 10-year surplus compels us to consider not just a 1-year but also a long-term budget plan. Congress and the American people have the right to know how the administration proposes to restore fiscal discipline while enacting additional tax cuts, boosting spending for the military, and meeting commitments to a growing number of retirees. The administration and Congress should devise budgetary rules that make tax cuts and spending contingent on the realization of

specified targets for the budget surplus and the Federal debt. Unfortunately, this budget fails on all those accounts.

I am also deeply concerned about the draconian cuts to the Small Business Administration. The budget proposes cutting the funding for the 7(a) loan program in half. Last year, this loan program provided over \$94 million in assistance to Rhode Island's small business community. Additionally, the administration proposes cutting funding for employment and training programs by \$686 million. With more than 1.4 million workers laid off over the last year, we need this funding now more than ever. The budget would also slash the Low-Income Heating and Energy Assistance Program (LIHEAP) by \$300 million. This program is crucial for all New England States and particularly for our seniors, who are often forced to choose food over heat. Finally, the budget would cut \$417 million from the Public Housing Capital Fund, which helps provide 1.2 million families nationwide—40 percent of whom are elderly or disabled—with affordable housing. Housing needs are especially acute in Rhode Island, where 38 percent of renter households pay more than 30 percent of their income for rent.

In closing, I would like to thank the Chairman and Ranking Member for allowing me to take part in this important discussion. There are many tough choices ahead, but I believe that with cooperation and an eye toward operating within a responsible framework, this Congress can 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, senior citizens and all Americans.

PREPARED STATEMENT OF HON. JOHN LINDER, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF GEORGIA

Mr. Chairman, in both his State of the Union Address and his fiscal year 2003 budget request, President Bush outlined his spending priorities for the coming fiscal year. Among the most significant and pressing of his priorities was bioterrorism preparedness. Unfortunately, the organization that is our first line of defense in bioterrorism attacks has not been sufficiently equipped with the resources needed to adequately respond in the event of a crisis.

The Centers for Disease Control and Prevention (CDC) is headquartered in Atlanta, Georgia, has facilities in 10 major cities nationwide, controls 11 centers and institutes on public health, and employees nearly 9,000 people. Yet, the CDC operates in some of the most deplorable buildings imaginable. In fact, when I visit the CDC, I am always struck by the fact that we have first-class scientists working in third-world facilities.

In 1958, then-Congressman John Fogarty wrote to President Eisenhower explaining his views on the condition of the CDC. In his letter, he wrote, "When I say that conditions are deplorable I have in mind the dilapidated wood frame structures occupied at Chamblee * * * originally constructed as temporary buildings for the old Lawson General Hospital. That Federal employees are required to work in such firetraps is, in my opinion, inexcusable." These working conditions proved unacceptable over 40 years ago, yet these same facilities have not been renovated or replaced, and due to age, these building are now significantly worse.

Allow me to present a few examples of the appalling scenario with which we are dealing. At the main environmental health lab, plastic sheeting is used to cover a \$500,000 mass spectrometer in order to prevent water damage. At the Chamblee campus, a main loading dock, normally a high-traffic structure, is comprised of rotting wood and rust-covered pipes. Moreover, countless electrical shortages have delayed and damaged a number of crucial health-related experiments. Unfortunately, this decrepitude is not isolated to these areas alone; they are commonplace in all of the CDC's facilities.

In addition, the safety standard for CDC infectious disease lab space is 420 square feet per laboratorian. In 1997, the average lab space was a paltry 300 square feet per laboratorian. In fact, over 15 percent of the CDC's assigned lab space has to be used for office space due to overcrowding. The hallways house laboratory support equipment for biological labs, and lab support and lab space is often compressed into a single room.

One of the most disturbing problems faced by CDC is the complete lack of security for the campus itself. The CDC in Atlanta is one of only eight institutions in the world to have the highest level of containment, called "Biosafety Level 4," for storing and handling the most dangerous known microbes, such as the viruses that cause Ebola, Lassa, Marburg and Machupo fever. Yet these containment facilities, with

their deadly diseases, are located merely feet from a campus loading dock. It should be shocking to every Member in this room to know that a simple car bomb can wreak havoc not only at CDC, but on approximately 4 million Americans in the greater Atlanta metropolitan area. We cannot ignore this danger.

In the days following the breakout of anthrax on the Capitol grounds last October, this government immediately turned to the CDC for assistance. Yet, Mr. Chairman, I find it ironic that the facilities on which we rely so heavily for the safety of our own health, are themselves a major health hazard. We would certainly not require the U.S. Army to engage in a massive ground campaign using horses, so we should ask ourselves, how can we expect the CDC to perform research and formulate solutions for 21st century problems, while forcing it to use facilities that were inadequate in the 20th century?

The next question, Mr. Chairman, is what can we do to avoid a disaster? The answer is simple: give the CDC enough support to prevent such a nightmare from becoming a reality. Two years ago, the CDC implemented a master plan to redesign, renovate, and strengthen its facilities over a 10-year period. However, I believe it is imperative that we act to hasten completion of that modernization and bring the CDC into the 21st century. Last year, I introduced legislation in the House to authorize the appropriation of \$1.5 billion over 5 years for critical CDC construction and renovation projects. This legislation would allow the CDC to fully complete its plans on only half the time.

This House understood the pressing need for CDC improvements and authorized \$300 million spending for CDC construction and renovation, and appropriated \$250 million of these authorized funds. In order to keep the CDC on track for completion of its priorities by 2006, it is important that we budget for and appropriate the full \$300 million each year until these projects are completed.

Mr. Chairman and members of the committee, I come before you today not only as a colleague and Member of this House, but also as an American who truly believes that if we are to take terrorism head-on, both here and abroad, that we should be fully prepared to efficiently and effectively win this battle. The anthrax scare of last October can most certainly happen again, however, we have the opportunity to do what we can to ensure that an attack of this nature has little or no effect on the people of this country. As such, I would encourage the members of this committee to budget full funding of CDC's modernization and security plans during deliberations on the fiscal year 2003 budget resolution. I truly believe this short-term expenditure to be an important long-term investment. I am hopeful that this committee will take an active lead in ensuring the health and safety of Americans, and help solidify the CDC's position as a world leader in biological, bacterial, and viral research.

PREPARED STATEMENT HON. NITA M. LOWEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, I am here today to ask that this committee include in the fiscal year 2003 Budget Resolution a demonstration of Congressional intent to provide New York with the funding we promised last year.

The attacks on the World Trade Center may seem to have occurred a long time ago, but a scant 5 months has passed. Unfortunately, the administration seems to have forgotten. There is not one mention in the fiscal year 2003 budget request of the rest of the \$20 billion the administration promised for New York last year. The head of the Office of Management and Budget (OMB) referred to the New York Congressional delegation as "money-grubbers" and announced that he would consider the Victims Compensation Fund as part of the \$20 billion.

The President continues to promise that New York will receive the full \$20 billion. I am cautiously optimistic that the President will keep his promise. Unfortunately, his budget doesn't back up his words.

The events of September 11 have devastated New York. Over 100,000 New Yorkers lost their jobs in the wake of the attacks. The State's unemployment fund is bankrupt. Families have lost their health insurance and are forced to do without. Many have turned to part-time work, if they can find it, just to provide for their families. We need job training and assistance to get people back to work. These families need health insurance. They need help to pay the bills and put food on their tables.

The damage does not stop there. Schools were shut down and damaged. Hospitals provided care for anyone who walked in the door, no questions asked. One hospital close to the World Trade Center site operated with no running water and on backup

generators. Despite this, they treated the most seriously injured and even brought food to elderly residents trapped in an apartment building across the street. They still need to be compensated for their efforts.

The attacks shattered the financial heart of New York and the United States. Hundreds of firms lost office space. Most of them will not return to lower Manhattan. Instead, many firms opted to reopen their offices in other areas. We will need to find a way to bring business back to lower Manhattan.

Mr. Chairman, the city's economy and the State's economy are in tatters. Necessary cuts in services due to drastically reduced revenue will only add to New York's considerable pain.

It is essential that Congress express its full support for rebuilding New York. I respectfully request that the fiscal year 2003 Budget Resolution include a provision ensuring that the remainder of the \$20 billion promised to New York will be included in a supplemental appropriations bill for fiscal year 2002.

The men and women who responded to the attacks of September 11 did not hesitate in their actions. These heroes deserve the same from the Federal Government. Let's show them that Congress will keep its promise to rescue New York.

PREPARED STATEMENT OF HON. CAROLYN B. MALONEY, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEW YORK

Good afternoon Chairman Nussle, Ranking Member Spratt and members of the committee. Thank you for the opportunity to testify on the fiscal year 2003 budget resolution.

I have never been so proud to be a Member of Congress as I was in the wake of the September 11 attacks. This Congress came together across party and regional difference and demonstrated to the world that our country will always prevail over terror. I am especially grateful to all my colleagues for making the important down payment on the recovery in New York City, pledging \$20 billion in aid to the city in the wake of the attack.

Unfortunately, 5 months and 3 days later, this commitment to New York has yet to be fulfilled. Just days after 9/11, the President made a decisive promise to help New York recover. His pledge of \$20 billion, along with the immediate act by Congress to authorize the funds lifted the city and signaled to New York that the country was committed to helping us come back.

While we assumed that these disaster-recovery funds would come to New York immediately the administration has yet to deliver on its commitment. The \$20 billion that was understood as a minimum in Federal aid quickly became a maximum that would take "years" to actually arrive, according to White House budget director Mitch Daniels.

While the White House has insisted that the money will eventually get to New York, I can assure you that the needs are immediate, the city cannot wait, and aid to New York must be included in the budget resolution.

In addition to pure disaster cleanup, businesses large and small, hospitals, utilities, and schools have all suffered huge economic losses and are in need of Federal assistance. All through the winter, New Yorkers who lost jobs due to the terrorist attack have struggled. Many cannot afford health care coverage while their unemployment insurance is due to run out in weeks. Now concerns are mounting over the health of the rescue workers and residents downtown. Schools are grappling with the cost of make-up days for thousands of lost hours in instructional time.

Everyday businesses are making long-term decisions about whether they can stay in the city and a significant number have already left. Many have been unable to get a single penny in aid because they don't fit FEMA's guidelines. Losses from 9/11 do not fit past paradigms for disaster cleanup and New Yorkers need the resources to respond to the city's varied needs.

The entire city and State are facing huge deficits from revenue shortfalls directly attributable to the 9/11 attack forcing cuts in services to the people of New York at exactly the time they need more help.

These are the problems I confront as I travel around my district and New York City. Accordingly, we were extremely disappointed that the President failed to mention any aid to New York in his State of the Union address. The last week's voluminous administration budget document again neglected significant detail about additional aid to New York. Part of the problem may be that while we know Donald Rumsfeld is in charge of the war and Tom Ridge is in charge of homeland security, it is not clear who at the White House is in charge of making sure New York recovers.

Mr. Chairman and members of the committee, New Yorkers are not “money grubbers” as Mitch Daniels called us a week ago. Our city has simply suffered a terrible tragedy merely because it is a symbol of the greatness of our country.

As elected representatives we are all closer to our constituents than any administration can be. As Members, we all know the terrorist threat is far from over and that the next attack could be in any of our districts. Please take this into account the commitment Congress made last year as you work on the budget resolution and do not make the same oversight as the administration.

PREPARED STATEMENT OF HON. NANCY PELOSI, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CALIFORNIA

Mr. Chairman and Ranking Member Spratt, thank you for the opportunity to testify before your committee and for your continued leadership on budgetary issues. The world has changed a great deal since we debated last year’s budget resolution. Unfortunately, our Nation’s fiscal outlook has changed a great deal as well. After building the largest surpluses ever, we now face deficits as far as the eye can see. The budget submitted by President Bush properly devotes substantial resources to the war on terrorism and homeland security, but it fails to put us back on the course of fiscal strength. Instead, his proposal returns our Nation to deficit spending, raids the Social Security and Medicare trust fund surpluses, and fails to promote economic growth.

Last year, Democrats argued that sacrificing needed investments in children and families in order to pay for a tax cut for the wealthy would harm our economy. Now, despite evidence that the policies of the Bush administration have not promoted economic growth, the President’s budget contains more of the same.

The President has proposed to cut education, health care, job training, and transportation funding, yet still managed to provide nearly \$600 billion in tax cuts. In total, his budget cuts funding for programs outside of defense and homeland security by \$4.3 billion from last year’s level. This will result in a shortfall of \$15.8 billion below the level necessary to maintain current services. Once again, these sacrifices are requested in order to pay for tax cuts for those who don’t need them. When we have surpluses, the administration’s solution is to cut taxes. When we have deficits, the administration’s solution is to cut taxes.

I have often said that our Nation’s budget is a statement of our values. When we fail to invest in children and families, we fail to reflect our true values. That failure has a particularly strong impact on women and children.

By freezing funds for child care and after school programs, this budget makes it harder to balance work and family responsibilities. By freezing funding for domestic violence programs, this budget makes it harder for victims to break free from an abusive relationship. By freezing funding for birth control and essential reproductive health services, this budget does not support responsible choices and disproportionately hurts low-income women.

THE CONSEQUENCES ARE REAL

Reducing funding for Safe and Drug Free Schools weakens efforts to prevent school-based violence and illegal drug, alcohol, and tobacco use, jeopardizing the health and safety of our children. Decreasing funds to reduce infant mortality and strengthen maternal and child health programs hurts kids’ chances of growing up to be healthy adults.

Women still earn an average of 76 cents for every dollar earned by men, and the wage gap increased between 1995 and 2000 in many industries. Slashing the resources available to agencies that support working women not only fails to respond to this inequity, but it also makes it much more difficult for women to support their families. We should be supporting equal pay for equal work, not undermining the agencies that work toward that goal.

These sacrifices do not reflect our values, yet the President’s budget asks Americans to trade these investments for tax cuts. We all want to do our part to make our homeland secure and defeat terrorism, and I look forward to working with the President on those areas where we have common ground, but we need to do better in the budget resolution. We need a budget with a strategy to climb out of deficits and help the economy recover, and we need a budget that reflects our values by investing in children and families. Thank you again for this opportunity to testify.

PREPARED STATEMENT OF HON. ADAM B. SCHIFF, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CALIFORNIA

Today, I come before my colleagues to express my concerns about the President's budget proposal. I applaud the President for outlining priorities of beefing up homeland security and strengthening national defense. But he has also proposed new levels of domestic spending and additional tax cuts. And one critical issue has been left out: How do we pay for all this?

So many American families are facing the challenge of making ends meet, especially during this recession. American families are struggling to live within their means. It is our responsibility as the Federal Government to do the same. We owe it to the American people to balance our books. If a balanced budget is unattainable at the present time due to war efforts and the recession, I believe we must have a long-term plan that ensures a return to fiscal discipline.

The new budget reports indicate that the government will return to deficit spending and raid the entire Medicare surplus and further raid the Social Security trust fund by more than \$1.5 trillion over the next 10 years. This should be cause for great concern for our Nation's long-term economic well-being.

We are, I fear, at risk of making the same mistakes we made two decades ago when we began a vicious cycle of deficit spending and burdened ourselves with terrible debt and crushing debt service. We are at risk of ignoring the lessons of our protracted climb out of debt during the 1980's and 1990's, and of the enormous economic benefits a return to fiscal responsibility brought this Nation. Having failed to learn from history, we are perilously close to repeating it. Even now, credible voices within the administration are saying debt simply doesn't matter. How soon we forget.

During the debate last year, Congress and the President agreed that the Social Security trust fund surplus would be put in a lockbox and saved to prepare for the retirement of the baby boomers. The new projections show that this promise will not be kept. Unfortunately, the new projections show a return of budget deficits, borrowing from Social Security and a rapidly increasing national debt.

Soon, the administration will be before the Congress asking to raise the limit on the national debt for permission, in effect, to open the Social Security lockbox and throw away the key, until one day, far off in our future, when we may find that key again.

It is reasonable and appropriate to run temporary deficits during a recession and war, and we all support the President's efforts in the war on terrorism. However, under a responsible fiscal policy, the temporary deficits incurred during a period of economic weakness and war must be offset by a return to budget surpluses when conditions improve.

The government is projected to run on-budget deficits that will require the government to raid the Social Security and Medicare trust fund surpluses for rest of the decade, even before additional spending increases for defense and homeland security are counted.

We need a plan for the long-term budget that brings us back to a time of fiscal responsibility. We're spending money now faster than it's coming in, and in doing so, we are risking the long-term solvency of the Federal budget. And more, we are mortgaging our children's future.

Because our great Nation is faced with the challenges of protecting our national security both at home and abroad during this time of war, we need to make tough choices in addressing the budget outlook. We need a wartime budget. One that meets our national defense and homeland security needs. One, like in past wars, that asks Americans for something they are willing to give if asked, something they yearn to be asked for in plain and candid terms, and that is "sacrifice."

Yet this administration and this Congress have not called on the American people for sacrifice. Instead, we have a budget proposal that says you can have your cake and eat it too.

We must keep our Nation strong and we will, but we should not force our children to pay for it. "The price of freedom is high," as President John F. Kennedy once said, "and Americans have always paid." We pay it still. We must sacrifice now, so our children's future is not mortgaged for our security.

While we stand in support of the President's efforts in the war on terrorism, we must also challenge our colleagues in Congress and the administration to address effectively our present circumstances, and work together in a bipartisan way to return to a balanced budget and responsible fiscal discipline, without using the Social Security surplus.

Are there Members on the Democratic side who wish to say anything before we begin? Mr. McDermott.

Mr. MCDERMOTT. Mr. Chairman, I welcome to the opportunity to sit and hear from other Members. I think that we ought to just go to testimony.

Chairman NUSSLE. Thank you.

Our first witness is the very distinguished gentleman from Maryland, Mr. Hoyer. We welcome you to the committee. Your statement will be in the record, and you may summarize.

**STATEMENT OF HON. STENY H. HOYER, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MARYLAND**

Mr. HOYER. Thank you very much, Mr. Chairman. It's 8 minutes in length, but I will go through it rapidly and try to make a sum of the points which I think are, important.

My testimony will focus on three areas. Mr. Chairman and members of the committee, I want to say that I'm pleased at the technology upgrades that the committees are receiving. They will not only assist the committee members, which is important, but also, as you pointed out, will help the public follow what we do. Because after all, as Woodrow Wilson observed, the work of Congress is in committees. Frankly, the more collegial work is in committees. We see the confrontation too often on the floor, and Americans think that's how we work. But in fact, we really do work in committees like this. The technology advantages that we are able to bring to committees are very important. Bob Ney is an extraordinarily positive individual with whom to work, and is doing a great job. I think we've probably had as positive a committee budget session in our resolution this year as we've had since I've been in Congress, largely due to Mr. Ney's work and the committee chair's work in working in a bipartisan fashion across the aisle to assure fairness on both sides, and I thank you for that.

As I said, my focus will be on three areas, the President's budget request, pay for Federal employees and election reform. Mr. Chairman, I think Ranking Member Spratt hit it right on last week when he said that the President's budget reverses a decade of fiscal progress and takes the country back down a perilous path of unending deficits. Obviously we have differences on why that's happened. But the surplus has dwindled, we've gone from a \$5.6-trillion down to a \$1.6 trillion surplus projection. The tax cuts obviously are a component of that. September 11 is a component of that. The economic downturn is a component of that as well.

Those of us who were here in 1981 experienced a similar phenomenon. That is, large cuts, increases in defense, economic slowdown in the early 1980's, then a speedup in the middle 1980's, resulting in a very substantial deficit picture with which this committee has had to grapple over the last 10 years. There is no doubt that we need to beef up defense, Mr. Chairman, and I support that. My colleague Mr. Skelton is here, on our side of the aisle, working in a bipartisan fashion. He has done so much to accomplish that end. There is no doubt we need to enhance our homeland security. We're likely to support that.

But at the same time, we must keep our promises to preserve Social Security and Medicare. I think all of us agree on that. We all

made a commitment last year to preserve Social Security and Medicare, but now of course we're facing deficits that will take nearly \$1.5 trillion from the Social Security and Medicare trust funds, something we said we would not do.

I hope that this committee will make a strong effort to work with Ranking Member Spratt and Democratic Members and Republican Members to craft a bipartisan budget resolution. I don't know if that is possible, Mr. Chairman, but it certainly is desirable in my opinion. That budget should reflect the kind of fiscal responsibility of which we all desire but which obviously is very difficult to achieve.

Let me focus specifically on an item that I have continued to work on. Mr. Chairman, I want to thank you. I want to thank Ranking Member Spratt and of course Representative Moran and others on the Republican side of the aisle who worked on Federal pay parity last year. The President's budget request includes a 2.6-percent pay adjustment for Federal civilian employees and a 4.1-percent pay for military employees. It appears that the administration has decided not to comply with the parity proposition that was adopted by the Budget Committee last year and one that has been in law since 1967.

Just last year, your resolution that passed the House and Senate included language that calls for parity in pay adjustments between Federal and civilian employees and military employees. The Treasury Postal Appropriations Bill, which I am the ranking member of, mandated a 4.6-percent raise for Federal civilian employees in fiscal year 2002. This matched the 4.6-percent pay adjustment included in the Defense Authorization bill. Although as we all know, there was a bump above that, for certain identified sections of the military, essentially 4.6 percent was in the ball park for both military and civilians.

Mr. Chairman, I want you to know that I fully support the President's request for a 4.1-percent pay adjustment for the men and women of our military. They need it, it is appropriate, they are approximately 10-percent behind when you look at the pay comparisons between private and public sector. So there is a disparity, and this is working toward overcoming that disparity.

Furthermore, Mr. Chairman, I would suggest that you not only look at the 4.1 percent for pay, but I would suggest, and Mr. Skelton is here, that you also look at the hazardous duty component, which may not be in base pay, but when we do, as the President indicated, put people at risk and in harm's way, clearly that is due, I think, some additional adjustment, which obviously civilians may not have.

But I strongly disagree that the President has made a distinction between the two, that is, the civilians and the military. He has suggested, as you know, Mr. Chairman, 2.6 percent for civilians, which is a full point under the ECI. The ECI is the litmus test for what the private sector does.

I think this sends a very bad message to the employees of the Centers for Disease Control and other Federal agencies that are very much involved in the homeland defense, very much involved in the war on terrorism. To think that it is only people in uniform who are involved in this war on terrorism is to be mistaken.

So clearly, while OMB Director Mitch Daniels talks about our military on the front lines, that is true. But their partners on the front line are people like the folks at CDC confronting bioterrorism, the FBI and their employees, the civilian employees at the Defense Department, people on the line at INS and Customs Service, civilians in the Coast Guard, you can go through almost every agency and we have civilians, NSA in particular. These are civilians and we need to make sure they are compensated properly so that we send a message of appreciation for their services and we remain competitive so that we can both retain and recruit the kind of people we need.

The recruitment and retention issue in the military that has received so much attention is also occurring in the Federal civilian sector, and it is a critical problem. My suggestion—I don't know whether you've already had Kay Cole James' testimony, the Director of OPM, but she will tell you, this is a very significant challenge for the personnel policies of the Federal Government. The pay gap between the military and the private sector, as I said, is approximately 10 percent according to the Bureau of Labor Statistics. The same survey estimates that the Federal civilian work force and the private sector gap has grown to 32 percent.

No business in the private sector could think that it could compete for the kind of talent that it needs to successfully operate its business and turn profits if it were 32-percent behind its competitors in paying its people. If our civilian workforce is going to be successful in the future, just like the military, we're going to have to compete. Frankly speaking, we will not be able to recruit, much less retain, the best and most valuable employees if we pay them one-third less than they can make in the private sector.

No successful Fortune 500 company would stand for that. I don't think we should either. I thank this committee for participating and agreeing with that premise and being an important element in making sure that we stay to some degree even and not fall behind. We're really not catching up, but we're staying even. We should continue the historic trend of providing parity between military and civilian pay. Again, with the understanding of the differential for those who are at risk, in harm's way, hazardous duty pay, which is not unknown either in the civilian sector.

I respectfully ask that the members of this committee include sufficient funding in the budget to accommodate parity between our military and civilian employees. It is my intent to offer an amendment to remedy this on the fiscal year 2003 Treasury Bond Bill. I want to thank Mr. Sununu in particular for his support over the past years for certain efforts to ensure that we treat the Federal civilian sector fairly and competitively.

Let me turn now to another subject briefly. On the floor today in the Senate is election reform. As you know, Congressman Bob Ney and I worked throughout the year last year to pass the Help American Vote Act. This piece of legislation passed the House 362 to 63. That act is an important mixture of Federal assistance to States and minimum election standards. We passed last night campaign finance reform but a very, very important component, less publicized, perhaps, but equally important component of that, is election reform. It will require, not ask but require, all States to

adopt a statewide voter registration system, link to local jurisdiction, in-precinct provisional balloting, a system of maintaining the accuracy of voter registration records, uniform standards for defining what constitutes a vote on different types of voting equipment in different States and assurances that overseas military voters have their votes counted.

Assurances that the voters have the right and opportunity to correct errors is also an important component of that piece of legislation. These election standards are not discretionary, as you know, Mr. Chairman. States must follow them.

In addition, this legislation authorizes \$2.65 billion over 3 years. The Senate bill has approximately \$3.5 billion over 4 years. So essentially, everybody has adopted the premise that we're talking about \$800 million to \$1 billion a year over the next 4 years to assist States in complying with and getting up to speed on the technology. We talked about the technology in this committee to enhance our ability to do it here. We all know it wasn't just Florida, it was all over the country that we need technology upgrades.

Let me acknowledge the presence of your ranking member, who in my opinion, Mr. Chairman, I know you know this, having worked with him closely, but I believe that John Spratt is one of the extraordinary Members of this House and does an—whenever you got here I was going to say that. He's one of the most respected Members. I know Mr. Skelton, who works closely with him on defense matters, shares that view.

Mr. Chairman, Bill Young, the chairman of the Appropriations Committee and Speaker Hastert have both agreed and are supporting, as does Bob Ney and as do I, a \$650 million 2002 supplemental appropriation. I am hopeful the administration will include that number in the supplemental appropriation bill that we expect to come down. I'm not sure when, but in a short period of time. As I said, Speaker Hastert supports that, Bill Young supports it, Bob Ney supports it.

In addition, we're hopeful that you will include the sufficient resources contingent upon passage. The Senate bill is on the floor today as we speak. I would urge you to include a figure in the neighborhood of a billion dollars. That's a lot of money. But obviously, when you divide that between 50 States meeting the requirements that we have set forth in the legislation passed with 362 votes, it becomes a much lesser number for the States themselves. I think that is a critical element and I would ask you to include it.

Again, Mr. Chairman, in closing, let me say I appreciate this opportunity to appear before the members of this committee. The Budget Committee obviously is a critically important committee in terms of an overall plan of looking at the big picture, long term, as to how we effect fiscal responsibility, pay for what we buy and provide investments in what we need to make this country great. We differ on that. I'm not a wild proponent, as some of you know, of cutting revenues before you cut expenditures. Some of you would say, if you don't cut revenues you never cut expenditures. I understand the tension between those two philosophies.

But we ought not to allow that tension to result in a return to very high deficits and return to borrow and spend and pass that

which we buy, the cost of, along to our children and grandchildren. That is neither a proper policy nor in my opinion is it a moral policy. I look forward, Mr. Chairman, to working with you and Mr. Spratt and members of this committee toward that objective. Thank you very much.

[The prepared statement of Steny Hoyer follows:]

PREPARED STATEMENT OF HON. STENY H. HOYER, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MARYLAND

Mr. Chairman, and members of the committee, I would like to thank you for the invitation to appear before the committee this morning to discuss the Federal budget for fiscal year 2003.

My testimony will focus on the President's budget request, pay for Federal employees, and election reform.

FISCAL YEAR 2003 BUDGET REQUEST

Ranking Member Spratt hit it right on last week when he said that "the President's budget reverses a decade of fiscal progress, and takes the country back down a perilous path of unending deficits." Not only has the surplus dwindled by some \$4 trillion over the next 10 years, the President's budget proposes another \$675 billion in tax cuts above the \$1.7 trillion enacted last year.

Supporting tax cuts is always easy. Explaining how you're going to pay for them never is. In the early 1980's, President Reagan assured the American people that we could have it all: huge tax cuts, a major defense buildup, a strong social safety net, and, yes, even a balanced budget by fiscal year 1984.

Instead of producing increased revenue, the Reagan tax program threw our Nation into a fiscal free-fall. The budget deficit—just under \$79 billion in 1981—exploded throughout the rest of the 80's and peaked at more than \$290 billion in 1992. Our publicly held debt ballooned from \$789 billion in 1981 to \$3.8 trillion in 1997. It wasn't until the Budget agreement of 1993 and the 1997 Balanced Budget agreement that we straightened out our fiscal house.

Mr. Chairman, I am a firm believer that we must pay for what we buy. There is no doubt that we need to beef up defense, and there is no doubt that we need to enhance our homeland security. But at the same time, we must keep our promise and preserve Social Security and Medicare. We all made a commitment last year to preserve Social Security and Medicare, but now we are facing deficits that will take nearly \$1.5 trillion from the Social Security Trust Fund. The same fund that the Congress and the President claimed was off limits just last year.

Mr. Chairman, I hope that this committee will make a strong effort to work with Ranking Member Spratt to craft a bi-partisan budget resolution that incorporates enough fiscal responsibility to pay for what we buy.

FEDERAL EMPLOYEES

As you know Mr. Chairman, the President's budget request includes a 2.6-percent pay adjustment for Federal civilian employees and a 4.1-percent pay adjustment for military employees. It appears that the administration has turned its back on Federal employees once again. Just last year, the budget resolution that passed the House and Senate included language that calls for parity in pay adjustments between Federal civilian employees and military employees. The Treasury-Postal appropriations bill went a step further by mandating a 4.6-percent pay adjustment for all Federal civilian employees. This matched the 4.6-percent pay adjustment included in the Defense Authorization bill for the military.

Mr. Chairman, I fully support the President's request for a 4.1-percent pay adjustment for the hard working men and women of our military. However, I strongly disagree with his proposal for our Federal civilian employees, most of whom are contributing to our homeland defense efforts. What type of message does this send to the employees of the Center for Disease Control, who are defending our country against the threat of bio-terrorism? What type of message does it send to the thousands of Federal Bureau of Investigation employees who are investigating the September 11 attacks and al Qaeda cells here in America? What type of message does it send to the Customs agents and inspectors protecting our borders and seaports from future attacks? Mr. Chairman, I could go on and on, but I think you get the point.

The recruitment and retention issues in the military that have received so much attention are also occurring in the Federal civilian sector. The pay gap between the

military and the private sector is approximately 10 percent, according to the Bureau of Labor Statistics. The same survey estimates that the Federal civilian workforce and the private sector gap has grown to 32 percent. If our civilian workforce is going to be successful in the future they, just like the military, will have to compete for talent in a competitive market.

Frankly speaking, we will not be able to recruit, much less retain, the best and most valuable employees if we pay them one third less than they can make in the private sector. No successful Fortune 500 company would stand for this and I don't think we should either.

Mr. Chairman, we should continue the historical trend of providing parity between military and civilian pay. For the last 14 of 16 years, there has been parity and we should continue that trend in 2003. I respectfully ask that the members of this committee include sufficient funding in the budget to accommodate parity between our military and civilian employees.

ELECTION REFORM

Mr. Chairman, as you know, Congressman Bob Ney and I worked throughout the year last year to pass the "Help America Vote Act." This bi-partisan piece of legislation passed the House by an overwhelming margin of 362-63.

The Help America Vote Act is an important mixture of Federal assistance to States and minimum election standards. It will require, not ask, but require, all States to adopt a statewide voter registration system linked to local jurisdiction; in-precinct provisional balloting; a system for maintaining the accuracy of voter registration records; uniform standards for defining what constitutes a vote on different types of voting equipment in different parts of the States; assurances that overseas military voters have their votes counted; assurances that voters have the right and opportunity to correct errors; and practical and effective means for disabled voters to cast secret ballots on new voting equipment.

These election standards are not discretionary, nor are they dependent on the States' receiving Federal assistance under the bill. States shall enact them, and they shall be enforced.

In addition, this legislation authorizes \$2.65 billion for four election reform grant programs between fiscal year 2002 and fiscal year 2005. With this funding, we could immediately begin to address our election system deficiencies in the months before our next national election in November. In fact, Speaker Hastert has committed to including \$650 million for such reforms in the fiscal year 2002 Supplemental Appropriations Bill.

As you know, the President's budget included \$400 million annually over the next 3 years for a new matching grant program for State and local jurisdictions.

I have every expectation that the Senate will soon pass bipartisan election reform, and am very hopeful that we can expeditiously resolve our differences in a Conference Committee.

When we do, I urge you to support the bicameral, bipartisan election reform legislation that almost certainly will include a higher authorization for Federal election reform than that called for in the President's budget proposal.

Chairman NUSSLE. Thank you. The next Member to testify on this panel is the very distinguished gentleman from Missouri, Mr. Skelton, who has been before this committee before. We welcome you back and look forward to your testimony. Your written statement will be made part of the record and you may summarize as you wish. Welcome.

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

Mr. SKELTON. Thank you very much. I appreciate, Mr. Chairman, the opportunity to appear before you and my friend John Spratt. John is trying, I'm sure, to keep two balls in the air at the same time with a classified briefing that we are having over in the Armed Services Committee. I want to thank him for coming to hear my testimony this morning.

I'd like to talk about the national security accounts which we have jurisdiction over in the Armed Services Committee. Overall, the total recommendation, \$379 billion for budget authority for us,

is good news. It represents a \$48 billion increase in the defense accounts and the request is \$15.6 billion for nuclear weapons related activities which we have jurisdiction over, which is actually part of the Department of Energy. It would be a 2-plus billion dollar increase.

Now, they are truly justified, not just because we are at war, and we are. Listen and watch the news media, we are truly at war. But also because in the past, as I pointed out and as you reflected, Mr. Chairman, I've been here before urging an increase in the top line. Last year, at my request, the members of the Joint Chiefs of Staff furnished a list of \$32 billion of unfunded requirements that they had asked for, everything from ammunition accounts being depleted to spare parts and the like.

So this top line is a welcome piece of news now, though \$379 billion does sound like a lot of money. And of course, it is. But I have three concerns I'd like to share with you, and I realize the Budget Committee does not do line item request. But I need to tell you this, because in the administration's request, Mr. Chairman, is a \$10 billion discretionary reserve fund. Now, I think there are three areas that need to be kept in mind: shipbuilding, military construction and end-strength. End-strength is, as you know, the number of troops in each of the four services.

Although this year's defense budget includes some \$68 billion for a procurement account, that is, buying everything from trucks to tanks to airplanes and ships, the accounts through which we buy all these major weapons, this funding level has been underfunded for years.

So let me address the very first issue. That is, of the shipbuilding. If we keep building ships, forget this year, at the rate we've been buying them and retiring them over the past several years, we're going to end up with a 200 or 250 ship Navy. That's totally inadequate for us, to coin a phrase, to cover the waterfront. We just can't do it. This year it's even worse, with the budget proposing only five Navy ships.

We need to reverse that to buy seven this year, nine next year and try to increase that thereafter. The Navy secretary testified before our committee that he needs to build 8 to 10 ships each year in order to sustain our fleet. We should have our Navy, instead of a 200-250 ship Navy, up at around 350 ships, pushing toward 400.

With respect to military construction, as you know, so much of this is not very glamorous. But it's something we need to do. The military construction budget has actually been cut, or it's a decline of \$1.7 billion from last year's appropriated level. That includes barracks, National Guard armories, fitness centers, child development centers, dining halls, and other facilities that our troops truly need. It's an area that I think we need to pay attention to.

In the third area, is that of end-strength. Last year before our committee, this was before September 11, the Army Chief of Staff and the Army Secretary testified that the United States Army was 40,000-troops short of what they truly needed to do their mission. There was a request that the Navy wanted an additional 3,000 this year, the Air Force wanted an additional 6,000 this year, Marines wanted an additional 2,400 this year. Now, there was money authorized for, money but not an end-strength authorization increase,

for the Navy and for the Marines. It comes within the permissible legal 2-percent flexibility as opposed to allowing an end-strength authorization number, and that concerns me a great deal.

We are wearing the young people out because we don't have enough soldiers. We're very fortunate we're able to keep them. But so many captains in the Army, lieutenants in the Navy are walking with their feet; they're gone from home so much. The same is true for the non-commissioned officers. They don't have to be there. And I think that we have to pay more attention to the end-strength. I'm very disappointed that the recommendations did not come forward and I hope we can correct that.

Now, how do we correct it? You can help us in that regard. The \$10 billion so-called reserve fund is for unspecified purposes. We have a constitutional duty, a responsibility. Article 1, Section 8 tells us that it's the Congress that raises and maintains the military. We have turned down, as a Congress, requests for a discretionary fund with the first George Bush. The Congress also turned down a similar request for President Clinton.

I think that this \$10 billion can be used and should be used to rectify those three areas of which I speak. Of course, there are other areas, and the pay raise I personally think, Mr. Chairman, we should aim for a 4.6-percent raise for the military, which would be equal to what we had last year. But we can argue that out in the committee.

In the three areas of which I speak, if you would give us the authority identified in the budget for this \$10 billion, I think we can make the military all the better and also at the same time live up to our constitutional responsibilities. Thank you for this opportunity to testify before you. Mr. Spratt, thank you so much, too.

[The prepared statement of Ike Skelton follows:]

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

Mr. Chairman, Mr. Spratt, and members of the Budget Committee: thank you for the opportunity to present my views about the national security accounts of the Federal budget for fiscal year 2003.

In many respects, the administration's defense budget this year is a good news story. The overall total of approximately \$396 billion in budget authority for national security activities in fiscal year 2003 is encouraging. The \$379 billion request for the Department of Defense represents a \$48 billion increase in the defense accounts over last year's total. The request of \$15.6 billion for the nuclear weapons-related activities of the Department of Energy is also an increase over last year's total. These funding increases are justified because we are truly a country at war. Candidly, I wish there were greater emphasis in this budget on cutting overhead costs, bureaucratic reform, and increasing the tooth-to-tail ratio so that more funding goes for warfighting activities and less for support.

While \$396 billion seems like a lot of money and it is, I have concerns that the budget is not adequate to meet our defense requirements in three key areas shipbuilding, military construction, and end strength the number of people who serve in our military. I recognize that it is not within the purview of this committee to make specific judgments about programmatic priorities within the defense budget. However, I want to touch on each of these subjects because they bear on the question of how Congress should respond to the administration's request to create a \$10 billion discretionary reserve fund.

Although this year's defense budget includes some \$68 billion for procurement accounts the accounts through which we buy major weapons systems this funding level comes after years of underfunding those accounts. But the budget buys only five Navy ships. Yesterday, the Navy Secretary testified before our committee he needs to build 8-10 ships per year in order to sustain our fleet at an acceptable size. This budget puts us on a course toward a 200-ship Navy rather than the 350-ship

Navy that numerous studies say we need in order to meet our global operational requirements.

With respect to military construction, the hard fact is that while the overall defense budget request adds \$48 billion to last year's level, the budget for military construction funding to build and maintain the Department of Defense's installations and facilities actually declines by \$1.7 billion from last year's appropriated level. Without sufficient funding for military construction, we won't be able to build and keep up barracks, National Guard armories, fitness centers, child development centers, and other facilities our troops need. It is incongruous for the administration to suggest that it supports quality of life for our service members and then not provide sufficient funding to make a decent quality of life possible. More importantly, the military construction pause reflected in this budget kicks down the road the Department of Defense's goal of a 67 year facilities-recapitalization-rate.

Third, I want the committee to know that this budget request does not adequately fund end-strength the number of active duty men and women in the military. All the services need additional end strength in order to be able to perform all the missions they are assigned without wearing out the force. The Secretary of the Army and Army chief of staff have testified last year before the war on terrorism that the Army alone needs an additional 40,000 soldiers. Although the services in the coming year are increasing their numbers, they are doing so only through a statutory provision that permits 2-percent flexibility in force size and, with the exception of the Marine Corps, they are paying for increased end strength out of hide. You only need to think about the increased responsibilities of the Department of Defense in fighting the war on terrorism here and abroad to realize that we need more people to get the job done.

Mr. Chairman, I mention these three aspects of the administration's defense budget shipbuilding, military construction, and end strength not because I want the Budget Committee to completely reprioritize that budget. Rather, I do so because I believe there is at least a partial solution at hand that is consistent with Congress' institutional prerogatives.

The President's requested \$10 billion reserve fund is for unspecified purposes. As a matter of constitutional responsibility, I don't think Congress should simply provide the administration with a blank check. I submit that it is necessary and consistent with Congress' constitutional responsibility to authorize programs and appropriate money for the purposes authorized. That \$10 billion can and should be used to help rectify, at least in part, the shortcomings I've identified in the budget. I urge the Budget Committee to make this possible.

Mr. Chairman, the Armed Services Committee's ability to authorize the programs necessary to protect our national security interests depends on having sufficient resources. With the caveats I just mentioned, the President's budget this year does a good job of enabling us to meet our challenges. I hope the Budget Committee will be able to agree to a budget resolution and allocations that provide enough funding for us to address our national security priorities.

I appreciate the opportunity to express my views, and I look forward to working with all the members of the Budget Committee in the months ahead. Thank you.

Chairman NUSSLE. Thank you very much for your testimony.

Let me throw out the challenge because—oh, I'm sorry. We have another panelist. We'll hear from him first. Our very distinguished colleague from the Budget Committee, Mr. McDermott. We welcome you to the witness table. We have a number of questions ready for you. There was some thought about swearing you in and getting the cameras here, but we decided against that. [Laughter.]

All joking aside, we're glad you are willing to give us your thoughts. Your statement will be made part of the record as well, and you may summarize.

**STATEMENT OF HON. JIM MC DERMOTT, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF WASHINGTON**

Mr. MCDERMOTT. Thank you, Mr. Chairman.

Coming to testify before your own committee is a little like throwing a pass to yourself. But there are some areas that I think need to be at least mentioned here in this process. And I'll go over

them quickly. TANF, health care access, Medicare and veterans issues.

I think TANF was enacted 5 years ago and is now up for reauthorization. It has been a success in many ways, by many criteria. But in fact, there are still some problems. I think we will have to look at this issue as we reauthorize. The State of Washington, for example, last year, found that only 45 percent of TANF leavers earned more than the Federal poverty level 3 years after they left the case load.

So although people have jobs, they are still below the poverty level and are struggling, which adds to other problems that they have. For instance, the whole question of the child development block grant. We presently take only 2 million out of the 15 million who are eligible for child care. If you're going to have people go to work and stay at work, you're going to have to deal with the child care issue. It is, I think, one of the issues that has been addressed by a bill that Mr. Cardin and others members of the Human Resources Committee on the Democratic side and the Ways and Means Committee have already put in, and I think we'll consider that issue there. So, you'll get a second shot at looking at this issue of what we need to do further with TANF.

The other thing I think we have to do is to index the TANF block grant for inflation, restore the TANF and SSI benefits to legal immigrants, and then of course increase the child development block grant. I think those three things, if we're going to make TANF work, we're really going to have to think about those seriously.

What's happening in my State now is that many of the people we got off of welfare and onto a work program, because of the downturn in the economy—we're No. 2 in the United States in high rate of unemployment—people are now going off TANF, they don't have significant unemployment benefits, so they're going back onto welfare. So it is not an issue that's going to go away.

Health care, I was pleased to see the President talking about access to health care. I think all of us know that one way or another, we've got to deal with this. Yesterday we had a hearing in the Ways and Means Committee on this issue. The whole idea of tax credits is an interesting idea that I think we will have to have some discussions about. Certainly without community rating, it's going to be very hard to put people out there with any kind of tax credit into the individual tax, into the individual insurance market, and have any real impact on it. I think that will be one of the issues that we deal with. Because the majority of the uninsured have incomes below 200 percent of the poverty line. That means \$34,000 for a family of four, and they're living paycheck to paycheck. A tax credit that pays 30, 60, whatever percent, is just sort of out of their reach in many instances. I think we have to recognize that and talk about what is a realistic plan.

Medicare is another issue which I think we could talk about. There are a whole series of things which are covered in my remarks which I will put in the record. The whole end-stage renal disease issue and the cost of that and how we deal with that, I think is an increasing problem. We have to look at that, and are we doing an adequate job in dealing with people with the kidney dialysis questions.

I think one of the issues this committee is going to have to face, certainly I think that Ways and Means is going to have to face, is the schedule 5.4 across the board cut in Medicare payments to physicians and other health care providers. Without sounding old, I guess, I'm 116 in seniority in this body. That means there are about 325 people below me. None of them have ever lived in a Congress when things were going down. They've only looked at things going up.

Unfortunately, we tied the sustained growth rate, which is about the increase for doctors' payments, to the GDP. I don't think anybody ever thought the GDP could go down. Well, it did go down, and so we're going to have this cut. To suppose that the cost of medical services is going down is really kind of an interesting concept that we're going to have serious problems with the Medicare program if we don't correct one way or another in this Congress.

Veterans benefits is the Nation's largest direct provider of health care services. We train professionals there. We do research—a major part of our research is done in our Veterans Administration hospitals, prosthetics research. And it's really a major backup to the Defense Department. It provides health care for about 4 million people.

Recently, I'm not sure which year we did it, we added to what was already a very useful program in terms of blind rehabilitation and spinal cord injury care and prosthetic services. We said if you had a non-service connected issue, you could come into the Veterans. All you had to do was register and you could get in. They're called Category Sevens.

Category Seven complaints now are the number one complaint in my office. They are bigger than immigration, they are bigger than Medicare, they are bigger than anything else, because we put this offer out and lots and lots of people said, I'm going down to the Veterans, because I can get a drug benefit. I think I skipped over my comments about drug benefit. I think that ultimately is one that we will have to think about.

But as they go to the Veterans hospital, they have experiences which I will read a little bit of, one of my many, many, many letters about it. This gentleman says, I moved to Washington State and I was told at the time by the emergency clerk that Veterans would not send records, and I would have to have my records prepared and hand delivered to the records department of the VA facility here in Seattle. I did so after much difficulty.

Then he went there and he was told—he went to the records department and they said, oh, they forward them to us all the time. So he says, one bad piece of information.

Then he goes through a chronicle of the time he spent there. He said, I was told that unless I had all my medical work done through the VA I could not participate in the program. This is after he brought all his records, got everything there, all set up. I was told, I said I was the same as my cousin in Las Vegas and he got grandfathered in. She said I was changing hospitals and so she sent him down the road.

The next clerk said to him that the previous lady was wrong, and that a policy change had occurred in May and that if I saw a doctor, I could get all of my prescriptions from the VA. The doctor's

appointment would take 6 to 12 months before I could see one, although some people see them in 1 or 2 months.

At this point, I came back home completely confused as to what the correct policy is and what I should do. Anything you can do to help would be greatly appreciated.

Now, I'm not sure of the source of all the confusion and so forth, but we have a serious problem out there with veterans who are getting older and sicker and need prescription drugs and are looking to the VA as the way to do it. This guy came running in there because he was moving from Illinois to Washington State, and he wanted to get in and get his prescriptions taken care of. It still hasn't happened.

I think that we must look at that or we're going to have a serious problem going home to our districts, talking to people about what's going on in health care. I recognize the things that I brought up all are things that cost money, but I think that they are things that if we're serious about what's going to happen to Medicare. We're going to keep people out of welfare, and we're going to keep people satisfied with the Veterans system, we're going to have to look seriously at them.

Thank you very much. I'd like to ask unanimous consent to put these letters—I have two letters which I will put into the record so that they can be recorded.

Chairman NUSSLE. Without objection, so ordered.

[The material follows:]

CONSTITUENT LETTER RECEIVED JANUARY 22, 2002

Dear Congressman McDermott,

We recent moved to Washington State from Illinois, August 2, 2001 we have both registered to vote also. For the past 3 or 4 years I have been a out patient of the Veterans Administration Medical Center of North Chicago Illinois, being a veteran of WW II, on their prescription plan. Since we have moved to Washington State it has been a comedy of errors and misinformation and stalling. I went to the V.A. Hospital here in Seattle in September to be registered and to receive prescriptions. I was told at the time by the emergency clerk that the V.A. Would not sent reports and that I would have to have my medical records prepared and hand delivered to the records department of the V.A. faculty here in Seattle. I did so after much difficulty and tried to deliver them to the V.A. records department. This way I could get started on my outpatient prescription program. When I arrived I was told by the emergency clerk to go to the records department and start there and the clerk would tell me what to do next. The record clerk looked up my records and found them without any problems as they had been forwarded to the V.A. facility in Seattle. He advised that they are sent all the time. One bad piece of information. Since I arrived at 11 A.M. I could get started if I saw the emergency clerk. The emergency clerk told me that since I was out of prescription he would let me see a nurse and get started. I saw a nurse at 11:55 A.M., she took my vitals and the list of prescriptions and told me the first emergency medical person could see me at 1 P.M. It was now 12:20 P.M. So I waited. An L.P.N. called me in at 1:15 P.M. And as of October 15 the program was no longer in effect. I mentioned my brother-in-law in Las Vegas follows the same procedure. He retort was that he was that he was grandfathered in. Unless I had all my medical work done through the V.A. I could not participate in the program. I said I was the same. She said I was changing hospitals and could proceed. I told her I want to lose the Doctors I had and would do something else. The clerk I saw next told me that she was wrong and that a policy change had occurred in May and that if I saw a Doctor I could still get all of my prescriptions from the V.A. The Doctor could take 6 to 12 months before I could see one, although some people had seen one in 2 months. At this point I came back home completely confused as to what is the correct policy and what I should do. Anything you can do to help would be greatly appreciated. As you can see there are many errors.

CONSTITUENT LETTER RECEIVED FEBRUARY 5, 2002

Dear Congressman McDermott:

Thank you for referring my letter to the V.A. Ombudsman. The women who called * * * claimed I was not eligible even though I have a VA Medical Center number and have received prescriptions as stated in my previous letter. She claimed each VA area made their own decision and would not honor what had been done before. The telephone call was obviously, not a satisfactory call. In her defense she stated she would send a letter stating their position. I thought congress made the discions and the VA followed that procedure. What does the number of Veterans in an area have to do with it? Either the Seattle VA Medical Center is adequate or it is not. The woman who called is not trying to cooperate. That is one of the things we learned to do in WWII. Why not now?

Please see if you can help further. I have spent over \$1,000.00 on prescriptions I use to get from the VA Medical Center in North Chicago, Illinois.

Thank you.

[The prepared statement of Jim McDermott follows:]

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

TANF

Five years ago, Congress enacted a sweeping overhaul to the federal welfare program, now called the Temporary Assistance for Needy Families program. What we witnessed, much due to the job-creating Clinton economy, is a dramatic reduction in the amount of people receiving welfare payments. In fact, we reduced those numbers by 50 percent.

But despite the unprecedented economic growth of our economy, one out of every six children still live in poverty. Last year, for example, the State of Washington found that only 45 percent of its TANF leavers earned more than the Federal Poverty Level three years after they left the caseload. Sadly, these results are common throughout the Nation.

A couple of weeks ago, my colleagues on the Human Resources Subcommittee of Ways and Means introduced legislation to reauthorize and improve TANF. Our bill includes features that would reward states that are able to assist women on welfare to find good paying jobs with opportunities to move up the employment ladder. We make poverty reduction an explicit goal of TANF and identify areas, such as wage progression and job retention, to achieve it. Our bill also significantly increases the amount of mandatory money in the Child Care Development Block Grant (CCDBG).

Further, in 1996, under the guise of welfare reform, Congress callously deprived legal immigrants access to TANF and SSI benefits. I think that we are morally compelled to restore benefits to these people, and the democratic proposal put forward does this.

Funding for TANF has remained flat over the last five years. So while general government spending has increased 5 percent annually over the past few years, one of the biggest weapons we have to reduce poverty has been functioning from a shrinking pie because the program was never indexed for inflation. I was saddened to see that the President's budget continues to flat fund TANF. The Congressional Research Service recently estimated that if TANF funding is not indexed for inflation during reauthorization that it will have effectively 22-percent less in real dollars to help combat poverty. Any success that TANF has had will be stymied if we continue to diminish resources for the program.

The current work-first mechanism utilized under TANF can only work if we provide childcare for mothers returning to the workforce. Unfortunately, even the department of Health and Human Services acknowledges that the TANF and CCDBG programs are serving only about 2 million of the 15 million children who are eligible for childcare. That means that nationwide, less than 20 percent of children are receiving the care they are eligible for because there are not adequate funds. In the State of California alone, over 200,000 children are on a waiting list to receive childcare.

President Bush recently espoused the ideas of President Jefferson by saying that it is an essential moral duty of America to defend the elderly, strengthen the weak, feed the hungry, and care for our children.

Mr. Chairman, Congress must adequately invest in weapons of poverty reduction. We must index the TANF block grant to inflation, restore TANF and SSI benefits to legal immigrants, and significantly increase the Child Care Development Block Grant when we reauthorize TANF this spring.

UNINSURED

While I am pleased to see the administration addressing the uninsured, its efforts are woefully inadequate. Previous tax credit proposals have failed, and the one in the President's 2003 budget will fail as well because the credit is targeted for the individual market, and the amount of the credit is inadequate.

Without community rating, tax credits will not work. The individual market is extremely expensive and not efficient spending. Community rating provides lower prices than would occur in the individual market. Better prices are negotiated for large numbers of people. As individuals are pooled together, risk is spread across the population in the "community." Therefore, with community rating, those with medical problems will be able to find affordable health insurance plans in the individual market.

The majority of the uninsured have incomes below 200 percent Federal Poverty Line (FPL). This is approximately \$34,000 for a family of four. These are folks living paycheck to paycheck spending their money on housing and food. They do not have several thousand dollars to spend on health insurance premiums for their family.

MEDICARE

As a former member of the National Bipartisan Commission on the Future of Medicare, as a member of the Ways and Means Committee Health Subcommittee and as a physician, I have been intimately involved with the debate over Medicare reform. I do not believe that the traditional Medicare program is fundamentally broken. I do believe that we must take steps to ensure the program's solvency. Our commission attempted to address this problem. Now we have a crisis on our hands as the Medicare surplus has been raided.

Any Medicare reform proposal must ensure that beneficiaries in tomorrow's world have access to the same basic benefits that already exist in today's program. We must improve the status quo by including an affordable prescription drug benefit and establishing a cap on out-of-pocket costs. I want to protect the traditional Medicare program. Additional revenues were needed pre-September 11, and now are urgently needed to meet future financial obligations.

The President's proposal to set aside \$190 billion over 10 years for Medicare modernization and a prescription drug benefit is woefully inadequate. There are no "efficiencies" through Medicare reform that can possibly create enough savings to address—the doubling of the number of beneficiaries by 2030, the increasing life expectancy, and the greater intensity of services per beneficiary, as more people have more services and procedures. Medical technology is a major driver of health care costs and it must be addressed in ways other than "efficiencies" through so-called reform—while still maintaining traditional fee-for-service benefits.

Patients with end stage renal disease (ESRD) are a unique segment of the Medicare beneficiaries, accounting for a disproportionately high amount of Medicare expenditures. They are a sick population, with multiple medical problems and a relatively poor quality of life. However, they have been virtually ignored since 1972, when the Medicare program was expanded to include ESRD patients. I have a bill, The Kidney Patient Daily Dialysis Quality Act of 2001 that would improve their quality of life and lengthen their life expectancy. I believe it is time we turn our attention to these Medicare beneficiaries.

I am seriously concerned about the scheduled 5.4-percent across-the-board cut in Medicare payments to physicians and other health care professionals scheduled for this year. Unlike reimbursements for most Medicare services, those updated for physician services are tied to a target for overall spending determined by the so-called sustainable growth rate (SGR) system. This is a completely defective system. SGR is based on growth in real Gross Domestic Product. In other words, when the economy does badly, the update for physician services is lowered.

As concluded by the Medicare Payment Advisory Commission (MedPAC), this system does not adequately account for all relevant factors that affect the cost of providing physician services, and it cannot maintain payment rates at the appropriate level. In fact, MedPAC recommended that the Congress replace the SGR with an annual update based on factors influencing the costs of providing physician services. If the administration does not restore the proposed cuts to physicians, no one should be surprised when physicians drop their Medicare patients and no longer accept new Medicare patients.

VETERANS' HEALTH CARE

The Veterans Health Administration (VHA) is the Nation's largest direct provider of health-care services. It has the Nation's most extensive training environment for

health professionals—the Nation’s most clinically focused setting for medical and prosthetics research—and, is the Nation’s primary backup to the Department of Defense in time of war or domestic emergency.

VHA provides health care for 4 million veterans. The quality of care is equal to, or better than, care in any private or public health-care system. VHA provides specialized health-care services—blind rehabilitation, spinal cord injury care, and prosthetics services—that are unmatched in any system anywhere in the world.

VHA makes no profit, buys no advertising, pays no insurance premiums, and compensates its physicians and clinical staff significantly less than private-sector health-care systems. The population of veterans that the VA serves is older, sicker, and has a higher prevalence of mental and behavioral health problems. And, it is still a better bargain than Medicare.

While the VHA sets the standards for quality and efficiency, veterans’ access to health care is constrained. Consistently inadequate appropriations have forced the VA to ration care by lengthening waiting times. The annual budget shortfall translates directly into higher national health-care costs. When a veteran cannot get needed health-care services from the VA, he goes elsewhere. The cost of care is shifted to Medicare—or a safety net hospital. Society pays more and the patient suffers.

A week and a half ago, I had the pleasure of meeting with Timothy Williams, the CEO of VA Puget Sound Health Care System, in my Seattle office. His is one of the best-managed facilities of its kind in the VA system. This year, Puget Sound is facing a \$8 million budget shortfall because there are so many Category 7 veterans enrolling in the VA system. Mr. Williams has had to defer repairs to his facility caused by last February’s earthquake in order to maintain their high quality of care.

Category 7 are veterans who have no service-connected disabilities, but now are accepting the invitation from Congress to use the VA system. The problem is, the VA budget is wholly inadequate to deal with this increase in numbers. They must now wait 12–18 months to see a primary care physician in order to access the VA. Some are vets who only want access to the low-cost prescription drugs; others are unemployed due to the current recession and must now turn to the VA for their health care. My office now receives more complaints about long waits for VA health care than we do for Medicare.

Richard Weidman, the Director of Government Relations of the Vietnam Veterans of America, of which I am a member, testified before this committee yesterday and I would like to quote a portion of his testimony. “If the administration’s proposal is adopted, tens of thousands of veterans will effectively be priced out of health care altogether. Given the decline in State health care budgets, these low-income veterans and their families will plunge straight through the remaining shreds of a very tattered social and economic safety net, perhaps to a future of homelessness and steadily declining health for themselves and their families.” To let this happen to those who have served our Nation so valiantly and courageously would be a travesty.

The Bush administration’s proposed \$1,500 per year deductible for “high income” (i.e. Category 7) veterans is a thinly veiled attempt to force out of the VA system some of our Nation’s most economically and socially disadvantaged citizens. The deductible was included in the President’s recent budget proposal as a means of coping with the rapid increase in participation in VA health care programs. The VA has said that the increased usage, along with higher costs for drugs, health care inflation and new mandates such as emergency, mental health and long-term care, “have all contributed to a financial challenge and hard budget decisions.” President Bush has touted his record of military service during the Vietnam era and has stressed the importance of a sound VA health care system. But, his actions clearly betray those words.

Under the administration’s proposal, veterans or their insurance companies would pay 45 percent of charges each time they receive medical care until they reach the \$1,500 annual ceiling. After that, they would continue to pay minimal co-payments for outpatient and inpatient care. There will be no change in care for the VA’s core groups—the poor and those with service-related disabilities. It is estimated that some 121,000 higher-income veterans would instead turn to other health care services, but this might prove to be a hardship even for those veterans who could turn to Medicare, because the VA—unlike Medicare—offers prescription drug coverage.

Once again, America’s armed forces are engaged in military action. The brave young men and women serving their country today are the veterans of tomorrow. The preamble of the Constitution states, “We the People of the United States, in Order to form a more perfect Union * * * provide for the common defense.” Just as we provide for the common defense, we must provide for those who fight today’s

battles. It is imperative that we adequately fund a Department of Veterans Affairs that can meet veterans' needs today while preparing for the veterans of the future. VA can do neither with the current budget shortfall.

America owes its freedom to its veterans. It is time to acknowledge the sacrifices they made and to honor our commitment to them. Many answered their call to service long ago; now we must answer back by ensuring them a secure and stable future.

Chairman NUSSLE. Thank you very much, Mr. McDermott.

Our final witness for this panel is the distinguished gentleman from Massachusetts, Mr. Frank. We welcome you to the committee, and are pleased to receive your testimony. Your written statement will be made part of the record, and you may summarize as you wish. Welcome.

STATEMENT OF HON. BARNEY FRANK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. FRANK. Thank you, Mr. Chairman. I won't have a written statement until after I've said it, then they'll write it down, then I'll have it.

Chairman NUSSLE. Then we'll put it in the record.

Mr. FRANK. Thank you. Send me a copy. [Laughter.]

First I want to comment a little on Mr. McDermott's testimony. I appreciate what he said about the Veterans Administration. We have the same Category Seven problem.

But I want to make one point about the Veterans Administration. We're often told that we should not be involving ourselves in the provision of medical care, because when the government is involved in medical care, it's not going to be good care. In my experience, the most fiercely defended form of medical care from the consumer standpoint is the medicine given by the Veterans Affairs Department, and that is medicine dispensed by government employed doctors in Government owned buildings on sheets that the government bought and they're taking pills that the government bought. It could not be more governmental. The Veterans Affairs Department is the most totally governmentally controlled form of medicine we have, outside of those in the active armed services, and it's very popular.

So people who rush to assume that if the government's involved in medical care it must be negative care are really discarding one of our primary examples.

As to the budget, I have a request, first as the senior Democrat on the Housing Subcommittee. Last year we had hearings all year, and they were largely witnesses called by the majority, by Ms. Roukema. And almost without exception—I think there was literally one exception over dozens of witnesses—they said we need to increase our housing stock, particularly for affordable housing for low and moderate income people.

Prosperity does a lot, and in many cases prosperity does obviate the need for any kind of government action. Clearly nothing does better for helping people get off welfare or reducing unemployment than a booming economy. But no booming economy is going to boom equally for everybody. And if you happen to be a lower income individual, living in an area where things are going well—I see the gentleman from California, the gentlewoman from New York, myself, my friend from Washington—if you happen to be in

one of those metropolitan areas where things are going well in general, but you're in a profession where your income isn't going up. Maybe you're a firefighter or a teacher. Maybe you're a member of the clergy or a social worker. Maybe you are a service worker in a McDonald's or in a hotel.

Prosperity can be bad news for you because the housing costs that you have to pay go up and you don't have the wherewithal to pay them. The rising tide doesn't lift all boats, or if it does, it makes it worse if you don't have a boat. The problem is that unevenly distributed prosperity, which is inevitable, no matter how good the economy is, exacerbates the housing crisis. We need to do more.

So there was this overwhelming consensus that we should get back into the production business. I've been meeting with a very broad coalition of housing groups, and I will be submitting later the list of them. They include not just the advocacy groups, whom I respect a great deal, and I don't mean to denigrate, but perhaps their advocacy would be expected, but some of the groups not known for their low income constituency, people who manage housing, people who try to provide assisted housing for older people, etc., there's this overwhelming consensus that we need to do more.

I want to submit to you the consensus figure of a \$15-billion increase in what we do put substantially into housing production. Without that, we have a housing situation that gets worse rather than better.

Now, then, the question is, how do we pay for it. I think we have been too self-denying. We have justly celebrated our victory in the cold war. But contrary to some, I do not think we have in fact taken the full financial benefit of that. Obviously, we need to have a first rate military that is capable of defending ourselves. We are I think unanimously proud of the performance of the American armed services in Afghanistan. Yes, people make mistakes. Those are inevitable. They have been in every war.

But the efficiency and the bravery and the success they've had is very impressive. I do have to note that unless I was missing something in May and June, I don't think so, the military that won that war in Afghanistan was the military that the Bush administration inherited from the Clinton administration. I think one of the great acts of resuscitation was that a military that had been described as weak and impotent and disorganized in November and December of 2000 made this miraculous recovery in time to win this great victory with flawless performance in 2001.

But while I think we need to go forward there, and to go forward with those new weapons, I don't think we need to still worry about the Soviet Union. I'm going to make a bold prediction. The Soviet Union will not come back. We are not likely again to see the Warsaw Pact threatening us. But we have weapons that do that. I know we're building new attack submarines. They're very impressive instruments, but they do seem to me to have one defect. I cannot find an enemy for them.

I think the lack of an enemy is a defect in a weapons system. Weapons systems can have technical defects. But spending tens of billions of dollars on attack submarines, when they are likely neither to be attacked nor have anyone to attack, seems to me un-

likely. Certainly attack submarines would be of very little use in Afghanistan unless they could operate in melted snow.

The fact is that we continue with stealth fighters and attack submarines and other weapons to spend a great deal of money on weapons whose purpose was to win a war against the Soviet Union. Now, we have very creative people in the military and they are able to come up with newer purposes for these weapons that had once been designed for the cold war period—the F-22, the attack submarines and some others. But we're in a zero sum situation.

So to be denying veterans health care, to be denying elderly people a prescription drug program if they are so munificently endowed as to be making more than \$13,000 a year, and to make cuts in the environment and other things, which the budget proposes, and to continue to spend tens of billions on cold war weapons that are not necessary, or I think, even useful for the current threats that we face I think is an error.

So I would hope that the committee would be tougher on some of those, let's raise the pay for the military personnel and improve their working conditions and go along with the newer kinds of weapons that we need and the special operations. But let's not continue to fight the cold war war game. In fact, I do think with the attack submarines, I'm told we're going to have 53 of them, that maybe what we should do is have 27 of them be red and 26 blue, because they could be on the red team and the blue team of the United States war games, which is likely to be the only action they will see.

Thank you, Mr. Chairman.

Chairman NUSSLE. I thank the gentleman from Massachusetts for his testimony.

Out of respect to the Members, both on the panel as well as on the committee, let me make a recommendation. This is the day when we listen to Members. If Members—

Mr. FRANK. I certainly hope so, Mr. Chairman.

Chairman NUSSLE. Thank you. This is a day when we listen to Members and have an opportunity to seek their advice. Let me suggest that if members on the dais here have any questions that they ask them now. Otherwise we'll go to the next panel.

Are there members who wish to inquire or have a question? Mr. Gutknecht.

Mr. GUTKNECHT. Mr. Chairman, if I could just make a real quick statement. One of the best weekends I ever spent was with Mr. Hoyer aboard the USS George Washington, an aircraft carrier.

Chairman NUSSLE. I'm not sure you want to admit that here.

Mr. GUTKNECHT. Oh, it was a fabulous thing. I just want to point this out because—

Mr. HOYER. I thought it was a good weekend. But I'm not sure I would be quite that expansive. [Laughter.]

Mr. GUTKNECHT. I'll tell you, I have never been more proud to be an American. Those kids, and what I learned, and it really fits together with what Mr. Skelton is saying as well, it's probably the greatest bargain this country gets, is the young people who serve us in the military. So I think with regard to that, I think clearly we've got to do some things to make it more attractive for those

kids to stay in the armed forces. I think that's one area where there will be no debate about, even on this committee.

Chairman NUSSLE. Thank you.

Mr. FRANK. Mr. Chairman, could I just ask unanimous consent to submit a list of the organizations that are supporting that \$15 billion housing increase later this afternoon?

Chairman NUSSLE. Yes, sir.

Mr. FRANK. Thank you.

[The material follows:]

LIST OF ORGANIZATIONS SUPPORTING A \$15 BILLION INCREASE
IN HOUSING EXPENDITURES

National Housing Conference
American Association of Homes and Services for the Aging
Public Housing Authorities Directors Association
National Affordable Housing Management Association
National Council of State Housing Agencies
National Alliance to End Homelessness
Council of Large Public Housing Authorities
National Congress for Community Economic Development
Citizens Housing and Planning Association (Boston, MA)
National Housing Trust
National Leased Housing Association
National Low Income Housing Coalition

Chairman NUSSLE. Are there other members who wish to ask a question? Mr. Fletcher.

Mr. FLETCHER. Let me ask Mr. McDermott a question about the tax credits and trying to increase availability access to health care. I think there's about 29 States—that may not be real accurate—that either have high risk pools, some of which are operating better than others, depending on how they're funded, and community rating, guaranteed issue or modified community rating. If you had something that encouraged and helped States with the high risk pool so they could have a stronger individual market, do you think tax credits then, if we took away the problem that you are concerned about, would you support them at that level then?

Mr. MCDERMOTT. I was in the State legislature when we put our high risk pool together. I also put together the basic health plan. So I tried to do this stuff down at the State level. Certainly, one of the ways I think would be very effective, if we're really talking about increasing access, is to give money to States to let them develop their own programs.

Although people know that I'm for a single payor system, that's a financing system, not a system of health care delivery. I think the design of local systems are much better done at the State level. I think that Massachusetts can do theirs and Maryland and Missouri and Washington. Each can do their own in a much better way than you can if you try to do it from up here.

So I would be willing to look at that kind of possibility. I actually worked with Jim McCreary for quite a while trying to put together a tax credit operation that would actually work. I want it to work. I think that some of these, when you're looking at tax credits, when you're unemployed you haven't got very much money. Many of the people who are unemployed or who are employed are working at jobs where they don't have a whole lot of money.

So, a tax credit has to be very carefully thought through to make it really work.

Mr. FLETCHER. I agree and appreciate that, because we worked in Kentucky on the high risk pool there and eventually got it in.

Ms. HOOLEY. We talk about veterans—what's happening in Oregon this year, where we have to cut money from the Veterans Hospital. We have veterans that are Category Seven, Mr. McDermott, who literally won't even get an appointment in a year. And somehow or another, I think we need to tie these two pieces together in a much better way. Again, it is what people go into the military and their expectations and then what happens to them. When we've asked people to put their life on the line, I just think we need to do a better job of providing health care to our veterans.

Mr. SKELTON. Mr. Chairman, may I respond?

Chairman NUSSLE. Please.

Mr. SKELTON. A major problem was with the career military soldiers who stay in 20 years or more. They were promised, you stay with us for a career of 20 years, whatever the case may be, some stay as long as 35 years, we will take care of your health needs for the rest of your life.

Last year, well, I should say the year before last, we made major strides in changing the health care system, the Tri-Care for Life System, which originated in the House. It was changed somewhat in conference. But a major, major step was made in that direction. As a matter of fact, \$8 billion of this year's proposed budget goes to military retiree health care. So insofar as that is concerned, we're on third base on helping them. We've done a good job on that.

Now, we cannot really compare that to the veterans, because all military retirees are veterans, but all veterans of course are not military retirees, because many go on for 3 years, 6 years, and then go on to pursue other activities. So, I understand the comments of Mr. McDermott and those who were speaking about the veterans as such. But regarding the military retirees, we've made major strides.

Ms. HOOLEY. Thank you.

Chairman NUSSLE. Are there other members who wish to inquire? Ms. McCarthy.

Ms. MCCARTHY. Thank you, Mr. Chairman. I'll be very quick.

It's kind of tough, because my colleagues are hitting all the things I want to talk about. But I think Barney, one of the things on Long Island, even though everybody thinks we're rich out there, we're not. If I had to try and buy my own home today, which was my mother's home, which they bought I think at \$11,000, I think I bought it from them for \$79,000, and from the last assessment, my house is worth \$350,000. Now, obviously, when I die, my son's going to be very happy because he's going to have a small inheritance. But I couldn't turn around and buy it today.

On Long Island, we don't have enough land, so we're looking at creative ways. The interesting part that I've seen is our local governments are trying to find housing, because they can't hire anyone to work in the local government. Then we're having our business people coming in constantly saying, we have to have housing for their workers, and we're talking about middle income.

So if a middle income family and a middle income, well, I should say on Long Island, is probably \$60,000. But of course, with everything that we pay on school taxes and everything else, it comes down to maybe you're living on \$40,000 and try and pay off a mortgage on the higher end of the prices. It's a problem, I think probably your area, the northeast area, California, obviously, Oregon, Washington.

So we have to start looking at what we're going to do. Because the dream of having a home for anyone, welfare, we're going to be adjusting that. The majority of women that I work with on the island, work very hard. They're off welfare. They're not making enough money. We have our food banks that can't even supply them enough food any more, because most of them have children.

In the service, day care centers, we're seeing more and more women going into the service. They're having children, they want to stay in the service. My godchild is in the service; she's just been shipped overseas with her two children. She needs day care and she wants to stay in the service. She probably feels she can't, because she'll have to come out and make a better living to support her two children. All the things that you all brought up are going to be our big problem here. They're all good causes, and they are. And hopefully, the economy will soar.

I'm optimistic, I think it will, so that we can find the funding and the money to support all the programs that are good. I happen to think that's the role of the Federal Government. That's what I've learned since I've been here. We are there to help all these projects. Our military needs all the help it can get.

But I happen to agree with Barney, too, we have to start looking at the war of today, and not the cold war. We can save money that way, too. Thank you, Mr. Chairman.

Chairman NUSSLE. Thank you.

With that, I thank the panelists for their testimony. We will take your recommendations into consideration.

The next panel, we will change slightly, and invite the Members that are here in the room to come up to the witness table. The gentlemen from Maine, from Nebraska, Ohio, New Mexico, we have a number of Members that have come in. Even though the panel is a little different than the second panel we had advertised, we would welcome them forward at this time.

Yes, Mr. Gekas as well, please.

We're keeping an eye on the floor. I think we're probably somewhat close to a rule vote. So why don't we begin, we'll just start from left to right. Mr. Allen, welcome. This is the Tom panel, by the way, we've got three Toms lined up right in a row. Mr. Allen, you're welcome to summarize your testimony. All witnesses' statements as written will be placed in the record. You may proceed.

And we'll try to keep this, if you could, to 5 minutes at the most, just so we can try and get through as many as possible before the rule vote.

**STATEMENT OF HON. THOMAS H. ALLEN, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MAINE**

Mr. ALLEN. Thank you, Mr. Chairman. Certainly I can do that.

I appreciate the chance to be with you today to discuss budget priorities for fiscal year 2003. I would like to spend some time talking about our ability to provide our seniors with a way to deal with the high cost of their prescription drugs. I am really not here asking for money, let that be noted. I am here asking for language.

But a tight budget and rapidly rising health care costs have really put our seniors in a terrible bind. So many of them can simply not afford the drugs that their doctors tell them they have to take. We feel like we're faced with a tradeoff. There is so little money available as contrasted with last year that we either have to provide a very small benefit for a larger number of beneficiaries or a larger benefit for a very small number. The administration's proposal is the latter, the \$77 billion that has been designated for State sponsored prescription drug programs, would really cover only those seniors between 100 and 150 percent of the poverty level. It's a very limited program and it doesn't offer any significant help to middle income seniors in paying the high cost of their prescription drugs.

The administration has designated considerably less than the \$300 billion allocated in last year's budget resolution and the same number is being floated by Speaker Hastert in the Senate Finance Committee this year. But drug expenditures are going up 15 to 17 percent a year, and \$300 billion would buy much less of a benefit now than it would a year ago. The underlying problem is price. You simply cannot deal with this problem without dealing with the issue of price. Any Medicare prescription drug benefit has got to include a substantive cost control mechanism in order to make the benefit meaningful for beneficiaries and also affordable to the government.

There are several possible approaches, but I want to recommend the one that's in my bill, H.R. 1400, the Prescription Drug Fairness for Seniors Act. This bill would allow pharmacies to buy drugs for Medicare beneficiaries at what is called the average foreign price, which is the price that consumers pay in the six other countries of the G7: Canada, Japan, Germany, Italy, France and the United Kingdom. Now, the average foreign price in those countries is about 40-percent below what our seniors pay here. Under this proposal, seniors could buy their drugs at any pharmacy. There is no significant cost to the Federal Government, none. It's simply a discount.

It's not as if this hasn't been tried. This is what those other countries do. They have some mechanism for setting a price cap on what the pharmaceutical industry can charge. And for those who say, well, but the market in the United States is different, or we have a big Medicare market, remember the market in Europe alone is 330 million people for prescription drugs, and we have 39 million beneficiaries on Medicare.

Under this proposal, the relief would be reliable, consistent, equitable, everybody would get a 35 to 40 percent discount, no enrollment fee, seniors in Iowa, Maine and Texas and every other State would get exactly the same benefit. In other words, Congress must address the issue of price in order to construct a real benefit for consumers that is affordable for the government. Every senior has been promised help with the cost of their prescription drugs. The

only way to keep these promises is to implement effective cost containment, such as that provided by H.R. 1400.

Therefore, I would urge this committee to include language in the budget resolution for fiscal year 2003 mandating that funds designated for a prescription drug benefit, any funds, whatever number you put in, be linked to an effective mechanism to ensure cost containment.

I would just say in conclusion, particularly to my friends on the Republican side if the aisle, you have all voted for this kind of mechanism already. In the defense authorization bill for 2000, virtually all of us voted for a discount for military retirees. All we are saying is, do the same for our Medicare beneficiaries. Give the same prices that the Europeans, the Canadians and the Japanese have, and let's give them relief at a minor, minor cost to deal with a problem that is really becoming desperate.

Mr. Chairman, I thank you very much.

[The prepared statement of Thomas H. Allen follows:]

PREPARED STATEMENT OF HON. THOMAS H. ALLEN, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MAINE

Chairman Nussle, Congressman Spratt, distinguished Budget Committee members, thank you for this opportunity to discuss budget priorities for fiscal year 2003. I would like to speak about our promise to America's seniors to help them afford the high cost of their prescription drugs.

Due to a tight budget and rising health care costs, providing America's seniors with a prescription drug benefit is a daunting challenge. Limited dollars forces us into a trade off—a little help for many seniors or more help for only a few. In its budget proposal, the Bush administration attempts to give a limited group of seniors assistance with their prescription drug costs. By the administration's own estimates, the \$77 billion designated for State-sponsored prescription drug programs to cover low-income seniors will only help 3 million Medicare beneficiaries. This plan does not offer any significant help to middle income seniors in paying the high cost of their prescription drugs. We don't have to settle for this trade-off.

The Bush administration has designated considerably less than the \$300 billion allocated in last year's budget resolution and in proposals being floated by Speaker Hastert and the Senate Finance Committee this year. But as drug expenditures continue to spiral upward, rising approximately 15 percent each year, \$300 billion will buy much less of a benefit than it did last year. These proposals fail to address the underlying problem: the high price of prescription drugs. I believe that a Medicare prescription drug benefit must include a substantive cost control mechanism in order to make the benefit meaningful for beneficiaries and affordable to the government. The only way to get more benefit to more seniors is by building a baseline for prescription drug prices.

There are several possible approaches, but let me recommend one. My bill, the Prescription Drug Fairness for Seniors Act (H.R. 1400), would significantly reduce prescription drug prices for all Medicare beneficiaries at virtually no cost to the Federal Government. The bill allows pharmacies to purchase drugs for Medicare beneficiaries at a price equivalent to the "average foreign price," based on the prices consumers pay in six other industrialized nations: Canada, France, Germany, Italy, Japan, and the United Kingdom. This legislation would provide up to a 40 percent savings on prescription drugs. Medicare beneficiaries could purchase their prescription drugs at any pharmacy. Unlike the President's proposal, and others, H.R. 1400 would provide help to all seniors on the price of all drugs. They would have an immediate, guaranteed price reduction through Medicare—relief that is reliable, consistent, and equitable—with no enrollment fee. Seniors in Iowa would get the same price reduction as seniors in Texas, Maine, and every other State. My plan doesn't rely on States to implement a program, forcing them to come up with a 10 percent match when many are already in fiscal crisis. H.R. 1400 can serve as a critical cost-containment cornerstone for a comprehensive Medicare drug benefit. We can implement it now.

To summarize, Congress must address the issue of price in order to construct a real benefit for consumers that is affordable for the government. Every senior has been promised help with the cost of their prescription drugs. The only way to keep

these promises is to implement effective cost containment, such as that provided by H.R. 1400. Therefore, I urge the Budget Committee to include language in the Budget Resolution for fiscal year 2003 mandating that funds designated for a prescription drug benefit be linked to an effective mechanism to ensure cost containment.

Chairman Nussle, I again thank you for holding this hearing today. I look forward to working with you and our colleagues to make prescription drugs affordable for all of America's Medicare beneficiaries.

Chairman NUSSLE. I thank the gentleman.
Mr. Udall.

**STATEMENT OF HON. TOM UDALL, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEW MEXICO**

Mr. UDALL. Thank you very much, Chairman Nussle. Let me say to you and your colleagues, it's a pleasure to be here and thank you for having us.

I have no doubt that the President's call for increased funding for fighting terrorism and homeland security will receive broad bipartisan support. However, as we enter another era of deficits, the President and the Congress must have the courage to make decisions that keep our economy strong. I just wanted to touch briefly on a couple of the budget issues that are of concern to me and my State and my congressional district.

First of all, nuclear cleanup. We've had a situation at the national laboratories where in the 1940's and 1950's they engaged in a number of practices which were not very good. They buried waste, rather than in lined trenches, they buried it in earthen trenches. They put barrels into the ground that they never expected to extract.

We are now in this budget process slowing down that cleanup. We thought we were going to be able to do it in 7 to 8 years with the budget numbers that are out there. We're bringing, we're extending the length of the cleanup and we're making it much slower. I think there are not only national security problems at the labs as a result of that, but there are environmental problems as far as water and leakage.

Secondly, let me talk about renewable energy. It's my belief that we need to have a bold, new strategy for our national energy policy. I think we need to focus on renewables; I think we need to focus on fuel efficiency. I'm not sure that the President's budget this time around does it. I applaud the fact that in the area of renewable energy, he's increased the budget by \$21 million, which is up 5.5 percent. But I must say that the cuts in geothermal of \$1 million, the biomass cut of \$2 million, solar research by \$2 million, we need to do more in that area. I really hope that you take a hard look at that.

The last area I wanted to focus on is transportation. Many of you that live in the east, the communities are more compact, your commutes are smaller. In the Intermountain West, it's not unheard of for people to drive and commute to work 70 miles to work, 70 miles back. So the transportation on those roadways is absolutely crucial.

What we have seen in the budget that's been presented this year is an \$8.6-billion decrease in transportation funds. That would mean a cut in New Mexico of \$69 million. We're talking about 2,700 jobs. Many of the road projects that the State of New Mexico

has on the books that have been planned, that are moving forward, are now going to have to be delayed. So, I hope that you can look at the areas of nuclear cleanup, energy efficiency and transportation.

Let me just say as a final comment, as I've sat here and listened to Mr. McDermott, who I know is a good, capable doctor, and Barney Frank talk about medical care. The same thing is true that Barney Frank said about veterans, protecting their medical care, as the Native Americans, protecting the Indian Health Service, which we all fund in the budget. The remarkable thing is, not only do they like the health care that they get from the Indian Health Service, but it does, the Indian Health Service does a remarkable job at cutting costs and providing health care at a very, very cost effective level. If you look at what health care is provided for by Medicare to our population over 65, and you look at what the Indian Health Service does with all government doctors and nurses and employees and hospitals, we're talking about a third less cost.

So I think there is an argument in the governmental sector where we're doing a very cost effective job, and the kinds of things that my colleague here, Tom Allen, is talking about. If we can save on prescription drugs and push the price down, and provide services in these other areas, I think we have some areas to explore to provide better health care for our citizens.

With that, thank you very much. I'm happy to stay and answer questions.

[The prepared statement of Mr. Udall follows:]

PREPARED STATEMENT OF HON. TOM UDALL, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF NEW MEXICO

Thank you Mr. Chairman. My colleagues on the House Budget Committee let me begin by saying that we all have significant challenges ahead of us during this budget cycle. I have no doubt that the President's call for increased funding for fighting terrorism and homeland security will receive broad, bipartisan support. However, as we enter another era of deficits, the President and the Congress must have the courage to make decisions that will keep our economy strong. While I support a number of the initiatives that the President outlined in his fiscal year 2003 budget, I am increasingly alarmed that his budget fails to address concerns that are important to those who reside in the 3rd Congressional District and in New Mexico.

I appreciate your kind invitation to testify today on the fiscal year budget for 2003. I will be speaking about three areas that pertain to the budgets for Energy, Transportation, and Health & Human Services.

The President's budget for 2003 provides \$3.3 billion for energy related programs. However, this level is \$119-million below the level needed, according to CBO, to maintain purchasing power at the 2002 level. Over the next 5-year period energy programs face a \$173-million cut. However, as the budget proposal addresses funding for key programs at our Nation's national laboratories and energy related programs, several DOE sites are slated for significant cuts in their cleanup budgets.

The work of our national laboratories is important as we continue to assess and respond to the security and energy needs of our Nation. Our laboratories provide a plethora of scientific advancement including, as mentioned earlier, the development of our Nation's nuclear stockpile to enhance our domestic energy supply. But as they conduct this critical work, we need to ensure that the proper funding is available for environmental clean-up at our DOE facilities.

The President's proposal calls for accelerating the clean-up of nuclear waste and advances reforms that will result—the administration claims—in more clean-up at less cost while protecting workers, the public, and the environment. My concern is that this proposal cuts the clean-up budgets for DOE facilities, that include Los Alamos National Laboratory, to implement the administration's accelerated clean-up proposal. With that said, I intend to work with my colleagues to see that we restore funding for environmental clean-up at DOE facilities to address current clean-up commitments.

In the area of renewable energy, I am pleased to see that these programs are slated to receive \$408 million for 2003 in the budget, a \$21-million (5.5 percent) increase over the 2002 enacted level. Businesses and groups throughout my congressional district and New Mexico are working to promote renewable energy technologies such as solar, wind, and biomass. However, I am concerned that cuts made in the DOE Budget will hinder the development of these initiatives. Such as: geothermal cut by \$1 million (2.9 percent); biomass cut by \$2 million (2.3 percent); and solar research cut by \$2 million (2.0 percent). We need to be more effective at being efficient and proposed cuts to most of the energy efficiency accounts do not help.

For 2003, the President's budget provides \$54 billion in appropriated budgetary resources for the Department of Transportation. This funding helps support programs for our highways, mass transit, aviation, and maritime activities. However, of great concern to me is the decrease of \$8.6 billion in highway transportation funding from the fiscal year 2002 budget. This budget shortfall will have a severe negative impact on New Mexico and result in a decrease of \$69 million for the New Mexico State Highway and Transportation Department. A loss of \$69 million will cause the postponement of several important highway construction projects, as well as reductions in money spent on road maintenance. In addition, it is projected that New Mexico will lose an estimated 2,700 jobs as a result of the shortfall. I am therefore opposed to the administration's decision to cut highway spending in the fiscal year 2003 budget proposal and plan to work with my colleagues to restore this decrease in funding.

President Bush's fiscal year 2003 budget for the Department of Health and Human Services is an overall increase of 9 percent from the last fiscal year. The increase stems primarily from the President's requested increase of \$4.3 billion for bioterrorism protections such as vaccine development, lab improvements, hospital modernization and expansion of the National Pharmaceutical Drug Stockpile.

However, many health programs dealing with prevention and direct patient services would be trimmed or would receive no increases under the fiscal year 2003 budget. One such program of particular importance to me and my constituents is the Community Access Program (CAP). This important program provides grants to assist Federal and State agencies coordinate health care services to the under and uninsured.

The State of New Mexico ranks near the top in the number of individuals lacking health insurance. Therefore, programs such as CAP are vitally important to the State. The CAP program has provided funding for programs in 77 communities throughout the United States, including two programs in New Mexico. However, the President's budget eliminates funding for this critical program—a cut of \$105 million.

In addition, although the President's budget contains \$89 billion to help the uninsured, this amount is only projected to provide coverage for up to 6 million of the 40 million uninsured. This amount is a good starting point, but I believe that Congress must work to make insurance more accessible and more affordable. I am committed to working toward this goal as the budget and appropriations process progresses.

I hope that my comments will be useful as the members of this committee work toward a budget that benefits all Americans.

Chairman NUSSLE. I thank the gentleman.

Mr. Osborne, welcome.

**STATEMENT OF HON. TOM OSBORNE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEBRASKA**

Mr. OSBORNE. Thank you, Mr. Chairman. I appreciate the opportunity.

Three or four things I'd like to mention. In H.R. 1, the education bill, we had mentoring for success funded at \$17.5 million for 2002. The reason this was important, I think, is our culture has certainly deteriorated over the last several years. We find that mentoring is very important, it reduces absenteeism from school by more than half. It reduces drug abuse by more than half, teenage pregnancy significantly, violence, and all the other issues. It's the one thing we know we can provide that rectifies some of the social ills that we're now seeing.

Each State, under this program, would have qualified for at least one grant. We felt this was important to provide a comprehensive picture of what's going on around the country in mentoring. We have Big Brothers, Big Sisters, we have YMCA, we have church-based, school-based and so on. So nobody really knows what is working best and what isn't. So, we thought that would give us a good picture.

Unfortunately, in the President's budget for 2003, this was zeroed out. A program was put in there to mentor the children of prisoners for \$25 million. That's well and good, and I think that's certainly very important. It's important to remember, however, that the National Mentoring Partnership says that there are roughly 15 million children in our country who are greatly in need of mentors. They have one parent, no parents, dysfunctional situations. Currently, there 1½ million children of prisoners in the United States.

We feel that somehow this needs to be rectified. Maybe it can be consolidated in some way, but we think that's a major problem.

Rural education achievement, also part of H.R. 1., 40 percent of our children go to small, rural schools. We find that often these schools do not receive their fair share of Federal dollars. Eisenhower grants for teacher training, other grants, Safe and Drug Free schools, and grants of this nature, often end up being very small pools of money because of the number of students. The problem is that these small schools do not have grant writers.

Essentially what happens is that many times they don't even make the effort to apply. The Rural Education Initiative would provide at least \$20,000 to each one of these schools. We feel that this would be more equitable. It was funded at \$162 million for 1962. In 1963, this was zeroed out.

I think we see this trend, I don't think anybody's against rural schools, rural health care and so on. But a lot of times it's overlooked. I think that this is something we need to think about a little bit.

Rural health care I mentioned just briefly. Sixty percent of the residents of my district are on Medicare. They're badly in need of telemedicine, a lot of them can't travel very well. Again, we've had significant reductions in rural health care provisions.

The last thing that I'll mention to you, very quickly, has to do with veterans affairs. That is the issue that currently, Priority 7 veterans must pay, under new guidelines, a \$1,500 deductible policies. So most of these folks can't really afford this type of health care. Thirty percent of those in the third district of Nebraska, which is a very rural area, qualify as Priority 7. Many are farmers. I think this is something that we certainly need to take a look at as well.

Anyway, those four or five issues summarize some of the needs that I would like to see addressed. I appreciate the time and attention of the committee. Thank you.

[The prepared statement of Tom Osborne follows:]

PREPARED STATEMENT OF HON. TOM OSBORNE, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEBRASKA

Thank you for allowing me to come here today to share with you my priorities for the fiscal year 2003 budget resolution. I truly appreciate the opportunity to

share with the committee the issues that are important to constituents of Nebraska's Third District.

I have several priorities that I believe should receive attention and funding in the fiscal year 2003 budget:

- Mentoring programs
- Rural Education Achievement Program
- Rural health programming
- Transportation projects
- Veterans Administration funding for Priority 7 veterans.

MENTORING

Mentoring programs are crucial for the success of our children. Mentoring has been proven time and again to improve academic achievement, reduce violent or antisocial behavior, and lower usage rates of drug and alcohol. Children who have mentors are more likely to set goals for themselves, finish school, and pursue post-secondary training. However, only a fraction of the children who could use mentors receive them. The National Mentoring Partnership estimates that in the United States about 14 million youth under 18 are in need of a caring adult in their lives. However, today there are only approximately 500,000 youth in mentoring relationships because mentoring programs do not have the resources or capacity to serve more children.

Last year, I worked to include the Mentoring for Success program in H.R. 1. Mentoring for Success is a new competitive grant program that received \$17.5 million in the fiscal year 2002 appropriations process. This important funding would allow school districts and community-based organizations to apply for funding to expand or start mentoring programs in areas where there is high need. Under the legislative language, each State would receive at least one grant. Funding could be used to administer a program, recruit mentors (but not pay them), train mentors, and, importantly, pay for background checks for mentors.

The President's fiscal year 2003 budget includes \$25 million to establish mentoring programs only for the children of prisoners. While I do not question the need to assist children of prisoners, this funding does not address the children who may not have a parent in prison, but still do not have a strong, positive adult role model. For example, over the course of my career as a football coach, I have known many young people who have never known their fathers. Often, their fathers may leave before they are born. Raised by single mothers without strong male role models, many of these young men really struggled in life. Are children like these any less deserving of a mentor than a child whose parent is in prison? Do we really want to set up a competition between different groups of children, both deserving of mentors?

Mentoring requires a small investment that ranges from a few hundred dollars to one thousand dollars per child. Considering the immense societal costs for letting even one child fall through the cracks, this is a tiny investment that, for the vast majority of children, is worth every penny. Additional Federal funds are crucial if mentoring programs are to meet the enormous demand for services and expand into new communities. The Mentoring for Success program drives funding directly to the local level through competitive grants. I urge the Budget Committee to consider including funding for various types of mentoring programs in the fiscal year 2003 budget.

RURAL EDUCATION ACHIEVEMENT PROGRAM

In addition to mentoring programs, a commitment to the Rural Education Achievement Program is critical because more than 40 percent of students in this country attend rural schools, but Federal education programs have not addressed the unique funding needs of rural districts. In many cases, current Federal formulas do not produce enough revenue to carry out the purposes the grant is intended to fund. The smallest districts typically receive insufficient funds to hire one professional, let alone undertake significant reform. Rural districts are no more successful in obtaining competitive grants. Without the professional grant writers found in most urban and suburban districts, rural districts just cannot compete.

Further, new accountability and testing requirements included in the reauthorization of ESEA will expand the demands on local school administrators. The impact will be most deeply felt in rural districts, where the superintendent often serves as the sole administrator and will be responsible for implementing these reforms. Funding from the Rural Education Achievement Program would help rural school districts manage the new requirements to meet the goal of stronger accountability. The Rural Education Achievement Program was funded at \$162.5 million in the fis-

cal year 2002 appropriations bill. Please include funding for this program in your budget.

RURAL HEALTH CARE

Maintaining access to quality health care services and developing a sustainable delivery system in rural America remains a challenge. Ensuring Medicare beneficiaries' access to quality care in my district remains a high priority for me, but the economic and demographic conditions facing Nebraska's Third District are endangering many rural providers. I encourage you to help ensure that rural Medicare beneficiaries have access to needed health care by including adequate funding for rural health care in your budget.

Telehealth and telemedicine programs are critical tools needed to increase access to care, particularly for isolated rural areas in Nebraska. Rural communities in my district are using telemedicine technology to improve access to specialty care, by allowing seniors to remain in their own communities while receiving specialty care. Telehealth technology is the key to providing the education necessary to increase the number of trained nurses and health care personnel in rural areas. I encourage your support of telehealth and telemedicine programs in your budget.

TRANSPORTATION

I am also supportive of continuing funding for vital transportation projects in States like Nebraska. If funding for transportation projects is scaled back, Nebraska and other States will have to wait even longer to complete vital roads projects. Many of these roads projects are crucial for public safety. Nebraska needs these funds to help expedite the efforts to eliminate at-grade railroad crossings statewide. The Union Pacific Railroad corridor where these projects are located is identified as the busiest railroad corridor in the world. Nebraska receives approximately \$1.3 million of Federal aid in State transportation program safety funds for use in railroad crossing elimination annually. The State of Nebraska's needs study shows \$315 million is required for this work over the next twenty years. Without Federal funding, these projects cannot move forward.

VETERANS ADMINISTRATION

In addition, I am supportive of additional funding for the Veterans Administration. In particular, these funds are necessary in order to avoid hardship that may be caused by a proposal to require Priority 7 veterans to pay an annual deductible of \$1,500 for health care services. Thirty percent of veterans seeking health care in Nebraska are Priority 7 veterans. If adequate funding is not included in the fiscal year 2003 budget and this proposal is implemented, many Priority 7 veterans will be unable to afford health care. Many of the Priority 7 veterans in my district are farmers who cannot afford medical insurance with the current state of the agricultural economy. I am concerned that the changes being proposed will have a negative effect on veterans in my district and urge the Budget Committee and the VA to move with caution on this issue.

CONCLUSION

Again, I deeply appreciate the opportunity to share with the Budget Committee some of the priorities of Nebraska's Third District:

- Mentoring programs
- Rural Education Achievement Program
- Rural health care
- Transportation funding
- Veterans Administration funding

I know that the committee faces a difficult job of crafting a budget that meets the challenges facing our Nation. However, I feel that these areas are very important for the people of Nebraska and for all Americans. I would be happy to discuss any of these issues with the committee. Thank you again for this opportunity.

Chairman NUSSLE. I thank the gentleman.
Mr. Kucinich.

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

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

The President has requested a \$45.3 billion increase in military spending for a total Pentagon budget of \$379 billion and an overall defense budget, including Department of Energy and other programs of \$396 billion. We're told this increase is necessary to ensure our security during these troubled times.

But how can the Budget Committee and others in Congress charged with overseeing the Defense Department's utilization of these funds be sure that this massive sum of money will actually be spent to better protect Americans? This is an important question, given the Pentagon's management chaos. Consider the Department of Defense's performance. It has never passed the test of an independent audit.

Defense Inspector General numbers, if you look at them, say the Pentagon cannot properly account for \$1.2 trillion, T for trillion, in transactions. GAO says no less than six Pentagon functions, financial management infrastructure, management inventory, management weapons systems, acquisition contract management and systems modernization, are at risk, high risk, of waste, fraud and abuse.

The Department of Defense could not match \$22 billion worth of expenditures to the items it purchased, wrote off as lost billions of dollars of in-transit inventory and stored nearly \$30 billion worth of spare parts it did not need.

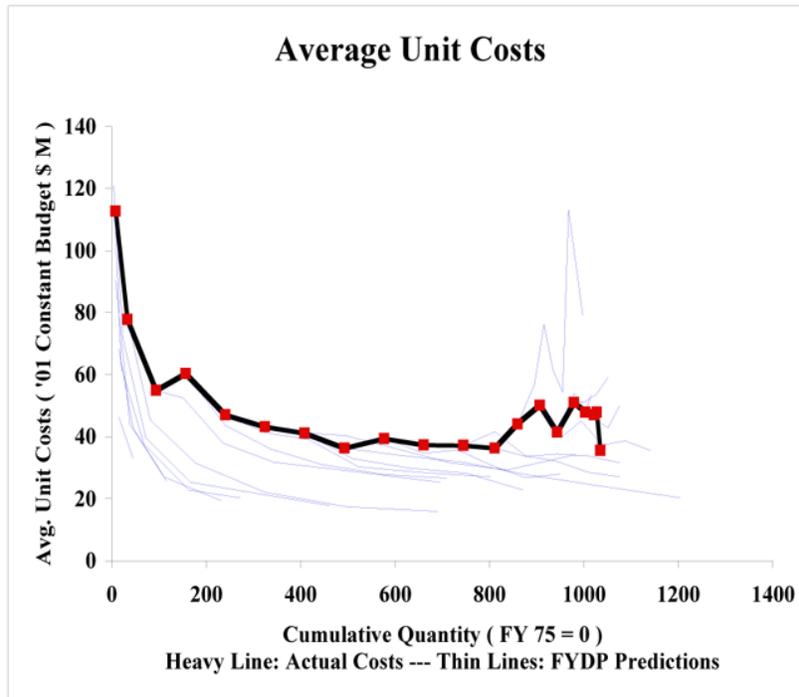
Now, these accounting and financial management problems affect military planning. Each year the Department of Defense produces a 5-year budget plan known as the future years defense plan for the various Pentagon programs and functions. These documents lay out projected costs over 5 years. Experts at the Pentagon have taken the trouble to examine whether these estimates have in the past actually corresponded to reality. The answer is, they don't.

I have presented the committee with some charts. The first chart you have before you compares the Navy F-18 fighter's predicted cost to its actual cost. The vertical axis indicates average unit cost per airplane in fiscal year 2000 dollars, with the horizontal axis indicates the quantity of airplanes produced. On the graph, the heavy line depicts actual quantities and actual costs, while the thin lines represent the predictions of each successive future year defense plan since 1979.

Note how the Pentagon's earliest plans line up far below the solid black line representing reality. The Pentagon's early plans predicted that the 400th F-18 would cost \$24 million. In reality, it cost \$40 million, 67-percent more. This is a pattern. Nearly every one of the thin lines represented the Pentagon's anticipated cost falls below the bold line showing the real cost. In other words, the Pentagon routinely under-estimated the costs associated with producing the F-18.

F/A-18A/B/C/D

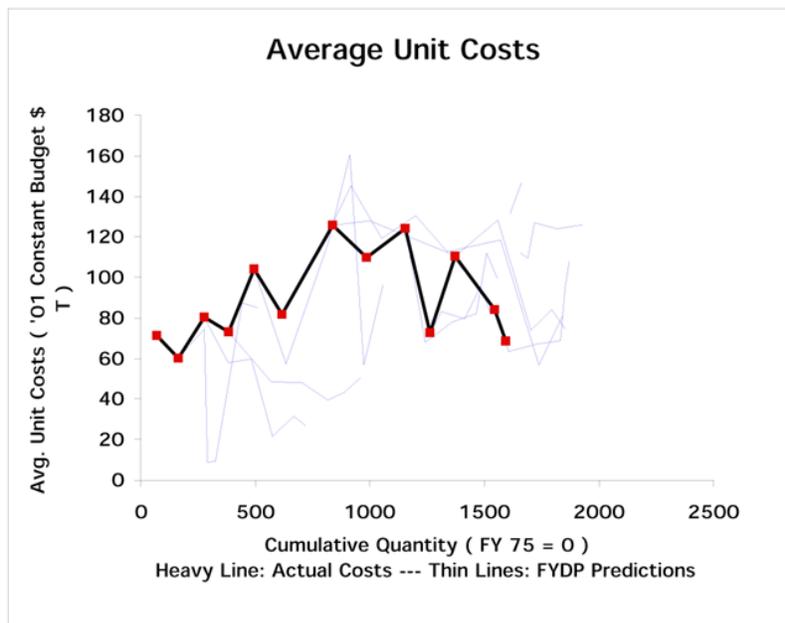
(FYDP Predictions versus Reality)



Moreover, the defense experts who conducted this analysis found that the Pentagon understates the eventual production cost of nearly every major weapon by very large amounts.

The second chart we looked to something very simple like a street sweeper that the Air Force uses to clean its runways. Again, on this one, the thin lines represent the Pentagon's cost predictions included in their annual future year defense plans and the heavy line represents the street cleaner's actual cost as production quantities increased. The point is made the Pentagon doesn't have control of cost estimates. It can't pass an audit and it can't properly account for its expenditures. It's unable and unwilling to accurately project the cost of the weapons it purchases.

STREET/RUNWAY CLEANER (FYDP Predictions versus Reality)



I don't think there can be any way of assuring that the extra tax dollars that are allocated to DOD are going to be spent appropriately and really should cause this committee to scrutinize very carefully the request for increased allocation. What's the justification for all this spending? Does the fight against terrorism require this type of massive defense investment? I would argue no. This request would be the largest increase in military budget authority since fiscal 1966 at the height of the Vietnam War. The increase alone is larger than the military budget of all other countries beside Japan, whose budget is \$45.6 billion. It is also over three times the combined defense budgets of the so-called axis of evil states and all other "states of concern."

As a dominating military power in the world, what threats are we guarding against that require such overwhelmingly large defense expenditures? We already spend multiple times what the most potent potential enemies spend on defense combined. Why do we need more? Now, we're told the extra money is needed to pay for war. But in reality, the proposed defense funds are largely devoted to the very same weapons acquisition programs that the GAO has deemed to be at high risk of waste and abuse; programs that are of little utility in defending the Nation against the sort of attack we confronted in September.

These include the F-22, the most expensive fighter ever, which has racked up more than \$9 billion in cost overruns, and the Cru-

sader mobile howitzer artillery weapon, which is so immobile that the military's largest transport plane can't lift it without violating flight rules. The administration plans to spend \$11 billion to purchase 480 of these. They include the B-1 bomber which even the Secretary of Defense has said is headed toward obsolescence.

The appropriate course of action for this committee I would recommend is to freeze defense spending at a fiscal year 2002 level of \$342 billion. This savings would enable this committee to help this Congress fund other priorities which I'm sure Members are coming to this committee about. I appreciate this time. Thank you.

[The prepared statement of Dennis Kucinich follows:]

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

Thank you, Mr. Chairman, for allowing me to testify before the committee today. Mr. Chairman and members of the committee, you have heard today from many Members seeking funding for programs that have been overlooked in this budget, and others seeking increased funding for programs that have been shortchanged.

I come before you for a different purpose: to offer a suggestion for how to free up funds for all the priorities that this budget does not provide for.

DOD MANAGEMENT PROBLEMS

Mr. Chairman, the President has requested a \$45.3-billion increase in military spending, for a total Pentagon budget of \$379 billion, and an overall defense budget (including related Department of Energy and other programs) of \$396.1 billion.

We are told this increase is necessary to ensure our security during these troubled times. But how can the Budget Committee and others in Congress, charged with overseeing the Defense Department's utilization of these funds be sure that this massive sum of money will actually be spent to better protect Americans?

This is a crucially important question, given the Pentagon's management chaos. Consider DOD's performance:

It has never passed the test of an independent audit.

According to the most recent Department of Defense Inspector General numbers, the Pentagon cannot properly account for \$1.2 trillion in transactions.

GAO says no less than six Pentagon functions: Financial Management, Infrastructure Management, Inventory Management, Weapon Systems Acquisition, Contract Management, and Systems Modernization—are at "high risk" of waste, fraud and abuse and show little prospect for improvement. This is more than any other government agency.

In recent years, DOD could not match \$22 billion worth of expenditures to the items it purchased, wrote off as "lost" billions of dollars worth of in-transit inventory, and stored nearly \$30 billion worth of spare parts it didn't need.

These figures cast serious doubt on whether the Pentagon will spend its new funds appropriately.

But the picture becomes even worse when one examines more closely how these accounting and financial management problems affect military planning.

IMPLICATION OF MANAGEMENT PROBLEMS FOR MILITARY PLANNERS

Each year, the Department of Defense produces a 5-year budget plan known as the Future Years Defense Plan (FYDP). For the various Pentagon programs and functions, these documents lay out projected costs over 5 years.

Some experts at the Pentagon have taken the trouble to examine whether these estimates have in the past actually corresponded to reality.

The answer: they don't.

The first chart you have before you compares the Navy F-18 fighter's predicted costs to its actual costs. The vertical axis indicates average unit cost per airplane in fiscal year 2000 dollars, while the horizontal axis indicates the quantity of airplanes produced. On the graph, the heavy line depicts actual quantities and actual costs, while the thin lines represent the predictions of each successive Future Years Defense Plan since 1979.

As you can see, the resulting picture is a mess. Note how the Pentagon's earliest plans line up far below the solid black line, representing reality. The Pentagon's early plans predicted that the four hundredth F-18 would cost \$24 million. In reality, it cost \$40 million—67-percent more.

Clearly, this became a pattern. Nearly every one of the thin lines, representing the Pentagon's anticipated costs, falls below the bold line, showing the real costs. In other words, the Pentagon routinely underestimated the costs associated with producing the F-18.

Moreover, the defense experts who conducted this analysis found that the Pentagon understates the eventual production costs of nearly every major weapon by "very large amounts."

But major weapons programs are not the only difficulty for the Pentagon. Even basic procurement gives Pentagon planners fits.

The second chart you have plots in similar fashion the Pentagon's predicted costs for the simple street sweeper the Air Force uses to clean its runways against the equipment's actual costs. Again, the thin lines represent the Pentagon's cost predictions included in their annual Future Year Defense Plans, and the heavy line represents the street cleaner's actual costs as production quantities increased.

I will let the chaos speak for itself.

WHAT DOES THIS ALL MEAN FOR CONGRESSIONAL ACCOUNTABILITY?

So, the Pentagon can not pass an audit, it can not properly account for its expenditures, and these problems render it unable (or simply unwilling) to accurately project the costs of the weapons it purchases.

What does this mean for congressional accountability? It means that there simply cannot be any rhyme or reason to this defense budget request, and that there can be no way of ensuring that extra taxpayer dollars allocated to DOD are being spent appropriately.

THIS LEVEL OF SPENDING UNNECESSARY

Finally, we need to consider carefully: what is the justification for all this spending? Does the fight against terrorism require this type of massive defense investment?

I would argue no. This request would be the largest increase in military budget authority since fiscal 1966, at the height of the Vietnam War. The increase alone is larger than the military budget of all other countries beside Japan, whose budget is \$45.6 billion. It is also over 3 times the combined defense budgets of the "axis of evil" and all other "states of concern".

The total military budget resulting from this increase would be more than the combined military budgets of the next 24-largest spending countries, more than half of whom are our allies. It would also be 15-percent higher than the average U.S. military budget during the cold war for a force that is smaller than our cold war-era military.

As the dominating military power in the world, what threats are we guarding against that require such overwhelmingly large defense expenditures? If we already spend multiple times what our most potent potential enemies spend on defense combined, why do we need more?

We are told that the extra money is needed to pay for war. But in reality the proposed defense funds are largely devoted to the very same weapons acquisition programs that the GAO has deemed to be at high risk of waste and abuse—programs that are of little utility in defending the Nation against the sort of attack we confronted in September.

These include the F-22, the most expensive fighter ever, which has heard has racked up more than \$9 billion in cost overruns. These include the Crusader "Mobile" Howitzer artillery weapon, which is so immobile that the military's largest transport plane cannot lift it without violating flight rules. The administration plans to spend \$11 billion to purchase 480 of these. And they include the B-1 bomber, which even the Secretary of Defense admits "is headed toward expensive obsolescence."

This budget rewards our defense establishment for its fiscal mismanagement. And the allocation of this money follows the same wasteful, high-risk patterns of spending that lavish politically influential military contractors with large sums to produce weapons geared toward obsolete cold war era threats.

SUGGESTED ACTION

What, then, is the appropriate course of action for this committee to take with regard to the defense budget?

The committee should simply freeze defense spending at the fiscal year 2002 level of \$342 billion (which includes Department of Energy and other non-DOD defense spending but excludes the supplemental appropriations).

Capping defense spending at this level would force the Pentagon to make choices among its many big-ticket and marginally useful weapons programs in order to pay for counter-terrorism and other priorities. It will inject some new momentum into the efforts by defense reformers to create a lighter, more mobile defense force. Finally, it would send a strong message to Pentagon officials that Congress will not approve increases in funding until the department cleans up its fiscal management problems.

In turn, this \$54 billion in savings could be used to fund the host of priorities that Members have come before this committee to advocate for. This money could fund a larger increase in education spending, increased job training programs, prescription drug coverage, and other needs.

I hope the committee will consider my suggestion, and I thank the members for their time.

Chairman NUSSLE. I thank the gentleman.

Before we hear from Mr. Gekas, I'd invite Mr. Pascrell to the witness table, too. We're going to have a series of votes, as I understand it, so if we can squeeze in your testimony out of respect to your coming, I'd like to do that before the vote as well. Mr. Gekas.

**STATEMENT OF HON. GEORGE W. GEKAS, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF PENNSYLVANIA**

Mr. GEKAS. Thank you very much.

Mr. Chairman, you and the members of the committee know specifically and generally what I propose, because I've done it now for 10, 12, 14 years, with some success at one point, but with undaunted fervor I proceed again. My proposition is one in which we ought to be adopting a plan to prevent government shutdowns forever. How do we do that? We adopt what I call the instant replay concept, that at the end of the fiscal year, on September 30, for each of the 13 separate appropriations bills, that if the Congress has not adopted a new budget that the next day there would be an instant replay of the previous year's budget.

This would, as I said, constitute an end forever of the dreaded government shutdown. This past session, because of the exigencies of September 11, may have had justification for the continuing resolutions, the temporary fixes we were putting in almost every other day, if you recall, straight into December. We understand that. But even in that particular year, if we had had the instant replay concept to prevent government shutdown legislation, we would have been able to work calmly and deliberately after September 30 to clean up whatever appropriations bills had not been completed without the fear of a shutdown and with an atmosphere that would allow the appropriators and the White House to congeal their visions of what the budget items should contain.

That is an age-old concept on my part now. We had one bit of success when, in 1 year, we actually passed this concept as part of the disaster relief supplemental of that particular year, only to have the President, President Clinton, veto it. The point is, that at some point in history, this concept, which I bring to your attention again, did find a wide range of acceptability in the Congress and House of Representatives, and in the Senate. So I ask you to consider it.

There's one other added impetus this time that has not appeared before. The President of the United States, during the campaign of 2000 and thereafter in one of his budget pronouncements, put his imprimatur on the concept of the instant replay, the end govern-

ment shutdown syndrome which I present to you. He did so, and then Mitch Daniels, the budget director himself, in several different constellations and in perhaps testimony before this committee, I'm not certain, also advocated and endorsed the concept of ending government shutdown through this type of legislation.

So I plead with you to help Mitch Daniels, to help the President, to help this Member of Congress and to help the American people prevent government shutdowns in the future. I thank the Chair.

[The prepared statement of George Gekas follows:]

PREPARED STATEMENT OF HON. GEORGE W. GEKAS, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, members of the committee, thank you very much for allowing me to testify at this important hearing. I appreciate the opportunity to appear before you and once again bring to your attention a matter of great concern to many and an issue that is near and dear to my heart: preventing government shutdowns.

As you may be aware, I have been introducing legislation to prevent government shutdowns since 1988. My current legislative effort, H.R. 3744, the Government Shutdown Prevention Act, does the same thing as its predecessor bills: it removes the threat of the government shutting down due to an impasse in budget negotiations by providing for an automatic continuing resolution, at the previous year's spending level, if an appropriations bill has not been passed.

Under the language of this bill, no new programs can be proposed, no old, terminated or unfunded programs can be resumed, reborn or refunded. Those determinations are to be made by the committee, not my bill. The language of my bill is preventative, not curative: it seeks to prevent problems which could arise from a government shutdown but does not cure any underlying problems with that budget.

The threat of a government shutdown is very real. Since 1977, the government has been shut down 17 times, costing the U.S. taxpayer over \$1 billion. Since my own election to the House in 1982, I have witnessed eight government shutdowns.

This issue has resonated very strongly with our colleagues. Past supporters of this legislation included Chairman Nussle, former Chairman Kasich, Representatives Gutknecht, Klezcka and Toomey. It has also been endorsed by such organizations as the Concord Coalition Citizens Council, U.S. Chamber of Congress, Americans for Tax Reform, Citizens Against Government Waste, the Committee for a Responsible Federal Budget, and the National Taxpayers Union among others.

Unfortunately, the last administration was opposed to an automatic continuing resolution and vetoed a bill which contained this provision. But now we have an administration which supports it. OMB Director Mitch Daniels has stated, "I believe a measure of this kind is needed to ensure that the continued operations of government programs are not threatened by political disputes." And the President has included an Automatic Continuing Resolution in his list of desired budget process reform measures. We now have a real opportunity to enact this "good government" provision.

This legislation has been criticized—unfairly, I believe—as an attack on the Appropriations Committee and an attempt to usurp their power. In fact, nothing could be further from the truth. This bill would give the Appropriations Committee the extra time that it needs to work out the wide-range of budgetary issues that confront them at the end of every session.

It is also argued that implementing this kind of provision would take away the incentives for us to get our spending bills done on time. I strongly disagree. For 19 out of the last 20 years, Congress and the President have not finished the budget process by the October 1 deadline. This past year none of the 13 spending bills were finished on time. As a result, Congress had to pass eight separate continuing resolutions, extending appropriations for over three months, to prevent the government from shutting down. This provision will not remove any incentives, but will rather act as a "safety-net" while eliminating the need for awkward and partisan debates over passage of continuing resolutions.

Furthermore, enactment of an automatic continuing resolution is not some sort of grand experiment. The State of Wisconsin has taken this good government approach to budgeting, and it has worked well. It has not diminished the power of the appropriators and it has not reduced the pressure to reach agreement on State budget funding levels. An automatic continuing resolution has been proven effective and workable at the State level and it can be effective and workable at the Federal level.

This provision is a good-government, pro-taxpayer idea. It is simply wrong to shut down the government. It is also wrong to use the threat of a government shutdown for the advancement of a political agenda. This is something that we should be committed to making off-limits. We need to assure the taxpayers that regardless of the disagreements and battles that occur in Washington, they can always count on the government to be operating and providing its proper services. This is the people's government. As such, we have no right to shut down the government or use the threat of a government shutdown to advance our political agenda. The shutdowns of the past have shaken America's faith in government. It is within our power to send a clear message to the American people that there will be no chance of them ever being a victim of our inability to come to a consensus on our budget priorities.

In closing, Mr. Chairman, I would like to thank you for your past support and I ask that the Budget Committee once again consider this modest, but important, reform.

Thank you for your time and indulgence.

Chairman NUSSLE. I thank the gentleman. You have been as consistent a supporter of budget process reform as we have in the Congress, and certainly this Member appreciates that.

Mr. Pascrell, welcome. We appreciate your coming out of order from that other panel, but I think this will help expedite the process today and allow Members to respect their schedules.

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

Mr. PASCRELL. Thank you, Mr. Chairman. First of all, I want to thank you and the members of this committee in a bipartisan way that supported in the past, in 2001, the Fire Act. Many of us were on that legislation. I was proud to sponsor it. But if it wasn't for the impetus from this committee, we would not be where we are today. I want to personally thank you and the rest of the committee members.

The President, as you know, in the 2003 budget, has included \$3.6 billion to assist our Nation's first responders. It's an entirely separate request from the Fire Act. This is a far cry from what had happened in the early part of 2001 when the administration was questioning whether this was an "appropriate use" of Federal dollars. We agree that it all is, and obviously the administration does as well.

The attacks of September 11 and the heroic deaths of 343 firefighters who were rescuing victims within the World Trade Center demonstrate the important role our first responders play. I'm concerned with how this new program the President has recommended will complement the existing Fire Act. This program was created by the Firefighter Investment and Response Enhancement Act, which I sponsored and was signed and many of you also signed. It has total bipartisan support.

In the first year, Mr. Chairman, of the Fire Act, 32,000 applications, from 19,000 fire departments. Of the 32,000 fire departments actually made proposals. If there ever was a need, that's proof of it. I must compliment FEMA for putting together the wherewithal, as many volunteers who came forward to help us go through all of those applications. The need is great. It provides for grants to be awarded directly, directly to the towns. No circumventing, no going through the State where we can skim from the top. Whether it's volunteer, whether it's career, paid, the entire spectrum is included here.

When you add up the 19,000 applications, from the 19,000 fire departments, 32,000 applications, it comes to \$3 billion worth of proposals. Of course, in the first year, we only had \$100 million. Now we are looking at something very different. The funding we have secured for fiscal year 2002 is \$360 million. It will also include administrative costs for FEMA.

This year the application will be available on line. We're going to streamline to make the process even more simple. In short, this is a program that is desperately needed and is developing an infrastructure to allow it to run smoothly and to thrive. The additional funds that the administration is proposing we deliver to first responders could be channeled into this existing program within the existing framework and provide assistance to thousands of additional firefighters.

The program is authorized, our program, the Fire Act, is authorized for 2002, 2003 and 2004 for \$900 million per year. We have \$360 million for fiscal year 2002, more than the originally authorized amount. This demonstrates the support of the appropriators. I ask today that the Budget Committee show the same kind of support. Grant us full funding for \$900 million this year. As the recent attacks on the World Trade Center and the Pentagon illustrate, firefighters are our first responders. They need our support.

Natural and man-made disasters do not discriminate when and where they arise. Proudly, the firefighters of the United States do not discriminate when or where they provide help. We're waging a war on terrorism. We still don't know exactly what that all means. But we know this. Wherever the evildoers strike next, firefighters will be the first in to save lives.

This Congress spends billions and billions on law enforcement in our communities. We all support that critically needed investment. We don't ask communities to go it alone for their law enforcement needs. We shouldn't do it for their firefighting needs. Even without the threat of terrorism, there's a tremendous need for additional funding. A survey I did in my district found that 75 percent of the departments were under-staffed, some terribly under-staffed by as many as 40 firefighters in larger cities.

Our State's second largest city, Jersey City, has seen a dramatic reduction in the last decade. Yet we've seen six skyscrapers built in that city. Who in God's name would be able to put out the fire, God forbid, if that ever happened, is beyond me.

With this in mind, I think it has become clear to many of us here in Washington that we must send these brave men and women into hazardous situations with the support they deserve from their government. We should fully fund the firefighters assistance grant program for fiscal year 2003 at \$900 million, and demonstrate that the Congress is fully committed to this.

With that, again, Mr. Chairman, I personally again want to thank you for your cooperation. Two-thirds of this committee was on the original Fire Act. I want to commend all of those and those who have come and joined us since. Thank you.

[The prepared statement of Bill Pascrell, Jr. follows:]

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

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

Last week President Bush delivered his Budget for fiscal year 2003 to our offices. I am delighted that he included an additional \$3.6 billion to assist our nation's first responders in his fiscal year 2003 budget.

Personally, I am pleased to see that he has reconsidered his position of 1 year ago that assisting first responders was not an "appropriate use" of Federal dollars. I think the attacks of September 11 and the heroic deaths of 343 firefighters who were rescuing victims within the World Trade Center Towers demonstrated the important role our first responders play in our national security.

While I am pleased that the administration now shares my commitment to supporting our nation's firefighters, I am concerned with how this new program will compliment the existing Firefighter Assistance Grant Program. This program was created by "The Firefighter Investment and Response Enhancement (FIRE) Act," which I wrote and was signed into law as part of the fiscal year 2001 Department of Defense Authorization bill. It has the support of all the major fire service organizations as well as a bipartisan coalition of 285 Members of Congress. In fact, almost $\frac{2}{3}$ of the members who were sitting on this committee in the 106th Congress, including the Chairman and Ranking Member, supported my bipartisan legislation.

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

In the first year of the grant program, over 19,000 fire departments from around the country applied for a total of \$3 billion worth of grants. But FEMA only had \$100 million in the first year to provide support. In the end, the \$100 million was given to over 1,850 fire departments around the country. These included urban, suburban and rural departments. These included career, volunteer, and combination departments. Nobody was left out.

The funding we have secured for fiscal year 2002—\$360 million—will include administrative costs for FEMA. In addition, this year the application will be available online and will be streamlined to make the process even simpler. In short, this is a program that is desperately needed and is developing an infrastructure to allow it to run smoothly and to thrive.

The additional funds that the administration is proposing we deliver to first responders could be channeled into this existing program, within the existing framework, and provide assistance to thousands of additional firefighters nationwide.

The program is authorized for fiscal years 2002, 2003 and 2004 for \$900 million per year.

We have \$360 million for fiscal year 2002, more than the originally authorized amount. This demonstrates the support of the Appropriators for our first responders.

I ask today that the Budget Committee shows the same kind of support and grants us full funding for \$900 million this year.

As the recent attacks on the World Trade Center and the Pentagon illustrate: firefighters are our first responders to emergencies. And they need our support.

Everyone here knows that over 300 firefighters ran into the burning World Trade Center to save lives and never returned. Their departments deserve our support.

Natural and man made disasters do not discriminate when and where they arise; proudly, the fire fighters of the United States do not discriminate when or where they provide help.

The role of our fire fighters is ever changing, and it is my belief that the role that the Federal Government plays during these changes must be commensurate.

We are waging a war on terrorism here in America. We still don't know exactly what that will mean. But we know this—wherever the evildoers strike next, fire fighters will be the first on hand to save lives and protect victims.

The role of fire fighters in our war on terrorism must be recognized by Congress, and must be supported with our dollars.

This Congress spends billions and billions on law enforcement in our communities. And we all support that critically needed investment. It has helped to foster crime reduction year after year.

We don't ask communities to go it alone for their law enforcement needs, and we shouldn't do it for their fire safety needs either.

Even without the threat of terrorism there is a tremendous need for additional funding for fire departments around the country.

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

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

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

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

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

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

We should fully fund the firefighters assistance grant program for fiscal year 2003 at \$900 million and demonstrate that the Congress is fully committed to fire safety in America. Our firefighters and the communities we represent here deserve nothing less.

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

Thank you.

Chairman NUSSLE. Thank you. I didn't have much of a choice, I'm a volunteer fireman myself.

Mr. PASCRELL. There you go, very good.

Chairman NUSSLE. So it's kind of hard to argue with that.

Mr. Pence, we welcome you to the committee and we're pleased to receive your testimony at this time.

**STATEMENT OF HON. MIKE PENCE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF INDIANA**

Mr. PENCE. Mr. Chairman, thank you for this opportunity to come before your committee, for the second year in a row, to take an opportunity as a non-member of the Budget Committee to offer some thoughts as you begin this process of formulating the budget that will be the outline for our approach to spending over the balance of the 107th Congress.

Last year, I came before this committee and called for a budget resolution, Mr. Chairman, that principally focused on tax relief. I was pleased to be a part of a Congress that followed through on that commitment and sped the tax relief to working families, small businesses and family farms. The President signed it into law on June 7 in a memorable White House ceremony.

I now believe, Mr. Chairman, as I come with three hours sleep from the House floor—I just came from a very vigorous debate on the House floor over an economic stimulus bill—I believe it's time that we once again move on economic stimulus. But failing that, I wanted to share with the Budget Committee very briefly that it is my belief that if we cannot achieve a meaningful stimulus bill, one that not only helps displaced wage earners but also sincere wage payors who would like to bring people back to work, that what we should do, in the alternative, using the broad outlines of the President's budget, is forego additional tax relief in any measure and simply balance the budget.

I come from a part of the United States which is rightly described as heartland America, representing much of what is rural, eastern Indiana. That old proverb, if you owe debts, pay debts, is

something that folks in eastern Indiana live day in and day out of their lives. As I was home in my district over the last several weeks, each and every occasion where I gathered and spoke before groups and expressed that simple principle, that if we cannot accomplish meaningful tax relief that will put Americans back to work and speed much needed unemployment assistance and health insurance assistance to Americans who, for no reason of their own, have been impacted by this recession, that we should forego that and balance the budget. It was, Mr. Chairman, greeted with applause before divergent groups and audiences.

I do believe the administration's budget is a great starting point for this committee. It sets a clear picture for winning the war on terrorism, securing our economic future. I do support increasing funds for the military and as Mr. Pascrell just described, for first responders. I'm feeling very passionately about understanding the new America in which we live, having been displaced from my Congressional office here on Capitol Hill for three months because of the impact of biological hazards within the Longworth Office Building.

But that being said, when you look at the President's numbers, without the \$77 billion allocated for the economic stimulus bill, we only face a \$3 billion deficit. Now, I've been in Washington just long enough to think that \$3 billion is not a lot of money. But in the overall scheme of the Federal budget, it is $\frac{1}{10}$ of 1 percent of all Federal spending. These are not easy decisions for the Budget Committee. They will not be easy decisions for appropriators.

But I do believe that if we are that close to balancing the budget, we should purpose to do that. I'm also concerned that if an economic stimulus bill does not get enacted that the money budgeted for its implementation could very easily be carved up by this institution, by Members on both sides of the aisle, more interested in expanding government for parochial reasons than in growing our economy.

I think, Mr. Chairman, in closing, if Enron has taught us anything, it's that when the books don't balance, people get hurt. I believe that's an enduring lesson that the American people are taking to heart as we see this unfolding business scandal. I truly believe that if we don't pass an economic stimulus bill, we have a moral obligation to the American people to balance the budget during these recessionary times. When we balance the budget, we keep our economy strong and our citizens can confidently invest in the American economy. When we balance the budget, we keep our Nation secure as we spend money on the right priorities of homeland security, national security and first responders, while living within our means. When we balance the budget, we keep our promises to America's seniors and to the greatest generation as we preserve the solubility of Social Security and Medicare.

I thank you for the opportunity to share these views, and for your willingness to listen to all Members of this body as you go about the difficult task this committee faces in formulating a budget resolution.

[The prepared statement of Mike Pence follows:]

PREPARED STATEMENT OF HON. MIKE PENCE, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF INDIANA

Thank you Chairman Nussle and Mr. Spratt for the opportunity to testify before the committee today. I know it can be tedious listening to Member after Member give their thoughts on the budget, but I truly believe it is important that we fully vent all ideas for something as large and important as the budget.

Mr. Chairman, last year I came before the committee and called for a budget resolution that supported tax cuts. I am pleased that Congress followed through and passed tax cuts that returned historic amounts of money to the American people.

I now believe that it is time we follow through on the second part of the equation and spend the money the people have sent us wisely and balance the budget. It has been said, "When you own debts, pay debts. Whatever debt you owe, pay; let no debt remain outstanding." This is an appropriate reminder as we begin the budget process for fiscal year 2003 that debt must not be taken lightly.

Because of the war on terrorism and a lagging economy, Congress is faced with the prospect of deficit spending. Yet if restraint is exercised, it is possible to balance the budget and still fund the priorities of the American people.

The administration's proposed budget sets a clear picture for winning the war on terrorism and securing our economic future. I support increasing funds for the U.S. military and "first responders" who must deal with the threat of terrorism on a daily basis. At the same time, the President sets reasonable controls on the growth of discretionary spending while providing \$77 billion for an economic stimulus bill.

Yet, I am concerned that if an economic stimulus bill is not enacted the money budgeted for its implementation would be carved up by those in Congress more interested in creating new programs than returning allowing the American people to keep their hard earned money. If we are presented with these two conflicting priorities, Congress should refrain from spending money set aside for an economic stimulus package and instead move to balance the budget.

Without the \$77 billion for an economic stimulus bill we are faced with only a \$3 billion deficit, $\frac{1}{10}$ of 1 percent of all Federal spending, even Congress can make up a \$3 billion deficit. If we are not serious about providing economic stimulus for hurting Americans, at the very least we can give the American people a balanced budget.

If Enron has taught us anything; it is that when the books don't balance, people get hurt. I truly believe that if we do not pass an economic stimulus bill, then we have a moral obligation to the American people to balance the budget. When we balance the budget, we keep our economy strong, as citizens confidently invest in our future. When we balance the budget, we keep our Nation secure, as we spend money on the right priorities homeland and national security while living within our means. And when we balance the budget we keep our promises to American seniors, as we preserve the solubility of Social Security and Medicare.

Contrary to popular opinion, we can and should balance the budget. I urge all of my colleagues to consider their constituents that are sacrificing in these difficult times. Let us exercise the same fiscal restraint as those we represent. Like the average American, let us live within our means as we prepare the Federal budget.

Chairman NUSSLE. I thank the gentleman.

Are there members who wish to inquire? Mr. Gutknecht. Mr. McDermott. Questions?

Mr. McDERMOTT. Mr. Chairman, I just have one question. I wanted to ask, well, first of all, Mr. Pence's confusion of you with the Speaker reminded me of a story about Sam Rayburn. He was walking down the hall with Lyndon Johnson one day and Lyndon Johnson said to him, "Sam, what's the matter?" He said, "Well, these people are just talking me to death." Lyndon said, "That's how you know what they all want."

I think maybe you are a little like the Speaker here, listening to what they all want.

I wanted to ask Mr. Udall about the issue of cleanup. Last night I was talking with some people about the whole issue of cleanup of our waste from, or not waste, but our stashes of sarin gas and other things in this country. Is there a site in New Mexico where that is an issue? I know there is in Colorado, and I know that there

is in Alabama. What I'm looking for is where else—oh, and one outside Salt Lake some place nearby. How about in New Mexico?

Mr. UDALL. Mr. McDermott, as far as I know, the sarin gas specifically is what you're talking about, right?

Mr. MCDERMOTT. Yes.

Mr. UDALL. I don't know of any site that has large or medium stockpiles of sarin gas that are in New Mexico. The national laboratories, the Sandia National Laboratory, which is in Albuquerque, and the Los Alamos National Laboratory, which is in my district, they spend \$3 billion a year and they do research in a number of areas. It wouldn't surprise me that they deal with some of these issues. But I don't think they would have sarin gas on the level you're talking about. So I don't know of any in New Mexico.

But we also have several military bases, White Sands, Cannon, Holliman, and Kirkland, might have some that's, for some experimental or research purposes.

Mr. MCDERMOTT. I was kind of surprised last night when somebody was telling me that Anniston, AL, has 3,200 tons of shelves filled with sarin gas in the middle of 75,000 people. When you're thinking about this whole business about homeland defense and so forth and what targets, I think it's really a considerable problem, the whole issue of how we protect these facilities that have problems, or potential problems for a larger population, in many instances where people don't even know they exist. You're right to raise the issue of cleanup, or the whole business about atomic energy and how we deal with that.

We have those same kinds of facilities in the State of Washington. It's a big concern in the State of Washington, because Hanford sits right on the edge of the Columbia River. To fill the Columbia River with anything is going to wind up with irrigation being a problem—with salmon being a problem—the last thing we need is more problems. So I think that the cleanup is a very important part of our budget and we should look at it carefully.

Thank you, Mr. Chairman.

Chairman NUSSLE. Thank you.

Mr. UDALL. Could I just add, when I said national security concerns, we have waste that we've dug up out of the ground that contains plutonium, thousands of 55 gallon barrels sitting in a plastic tent, basically, up on the surface that could be accessed by terrorists or others. That's the kind of thing that's out there at many of these laboratories and many places, as you've mentioned, all across the country. I think we should be just as aggressive about doing cleanup.

Chairman NUSSLE. Mr. Gutknecht.

Mr. GUTKNECHT. Thank you, Mr. Chairman. I want to come back and just compliment Mr. Allen especially. I want to thank all of you for coming, and I think the points you raised were very important.

I want to thank you, Mr. Allen, because we really share that ultimate goal. The more we learn about what Americans pay for prescription drugs the more outraged I become. At the end of the day, I would hope we could at least include language in our budget resolution that does something to make certain that Americans have

access to prescription drugs at world market prices. That clearly is not the case today.

When you extrapolate what you've told us, and I believe it's absolutely true, it's not just senior citizens. It really is every American. The last year we have numbers for Americans who spent over \$100 billion for prescription drugs. Simple arithmetic says we could save \$30 billion to \$40 billion a year simply by saying that we will have open markets as we do with virtually every other product that Americans purchase. If we can do that this year, we will have taken a giant step to solving the problems that American seniors and American consumers face every day.

I want to come back to another point, real quickly if I could, Mr. Chairman. I don't completely share the conclusions that Mr. Kucinich comes to relative to the defense budget. But I think it is important when we look at the budget that every item be carefully analyzed, and even the defense request, because I don't think we can take this attitude that every other bureaucracy in Washington can waste money except the Pentagon. I think we have to analyze very carefully what those requests are, and I think we have to ultimately do our job. The President proposes; we dispose.

But Mr. Kucinich, I just want to throw an idea at you, and you may not agree with me on this, but one of the issues that we're going to have to confront as well, and it does tie together. As you were speaking, it made me think about this, and that is that, when you talk about a lot of the consultants—let's just take the Pentagon first of all, that they hire—they almost have a vested interest in saying, well, yes, this is a good program and this will work and yes, the cost estimates are correct. My point is that these departments tend to hire consultants and other people who will tell them what they want to hear.

We have the same problem. The President is going to announce today a global climate change initiative. If you add it all up, we're going to spend over \$4 billion on climate change studies. What disturbs me is all of that money is going to people who want to prove one conclusion, that it really does exist, A, that it exists, and B, there's something we can really do about it. Don't you agree that if we're going to spend money on global climate change that some of that money ought to go to people who might have a different point of view?

Mr. KUCINICH. Thank you very much. I think that Representative Frank's comments are instructive at this moment. And that is that we're spending hundreds of billions of dollars in search of an enemy that in some cases we don't have, preparing for wars which history has already passed by. Now, when you're talking about the environment, there is such a thing as a change in the climate. We're seeing it. There is some reality there. So I wouldn't agree with your presumption that on one hand, the consultants that are covering the military are somehow of dubious value and therefore, it follows that the people who are studying global climate change are also of dubious value.

Mr. GUTKNECHT. But my point is this: shouldn't some of that money go to scientists who may have a different point of view? Not everybody agrees. Everyone does agree, I think there is almost complete consensus now that the level of CO² in the atmosphere

is going up. There is no consensus, as far as I'm concerned, among weather people that I've talked to, that that actually proves the point that the global climate is warming.

Now, I always say to the scientists who advanced that idea that on behalf of my constituents back in Minnesota, that if there be such a thing as global warming, let us have more of it. We're in favor of global warming back in Minnesota.

But the point is, all the money is going to advance one point of view. I think that's wrong.

Mr. KUCINICH. My good friend, Mr. Gutknecht, and I mean my good friend; Mr. Gutknecht and I have a fundamental disagreement here. The people in the district I represent in Ohio do not want to begin to appreciate global climate change. I think that could be said for people around the globe.

As someone who was a representative of this Congress at the Conference of Parties in Buenos Aires a few years ago, I can tell you, people all over the world are really concerned about it. Sea levels are rising, and there have been weather patterns changed. Freeways have been melting in Texas and other places with high temperatures that have never been anticipated. Hundred year storms occurring every decade. There are things that ought to be looked at.

If this committee has any jurisdiction over the funding for looking at the issue of global climate change, it's important to the insurance industry, it's important to agriculture, it's important to construction, it's important to the long range future of this country and the world. So I'm not sure the same could be said about the Defense Department budget.

Chairman NUSSLE. With that, I'll just announce that we have one additional Member that has joined us. I'm going to take your testimony now. I would say you have about 5 minutes, so that we can catch these votes. But I am interested in hearing, since you did come before the vote. So if you would like to proceed, your written statement will be in the record, and you may proceed as you wish.

There are two votes after this testimony, we will recess until after the second vote. Mr. Kennedy.

**STATEMENT OF HON. MARK R. KENNEDY, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MINNESOTA**

Mr. KENNEDY. Thank you, Mr. Chairman and Ranking Member, for holding these hearings. Thanks for giving me an opportunity to speak.

I will submit my statement for the record. We're also very pleased to have a fellow Minnesotan, Gil Gutknecht, watching over the budget. That does give us comfort, indeed.

I did want to speak on behalf of two programs, two areas that are vitally important to my part of the world, and I think to our country, and that is, the agriculture budget. As you know, we're working hard toward getting a farm bill in place. We're very pleased that the Budget Committee provided \$73.5 billion in their budget last year. The President has committed to support that and has it in his budget this year. That's critically important to my district that is No. 2 out of 435 Congressional districts in soybean, No.

3 in corn. I encourage you to continue to include that in the budget coming up.

Secondly, as you know, roads are vitally important to our communities in terms of keeping us connected with each other in rural communities as well as not being stuck in traffic and away from our families. We have a situation that is not a result of the administration. This isn't the administration taking money out of roads to pay for defense, but a reduction in the formula that's determining what we're receiving. I think it's absolutely critical at a time like this when the economy is soft, that we do not reduce road funding. It could cost 4,300 jobs over 5 years in our State.

I'm very pleased to be on a bill that restores up to the minimum levels committed in our prior road funding. I would encourage the Budget Committee to strongly consider that. I join with you in working with the President and the Budget Committee to keep our spending constrained so that our deficits, if any, are small and short term.

Again, I thank you for your great work, and I appreciate the good work you do on the committee.

[The prepared statement of Mark Kennedy follows:]

PREPARED STATEMENT OF HON. MARK KENNEDY, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MINNESOTA

Thank you Mr. Chairman and Ranking Member for holding these hearings and for allowing me to voice my thoughts about President Bush's fiscal year 2003 budget request. You have a lot of work ahead of you to present a Budget Resolution to the House of Representatives for a vote, and I am grateful that you are letting me take a few minutes to share my thoughts. It is also nice to know that Minnesota is well represented on this committee by my neighbor, Mr. Gutknecht.

As a member of both of the House Agriculture committee and the Transportation and Infrastructure Committee, funding for our Nation's farms and roads is very important to me.

In Southwestern Minnesota, we export one out of every three rows of corn and one out of every four rows of soybeans. President Bush has committed to funding the farm bill at \$73.5 billion. The Farm Security Act of 2001 provides an improved safety net for farmers. It is a balanced farm bill with market-responsive commodity support and increased opportunity for conservation on America's farmland. Our farmers deserve full funding. I come from a district that is No. 2 in soybeans and No. 3 in corn. Our farmers have waited long enough. Now is the time to finish a farm bill, get it to conference committee and ensure its funding. We owe it to this Nation's great farmers.

Furthermore, funding is also critical to our Nation's roads. Without safe and adequate roads, the goods produced in Southwest Minnesota cannot get to the market. In Minnesota, and especially in my Southwest Minnesota district our roads keep our rural communities connected to the larger cities. I believe that one of the core responsibilities of the Federal Government is to maintain our Nation's infrastructure. As a member of the Transportation and Infrastructure Committee, I am focused on relieving congestion so we are not stuck in traffic and away from our families.

Let me be clear, I am not blaming the administration for this downturn in funding for transportation, nor will I blame this committee. It is a function of a formula established by a previous Congress to distribute road funds from the Highway Trust Fund. However, I must reiterate how critical it is to maintain transportation funding when our economy is sluggish. Providing funding for roads creates jobs, which are so critical to our economic health. The Minnesota Department of Transportation has said that not addressing these funding shortfalls could result in the loss of 4,300 jobs over 5 years. And that is only in Minnesota. Nationwide that number would be in the tens of thousands. I urge your committee to fund both our farmers and our roads. In our economy we cannot afford to lose any more jobs. That is why I joined 74 out of the 75 members of my committee in cosponsoring legislation to restore funding for our roads.

I am committed to working with President Bush to restrain spending so that the resulting budget deficits are small and short-term and we return to surpluses as soon as possible.

Chairman Nussle, Ranking Member Spratt, thank you again for the opportunity to testify before your committee. You have a challenge ahead of you and I want you to know that this Member appreciates the hard work you've done and the hard work you will do to present this body with a responsible budget resolution. I look forward to working with you.

Thank you.

Chairman NUSSLE. I thank the gentleman, and I apologize if this seemed rushed. Your entire testimony will be made part of the record, and we do appreciate your coming to speak to us today.

Mr. KENNEDY. We appreciate it very much. Thank you.

Chairman NUSSLE. Thank you. With that, we will adjourn, or recess until after the second vote, and my understanding is there will be more Members at that time that are interested in coming forward and submitting their testimony.

[Recess.]

Chairman NUSSLE. This is a continuation of the Member's Day Hearing.

We welcome to the committee the third panel. We will begin with the very distinguished gentleman from California, the ranking member of the Education Committee. We welcome him back. He has been here before to talk to us about very important issues, education and others. Your entire testimony, as all witnesses' testimony, will be made part of the record in its entirety and you may summarize.

Welcome, Mr. Miller.

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

Mr. MILLER. Mr. Chairman, thank you very much, and Mr. Spratt. Thank you for allowing the Members the opportunity to testify and to comment on the budget. I will submit my full testimony for the record.

I want to begin by saying that I am very proud of the effort that we made last year to pass the No Child Left Behind Act, which was a bipartisan effort to dramatically reform the Elementary and Secondary Education Act. The bedrock of this agreement between Republicans and Democrats, and between the Congress and the administration was that it would marry high expectations and accountability with additional resources.

My concern now, as I look now at the President's budget, is that I believe it starts to break that promise. It breaks the promise of results and it breaks the promise of accountability. And I am concerned that it will start to break the promise of high expectations that we want our school districts to have for each and every child enrolled in our public school system.

Just when we are asking much more of our schools, the budget provides the smallest increase in education in 7 years. It actually cuts \$90 million from the new education reform law. My concern is that when we see the choices made in the administration's budget we find out that in fact what we have is a budget where no money is left behind for education. That is because of the choices of large tax cuts and the dramatic increases in military spending.

We also see that some \$4 billion over the next 5 years that could be committed to the kinds of reforms that are outlined in H.R.1 in the public school system are now intended in this budget to be diverted through a tax credit voucher system to the private school system in this country. I think that is an arrangement that the American public most vehemently said, in actually voting on initiatives and in the polling, that they do not want a diversion of money that is available for the public schools to the private school system for vouchers or for other such schemes. And I am very concerned that that money could be used to help keep current with the targets for Title I, which is really the cornerstone of this legislation.

This President made a remarkable change in this program when he stated that he wanted the resources from the Federal Government targeted on the neediest children in the poorest performing schools. That is a dramatic change from where we were over the last 10 or 15 years. But in order to carry out and to get the results that we need to fix those public schools over the 5 year plan that has been put together by the administration and Congress in this legislation, or over the 12 year period when we are looking forward to having 100 percent of our children proficient in reading, writing, and mathematics, that there is the failure to provide the resources to do that.

It is quite correct that we have spent a lot of money in the past and we have not gotten the results that we would like. But the fact of the matter is that in this legislation we asked for the most extensive reforms and hold schools more accountable, hold States more accountable, and school districts more accountable than at any time in the past 30 years. The reason we want to do that is because, what the President recognized when he was Governor in Texas, what we have recognized here in the Congress, poor children are falling further behind.

In 1965, when we passed this legislation, the idea was to close the gap between majority and minority children, between rich and poor children in this country. That simply has not happened. That is why in this legislation we disaggregate the data and we are going to hold schools, school districts, and States accountable for the performance of each and every child. That is a revolutionary idea in education, that we would hold the beneficiaries of the Federal payments accountable for performance and for accountability for those performances.

At the same time, we recognize that with the addition of the reading programs, with the early childhood programs, with the Title I programs, with even extending into the Pell programs, additional resources have got to be made. That blueprint is laid out in H.R. 1, which the President signed, which so many Members of the Congress voted for and which I believe, and I hope, continue to be proud of, because it is the right blueprint in terms of policy.

Now we have got to get the financial blueprint to match the requirements of this legislation. If we do not, I hate to say this, but most educational systems are very resistant to change, and my concern is we need fundamental and major change within the education systems to get the results that you and I have asked for for a number of years and that are now embodied in this legislation.

We have told them that the resources are coming; that the resources will be there for Title I, that the resources will be there for bilingual education, that the resources will be there for children with special needs. But what we now see in this legislation is we fall far short and we start to fall behind now on providing the resources over the next 5 years that are necessary for a doubling of the Title I legislation.

At a time when we see our resource commitment falling off, the number of children eligible for Title I is expected to increase because of the economy and other factors. In fact, under the President's budget, at the end of next year we will be serving a smaller percentage of children in the program than we are currently serving. The whole point of H.R. 1 was to gain on that population, according to both the Congress and the administration.

So I would just say in conclusion, I would hope that this committee would scrutinize this budget to see what additional resources could be placed in furthering the purposes and the policy, the accountability and the responsibility of H.R. 1. I do not pretend that is an easy job. I come here understanding the kinds of problems that we have for a whole series of events that really were not anticipated just a few months ago. Whether it was September 11, the recession, or the "dot com" bust, all of these things have impacted that.

But we cannot fall back on this march toward reform, this march toward performance by millions of America's children who have simply been left behind to date. I believe that this bill can provide us the means to achieve that goal. I would just hope that this committee would be able to find the funding to make sure that it in fact happens and it happens on a timely basis. Thank you so much for the opportunity to testify before the committee.

[The prepared statement of George Miller follows:]

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

Thank you, Chairman Nussle, Ranking Member Spratt, and members of the committee. I am very proud of the bipartisan effort that led to the No Child Left Behind Act last year. This new law heralds the beginning of an unprecedented national campaign to erase decades of neglect of our poorest and most needy children.

Education reform will work if it marries high expectations with additional resources. The new law emphasizes accountability for student achievement. In exchange for high standards, we—from the President on down—promised America's students, teachers and schools the money necessary to implement proven strategies to raise achievement.

The President's budget breaks this promise. The budget President Bush requested for education is totally inadequate. Just when we are asking much more of our schools, the budget provides the smallest increase for education in 7 years. It actually cuts \$90 million from the new education reform law.

This is really the "No Money Left Behind for Education" budget. It funds the wrong priorities for America.

For example, the President's main education initiative is an expensive and controversial tuition voucher for private schools. Last year, this concept was rejected by the House, rejected by the Senate, and excluded from the reform law. It is a wrong-headed idea that eats up \$4 billion we need to honor the promises of education reform. The President's budget also spends more than 50-times more on an additional tax cut for the top 1 percent of taxpayers than on education reform.

I urge this committee to provide significantly more resources for education. At a minimum, the following priorities merit additional funding.

The Title I program for disadvantaged school children is the cornerstone of reform. Under the President's budget, the number of poor children left behind by Title I would grow by 250,000.

The Bush budget freezes priorities like teacher quality, after-school, and bilingual education. Due to inflation, this plan is a disguised budget cut. It will deny teacher training to 18,000 teachers; deny after-school programs to 33,000 students; and deny extra help to 25,000 students with limited English proficiency.

The Federal Government still falls far short of its commitment to children with special needs. We are making progress, but are not yet on track to fully fund the Special Education program in time to help this generation of students.

The Bush budget includes not one penny to modernize schools.

The proposed budget freezes the size of Pell scholarships, letting aid for low-income college students shrink in real terms. It eliminates support for State scholarship programs and provides only 3.6-percent increases for historically black colleges and Hispanic-serving institutions.

Particularly in this difficult economy, we need to invest more in the skills of America's workers. The Bush budget cuts Youth Opportunity training grants by \$180 million, Youth Activities by \$127 million, Adult Employment by \$50 million, and other employment and training programs by \$184 million.

Finally, the President's budget freezes the Child Care and Development Block Grant, cutting aid to 30,000 families. Affordable high-quality child care is critical, particularly in hard economic times, to help working families to remain employed and off welfare and children enter school ready to learn.

Mr. Chairman, we have just demanded more accountability, more testing, and more results from our schools. If we start to renege on the money in the first year, what message are we sending to these school districts about the seriousness of these reforms?

If one is truly committed to upgrading America's schools, there can be no recesses. We need a day-to-day, year-to-year fight to make the resources available and achieve the reforms.

I look forward to working with the members of this committee to substantially increase funds for education above the level recommended by the President.

Chairman NUSSLE. I thank the gentleman. I appreciate, as the entire Congress and Nation does, your leadership in a bipartisan way on H.R. 1 and on so many other education reforms. I think you have seen this committee respond to some of your requests in the past, and I think you will see that again.

Mr. MILLER. I hope so.

Chairman NUSSLE. You are right, we are balancing a number of old priorities and new priorities. But I do believe that this is one that we need to continue.

With that, we now turn to Mr. Ehlers. Let me begin by thanking the gentleman for his leadership in moving this Congress forward in a high-tech information age. He led that effort on our side. And from the House Administration Committee, he helped us to complete the project that he is now going to be the first user. It is going to take a rocket scientist to use this system and so we have got a good one to lead off. We have not had a witness actually test this system from the chair in which you are sitting. So, we welcome you. We are anxiously awaiting your presentation because it is a maiden voyage for our system from the witness chair. Welcome.

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

Mr. EHLERS. Thank you very much. I appreciate the opportunity to testify. If I may take just a few seconds to reinforce what Congressman Miller just said and add to it science. He spoke about reading and math, but H.R. 1 addresses all three. The House bill as it left the House, on which I worked with Mr. Holt from New Jersey on the Education Committee, was in grand shape in terms

of reading, math, and science. Unfortunately, the Senate changed the bill and, furthermore, they established a separate fund for Math and Science Partnerships and then did not fund it appropriately. I hope that between your work and the appropriators this year we can get it all straightened out and get a reasonable amount. I will depend on Mr. Holt to carry the ball on that issue in this committee.

Let me now go to my comments. I wish to discuss funding of science in the United States, and particularly by the United States Government. I am offering my opinion as a scientist, but I want to make it clear, I am not here representing or speaking as a member of a special interest group. Scientists, as you know, are notoriously poor at representing themselves and they cannot be called a special interest group. Furthermore, any additional funding that goes to science is not likely to benefit any individual scientist in any way. They will still get paid the same. They will have better equipment perhaps, and there may be a few more of them. I want to make that clear because I am sure you hear constantly from people that have special concerns, special interests that might benefit a particular group. This will benefit our Nation.

President Bush's priorities, as outlined in his budget document, primarily are threefold: national security, homeland security, and economic security. Science undergirds every single one of those priorities. If you want to talk about national security, most of the advances in our Armed Forces' ability to respond have come from scientific and engineering research many, many years before it is actually used.

We tend to be ga-ga today about laser-guided bombs and the fact that we were able to do so much in Afghanistan with so little loss of American troops. But if you ask where the laser-guided bombs came from, they were not developed by the military, certainly the laser was not. The first ideas for stimulated emission of radiation were developed before World War II by a physicist sitting at his desk working out some problems on the properties of light. The laser itself was developed when I was still a graduate student in the 1950's.

In other words, the developments that science make, may not really bear fruit for decades after that. I could give other examples. The nuclear weapons that ended World War II arose out of Einstein's work in 1907. The point is, simply, we have to keep scientific research going to provide the national security, the homeland security, and the economic security for the future, because, in fact, the economy itself now depends on the work that we do in science.

What concerns me is the funding trends. If I could show the first chart, it shows non-defense research and development as a percentage of GDP for various nations. If you look at that, the United States, the one remaining Superpower, you might expect to be first. It is not. Japan is on top, they do the best job; Germany is next; USA next; then we have the U.K., and below that Italy. We are average among the leading developed countries. What I do not have on this chart because I could not get the up-to-date data but I saw it on a chart 3 years ago, South Korea is very rapidly overtaking the United States in terms of research per dollar of gross domestic

product. When South Korea begins surpassing us, we should be worried.

If we look at the next chart which shows Federal R&D funding for the larger Federal research enterprises, you will notice most of them just meander across the page. These are in constant dollars. Notice NIH is the only one that is increasing appreciably. NASA is going down. DOE has gone down considerably, it is beginning to come back. NSF is the only one that has climbed steadily and that is a very, very slow rate of climb.

If we go to the next chart, you will see it for the smaller research entities. I will not go through all the labs, but again the same trend appears.

We are roughly spending the same amount of constant dollars every year on non-defense R&D. And at the same time, we are rapidly increasing our defense spending, which, in turn, depends on the results of science. If we do not continue the scientific effort and increase our spending there, we are going to be going to the well to try to develop new techniques in national security, homeland security, new economic means, and we will find the well has run dry because we are not funding the research effort.

In my opinion, we have done very well at NIH, as you can see. It is practically exponential when you look at the chart. It is certainly a very good thing to do. And the reason it has so much congressional support is because we all support health research. We want to cure diseases.

What many people do not realize is the utter dependence of the NIH on the basic research done in physics, chemistry, biology, and so forth. Where did we get these marvelous diagnostic instruments that we have for health improvement? X-rays were developed by a physicist over a century ago. CAT Scans were developed by a physicist. The MRI was developed by a physicist. In fact, the original research was done on that in the 1950's. We cannot continue to pour money into NIH and have it bear fruit unless we also improve the research funding of the other sciences that undergird the work at NIH.

Now, as budgeteers, your first question is, where will the money come from? And I would hope, with the many billions of dollars that are being put into national security and homeland security, we should recognize our responsibility to use a substantial portion of that to increase the funding for research. So I hope that would be the first course of action you would take.

I would also offer a second alternative, which may gain me some enemies at the NIH. But recognize that we are in the last year of the 5-year doubling sequence. Notice the exponential increase of NIH in the last few years. That is not going to continue. Are we going to just simply flatten it off next year, have it remain the same, which would be a real shock to their system given the way it has been funded in the past? Or, one other option would be to phase-in the termination of this over a 2-year period which would give you greater funding this year to put into the other research enterprises and start building them up.

My request to you; I think NSF is the most important agency to increase. We definitely should get a doubling funding track for NSF as soon as possible. In fact, former Speaker Gingrich has stated

publicly a number of times that he believes the greatest single mistake he made in his speakership was not pursuing the doubling of NSF at the same time we doubled NIH. And I firmly believe we have to put NSF on a doubling track. If you are worried about this costing a huge amount of money, I would point out to you that just the increase alone in NIH projected this year in the President's budget is greater than the total research budget of NSF. We can double NSF with modest increases, less than \$500 million per year to start with, and in seven years have it doubled with very modest increases but having a huge impact on our Nation.

I thank you for your attention and your time. Oh, let me mention one other problem, if I may. Go to the last figure here. This is something I am sure is dear to your heart and to mine. You may recall when the Republicans took over in 1994 in the House we were very proud that we were going to eliminate earmarks. I want to show you what has happened in earmarks in research and development this past fiscal year. The House, far from being pure, has put in substantial earmarks. And these are just the earmarks within the budgets of the scientific agencies telling scientists specifically what should be done. The Senate increased it even more. You add the two together and you see about \$1.5 billion of earmarks in science out of a not very large budget.

Now let me point out something that is even worse. A very important enterprise is to improve the buildings of NIST and NOAA out in Boulder, CO, a high priority. Money was put in the budget for it last year. Money was appropriated for it. Forty million dollars of that was earmarked for totally non-scientific processes and purposes, including a law library at a college in the boundaries of one of the Senate appropriators. I think we have to be very diligent to try to reduce the earmarking in the science enterprise. I do not believe in general that Congress is very well qualified to decide the priorities of science, other than perhaps from Mr. Holt on this committee. And I urge us as a body to try to reduce the earmarking of scientific funds, either within science and especially prevent it from flowing out to other areas.

I thank you very much. I would be happy to answer questions.

Chairman NUSSLE. We thank you for your continued and very consistent advocacy on these issues.

Mrs. Christensen, welcome to the committee. We are pleased to put your statement in the record and you may summarize as you wish. Thank you.

**STATEMENT OF HON. DONNA M. CHRISTENSEN, A DELEGATE
IN CONGRESS FROM THE TERRITORY OF THE U.S. VIRGIN
ISLANDS**

Mrs. CHRISTENSEN. Thank you, Mr. Chairman. Chairman Nussle, Ranking Member Spratt, Mr. Holt, other members of the committee, I want to thank you for this opportunity to testify today. It is my first time before the Budget Committee. I want to testify on two issues of great importance to my community—Medicaid and Social Security Supplemental Income. But before I go into the specific issues, I would like to make a few observations as chair of the Health Brain Trust of the Congressional Black Caucus on the budget in general for fiscal year 2003.

Last year when the tax cut was passed, we who opposed it knew then that the funds needed to invest in both the fiscal and the human infrastructure needs of this country would be short-changed. No one could have ever predicted back then that terrorists would hate this country so much that they would plot and carry out the horrific events of September 11. They did. And we have and must respond, as well as ensure the protection of the people of this country from future similar attacks insofar as is humanly possible. So we fully support a budget which contains the large increases for defense, new funding to meet our homeland security needs.

But I would submit that the circumstances have changed as a result of September 11 and what was a bad idea then, the \$1.6 trillion tax cut, is a much worse one now. At the very least, it ought to be put on hold, and the proposed repeal of the Alternative Minimum Tax should not be enacted.

We cannot possibly fairly address the needs of all of the people of this country, many of whom have waited for their turn a long time, given the new expenditures for defense and homeland security that must take place if we continue to implement the planned cuts in taxes. To do so would put true homeland security far beyond our reach not only for the short-term, but a long time into the future. And just to underscore what the two Members who spoke before me said, in order to adequately respond, we need to ensure that we have a large cadre of individuals who are well educated and healthy. The grave disparities that now exist for people of color, those in poverty, and those who live in our rural areas of all racial and ethnic backgrounds must be closed or we will never be secure from within or without.

As we move from surpluses to deficits and mortgage the future generations, we would also threaten the security of our elderly as well as our own, because I will be 65 in 2010, if we pass a budget that takes the Social Security and Medicare Trust Funds into deficits, as the President's budget would do if passed. This we must not do.

As you may know, Mr. Chairman, I am a family physician. I wanted to just add something on behalf of my family physicians. Although I do not practice, I am concerned about the continuing assaults on payments to my colleagues as well as to other health care providers. I am therefore asking the committee to have the fiscal year 2003 budget reflect support for the legislation to revise the Medicare physician payment schedule which is based on a faulty formula. I would further ask that the committee move to stop the process in this year.

The schedule is tied to the U.S. Gross Domestic Product. However, there is no relationship between GDP and the cost of health care services. The Medicare Payment Advisory Commission has recognized that this system of automatically reducing payments with no regard to factors directly affecting medical practices is flawed and has recommended, and we agree, that it should be replaced.

I also want to urge your continued support for the Health Professions Training Programs, which are administered by the Health Resources and Services Administration, which have been effective

in addressing many of the challenges of the current shortages and the geographic misdistribution of health professionals in the Nation. The President's budget shows a 75-percent reduction in Title VII and completely zeroes out programs for the training of who I think are the most important physicians of all—family physicians like myself. You have recognized the importance of restoring this funding in the past, and we look once again to this committee for help.

The two specific issues that I would like to turn to now that I ask that you include in this budget are Medicaid and Social Security Supplemental Income funding for the U.S. insular areas. This issue has been before this body in many prior Congresses, without success. As we in the Territories step up our efforts to bring these important benefits to our communities, it is important that I bring the issue of extending these benefits to the committee before the budget limits are set.

SSI is not available to American citizens living in the Territories, with the exception of the Northern Mariana Islands. Yet, and rightly so, it is available to non-citizens who are legal residents of the 50 States. Right now there are Virgin Islanders—and I am sure there are people from the other Territories—who remain as residents of one of the 50 States rather than return home because it is too difficult for persons with disabilities who require that extra income to meet just their daily activity needs to return home without having the benefit of SSI. Not even our veterans who served our Nation faithfully, selflessly, and honorably are covered. We feel that this inequity needs to be corrected.

Likewise, there exists another inequity in access to health care for those of us who live in the U.S. insular areas. It is one which annually results in deaths and disability which could otherwise be prevented. I am speaking about the cap on Medicaid payments to the Territories. We are asking that the cap, which for the Virgin Islands and Guam is about \$5.6 million annually, be lifted and that we be treated like States under this important program.

Under the cap and a match, which is not indexed for average income level, both of which are congressionally set, we are unable to cover individuals even up to 100 percent of poverty level. We cover more like 70 percent or 60 percent of poverty. Under the cap, spending per recipient is, at best, $\frac{1}{5}$ of the national average.

Our hospitals are struggling because the cap prevents them from collecting full payments for the services they provide. They are also unable to collect disproportionate share payments despite the fact that about 60 percent of their inpatients are below the poverty level. Long-term care is limited and thus unavailable to persons and their families who need it, not because the rooms are not there, but because we do not have enough Medicaid dollars to pay for them even though the Federal funds are matched about 2-to-1 by local dollars, far above our match requirement. While many States are covering women and their minor children well above 100 percent of poverty, we cannot even come close.

This country is the only one in the world which does not provide universal health care, and that is a shame. However, it has made a commitment to provide coverage for the poor and disabled. Mr. Chairman and colleagues, it is not meeting that commitment in the

off-shore areas. This committee can begin to correct that with this budget.

I thank you again for the opportunity to testify.

[The prepared statement of Donna M. Christensen follows:]

PREPARED STATEMENT OF HON. DONNA CHRISTENSEN, A DELEGATE IN CONGRESS
FROM THE TERRITORY OF THE U.S. VIRGIN ISLANDS

Thank you, Mr. Chairman, Ranking Member and members of the Budget Committee for this opportunity to testify today on two issues of great importance to my community, Medicaid and Social Security Supplemental Income. Before I go to our specific issues, please permit me to make a few observations on the fiscal year 2003 budget in general.

Last year when the tax cut was passed, we who opposed it, knew then that the funds needed to invest in both the physical and human infrastructure needs of this country would be greatly shortchanged. No one could have ever predicted back then, that terrorists would hate this country so much that they would plot and carry out the horrific events of September 11. They did, and we have and must respond, as well as ensure the protection of the people of this country from future similar attacks, in so far as is humanly possible.

And so, we fully support a budget, which contains large increases for defense, and new funding to meet our homeland security needs. But I would submit, that circumstances have changed as a result of September 11, and what was a bad idea before the \$1.6 trillion tax cut, is a much worse one now. At the very least it ought to be put on hold, and the proposed repeal of the alternate minimum tax must not be enacted.

We cannot fairly address the needs of all of the people of this country, many of whom have waited long for their turn, given the new expenditures for defense and homeland security that must take place, if we continue to implement the planned cuts in taxes. To do so, would put true homeland security far beyond our reach, in the short term and for a long time into the future.

If we just look at what it will take to secure the homeland, including preventing and responding to bio-terrorism as well as providing for an adequate and well equipped defense force here and overseas, we need to ensure that we have a large cadre of individuals who are well educated and healthy. The grave disparities that now exist for people of color, those in poverty and in our rural areas of all racial and ethnic backgrounds, must be closed or we will never be secure, from within or without.

As we move from surpluses to deficits, and mortgage future generations, we would also threaten the security of our elderly, as well as, our own if we pass a budget that takes the Social Security and Medicare Trust funds into deficits, as the President's budget would do if passed. This we must not do.

I also want to ask the committee to have the fiscal year 2003 budget reflect support for legislation to revise the Medicare physician payment schedule, which is based on a faulty formula. The schedule is tied to the US gross domestic product (GDP). However there is no relationship between the GDP and the cost of health care services.

The Medicare payment Advisory Commission (MedPAC) has recognized that this system of automatically reducing payments with no regard for factors directly affecting medical practice is flawed and recommended that it be replaced. The commission has registered their concern for the adequacy of physician payments and believes as I do, that if the 5.4-percent cut goes into effect, could result in some serious access to care problems.

Likewise, I also want to urge support for the health professions training programs which are administered by the Health Resources and Services Administration which have been effective in addressing many of the challenges of the current shortages and the geographic maldistribution of health professionals in the Nation.

The two specific issues I ask that you include in this budget are Medicaid and SSI funding for the U.S. Insular areas. These issues have been before this body in many prior Congresses without success. As we step up our efforts to bring these important benefits to our communities on the mainland, it is important that I bring the issue of extending these benefits to the offshore areas before this Committee before the budget limits are set.

SSI is not available to American citizens living in the territories, with the exception of the Northern Mariana Islands. Yet, and rightly so, it is available to non-citizens who are legal residents of the fifty states. Right now there are Virgin Islanders—and I am sure Americans from the other Territories—who have to remain a

resident of one of the 50 states, rather than return home to their families, because the high cost of living makes it prohibitive for someone who needs additional help just to get through activities that most of us take for granted. Not even our veterans, who served our Nation faithfully and selflessly, are covered. This inequity needs to be corrected.

Similarly, there exists another inequity in access to health care for those of us who live in U.S. insular areas, and one which annually results in preventable deaths; I am speaking of the cap on MEDICAID payments to the Territories.

We are asking that the cap, which for the Virgin Islands and Guam is under \$6 million be lifted and we be treated like States under this important program.

Under the cap, and a match that is not indexed for average income level, both which are Congressionally set, we are unable to cover individuals at 100 percent of poverty—for the Virgin Islands it is closer to 30-percent below that income level. Under the cap, spending per recipient is at best $\frac{1}{5}$ of the national average.

Our hospitals are struggling, because the cap prevents them from collecting full payments for the services they provide, and they are also unable to collect Disproportionate Share payments, despite the fact that about 60 percent of their inpatients are below the poverty level. About $\frac{1}{3}$ of these qualify for MEDICAID, which as I indicted before, never fully reimburses them. The rest of their patients have no coverage whatsoever.

Long-term care is limited, and thus unavailable to persons and their families who need it, not because the rooms are not there, but because we do not have enough MEDICAID dollars to pay for them, even though the Federal funds are matched 2-to-1 by local dollars—far above our requirement. While many states are covering women and their minor children well above 100 percent of poverty, we cannot even come close.

This country is the only one in the world, which does not provide universal health care, and that is a shame. However, it has made a commitment to provide coverage for the poor and disabled, but it is not meeting that commitment in the offshore areas. This committee can begin to correct that with this budget.

Thank you again for the opportunity to testify.

Chairman NUSSLE. It is hard not to miss your stationary. I have two beautiful district offices where I get to go and spend some time. But, boy, when you see St. Croix and St. Thomas as your district offices, that is a nice place to have to go and work.

Ms. CHRISTENSEN. Yes. Yes, it is.

Chairman NUSSLE. We appreciate your testimony. We understand it is your first time but we appreciate the advice and the recommendations that you gave us.

Ms. CHRISTENSEN. Thank you.

Chairman NUSSLE. Next is a distinguished friend and colleague, Mr. Bilirakis from Florida. Welcome, again. We are pleased to receive your testimony.

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

Mr. BILIRAKIS. Thank you very much, Mr. Chairman. I very much appreciate the invitation to testify before you today. I also want to thank the members of your committee and their staffs. I am going to talk, as you might expect, on the veterans concurrent receipt legislation.

As many of you know, it has been something like 17 years that I have been working on this particular issue of interest to our Nation's military retirees, which is the concurrent receipt of military retired pay and VA disability compensation. Some military retirees, individuals who are eligible for military retirement benefits as a result of a full service career, they have served 20-plus years, are also eligible for disability compensation from the VA based on a medical problem they incurred while in the service. Under present law, these service-disabled retirees must surrender a portion of

their retired pay if they want to receive the disability compensation to which they are entitled. This law goes back to 1891, the year that it was enacted.

I ask my colleagues to think of two soldiers who joined the Army roughly together and were in a foxhole and were wounded, similar wounds, if you will, in the same battle. Joe left the Army after his 4 year stint and he joined the Department of Defense as a civilian employee. Jim stayed on and made a career in the military.

Joe, who had left the Army, is working for the government and also receives his service-connected disability pay. For 20 years, for 30 years, whatever the period of time it might be when he might reach retirement age from the Federal Government, he has been receiving service-connected disability pay.

Jim, who has the same disability, continues to stay on active duty, continues to serve America with all the sacrifices and family separations, but he cannot receive his service-connected disability pay until after he retires from the service.

Thirty years later, both men are receiving Federal longevity retired pay based on their careers. Both are also eligible for VA disability compensation as a result of the injuries they sustained while in the Army. The difference is that in order to get his disability compensation, Jim, the man who stayed in the service for 20-plus years with all the sacrifices and everything else that goes along with it, he must forfeit an equal amount of his retired pay in order to receive any of the disability compensation, while Joe has been collecting it for 30 years. He collects the full amount of both benefits without a deduction in either. Moreover, to add insult to injury—and I am not against this sort of thing—but he can receive civil service retirement credit for his 4 years in the military.

So I guess we finally have to ask ourselves, why should the individual who chose a military career be penalized? Military retired pay is earned compensation for the extraordinary demands and sacrifices inherent in a military career. It is the promised reward—if we can call it that—for serving two decades or more under conditions most Americans would find intolerable. On the other hand, veterans' disability compensation is recompense for pain, suffering, and lost future earnings, something that we kind of overlook, lost future earning power caused by a service-connected injury or illness.

Military retirement pay and disability compensation were earned and awarded for entirely different purposes. Over the years, Mr. Chairman, it is amazing the number of people I have heard who talk about this as double-dipping. They are earned for entirely different purposes. Current law ignores the distinction between these two entitlements. Military retirees with service-connected disabilities should be able to receive compensation for their injuries above their military retired pay.

Nationwide, more than 500,000 disabled military retirees must give up their retired pay in order to receive their VA disability compensation. In effect, they must pay for their VA disability out of their military retirement, something really no other Federal retiree must do. How can we possibly expect to maintain a viable national defense if service members realize that if they experience a

service-connected disability they cannot receive both VA disability compensation and military retired pay.

We can put ourselves in the shoes of a person who is in the military with full intent of making the military their career, has the skill, if you will, to be so very helpful in our defense structure, he suffers a service-connected disability, and then he finds out about this 1891 law. He knows that if he spends the remaining 15 years or whatever it would be in order to make a career of the military and retire he is not going to receive that service-connected disability that he has earned as a result of the service-connected injury and also his retirement. He knows he is going to have to reduce drastically that retirement pay in order to help pay for that disability. So why stay in the service to complete that period of time that is required? It does not make sense that they would.

Those of us who are very defense conscious, and really the entire Congress is, we should really look at this also as a defense thing. So I introduced again in this Congress H.R. 303, which has become a famous number around here, to eliminate that current off-set. My bill has strong bipartisan support with 379 cosponsors in the House—379 cosponsors. I have not considered a discharge petition, nor would I. But the point of the matter is 379 cosponsors, 37 members of this Budget Committee, have cosponsored the legislation. A Senate companion bill, S.170 has also received strong support with 77 cosponsors.

As you may know, the last Congress took the first steps toward addressing this inequity somewhat by authorizing the military to pay a monthly allowance, special pay we call it, to military retirees with severe service-connected disabilities rated at 70 percent or greater. It is some payment of \$300 a month, \$200 a month, \$100 a month, depending.

The fiscal year 2002 Authorization Act of last year took us another step closer by authorizing the legislation, which is something we have been wanting to do, to fully eliminate the current off-set. But that provision is contingent upon funding being provided. So it is authorized but funding has to be provided.

Recently, more than 190 Members of our body signed a letter to you, Jim, and to Ranking Member Spratt urging the committee to include the appropriate language in the fiscal year 2003 Budget Resolution. I urge the committee to address this issue in your deliberations.

I do not have to tell you, we see what is happening. People ask me what has September 11 done insofar as the veterans are concerned. Obviously, it is more of a realization I think by the American people of our dependence on our American military people and on our veterans. So we want them to go into the service, we want them to feel like they can serve and that they will be compensated, not because they reach an entitlement as a result of a certain age, or as a result of being poor, as a result of being sick, but an entitlement as a result of something. They are really entitled by virtue of their conduct and their sacrifices for their time in the service. It is unfair. Boy, it would be a real feather in the cap of this Congress if we can change it at some point.

If you have any questions, by all means I'll be glad to respond. Thank you very much.

[The prepared statement of Michael Bilirakis follows:]

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

Mr. Chairman, I would like to thank you and the other members of the House Committee on the Budget for giving me an opportunity to present my views on the fiscal year 2003 budget resolution.

As many of you know, for more than 17 years I have been working on an issue of particular interest to our Nation's military retirees the concurrent receipt of military retired pay and VA disability compensation. Some military retirees—individuals who are eligible for military retirement benefits as a result of a full service career—are also eligible for disability compensation from the VA based on a medical problem they incurred while in the service. Under present law, these service-disabled retirees must surrender a portion of their retired pay if they want to receive the disability compensation to which they are entitled. Congress enacted this unjust law in 1891.

Think of two soldiers who joined the Army together and were wounded in the same battle. Joe left the Army after his 4-year stint and joined the Department of Justice as a civilian employee. Jim stayed on and made a career in the military.

Thirty years later, both men are receiving Federal longevity retired pay based on their careers. Both are also eligible for VA disability compensation as a result of the injuries they sustained while in the Army. The difference is that in order to get his disability compensation, Jim must forfeit an equal amount of his retired pay, while Joe collects the full amount of both benefits without a deduction in either. Moreover, he can receive civil service retirement credit for his 4 years in the military.

Why should the individual who chose a military career be penalized? Military retired pay is earned compensation for the extraordinary demands and sacrifices inherent in a military career. It's the promised reward for serving two decades or more under conditions most Americans would find intolerable. On the other hand, veterans' disability compensation is recompense for pain, suffering, and lost future earning power caused by a service-connected injury or illness.

Military retirement pay and disability compensation were earned and awarded for entirely different purposes. Current law ignores the distinction between these two entitlements. Military retirees with service-connected disabilities should be able to receive compensation for their injuries above their military retired pay.

Nationwide, more than 500,000 disabled military retirees must give up their retired pay in order to receive their VA disability compensation. In effect, they must pay for their VA disability out of their military retirement—something no other Federal retiree must do. How can we possibly expect to maintain a viable national defense if service members realize that if they experience a service-connected disability, they cannot receive both VA disability compensation and military retired pay?

At the start of the 107th Congress, I once again introduced H.R. 303, the Retired Pay Restoration Act, to eliminate the current offset between military retired pay and VA disability compensation. My bill has received strong bipartisan support with 379 cosponsors in the House. I am pleased that 37 members of the Budget Committee have cosponsored my legislation. A Senate companion bill, S. 170, has also received strong support with 77 cosponsors.

As you may know, the 106th Congress took the first steps toward addressing this inequity by authorizing the military to pay a monthly allowance to military retirees with severe service-connected disabilities rated by the Department of Veterans' Affairs at 70 percent or greater. The fiscal year 2002 National Defense Authorization Act (S. 1438) took us another step closer by authorizing my legislation to fully eliminate the current offset. However, this provision is contingent upon funding being provided.

Recently, more than 190 Members of Congress signed a letter to Budget Committee Chairman Nussle and Ranking Member Spratt urging your committee to include the appropriate language in the fiscal year 2003 budget resolution so that the brave men and women who served our Nation can finally receive the retired pay they earned. I urge the entire committee to address this issue in your deliberations over the fiscal year 2003 budget resolution.

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. If they are injured, they will be forced to forego their earned retired pay in order to receive their VA

disability compensation. Indeed, a number of our brave servicemen and women have already sustained serious injuries while fighting our war against terrorism.

We have a unique opportunity this year to redress the unfair practice of requiring disabled military retirees to fund their own disability compensation. It is time for us to show our appreciation to the men and women who have sacrificed so much for our great Nation.

I and the supporters of H.R. 303 stand ready to work with you on this important matter.

Chairman NUSSLE. I thank the gentleman. There is no more consistent champion for veterans' issues than the gentleman from Florida.

Mr. BILIRAKIS. Thank you.

Chairman NUSSLE. We appreciate your advocacy. We have talked personally and we have talked publicly about this issue many times. And message received. We will go to work on that. I am not sure what we will accomplish, that is something we are going to have to continue to work on, but—

Mr. BILIRAKIS. If I may, I know the time has expired, with your indulgence, eliminating the complete off-set, which is so darn unfair, is something that I know we all want to do. I know that you, Mr. Chairman, want to do it. But money is a problem. Can we think about alternatives? Sure. We could phase this thing in. Let's make it law and phase it in so that the dollars would be spread out over a period of time. And in the out years, God willing, the economy is going to pick up again and we are going to have surpluses and that sort of thing. So there are ways to approach this without necessarily saying all or nothing. Thank you so very much.

Chairman NUSSLE. And your willingness to work with us on that is greatly appreciated. So, thanks so much.

Mr. BILIRAKIS. Thank you, sir.

Chairman NUSSLE. Next, the very distinguished gentleman from California. Talking about tireless champions for particular issues, there is probably no one in the Congress who has taken on the issue of strengthening our national defense more than the gentleman from California. We welcome you to the Budget Committee and we look forward to your testimony. Your written testimony will be made part of the record. You may proceed.

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

Mr. HUNTER. Well, thank you, Mr. Chairman. It is a pleasure to come in and listen to Mike Bilirakis make his very effective presentation and have a chance to listen to him. Thanks for the opportunity. What I wanted to do is get right to the heart of what I think you want to know about, and that is what does this defense budget do with respect to our requirements for national security and what is left undone, if anything. Let me just go straight to that.

First, you need to know the context in which we are operating, and that is that we have cut the military since the early 1990's, the Desert Storm era, almost in half in terms of force structure. In the early 1990's, when we went into Desert Storm we had 18 Army divisions. Today, we are down to 10. So we have cut the Army almost in half. We had 24 active fighter air wings in the Air Force. Today, we are down to 13. So we have cut that portion of our air

power almost in half. We had about 546 ships. Today, we are down to 314. So we have cut the Navy dramatically, by about 40 percent with respect to ship numbers.

The tragedy of that cutback was not just that we cut the force almost in half, but that the half that we had left and that we have left today is not as ready per unit, per plane, per truck as the big force that we had in the early 1990's. So when you cut down a political operation, a business operation, or a sports operation, the presumption is that when you are left with this core after you have cut it down the core is going to be highly efficient, well-equipped, well-trained, and ready to go. Tragically, because we have not been modernizing over the last 10 years, the smaller force that we have today is not as ready as the big force that we had 10 years ago. If I could stand up, I will illustrate that with a couple of my diagrams.

I have explained that the force has been cut back dramatically, yet the efficiency of the remaining force is less than it was in the early 1990's. The best way to illustrate that is with our front line fighter aircraft, the ones that are being used in operations right now, F-15, F-16, F-15E. These are mission capable rates. In the early 1990's, we had approximately 85 percent mission capable rates on our front line aircraft. That meant that if you had 100 aircraft on a given morning, 85 of them, on average, were mission capable. They could take off; they could go do the mission; they could return. Today that has been knocked down to about 75 percent. So the 13 air wings that we have today, instead of being 85 percent ready with 24 air wings, today you have got 13 air wings and those 13 air wings are about 75 percent. So the real import of this is that you have got less than 10 air wing equivalents.

We asked CBO to do a little exercise for us about a year ago. The request was go through all of our tanks, trucks, ships, planes, the equipment of our present force structure, figure out how old they are, figure out what their life expectancy is, and figure out how many we have to replace on a steady basis to keep a force that is halfway modern. They did that and they reported back to us last year. Here is what they said:

I might just use this as an illustration. This is an illustration of the aging equipment that we have. But they looked at everything, from helicopters, to tanks, to trucks, to ships. They said—and we were spending \$60 billion at that time for modernization, for equipment replacement—we have analyzed this thing out and if you take an optimistic view of the life expectancy of all these platforms, we analyze that you are \$30 billion short per year; that is, you need to spend at least \$90 billion a year on replacement of equipment to keep the forces in a halfway modern condition, and that is under the optimistic view of life estimate. They said if you take a more pessimistic view of how long these systems can last, the ones we have got in place right now, you are going to have to have a lot more. And let me illustrate that.

They went through all the classes of aircraft, everything from small recon helicopters up to the big stuff, the air-to-air refuelers, the bombers, the attack aircraft, the fighters. They analyze that you have to replace across-the-board in DOD roughly 450 aircraft a year. In fact, it was not rough. They put in, and I have got a copy

of CBO's testimony here. They analyzed it out right through class of aircraft, whether it was a small rotary aircraft or one of the big movers, and they said you have got to replace about 450 aircraft a year.

For the last six, seven, eight years—and I can testify as the former chairman of the Procurement Subcommittee in Armed Services—we have been replacing less than 100, in some cases far less than 100. One year we bought fewer aircraft than Switzerland.

During the 1990's, we took the so-called procurement holiday. The result of that is we have this \$30 billion shortage. Now we asked Mr. Perry, who was President Clinton's own Secretary of Defense who put this blueprint in place, to testify after CBO, and he came in and said I disagree with CBO. There is a shortfall, he said, I think it is between \$10 and \$20 billion short per year that we are spending. The Chairman of the Joint Chiefs had an estimate that said that we were spending \$40 to \$50 billion too little, that is General Myers. So you had a range there. But let's take CBO's estimate as a fairly dispassionate, objective analysis. So we are \$30 billion short on modernization.

I went through the ammunition accounts, and I have got in this presentation that I made for the President and I want to give it to you. I got a chance to go in and brief him for about 30 minutes on this. I got the records from our military services, the most predominant of which was the Army. The Army is \$3 billion short on basic ammo. This is aside from the equipment problem. They are \$3 billion short on ammo even if they use old ammunition.

Then I went down through precision munitions. That is a very critical type of munitions. That is the transformational new high-tech stuff where you use a precision munition. You go in and you knock out one strut in a bridge instead of having to carpet bomb it, you save enormous amounts of air power and logistics, et cetera, and you are very effective. The numbers are classified, but I went through all the classified numbers and I can tell you—with precision munitions and conventional munitions added together against our own requirements, where our war planners have said what do we think we need to have in the ammo belt to be safe enough to know we can fight a war even if it is a war of some duration and have some ammo left before our industrial base catches up and is able to produce some more for us—we are a little shy of \$15-billion short. Thirteen and a half to \$15 billion short of our own requirements across the board. That includes precision munitions and the big shortage that the U.S. Army has of \$3 billion.

Now if you look at people, when Ronald Reagan became President he closed the so-called pay gap. That was the gap between the civilian sector and the military sector. It was 12.6-percent under Jimmy Carter's last days. He closed that in two big pay raises in 1980. Since then, it has widened back out to about 11.1 percent now. We have got a 4.2 percent pay raise going in in this budget. Nonetheless, our staff on Armed Services analyzed out that if you close the pay gap totally, it is going to cost a little over \$5 billion this year and an average of a little over \$10 billion for the next five or six years. A big ticket item.

CBO similarly went through our operations and analyzed them, operations and training, and they came to the conclusion we were

\$5 billion short a year on operations and training. That is everything from giving a guy enough of a tank course to make him competent, to having the fuel and the equipment, to having enough flying hours for a Navy or Marine Corps pilot to remain proficient. Operations and training, they analyzed, were \$5 billion short a year.

This is what we briefed the President on before the budget came out. You take the \$30 billion shortfall in modernization, that is an annual shortfall that CBO analyzed—incidentally, our signals from them are they are going to come out momentarily with the modernization shortfall this year, update it in a week or two. Our indication is it is going to be about \$34 billion. Because if you have got a fleet of old units, whether they are taxi cabs or aircraft, and you do not replace them this year, then they are 1 year older the next year and you have got a bigger problem.

So this bow wave of modernization requirements gets bigger. They think it is going to be about \$34 billion. But let's take \$30 billion. Ammo and precision munitions, we figure we have a shortfall of \$15 billion. We would like to be ready, you do not want to run out of ammo. You need to increase that by about \$5 billion a year. Readiness accounts, \$5 billion, according to CBO. Personnel, the first year it is about \$5.4 billion, but it goes up to over \$10; we put down an average of \$10 billion. Those requirements—modernization, ammo, readiness, and personnel, no new weapons systems, no increases in this very small force structure that we have right now, just equipping the military we have now—is about a \$50-billion increase.

Now here is what we have got. The President's budget came in with some things that we had not counted on. It looks like a big budget. But it has got almost \$20 billion in up front war-fighting cost, which I think is admirable from an accounting standpoint. They are coming up front with what they think it is costing to fight this war. So there are good points on that. On the other hand, that is something we had not taken into consideration as being in the budget.

We had not counted the \$3.7 billion that they put in for realistic budgeting. They looked at the history of budgeting for our big systems, we have been way underestimating costs. They used a Cost Accounting Improvement Group (CAIG) system which they have seen historically as much more accurate. So Rumsfeld said let's have truth in accounting. So we are going to have to pay this additional \$3.7 billion for what they call realistic costing, that is the systems in the pipeline.

Then there is \$7.3 billion that we had not counted on which includes \$4 billion—our analyses were that the TriCare for the Uniformed Services was \$4 billion a year for retirees. That has now gone to \$8 billion. So if you take \$4 billion of that that we did not count on plus the civilian sector TriCare of \$3.3 billion which has been shifted by DOD to the defense budget, that is \$7.3 billion in health care that is in this budget and manifested in this chart.

Without trying to glaze your eyes over with these numbers, I thought what I would do is simply show you what the President's budget does against what we need. And so here is what we have got. In modernization, we needed \$30 billion a year. We got \$11.9

in this budget. That leaves a shortfall of \$18.1 if you use CBO's estimate. Precision munitions, we had a \$5 billion analysis. \$2.7 billion against precision munitions and ammo, which is pretty good but it still leaves a \$2.3 billion delta. Readiness, CBO's estimate is we are \$5 billion short; \$3.7 billion additional monies going. Pretty good slug of money. We are still \$1.3 billion short. Personnel requirements, if you use \$10 billion as your base, they have got a \$2.7 billion for pay this year. That leaves us \$7.3 billion. But this year there is approximately a \$5 billion requirement. So if you want to go with the first year, you could pull \$5 billion off of that.

My point is, if you overlay what we have got in these four vital areas—equipment, ammo, readiness, and people—if you overlay what we got from the President against what we needed, we still have major shortfalls. So one reason I wanted to come down and talk to you was to let you know that, newspaper headlines notwithstanding, we are not all protected, we are not all well, and everybody is not made whole.

So, thanks a lot for letting me make a little pitch to you here.

Chairman NUSSLE. I guess the biggest question I have, Duncan—this is not news. Your presentation in its specific form is not news to anybody at the other end of Pennsylvania Avenue in the decision-making hierarchy. And you finally had the opportunity to talk to the President about this as well. My experience in working with you is you have touched every base is my guess.

Mr. HUNTER. Yes. I showed him that same chart.

Chairman NUSSLE. That is what I figured and this was before he presented his budget. Now given all of that, I guess the question I am dying to ask is, OK, given all of the information that you provided, given all of the information he is provided by the Pentagon, the Defense Department, the Chiefs, and everybody else, why did he not put that \$29 billion into his budget?

Mr. HUNTER. First, I think we got in late. I think that although the budget had not formally come out, I think that things had pretty well gelled. Secondly, I think on the face of it, that when the President is sitting around looking at priorities, just like you listening to priorities here with my colleagues, that \$48-billion increase looks on the face like a very large piece of change. I think it takes getting down into the details to understand what you are getting and what you are not getting.

So, first, in terms of the context of having a deficit and having lots of priorities out there and putting big dollars against defense, which \$48 billion is, I think that there was a certain comfort level achieved by the White House and by the President with the numbers that they were given. That is my feeling, but also the feeling that down the line we could do more. When I talked to him subsequently, I said we have got to replace the old equipment, he said I know.

The President understands we are building, for example, to a 200 ship Navy. We are only building five ships a year, although we are converting two ballistic missile submarines, which are big, big submarines, into cruise missile submarines which will have enormous capability and are very effective war-fighters. So we are really building seven ships a year. I think the administration has got to be credited. But I think he has a feeling that defense is a big ship

and he is starting to turn it around. You cannot do it quickly. So I want to give him all the benefit of the doubt. But I think he simply needs to have enough time to get into the details of some of this.

Chairman NUSSLE. And you are going to keep pushing.

Mr. HUNTER. We are going to let him know and continue to work this problem.

Chairman NUSSLE. Would you provide—you have obviously done some redo of the chart as you have gone through this process. Is it possible for you to provide that for the committee in some final form?

Mr. HUNTER. Oh, absolutely.

Chairman NUSSLE. That would be helpful.

Mr. HUNTER. And one thing that is very helpful I think for you folks, too, this is the administration's DOD presentation of the budget. From this you can extract the numbers against modernization, ammo, readiness, and people that we matched against our analyses. I have got this book, the same book that we gave the President, that has the documentation and the CBO analyses and the response from the Services with respect to their ammo levels, their readiness levels, et cetera, that were the basis for our numbers. So we will give that to you also. It has got a lot of good information from the Services.

Chairman NUSSLE. One final question before I turn to Mr. Holt. The President has proposed a \$10 billion war reserve within this budget. Mr. Skelton from Missouri, who I know is a partner and someone you greatly respect, suggested to the committee today that was not something that we should consider as far as—I do not want to put words in his mouth, so if I misstate this, I will stand corrected—but I think what he was suggesting is that historically Congress does not provide funds in that kind of manner to the President to use as a contingency, that typically the President comes back to Congress for those funds as the needs arise. Do you share that opinion? What is your advice as we consider the contingent reserve fund that is found as part of the budget request?

Mr. HUNTER. No. I do not agree totally with Ike, and for this reason. First, the monies that you use in the war are never the monies that the Congress comes up with in a supplemental. When the President goes to war, and it is usually on pretty short notice, goes into an operation, makes a contingency operation, he simply reaches into the cash register, like I used to do when I had a service station in Idaho when I came back from Vietnam. If I wanted to go to the dance on Saturday nights, I would reach into my cash register and I would take out the cash, and when I got back next week I would worry about getting some money together so I could buy some more fuel so I could keep my gas station going. By the same token, the President reaches into an operating fund, which is a big operating fund, into the cash that is available for training, flight hours for your pilots, fuel, ammo, all the things that you are buying in the readiness area. He reaches in and takes that money out for the operation—in Kosovo, in Bosnia, wherever he is going.

After the President has done that, the Joint Chiefs say, you know, if we do not get the money back, we are going to have to cancel these training operations, our flight hours are going to drop

to 50 percent of what they should be, et cetera, we are not going to be able to fix our planes and ships, we desperately need that money back, Mr. President, that you took for this contingency. At that point, we come in and do a supplemental.

So what has happened—and it is somewhat analogous to me coming back from Boise after I had left my gas station to go up and have a good time on the weekend, I never put back as much money for replacement in the cash register as I took. And so what has happened over these 10 years of the 1990's is that the previous administration has slowly starved these accounts. The hard evidence of that is not anecdotal; it is very strong, very clear, and very well documented. All those planes falling in mission capability, that is their ability to take off and go do their job and return, is a function of not enough spare parts, perhaps not enough trained mechanics, not enough flight hours, the pilots, the guys who are operating them, did not have as much savvy as they needed to have. And if you look across the board, you see in all of our systems over the last 10 years this degradation in readiness.

So, to go back to your question, the administration said, OK, instead of reaching into the cash register and taking this money and then trying to get it back in a supplemental for the Services and for the things they have to do, let's get it up front. Then you have what some Members would say is a specter of pre-financing of operations, which means that Congress is going to be consulted last, because once the President has the money, he does not need us. That is the theme. But I would say weighed against that is an honest attempt to make sure that our service personnel have all the training that they need, have all the ammo they need, and that we do not just reach in the cash register and take this money for contingencies.

One thing you have got to do now, Mr. Chairman, is you have to move quickly I think in contingencies. And I think the present situation in the Middle East is a good example, in Afghanistan. We have learned one thing over the last few months, and that is to expect the unexpected. This President might have to move fast, he might have to move with great flexibility. So there are lots of good arguments. Even though I would like to have some of that \$10 million for new equipment right now, there are lots of reasons for them to be able to have a reserve that they could go to immediately and utilize, because we have got troops in the field right now.

Chairman NUSSLE. Without disrespecting your analogy, on the weekends you did not have to deal with Article I of the Constitution.

Mr. HUNTER. That is true. That is true, thankfully.

Chairman NUSSLE. Part of the reason I ask is that I think Congress has shown, and this is not to be argumentative, it is just an issue we are going to have to deal with in the budget or soon, that is that Congress has I do not think ever failed to fund a war. If the President came to us and said Afghanistan, Iraq, you pick the target, we are at war, whether it is \$10 billion or \$20 billion, or, as we proved last fall, \$40 billion would be made available very quickly.

So part of the reason I ask is certainly in an effort to ensure that we do the right thing by the defense budget, the Defense Depart-

ment and our defense needs, but also to do the right thing constitutionally. Because while we happen to agree that maybe it is in a bipartisan way that this President is prosecuting the war and future possible conflicts in a very appropriate way, that may not be our opinion in the future. And abdicating that responsibility may not be—

Mr. HUNTER. Sure.

Chairman NUSSLE. So I would just ask the gentleman to think about that. I think that is what Ike Skelton was getting at.

Mr. HUNTER. Mr. Chairman, I think you make a good case here. But I think if you look back at the history of the 1990's when we did basically reach into the cash register and go off and do some foreign missions, if you talk to the people that had the accounts that got the money taken away, the repair of ships, airplanes, et cetera, most of them would probably argue with the notion that at the end of the supplemental they were fully restored. Most of them will tell you they got half a loaf back or maybe something less. And that ultimately was manifested in these degrading readiness rates.

Chairman NUSSLE. Mr. Holt, did you have questions?

Mr. HOLT. Just a quick question for Mr. Hunter. Duncan, you refer to the unexpected content of the President's defense budget this year. You are talking about TriCare, talking about the realistic budgeting, and, of course, the war-fighting. Of those, how much do you think will be ongoing expenses and how much is that one time, just so we can look ahead to future years?

Mr. HUNTER. Probably your staff and probably the Chairman and Mr. Spratt, being a member of the committee, have a better handle on this. I said we did not count this \$7.3 billion in TriCare, and this is the President's presentation that Mr. Rumsfeld made to us, that was the military over 65 health care accrual. My understanding again was that we analyzed this thing early on to be \$4 billion, it ended up being \$8 billion, and that the \$3.3 billion for civil retirement health care accrual was something that was anticipated not to be paid by the defense budget but that the administration moved it to the defense budget. So, that \$4 billion in underestimation plus the \$3.3 billion made the \$7.3 billion.

Mr. HOLT. Do you mean that is a transition cost, or is that likely to be an ongoing cost?

Mr. HUNTER. I am going to have to get some help on this. But I think the \$3.3 billion is a transition, that is the civilian aspect. Maybe John Spratt knows about that?

Mr. SPRATT. I think, Duncan, there is a plus and a minus here. The plus is that TriCare is paid out of function 550, it is out of the defense budget. So we are adding that to quality of life for retirees without really charging the defense budget the full cost of it. We have got an analysis by Hugh Brady that shows the net cost of all those changes is \$5.4 billion in accrual.

Mr. HUNTER. OK. Yes. I have got the delta at \$7.3 billion. But that is why, Mr. Chairman, what I laid out—and you guys are a lot better on this, obviously, the dynamics of the calculations, than I am—but that is why I laid out for you my view of the defense system, which I think most of us have, which is, what do we need in terms of equipment, training, ammo, and people to protect the country against what do we have and what are we getting. So,

John, before you came in I mentioned that this looks like a fairly large increase. But, in fact, if you stack it up against the requirements that CBO has analyzed out—the \$30 billion a year for modernization, \$11.9 of that \$30 billion is taken care of, leaving a pretty big delta. Similarly, if you wanted to totally close the pay gap, you are going to have to come up with a much bigger piece of change. And we have smaller deltas in readiness and ammunition, but nonetheless shortages.

Mr. HOLT. That is all I have at the moment, Mr. Chairman. Thank you.

Mr. HUNTER. Thank you for the question. I appreciate it.

Chairman NUSSLE. OK.

Mr. SPRATT. I put these questions to Wolfowitz the other day really as the Devil's advocate, because I think any agency coming up here and asking for \$40 to \$50 billion more than nearly \$5 trillion already has a burden of persuasion and production and ought to be questioned hard by us.

Mr. HUNTER. You go right ahead, John. [Laughter.]

Mr. SPRATT. One of the questions we should ask is, have you scrubbed your budget. This is a big budget. It is approaching \$400 billion. Surely there is somewhere in a budget of that magnitude that we can realize some savings. One area I would expect to find it, we just came from the committee meeting this morning, is strategic nuclear accounts. You would expect to see those diminishing as conventional forces, particularly the modern version of it with stealth and stand-off and precision-guided munitions came on and became a regular feature in all four services. But you do not see it.

Secondly, I understand how transformation will cost more at the front end. But I would expect to see, and we have been implicitly told, that there will be savings at the far end. We will get more tooth and less tail and it will save money. We will move troops out of bureaucracy and onto the battlefield. But I do not see the savings taking effect in the 10 year timeframe of the budget they have laid before us. And that is a little dismaying.

Mr. HUNTER. OK. Let me lay an answer to both of those good points, John. First, transformation. When I laid out these shortages when Mr. Rumsfeld appeared before us, his answer was we are going to do transformation and he used an example of that. He said, for example, if you use a precision targeted munition instead of having to carpet bomb with a lot of dumb bombs, you save a lot of money, a lot of logistics, et cetera. The point is the shortages that I have pointed out here do not include a single dumb bomb. They are all transitional systems, that is precision munitions, and we are more than \$10 billion short on the transformational systems. So, in fact, there is not a single dumb bomb that is in this analysis.

This is, for me, this is kind of bare bones. New systems do cost you more money up front. But I do not see how you are going to avoid at some point that \$30 billion modernization requirement. You have got to replace the old platforms. And if you replace them with new ones, typically they do cost more.

Now let's go to cost-savings. You and I have worked on this stuff. I have had the initiative in each year to cut the shoppers out of

the acquisition system. That started out at about 300,000 people around 1994, people that strictly did the shopping for DOD. They were not engineers, they were not bending metal, they were not making things, they were buying stuff that industry makes. We really worked on that. The Senate never came in with a number, I always had a reduction of 25,000 in, sometimes we would compromise. We knocked that down from 300,000, with the administration saying that they were working it, too, that was something that the administration was working on in the 1990's, but that came down to under 200,000. But we then saw lots of Members get involved. When that happens, you have lots of people that have facilities in their areas.

So here is what you are met with. You are met with a requirement to give our people in uniform the best we have got. You are also met with a requirement to keep mowing the grass on cost-savings. The problem is you have got to keep mowing the grass, and you and I have been trying to do it and let's try to shake some money out of this agency that we are talking about this morning. You cannot hold hostage a guy that is flying a 25-year old helicopter to the notion that we in Congress are going to become less interested in our districts, that we are going to let more of our Federal workers go, and we are going to do things that free up a lot of money. Because, as you know, the cost of DOD, just like the cost of any other big agency in this country, is to some degree a creature of ours. So I have learned in this struggle of trying to reduce the shopping corps, which to my knowledge does not provide any bang for the buck, that it is a tough struggle.

I think the genius of Ronald Reagan when he came in in 1980 was he did what he had to do and when he was addressed with the question of it is going to cost a lot of money, Mr. President, can't we go down the road, the legend goes, his answer was, if not us, who? And if not now, when? Now the average Army helicopter today is 17.6 years old. Two-thirds of our Navy aircraft are over 15 years old. You have got to replace them.

Mr. SPRATT. Let me make a point here, because this goes to transformation. The Army is going for a new technology helicopter, the Comanche. The Marine Corps has already gone for a vastly new technology, tilt rotor airplane, the V-22. If we have a transformation investment program like that leapfrogging existing technology, not incrementally changing things but leaping forward, you run the risk that the systems you are going for will fall short of what is promised. They will take longer to bring on line, and in the meantime you have got to maintain these old systems with high maintenance costs, high risk of operation, and you are faced with systems that are not yet up to spec, or on schedule, or on time, or on cost. The Defense Department announced a week ago that of the 22 major weapons systems now in advanced R&D or procurement, the cost escalation since 2001 is \$105 billion.

So that is one of the risks that really concerns me about transformation. It is a great word, it is a way to challenge the military to change the way we do things, it is asking the hard questions about the tooth-to-tail ratio, but it has a lot of risk associated with it. It could cost us a lot of money and we could come up short.

Mr. HUNTER. Sure. And I think your statement has led to what I think is the most reasonable conclusion, and that is that we have to have a broad capability that includes a large subset of basic capabilities that we can handle even if the so-called transformation, and I am not a big user of this transformation thing. I think the best way to describe it is getting good technology as quickly as you can and fielding it, but you have got to have reliable standby technology in case the new system does not pan out. With the Army, for example, they have got a good utility helicopter in the Black Hawk helicopter. That is a proven workhorse. Nonetheless, their helicopters average 17.5 years of age because we have not been paying that ticket for replacement.

I am sure glad you came over to talk about this because I have wanted to be questioned by you for a long time, John.

Chairman NUSSLE. I hesitate to even get in the middle of the two of you because you have so much expertise on it. I guess just in listening to both of you talk about this, and maybe this is another way to say it, Duncan, there is nobody who can go through this information and these charts and the graphics and what is happening and what is not happening better than you. There is nobody in the Congress that can do that. Maybe others can do it equally, but nobody—

Mr. HUNTER. Do not go too far now.

Chairman NUSSLE. No. I am serious. No one can do it better, let's put it that way. There are I am sure others who are equal, but no one can do it better. I think what I am hoping for now that you have been able to put this together, and maybe what I am hearing John and others say too at the same time, is there has got to be some things we do not need.

Mr. HUNTER. I agree.

Chairman NUSSLE. There has got to be some things. And getting an equal amount of charts and graphics and presentation on what we do not need, what bases we can close, and what things we can transform, if that is possible, is another part of this that I think we need to work on.

Mr. HUNTER. Yes, Mr. Chairman, that is one thing, the huge acquisition force has been a thing I have worked on for the last 10 years, bringing it down. It is tough to do. But we have to keep mowing the grass.

One thing I would point out for the administration, and I have not looked into the depths of this, but they do include, and, John, you may have looked at it, the \$9.3 billion in cuts. They have made a number of cuts. I have not had a chance to look at them.

Mr. SPRATT. Well look. They do not bear scrutiny. Look hard.

Mr. HUNTER. OK.

Mr. SPRATT. For example, they have got listed restructuring several programs. That does defer costs from the near-term, but in the long-term, once they are restructured, they come back. They include the cancellation of the area-wide missile defense system. You know the mission is still there. It was the first mission the Navy had for missile defense.

Mr. HUNTER. Yes. And they have got to carry the standard missile upgrade with something.

Mr. SPRATT. Right. So that program will come back. They are taking credit for cancelling the program as if the cost will go away. It is not going away. It will come back in another form. And that is true of half that list. And the other half is unspecified. They have got \$4.8 billion and loose change of cuts that I do not know how you identify. But all the other cuts are restructuring, deferring, and stuff like that. There are very few true vertical permanent eliminations in that \$9.8 billion figure.

Mr. HUNTER. Well let's work together. You know, I hate the idea, and there have been a lot of editorials to the effect, that if you give money to the security apparatus, you are not going to have efficiencies. Then you have in your mind's eye, because we know how old this stuff is and we are worried about the guys flying the 20 year old helicopters and the 15 year old fighter aircraft, do we have to hold that guy hostage to us becoming better business people and having a better efficiency in spending money?

I would just hope, Mr. Chairman, we could aggressively pursue both tracks. Do what we have got to do for the good equipment, for the efficiencies, and nobody is faster to want to spend dollars when it is important and it helps than John Spratt—and incidentally, on the missile defense, I think General Kadish has been given some discretion to throw out the losers and reward the winners with these new technologies. We are going to have a tough time as Congressmen keeping our hands off of that because we are going to have contractors coming in saying I have just been canceled. This is a representative form of government and we are going to have some difficult times. But let's try to follow both tracks. Let's try to do what we have got to do for defense and yet make it efficient. John, do you think we can do that if we work at it?

Mr. SPRATT. I hope so, and that is what I am looking for. I think you struck the right note. You cannot give them so much that they will not be forced to be efficient, make trade-offs. On the other hand, we are not going to be stinting about the cost of war. We have got troops in the field; we have got a war we have to win; we mean to win it. So there is a balance to be struck there. But you can go too far and give them so much that they do not really affect the efficiencies that we have a right to expect from them.

Mr. HUNTER. Thank you very much. It has been a pleasure. Thanks so much for the time.

Chairman NUSSLE. That is a fair wrap-up. We do appreciate your time and your efforts in putting this all together.

Mr. HUNTER. I will leave any materials your folks need. I have got them here, Mr. Chairman.

Chairman NUSSLE. Thank you very much.

If there is no further business to come before the committee, then we will stand adjourned.

[Whereupon, at 2:40 p.m., the committee was adjourned, to reconvene at the call of the Chair.]