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MEMBERS' DAY

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, MARCH 4, 2005

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MEMBERS' DAY

THURSDAY, MARCH 3, 2005

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

The committee met, pursuant to call, at 2:30 p.m., in room 210, Cannon House Office Building, Hon. Rob Portman presiding.

Members present: Representatives Portman, Conaway, McHenry, Lungren, Cooper, Moore, Spratt, Cuellar, and Schwartz.

Mr. PORTMAN. Good afternoon everyone, and welcome to the Budget Committee Members' Day hearing. This is a hearing we hold every year to hear from our colleagues. This hearing is directed by the Budget Act, and its intent is to bring about a forum in which Members can relay their priorities for their district, for their State, and indeed for our country. We are pleased to have a diverse group of Members from both sides of the aisle, and we look forward to receiving their testimony.

[Prepared statements of Representatives Baca, Brown-Waite, Carson, Davis of Tennessee, Ehlers, Gohmert, King of New York, McDermott, Miller of California, Peterson of Minnesota, Price of Georgia, Thompson of Mississippi, Weller, and Wolf follow:]

PREPARED STATEMENT OF HON. JOE BACA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Chairman Nussle, Ranking Member Spratt, and Members of the Committee on Budget, I am here today as the new Ranking Member of the Agriculture Subcommittee on Departmental Operations, Oversight, Nutrition, Dairy and Forestry to argue for significant changes to the President's budget for fiscal year 2006.

There are many programs that will be adversely affected by this budget, but as Ranking Member of the subcommittee with jurisdiction over the Food Stamp Program—I am obliged to make the protection of that program my top budget priority.

At best, this budget is harmful to core agriculture programs. At worst, the political maneuverings that are taking place to shift cuts from commodity programs to key anti-hunger initiatives like the Food Stamp Program are unforgivable.

The Food Stamp Program is one of this nation's most successful initiatives. Forty years ago, this country was plagued by malnutrition and hunger, especially among children.

Senators Bob Dole and George McGovern responded by creating a "vaccine" against hunger in the form of a nationwide Food Stamp Program. Put simply, food stamps keep America from experiencing the kind of severe hunger we still see in much of the rest of the world.

In the United States, hunger and food insecurity affect 12.1 million households, nearly 35 million individuals (12.5 percent of all Americans), and 13.1 million children.

It's true that many American families still struggle to pay their bills and have enough money for the nutritious food they need. But without Food Stamps even more families would struggle.

Mr. Chairman, this budget recommends structural changes that will affect the way people qualify for the food stamp program, and these changes will take food off the table for 300,000 American families.

Representatives Edwards, Hensarling, Cuellar, Sessions and Conway—the changes to the food stamp program contained in the budget mean that, according to some quick estimates, the State of Texas will lose $7.8 million in food stamp payments in FY07. This is an average of $243,250 per Congressional District.

Representatives Ryan and Kind—by rough estimates, the State of Wisconsin will lose $905,000 in food stamp payments in FY07. This is an average of $113,000 per Congressional District.

Representative McCotter—by rough estimate, the State of Michigan will lose $7.4 million in food stamp payments in FY07. This is an average of half a million per Congressional District.

While these are just quick estimates and the number will certainly change, it is an indisputable fact that this budget will hurt working class and poor families that depend on food stamps to put food on the table. Please don't let efficiency be used as an excuse to endanger one of our country's most effective programs to combat the symptoms of poverty.

What's more, the Food Stamp Program works better and better each year. The rate of mistaken payments has been declining for 6 years and hit an all-time low last year.

This efficiency is due in part to the conversion from paper coupons to debit cards, ordered by Congress in 1996. The new "electronic benefit" system now in place nationwide means food stamps are more efficient, more accountable, and user-friendly for consumers, grocers, and the government.

Food stamps have also been crucial during our nation's ongoing recovery from economic recession. Food stamps have been there for the greater numbers of people who lost their jobs in recent years and are earning less.

Now, nearly 24 million people receive an average of $86 in grocery store credit each month to purchase food. These Federal dollars are then quickly spent at grocery stores, where they support local economic growth.

So, with all of this good news about Food Stamps, why are we talking about cutting back one government program that's working on so many levels? Cuts to such an important program don't make sense for three key reasons:

First, cutting food stamps will not cut the deficit. Food Stamps and the people who depend on them did not create the deficit. Food stamp spending actually decreased in the late 1990's.

Overall, we've seen only about 1 percent average annual growth for the cost of the Food Stamp program for the past 10 years and less than 2 percent average annual growth is projected for the next 10 years, according to the CBO.

These modest increases are due to more people needing help during hard times, and more eligible people connecting with food stamps. The increases in food prices play an important part as well.

Second, the cut the President has proposed targets working people with children—precisely those people who are not receiving welfare and who are playing by the rules, but still can't afford to feed their families.

Third, food stamps took an almost 20 percent hit in benefits for families the last time budget reconciliation instructions came our way. More than $28 billion was cut over 7 years, during welfare reform in 1995 and 1996.

Since that time—thanks to collaborative leadership from both parties, from urban and rural members, and from Congress and the White House—about one-third of those cuts have been restored. Thankfully, Congress restored eligibility for immigrant children and legal permanent residents in the 2002 Farm Bill.

But, the bulk of those cuts continue to squeeze families and force them into the impossible choice each month of either paying the rent, filling prescriptions, keeping the lights on, or buying food.

Food stamps work to help American children, families, and seniors get the nutrition they need to learn, work hard, and stay healthy.

Put simply, the Food Stamp Program is government at its best.

Food stamps work to help boost food spending, which in turn helps farmers, grocers, and the entire food industry. And, food stamps work with minimal waste, fraud, and abuse.

I urge this Committee to reject cuts to our nation's #1 defense against hunger. This is certainly a time of tough choices for our nation, but taking food from families should not even be an option.

My message today is clear—any cuts, caps and other structural changes to the Food Stamp program will be met with strongest opposition.

U.S. CONGRESS,
Washington, DC, March 2, 2005.

Hon. STEVE BUYER,
Chairman, Committee on Veterans' Affairs, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: I submit this letter to express my concerns regarding the Committee on Veterans' Affairs recently proposed Budget Views and Estimates for FY 2006.

To be clear, there are several measures proposed by the Committee that I wholeheartedly support. First, I commend the Committee's endorsement of the Administration's proposal to eliminate co-pays for VA-provided hospice care. I strongly agree with the Committee's decision.

I am also pleased that the President's proposed increase for prescription drug co-pays was rejected. The Committee aptly recognized that a 100% increase in co-pays would be too steep an increase for veterans. The Committee further rejected the President's proposed cuts to VA sponsored long-term care in State nursing homes. VA reimbursement has been essential to State nursing home maintenance, and consistently costs less than VA run facilities. This is a valuable program that deserves the Committee's continued support.

However, I cannot support the Committee's proposal for an enrollment fee for Category 7 and 8 veterans. The new four-tiered system will be a monetary barrier and unnecessary burden to quality healthcare for veterans. Enrollment fees make VA care more expensive without making it better. TRWARE recipients pay fees and are guaranteed access to care, but veterans are being asked to pay enrollment with no such promise. I fundamentally disagree with the position that we, as policy makers, should be discouraging veterans from using the VA system. At the private meeting we had, I suggested that if there is a moderate enrollment fee for veterans, they should have improved access in return.

I am also displeased with the Committee's decision to reject the Administration's proposal for reimbursement of veterans' emergency care from non-VA facilities. Reimbursement of emergency fees encourages veterans to seek health care at the closest facility, so they are treated immediately. If a veteran is eligible for VA care but is closer to a non-VA hospital, reimbursement is a logical next step. Moreover, reimbursement can be a life or death matter for many veterans who need emergency care from a closer hospital but can only afford VA care. Additionally, most ambulance protocols require that in an emergency situation the patient must be taken to the nearest hospital. Hospital-owned ambulances are further obligated under The Emergency Treatment and Labor Act (EMTALA) to bring patients to the closest facility. Veterans should not be penalized with financial burdens for situations beyond their control. Unfortunately, the Committee did not include this proposal in the Views and Estimates and I cannot agree with this decision.

Finally, I am concerned that the Veterans' Committee ignored my express disapproval of the proposed Views and Estimates. A Majority view was submitted to the Budget Committee, despite the fact that my colleagues and I had no opportunity to sign this proposal or even to vote on it. My staff expressed in no uncertain language that I had no intention of signing the proposal until I had seen the final version, and they were told that the document would be ready for my perusal by 5:30 pm on Wednesday, January 23. Instead, my office was notified of the finalized proposal for the first time in a Committee press release.

I ask that you note for the record my disapproval with these specific points in the Budget Views and Estimates. I look forward to working with the Committee in the future, but hope that deliberations will be more inclusive.

Sincerely,

GINNY BROWN-WAITE,
Member of Congress.

PREPARED STATEMENT OF HON. JULIA CARSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Thank you for the opportunity to address the Committee today in support of restoring funding for Amtrak in the Budget Resolution for Fiscal Year 2006. In recent years Amtrak has demonstrated its continued value as a critical public resource unequivocally worthy of our Federal funds.

The past 3 years have been among the most successful in Amtrak's 34-year history. Despite an overall downturn in the travel industry that has resulted in financial disaster for our airlines, Amtrak has been making great strides in efficiency while becoming an increasingly popular choice for consumers. It remains a vital

component of our nation's infrastructure, providing an invaluable public service unmatched by other means of transportation.

Amtrak offers mobility to Americans living in small communities and areas without access to other transportation options, servicing 106 cities that have no local access to airports.

It provides transportation opportunities to low-income Americans and people with disabilities across the country. About 42 percent of Amtrak users come from households earning less than $50,000 per year. An estimated 4 million Amtrak riders do not own cars and would be stranded without Amtrak service.

Amtrak remains our most environmentally friendly form of long-distance transportation. Passengers traveling by Amtrak save energy that would otherwise be expended through air and road travel, lowering fuel costs to consumers, reducing air pollution, and easing the strain on our already dangerously overcrowded highways.

Since 2002, our rail system has gone through an exceptional period of financial and operating stability. Amtrak has established new accounting and financial reporting systems, trimmed mail and express operations, truncated long-distance routes, and cut expenses, while raising ridership and engaging in the large-scale repair and restoration of an aged fleet. Last year the 640 employees of the Beech Grove heavy maintenance facility in my district repaired and returned to service 15 wrecked Superliners and locomotives, and completed overhauls on 30 Superliners, 46 locomotives, 36 baggage cars, and 62 passenger cars.

Under the leadership of David Gunn, Amtrak employees continue to contribute to the development of a necessary and increasingly viable alternative to air and road travel. In the midst of an overall depressed travel industry, and in a year where natural disasters in Florida, California and elsewhere disrupted long-distance service, Amtrak has succeeded in cutting expenses while bringing rail ridership levels to an unprecedented 25 million passengers. When airlines were grounded during the tragedy of September 11, 2001, it was Amtrak that brought stranded Americans home to their families.

When Amtrak was established by an act of Congress in 1970 to take over for the money-losing private passenger rail systems in America, then-Secretary of Transportation John Volpe predicted that Amtrak could turn a profit, but only if the Federal Government provided enough capital to produce high-speed trains in profitable corridors. Yet according to the Congressional Research Service, Amtrak's fastest train, the Acela, averages 86 miles per hour in the New York to Washington corridor, only 6 mph faster than the Metroliner train that operated there before Amtrak's creation. Though we have known since its inception that further investment is the only key to financial independence, Congress has consistently declined to fund Amtrak at levels that would allow future self-sufficiency.

At the same time, Congress has proven more than willing to support other money-losing transportation sectors, both public and private. Over Amtrak's 34-year history Congress has spent roughly $1.9 trillion on airline and highway transportation subsidies, over 63 times the approximately $29 billion it has allocated to Amtrak. Rail transportation funds generally account for a mere 1.6 percent of the yearly budget of the Department of Transportation. Every component of our transportation infrastructure has required significant Federal investment and each is dependent on the security and operational support the Federal Government, but in contrast to our aviation and highway systems, passenger rail has no specific dedicated fund for the purposes of infrastructure development. This is a double standard that neglects to take into consideration the disproportionate social, environmental, and other benefits that rail transit provides to our nation.

The Amtrak Reform Council and the Department of Transportation Inspector General have recognized $1.5 billion as the funding level required to keep Amtrak financially viable. To fund Amtrak below this threshold would be reckless and irresponsible. Without proper financial support, control of our railroads would be surrendered to a bankruptcy trustee with legal responsibility to its creditors, not the American public.

President David Gunn and the 22,000 employees of Amtrak continue to overcome considerable obstacles to bring this public service to our nation. I can think of no greater acknowledgement of their hard work and service to the American public than to commit sufficient funding to realize the full promise and potential of Amtrak. I thank the Committee for this opportunity and ask for its support of this critical component of our national infrastructure.

U.S. CONGRESS,
Washington, DC, March 3, 2005.

Hon. JIM NUSSLE,
Chairman, Committee on the Budget, House of Representatives, Washington, DC.

Hon. JOHN SPRATT, JR.,
Ranking Member, Committee on the Budget, House of Representatives, Washington, DC.

DEAR CHAIRMAN NUSSLE AND RANKING MEMBER SPRATT: I am writing out of concern that the Administration's Fiscal Year 2006 Budget of the U.S. Government cuts or eliminates several programs that are vital to my rural constituency in Tennessee's Fourth Congressional District, as well as rural areas throughout the United States.

I am extremely troubled by the Administration's proposal to eliminate funding for the Edward Byrne Justice Assistance Grant (EBJAG) in the Fiscal Year 2006 Budget. The production and abuse of methamphetamine is a widespread problem in Tennessee and is quickly becoming a major issue for America. The Drug Enforcement Administration estimates for 2004 have Tennessee ranked third nationally for methamphetamine arrests and seizures. Methamphetamine production and abuse destroys lives, families, property, the surrounding environment, and is an incredible burden on local communities and law enforcement officials. Now is the time to fight this illicit drug, and all illegal substances head-on with increased man power and funding. Drug task forces in my district and state rely heavily on EBJAG to fight the local war on drugs. Eliminating this grant program gives the criminals an even greater advantage over our communities and law enforcement offices. Such an elimination of this valuable grant program puts the future of our children, families, and friends in grave danger. I believe this is completely unacceptable and ask the House Budget Committee to restore EBJAG funding to the FY'04 level of $659.1 million.

Additionally, rural America has come to depend on the State and Local Homeland Security Grants to keep local and volunteer fire departments, as well as local law enforcement offices, functioning at full capacity. Without these grants many rural communities would not be able to fully staff their fire and police departments or provide them with updated equipment necessary to keep our communities safe. I was very dismayed to see the President's budget propose to cut this grant program by $420 million. Congress should not leave rural America unprotected and unprepared for day to day emergencies or future catastrophic attacks. It is my hope that the House Budget Committee will realize the importance of these grants to rural America and restore FY'06 funding for the State and Local Homeland Security Grants to the FY'05 level of $3.985 billion.

Another primary concern is the Administration's proposal to move the Community Development Block Grant (CDBG) program from the Department of Housing and Urban Development (HUD) to the Department of Commerce as part of the new "Strengthening America's Communities" (SAC) initiative. CDBG has been very beneficial in my district and in over 3,000 rural communities as a part of HUD. In 2004 the town of Oneida, TN received $500,000 from the state of Tennessee through CDBG for water and sewer infrastructure development. Without these crucial funds the officials in Oneida would be forced to both raise taxes and utilities rates on an economically distressed community. Such a scenario would be a job killer for the town and greatly impede future economic development. That said, I request the House Budget Committee leave CDBG as a part of HUD and fund the program at the FY'05 level of $4.1 billion.

Veterans in my district are very apprehensive toward the proposed cuts to veterans' benefits. The President's budget proposal calls for Priority Group 7 and 8 veterans pay an annual enrollment fee of $250 and an increase in prescription drug co-payments from $7 to $15 as part of their benefits. You may recall that the co-pay amount for these veterans was recently increased from $2-$7 in 2000. The Department of Veterans Affairs anticipates the new "out-of-pocket costs" will result in 1.1 million veterans choosing to leave the system. I ask the House Budget Committee to ignore this proposal, and additionally, to restore funding for state grants for extended care facilities.

Finally, my constituents and I are concerned about several eliminations in the Administration's proposed budget for education programs. The cuts in vocational education are particularly harmful for constituents in my district, many of whom are not able to attend traditional 4 year institutions of higher learning. Vocational training provides opportunities for employment in new and exciting fields that can lead to rewarding careers. I am sure the House Budget Committee will take a hard look at the Administration's proposal to eliminate vocational education and investigate which programs are truly wasteful, and which are truly necessary for ensur-

ing rural Americans can continue to be a part of our country's well trained workforce.

While I understand the necessity of paying back our deficit and working toward a balanced budget, and commend the House Budget Committee on its efforts, I think it is wrong to do so at the expense of those who have defended our nation in times of war and those who have had the hardest lot in life. Veterans and the good people who make up rural America are not second class citizens, and they should not be treated as such in the President's proposed Fiscal Year 2006 Budget of the U.S. Government.

Sincerely,

LINCOLN DAVIS,
Member of Congress.

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

Thank you, Mr. Chairman, for the opportunity to testify as the Committee considers a FY 2006 Budget Resolution. I know the Committee must weigh several pressing national priorities as you prepare the FY 2006 Budget Resolution, including the continuing war on terrorism, facilitating economic stimulus, and maintaining fiscal responsibility.

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

In making these choices, we must not overlook the fact that scientific research and development underpins our economic and national security. Scientific research and development forms the foundation of increased innovation, economic vitality and national security. Scientific research is an investment that promises, and has historically delivered, significant returns on that investment. For the United States to remain a prosperous country, it must maintain its technological leadership in the world. As you begin the budget process, I strongly urge you to give high priority to scientific research and development and math and science education.

For the past several years, research and development funding for defense, weapons development and national security has increased while other areas of Federal research and development, especially basic research in the physical sciences, has remained flat or declined in real terms. The President's FY 2006 request of $132.3 billion for research and development continues this trend.

While our focus on immediate threats is certainly warranted, it is necessary for us also to consider longer-term threats to our national security. Basic research and science education are essential to advances in medicine, military applications and continued economic prosperity, including the development of cancer therapies, GPS- or laser-guided missiles, and the Internet. The diversity of the basic science research portfolio ensures discoveries that lay the foundation for biomedical advances and defense. Researchers at NIH and DOD depend on research and the human capital development that takes place at NSF to fuel their on-going work to improving the health and safety of our country. As a nation, we cannot afford to starve basic science research and education and need to make sure that we balance our funding between the medical and physical sciences. Historically, our investment in physical science research has been slipping, and our overall national investment in research and development is at a rate much slower when compared to other growing economies. Furthermore, while appropriators have often met the President's request for biomedical funding, Congress has actually reduced the appropriated funds for physical sciences at NSF in recent years, compared to the request.

With this in mind, I urge you to make the basic research components of function 250 a top priority in the FY 2006 budget. I want to particularly emphasize several basic science research and development programs that deserve Congress' utmost attention: the National Science Foundation, the National Institute of Standards and Technology, the Department of Energy's Office of Science, the National Aeronautics and Space Administration, and math and science education.

The National Science Foundation's FY 2006 budget request of $5.6 billion is a 2.4 percent increase over FY 2005 appropriations; however, it is $2.9 billion below the authorized funding level necessary to complete the commitment Congress made to double NSF funding in 2002. I continue to support this doubling commitment, though I realize that in this austere budget environment it may not be immediately possible to fulfill this obligation. The increase is also tempered by the transfer of

funds for ice-breaking operations from the Coast Guard budget, resulting in a corrected increase of 1.5 percent. Because NSF received a 3.1 percent ($180 million) cut in FY05, the overall request level for FY06 is approximately 1 percent below the FY04 level.

NSF is the only Federal agency dedicated solely to supporting basic scientific research. NSF funding accounts for one-fifth of all Federal support for basic research and 40 percent of physical science research at academic institutions. Nearly 90 percent of these awards are made through a competitive, merit-review process that ensures that excellent and innovative research is being supported. Furthermore, NSF consistently receives the highest rating from OMB for the efficiency and excellence of its programs.

The Foundation is also the primary Federal supporter of science and math education; it underwrites the development of the next generation of scientists and engineers. I am particularly concerned about the trend of the current budget request that reduces the Education and Human Resources (EHR) budget at the Foundation by more than $104 million, or 12 percent. This dramatic decrease is unparalleled in other parts of the Federal science and technology portfolio, and, indeed other parts of the total budget. Decreasing awards in education, or eliminating any new awards entirely, seems very shortsighted when we are currently facing the challenge of adequately preparing our students to enter science and technology fields. I have worked very hard to maintain the Math and Science Partnership program at NSF, where grants are awarded on a peer-reviewed basis that complements the strengths of a research-based organization. The FY 2006 request for the Math and Science Partnerships of $60 million will only allow continued funding for the programs that were started in previous years, eliminating the future of an incredibly important program to determine how our students learn the subjects of math and science. I urge the Committee to provide NSF with the highest possible budget allocation this year, including the EHR budget.

Much of the technology we use every day can be tied to research done by scientists at the National Institute of Standards and Technology (NIST). For example, work at NIST's labs supports our nation's efforts to improve cybersecurity, building safety, and voting technology. NIST has a proven track record in research and development on standards and measurement techniques that help U.S. industries become more globally competitive and retain leadership in cutting-edge technologies. The President's FY 2006 request of $426 million for NIST's labs is a 12 percent increase over the levels enacted in FY 2005, and I appreciate that.

I am particularly pleased that the request includes $19 million in funding for an Advanced Manufacturing research initiative. This initiative is aimed at speeding the development of industrial applications of nanotechnology and streamlining manufacturing standards. It will help small and medium-sized manufacturers and has goals very similar to the Manufacturing Technology Competitiveness Act which I passed through the House last Congress.

However, I am very concerned about other manufacturing programs at NIST. The President's FY 2006 budget request cuts the Manufacturing Extension Partnership (MEP) program by over 50 percent to $46.8 million. I have worked very hard over the years to help my colleagues in Congress understand that MEP is vital to retaining American competitiveness and American jobs, and I believe they appreciate the value of this program. Yet each budget cycle the Administration proposes to significantly cut this program, which the Department of Commerce itself recognized as a valuable program in a 2004 report on manufacturing. Diminishing funding for MEP will devastate small and medium-sized manufacturers and in the long run severely hurt our competitive edge in the manufacturing sector. Furthermore, I continue to support the Advanced Technology Program (ATP) and am disappointed that the Administration has again included no funds for the program in the budget request.

The Department of Energy's Office of Science funds 40 percent of our nation's physical science research. Research in these areas has led to many new economic and medical advancements including, among others, new energy sources, the Internet, cell phones and laser surgery. To maintain our economic, technical, and military pre-eminence, the Federal Government must continue to support research in these areas. The FY 2006 budget request for the Office of Science is $3.46 billion—a decrease of almost 4 percent from the FY 2005 enacted level. I respectfully request that the Committee provide the Office of Science with a budget that reflects the critical role that it plays in maintaining our economic and military pre-eminence.

The National Aeronautics and Space Administration (NASA) is an agency in transition. In order to align the agency with the President's challenge to travel to the moon and Mars, NASA has reorganized and streamlined its structure. The proposed mission will be very costly and will pose significant technical obstacles that will only be solved through basic research. Although NASA's FY 2006 budget request of $16.5

billion includes an increase of 2.4 percent, more than 40 percent of the budget will fund the return to flight of the Space Shuttle and the International Space Station. Because of the reorganization at the agency, it is difficult to compare from past years, but essentially, NASA research and development would increase by 4.9 percent to $11.5 billion due to the funds freed up by the Space Shuttle's expected return to flight in the current year. This overall increase comes at a cost to basic scientific research at NASA. In order to shift resources toward solar system exploration and research and development focused on moon and Mars mission technologies, the budget request cuts aeronautics research by 6 percent, in addition to steep cuts in environmental, biological, and physical sciences research. Also absent from the budget is funding for the proposed repair mission to the Hubble space telescope, an instrument which has greatly enriched and expanded our limits of scientific discovery.

Basic science and engineering research underpin all of NASA's major accomplishments as well as many of the technologies you and I use everyday. Furthermore, basic research at NASA will support the future exploration endeavor; if we reduce basic research in the out-years, our astronauts will be working with outdated technology. I urge you to protect NASA's future by supporting its basic research accounts and making the function 250 budget a significant concern.

I realize that the fate of many of the programs I have highlighted in this testimony lies not with you, but with the appropriations committee. While the budget does not spell out exact funding for these programs, I believe that you can send a strong signal about their importance to the appropriations committee by making basic research funding in function 250 a top priority in the FY 2006 budget. Behind your lead, I, along with many colleagues who also support science funding, will fight for these programs throughout the budget process. When faced with the difficult choices you must make this year, I urge you to remember that we cannot afford to sacrifice the research and education which current and future generations need to ensure their economic prosperity and domestic security.

Thank you again for allowing me to testify.

PREPARED STATEMENT OF HON. LOUIE GOHMERT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, thank you for allowing me to submit a statement today before you and the other Members of the Budget Committee about my views on the fiscal year 2006 budget resolution.

As a fiscal conservative I am a strong proponent of a balanced Federal budget. As you know, in fiscal year 1998, the Federal Government began operating in a surplus environment for the first time since 1969. Those surpluses continued through fiscal year 2001. Unfortunately, due to an economic recession and necessary increases in military/homeland security spending after the September 11, 2001 terrorist attacks, the Federal Government is now operating in a deficit spending environment. I believe we need to work together to accomplish a balanced budget again as soon as possible.

I would like to briefly highlight two areas of the budget that are of serious concern: (1) the proposed cuts to and transfer of Community Development Block Grant (CDBG) funding from the Department of Housing and Urban Development (HUD) to the Commerce Department; and (2) the lack of funding for 2,000 Border Patrol Agents to be hired this year as required by Public Law 108–458.

While I am in favor of eliminating wasteful spending, there are a number of domestic programs that are quite efficient and essential to the livelihood of many low-income Americans that create opportunity and advancement. The proposed budget would greatly reduce the amount of CDBG program funding that have stimulated the economy and helped real people. The proposed budget would cut the CDBG program—the bulk of the community planning budget—by as much as 50 percent. Certain cities and counties in my district will be particularly hard-hit by these cuts. A few examples are: Rusk County, which received $327,660(Non-entitlement) in fiscal year 2005, Marshall, which received $473,095 in fiscal year 2005, Nacogdoches County, which received $250,000(Non-entitlement) in fiscal year 2005, and Lindale, which received $365,000(Non-entitlement). These cities are making good use of this money to energize and redevelop their cities and economy, and any significant reduction of funds could result in economic disaster for cities struggling to stay afloat.

Last year, Congress passed and the President signed the National Intelligence Reform Act of 2004. This bill requires 10,000 new Border Patrol Agents to be hired over 5 years. The budget provides enough money for only 210 additional agents, falling dangerously short of the 2,000 agents that are required by law to be hired this year. While I understand sacrifices must be made in order to achieve fiscal responsi-

bility, this is also not an area where Congress can cut corners. I respectfully request that the will of Congress be honored and full funding be restored.

We must fight to make permanent the tax relief measures that were enacted in 2001 which, as you know, ensures a healthy national economy, which, combined with spending restraint, will help alleviate our national deficit. We should not jeopardize the future of our children and grandchildren by either unwise spending or unwise cuts. It is true cuts will need to be made; however, they should be made where they do not devastate economies which also decreases tax revenues.

In conclusion, the best course to a balanced budget is through both economic growth and spending discipline. This strategy will greatly assist my constituents of the First District of Texas in stimulating the economy, creating more jobs, and allowing Americans to keep more of their own money. I look forward to working with you and the other Members of the Budget Committee in ensuring that Congress moves toward achieving a balanced budget while allocating sufficient funding levels to meet our domestic and international needs in those programs that are actually providing a healthy return on the Federal Government's investment.

U.S. CONGRESS,
Washington, DC, March 3, 2005.

Hon. JIM NUSSLE,
Chairman, Committee on the Budget, House of Representatives, Washington, DC.

CHAIRMAN NUSSLE: As the Budget Committee prepares the House budget resolution we are concerned by the proposed reductions to the Medicaid program. We appreciate the opportunity to work with you to address our concerns.

New York State's Medicaid program has over time developed to cover a wider breath of individuals and "optional" services than most other states. Our state serves a higher proportion of elderly and disabled beneficiaries than other states on average. In fact, more than 25 percent of New York's Medicaid recipients are elderly or disabled, accounting for nearly two-thirds of programmatic spending. Virtually all of these individuals are also Medicare recipients. At the same time, nearly half of New York's Medicaid recipients are children.

Despite the high number of Medicaid and Medicare beneficiaries in New York, our state is home to approximately 3 million uninsured individuals. New York's health care delivery system is strained, as providers fulfill their mission to care for all. New York hospitals and health systems alone provide $1.6 billion in uncompensated care a year. For the sixth year in a row, over half of New York's hospitals have lost money providing care to patients.

We agree that reform of the Medicaid program should be addressed and recommend a deliberative policy driven discussion to develop reforms. Medicaid is more than a budgetary issue. We support our colleague Representative Heather Wilson (R-NM) in calling for the establishment of a bipartisan commission to study the Medicaid program and make informed recommendations for its reform.

We urge the Budget Committee to refrain from proposing cuts to Medicaid spending at this time. We ask you further to protect Medicare program funding, as the benefits of each program are increasingly dependent upon the other. Additionally, we believe the new Medicare prescription drug program we all worked to establish needs to be given a chance to work.

Sincerely,

PETER T. KING,
Member of Congress.

JAMES T. WALSH,
Member of Congress.

JOHN M. MCHUGH,
Member of Congress.

SUE W. KELLY,
Member of Congress.

JOHN R. "RANDY" KUHL, JR.,
Member of Congress.

JOHN E. SWEENEY,
Member of Congress.

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

Members of the Budget Committee, as a former member of the Committee, I have a special interest in the crafting of the budget resolution. Today I would like to share with you some brief thoughts on the Fiscal Year 2006 budget.

I guess the silver lining in all of this is that it seems that the President is finally feeling political pressure to acknowledge the Federal Government's ballooning deficit is a problem. Yet the President's budget and his proposed solutions are a farce.

When President Bush was inaugurated in 2001, he inherited a $5.6 trillion surplus over 10 years (2002–2011), as projected by the Congressional Budget Office (CBO). At that time, CBO projected a $430 billion surplus for Fiscal Year 2005. Since then, the fiscal health of the Federal Government has rapidly and alarmingly deteriorated. Now President Bush and his own accountants have projected a $427 billion deficit for Fiscal Year 2005.

Not only is the $427 billion deficit a reversal of more than $850 billion from what CBO anticipated the Federal treasury would be holding right now; the President's projection also severely underestimates the actual deficit the government will run this year. The $427 billion projection does not include the $82 billion President Bush recently requested for Iraq, Afghanistan, and tsunami aid; it does not include the nearly $2 trillion that extending his tax cuts will cost over the next 10 years; it does not include the $754 billion that his Social Security privatization plan would cost over the next 10 years; and it assumes that Congress will go along with his draconian cuts in domestic spending.

On the President's chopping block are more than 150 domestic programs, including funding for first responders; health care for children; the elderly and people with disabilities; small businesses and manufacturers; vocational education; Amtrak; environmental protection; and after-school programs. To raise revenue, he proposes to raise healthcare co-payments for veterans, to raise electric rates in the Northwest and other areas from wholesale to market rates, and to drill in the Arctic National Wildlife Refuge. Out of a $2.57 trillion budget, all of these mean-spirited domestic cuts and revenue enhancements would save about a drop in the bucket.

To put the depth of the deficit problem in perspective, consider this: Even if the President completely shut down all Federal Government functions except for Social Security, Medicare, defense, and homeland security, the government would still run a deficit of $75 billion, not including the $82 billion for Iraq or the costs of extending the tax cuts and privatizing Social Security.

It is essential that Congress exercise fiscal discipline during the budget process. We all know the drastic consequences that long-term deficits have on the economy, including rising interest rates, and decreased capital investment and consumer spending. I urge this Committee to take into account the debt-ridden state of the Federal Government's finances, and to resist this President's misguided proposals.

U.S. CONGRESS,
Washington, DC, March 3, 2005.

Hon. JIM NUSSLE,
Chairman, Committee on the Budget, House of Representatives, Washington, DC.

Hon. JOHN SPRATT, JR.,
Ranking Member, Committee on the Budget, House of Representatives, Washington, DC.

DEAR CHAIRMAN NUSSLE AND RANKING MEMBER SPRATT: Thank you for this opportunity to submit testimony regarding the fiscal year 2006 budget resolution. I am writing to urge you to restore funding to the Land and Water Conservation Fund (LWCF). Reductions to LWCF would severely impact American families and children that use close-to-home parks and open spaces for recreation and physical activity. At a time, when we have an obesity crisis, investing in recreation is an investment in America's health. Furthermore, LWCF protects special places in our national wildlife refuges, parks, and forests, and preserves spaces for local communities.

The LWCF, established in 1964, is one of the greatest tools we have to address the increasingly severe problem of loss of open space, forests, and wildlife habitat by providing funding for acquisition of lands. The state-side portion of the fund (terminated in the Administration's budget recommendations) provides wide-ranging benefits by meeting citizens' needs for recreation and physical activity. The fund does so by acquiring land for recreation, developing new recreation facilities, and enhancing existing facilities.

The results in 2004 certainly demonstrate the importance and need for continuing and adequately funding the state-side LWCF:

• 572 local and state park and recreation areas were enhanced with grants, and 420 of the sites benefited from entirely new recreational facilities;

• 87 new parks and recreation areas were created, including picnic areas, fitness trails, playing fields to accommodate youth participation in baseball, basketball, football and soccer;

• 645 locations helped by LWCF encouraged active participation to strengthen the health and vitality of Americans.

The President's budget request also woefully under-funds the Federal acquisition program for our national wildlife refuges, parks, forests, and monuments. The Natural Resources Inventory estimates 2.2 million acres are lost to development each year; once lost, these lands can never be recovered. We must not lose our significant national historical and cultural heritage.

When Congress created the Land and Water Conservation Fund, its intent was to set aside $900 million in Federal funds for national and state parks, forests, and wildlife areas. The funding supply for these places was to have come from a portion of the proceeds of oil and gas leasing on publicly owned areas offshore.

The U.S. Treasury continues to divert these funds toward other Federal activities. At the very least, I urge the Budget Committee to restore the state-side of LWCF to $100 million and to provide adequate funds to purchase Federal projects as identified by the Department of the Interior and Agriculture.

The Federal Government must honor the provisions of the Land and Water Conservation Fund, and provide American families and children with an investment in their future by providing an unparalleled national portfolio of federal, state, and local parks and recreation spaces that are safe and accessible for all Americans.

Sincerely,

GEORGE MILLER,
Member of Congress.

PREPARED STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Chairman Nussle and Members of the Committee, thank you for holding this hearing for Members to express their views on the Congressional Budget Resolution for Fiscal Year 2006 that you will write in the coming weeks.

I refer you to the Additional Views and accompanying letter from a coalition of agriculture, resource and conservation and nutrition interest groups that was submitted as part of the Committee on Agriculture's Views and Estimates. I will draw from these Views as part of my testimony.

First, I ask that your Committee recognize how fiscally sound the 2002 Farm Bill has been. Following the enactment of the 1996 Farm Bill, Congress passed 4 years of ad hoc emergency assistance totaling $26 billion to support farmers when prices fell. The 2002 Farm Bill was designed to remove the need for such assistance by structuring basic farm programs so that they aid farmers when need actually arises, as well as making important investments in conservation, nutrition, trade, rural development and energy programs.

The first 3 years of the 2002 Farm Bill. 2002–04, cost an average of $14 billion, which was 40 percent less than program and emergency assistance provided in the last 3 years of the 1996 Farm bill (1999–2001). Over the first 3 years, the 2002 Farm Bill has also cost $15 billion less than was originally estimated by the Congressional Budget Office (CBO) at the time the Farm Bill was passed. The 2002 Farm Bill is designed to only pay out the assistance required to meet those levels of support set in the statute.

Farm Bill mandatory spending has, in fact, been reduced by $650 million in FY 2004 and $1.4 billion in FY 2005 by limitations placed on conservation, rural development, research, trade and energy programs in appropriations acts. The President's FY 2006 Budget has proposed further reduction in these programs in addition to proposed changes to commodity, crop insurance, forestry and nutrition programs.

Second, the United States is currently engaged in multilateral trade negotiations that aspire to broadly open markets for U.S. agricultural products. Because of relatively low U.S. tariffs on agricultural goods, the greatest assets our negotiators have to offer are our domestic support programs. If Congress preemptively cuts domestic farm programs prior to the successful conclusion of the WTO Doha Round, U.S. farmers are likely to receive lesser concessions on market access and government support of competitors. That result could leave world market prices lower than otherwise might occur and with a commensurate increase in Federal spending under reduced levels of domestic support.

Third, I must ask if spending reductions are even necessary for the Agriculture Committee. The standard the President has set, cutting the deficit in half from FY 2004 to FY 2009, has already been met according to CBO's January 2005 Baseline Projections. These projections, which assume no new legislation, show the deficit declining from $412 billion in FY 2004 to $197 billion (excluding extension of the 2005 emergency supplemental) projected for FY 2009.

Relative to the Administration's 2004 Budget estimate of a $521 billion deficit, CBO's 2009 projection is 24 percent below the President's target of $260 billion. As a percent of GDP, CBO's January 2005 Baseline deficit falls by more than half, from 3.6 percent of GDP in 2004 to 1.4 percent of GDP in 2009. By this standard, no cuts in the Committee's jurisdiction are necessary.

Fourth, and most importantly, The Farm Security and Rural Investment Act of 2002 is a contract with American agriculture that provides the stability that investment and capital planning require. Changes to the Farm Bill, such as those proposed in the President's budget, would cause deep reductions in farmer income support, as much as 48 percent as reported by Iowa State University for Iowa corn growers. Most farmers operate on slim margins, and such changes would erase profit margins for many producers.

Farm families rely on the Farm Bill to make plans and contractual obligations for the future. Re-opening the Farm Bill's safety-net provisions would create more uncertainty for farmers who must already contend with market instability, unpredictable weather, and variable supply costs. Interrupting U.S. farm policy at random prevents farmers from being able to make long-term operation and investment decisions and prudent risk management actions.

Congress should fulfill its contract with American agriculture and its conservation, nutrition, and rural development interests; its expiration in 2007 will be soon enough to review and consider changes.

Prepared Statement of Hon. Tom Price, a Representative in Congress From the State of Georgia

Mr. Chairman, thank you very much for allowing me to submit this testimony to the Budget Committee today. I completely favor the Committee's efforts to balance the Federal budget.

Winning the global war on terrorism should be the highest priority of the United States. Maintaining and advancing our military capabilities is an essential goal for the protection of Americans at home and abroad. The strength of our nation's military relies on unparalleled, technologically advanced equipment.

Assuring our air superiority requires that we continue to support the F/A–22 Raptor made by Lockheed Martin in Cobb County. It is the most advanced fighter, and clearly no other fighter in the world can match the F/A–22 for quality and speed. Without it, our nation's defenses would soon be compromised. Yet, within the Defense Department, advisors to the Secretary of Defense and the President inappropriately recommend cutting $30 billion over the next 6 years from the F/A–22 program.

The F/A–22 is the necessary successor to the F–15. Over thirty years ago the U.S. Air Force began looking at plans to replace the F–15 fighter, an aircraft that served our nation well. This process resulted in requests for an Advanced Tactical Fighter in 1985, leading to the selection and orders for the F/A–22.

The apparent reason for this recommended cut was the erroneous perception that there were no threats to American security that would render the F–15 unable to ensure air superiority. However, recent studies reveal that the F–15 would lose 90 percent of the time during encounters with the newest generation of aircraft currently under development by potential enemies. With the F/A–22, however, we would gain an era of dominance in the air against both ground and air-based threats that would last well into the 21st century.

Finally, we all know that education and job training are vital components to our workforce. Certainly, budget restraint and a sound fiscal policy are important. I merely ask that any cuts to mandatory spending programs under reconciliation be done in a responsible and fair manner.

Prepared Statement of Hon. Bennie G. Thompson, a Representative in Congress From the State of Mississippi

Thank you for affording me the opportunity to address the Budget Committee on some of my concerns about the budget as the Ranking Member of the House Committee on Homeland Security. As you prepare the budget resolution for Fiscal Year (FY) 2006, I believe there will be a lot of work to do to correct the security gaps created by the misplaced spending priorities in the President's proposed budget.

For example, the budget fails to fulfill numerous commitments made to the Border Patrol in the Intelligence Reform and Terrorism Prevention Act (P.L. 108–458), which was just signed by the President in December. The risk of terrorists crossing our southern border is one of the prime security gaps now, and the Border Patrol is on the front line of trying to correct the problem.

Below is my overall analysis of the funding shortages in the budget, as well as specific areas where the budget is wholly inadequate. I understand that the answer to securing the homeland security cannot just be a "blank check," but there are priorities that we can focus on now to make America safer, protect our economy, and prepare for the worst.

OVERALL SPENDING LEVELS

For FY 2006, the Department of Homeland Security (DHS) requests $40.1 billion in total funding, representing a $48 million—or a one tenth of 1 percent—increase relative to the FY 2005 level of $41.0 billion. After accounting for mandatory programs (such as the Coast Guard retirement fund, and disaster relief programs) and certain fee-funded accounts (such as those used by the Bureau of Immigration and Customs Enforcement for portions of their activities), the DHS' total discretionary request of $34.2 billion represents an increase of $2.2 billion, or 7 percent, increase above current year funding. The majority of the $2.2 billion increase is due to a $3.00 increase in the Aviation Security Passenger Fee, up to a total of a $5.00 increase per trip, which is estimated to yield a $1.6 billion increase in revenues. If all fee-funded programs are accounted for, DHS' net discretionary request is $29.3 billion, representing a $343 million, or 1.2 percent increase, above the current year level—less than the rate of inflation.

I support additional resources for the DHS above current year levels. However, rectifying critical homeland security gaps that continue to exist throughout our nation will, in part, require additional resources above what is requested in the President's FY 2006 Budget. For example, since the tragedy of September 11, our nation's first responders still lack the resources they need to ensure they are properly equipped and trained to protect our communities from a terrorist attack; radiation portal monitors that can detect the presence of a weapon of mass destruction are not yet installed at all ports of entry and related sites; robust air cargo systems are not yet deployed nationwide that can detect the presence of dangerous materials, and physical security at our nation's ports is inadequate relative to the security threats that exist.

While requested funds for FY 2006 will assist in closing these security gaps, no less than an additional $6.1 billion above the FY 2006 President's request (not including the Coast Guard's project Deepwater) will be necessary to ensure that our homeland is as safe as it needs to be relative to the threats we face. If additional funds for the acceleration of Project Deepwater are included, no less than $7.0 billion in additional resources is required.

THE ADMINISTRATION'S FISCAL POLICY AND HOMELAND SECURITY

While funding for homeland security has increased since the attacks of 9/11, the issue is not whether such funding as risen—the issue is whether sufficient resources have been devoted to homeland security since 9/11 to ensure that we are as safe as we need to be. By this standard, the Administration continues to fall short in its efforts to protect the country. Although the threat of renewed terrorist violence against our country is real—a fact confirmed a few weeks ago by CIA Director Porter Goss in testimony before Congress—the President's budget request for the Department of Homeland Security misses an opportunity to chart a new course to protect our homeland. Instead of tinkering at the margins, the Administration's budget should boldly boost funding levels for key DHS programs to provide a greater level of protection for Americans. The failure to do so places all of our citizens in greater jeopardy.

In part, the Administration's misguided fiscal policies of the last 4 years have resulted in resources being channeled to the wrong priorities and have frustrated efforts to devote greater funds to homeland security. For example, last year the Administration provided tax cuts to the wealthiest 1 percent of Americans (those earning more than $1 million a year) totaling about $90 billion—three times the amount of discretionary funding devoted to the Department of Homeland Security. Such tax cuts come at a time when the Council on Foreign Relations has estimated that our nation's first responders, alone, require upwards of $100 billion to satisfy their critical needs.[1] The President's FY 2006 Budget proposes to continue its tax cut policies, which will result, in part, in a projected deficit of $427 billion for the current fiscal year—the third year in a row that the deficit will reach a record level. While

the Administration may take credit for increasing the homeland security discretionary budget for next fiscal year by 7 percent—or $2.2 billion—relative to the current year level, we will spend that amount in about 2 weeks in Iraq. While we must keep faith with our military personnel serving in harm's way overseas, we must also keep faith with the men and women of the Homeland Security Department as they serve on the front lines every day to protect us against terrorist and other threats. We must ensure that they—and our collective homeland security effort—receive the resources that are urgently needed to ensure the United States is as safe as it needs to be. We must get our priorities right.

FIRST RESPONDER GRANT PROGRAMS

Office of State and Local Government Coordination (OSLGC)

The President's fiscal year 2006 Budget request for OSLGC-administered grants for our state and local first responders and related homeland security needs totals $3.6 billion, representing a $420 million—or nearly 11 percent—decrease from the amounts appropriated by Congress for fiscal year 2005. The President's proposal also seeks to increase the amount of discretionary grant funds to be distributed based on threats and vulnerabilities. Specifically, the President's Budget seeks to reduce the percentage guaranteed to each state as part of the State Homeland Security Grant Program from 0.75 percent to 0.25 percent (the same percentage as currently guaranteed to all U.S. territories). Such a proposal is consistent with legislation supported by the Select Committee on Homeland Security, and enacted by the House as part of H.R. 10, during the 108th Congress.

In aggregate, however, the proposed reductions for FY 2005 for first responder funding, as compared to current year levels, are made at a time when outside expert panels, such as one assembled by the Council on Foreign Relations, note that our nation's first responders still lack the training, equipment, and other support required to ensure that they are full prepared to prevent or respond effectively to any possible terrorist attack. While significant resources have been devoted to first responders since September 11, there is a continuing need to increase their preparedness. Despite Administration plans in Homeland Security Presidential Directive 8 (HSPD–8) to tie the budget request to an assessment of first responder needs, HSPD–8 was not implemented in time for the budget submission, and funding levels requested in the President's budget do not reflect the actual needs of our nation's first responders. Given outstanding needs, I strongly believe that FY 2006 resources for state and local grant programs should be increased above levels proposed in the President's FY 2006 Budget by at least $2.9 billion as described below.

The President's fiscal year 2006 request for DHS state and local grants proposes a number of changes to individual programs. Specifically:

• The President's FY 2006 Budget proposes to reduce funding for the State Homeland Security Grant Program by nearly $300 million below the current year level. Such a decrease comes as the result of two actions: First, the FY 2006 requested level includes an $80 million decrease relative to the current year level; second, the President's budget stipulates that no less than 20 percent—which amounts to $204 million—of funds for the FY 2006 State Homeland Security Grant Program must be allocated for "terrorism prevention activities of law enforcement." The latter adjustment is similar to the stipulation placed on the Urban Area Security Initiative (see below), and is intended to offset the impact to law enforcement by the President's proposal to completely eliminate in FY 2006 the Law Enforcement Terrorism Prevention Grant program. Taken together, both adjustments will have the effect of reducing the amount of grant funding for distribution to states and territories for non-law enforcement-specific purposes by $284 million—a 26 percent decrease relative to the FY 2005 amount. For this reason, I support an increase in funding for the State Homeland Security Grant Program to a level no lower than the FY 2005 enacted level of $1.1 billion.

• The President's request also makes significant cuts to the Assistance to Firefighters Grant Program (FIRE Grants). Specifically, the President's Budget requests $500 million, representing a cut of $215 million—or 30 percent—relative to the current year level. The FIRE Grant program was created before September 11 by Congress in order to meet basic, critical needs of the firefighting community, which a December 2002 study by the U.S. Fire Administration and the National Fire Protection Association found to be significant. Also, unlike the enacted FY 2005 amount, the President's FY 2006 Budget does not include any specific funding for the SAFER (Staffing for Adequate Fire and Emergency Response) program to reach the goal of hiring 10,000 new fire fighters and help communities attain 24-hour staffing to provide increased protection against fire and related hazards. The SAFER Act authorizes $7.7 billion over a 7-year period, to include $1 billion for FY 2006. For these

reasons, I support an increase in funding for the FIRE grant program to a level no lower than the fully authorized amount of $750 million. Consistent with congressional intent, an additional $1 billion is needed to support the goals of the SAFER Act.

• The enhancement and acquisition of interoperable communications systems remain a critical need for the first responder community. However, the President's FY 2006 Budget requests no specific funds for grants to enhance interoperability, and eliminates the relatively modest $20 million for interoperability as part of DHS' Technical Assistance Program (similarly, the President's FY 2006 request for the Justice Department proposes to eliminate $99 million for COPS Interoperable Communications Technology Grants). Additional funding to increase interoperability among our nation's first responders is urgently needed. In June 1998, the Public Safety Wireless Network program estimated that replacing communications systems nationwide to achieve interoperability could cost as much as $18.3 billion.[2] The Council on Foreign Relations has reported that, in virtually every major city and county in the United States, no interoperable communications system exists to support police, fire departments, and response personnel at all levels of government during a major emergency,[3] and that a minimum, $6.8 billion over 5 years would be necessary to ensure dependable, interoperable communications for first responders.[4] For these reasons, I support a dedicated down payment of at least $500 million in FY 2006 for first responder interoperability purposes.

• The President's FY 2006 Budget proposes to eliminate the Law Enforcement Terrorism Prevention Grants, currently funded at $400 million, as a separate grant program. Instead, grants to support terrorism-related law enforcement efforts will be funded as part of the State Homeland Security Grant program and the Urban Area Security Initiative regional grant program. While the Democrats fully supports the needs of law enforcement at the state and local level to prevent, prepare for, and respond to a terrorist attack, we believe that law enforcement officials should not have to compete for grant funds with—and at the potential expense of—other first responder entities. For this reason, I support funding for a dedicated Law Enforcement Terrorism Prevention Grant program at a level no lower than $400 million.

• The President's FY 2006 Budget also proposes to reduce funding for the Emergency Management Performance Grant program by $10 million—or nearly 6 percent—relative to the current year level. A March 2002 survey by the National Emergency Management Association found that an additional 5,212 local emergency management positions are needed, with 3,960, or 76 percent, of those positions being fulltime directors needed to manage the programs. For this reason, I support funding for the Emergency Management Performance Grant to a level no lower than the enacted FY 2005 level of $180 million.

• The President's FY 2006 Budget proposes to consolidate FY 2005 sector-specific grants for port security, rail and transit security, trucking security, and intercity bus security into one $600 million Targeted Infrastructure Protection grant program for next fiscal year. I have two concerns with the Administration's proposal: First, this grant program would force many critical infrastructure sectors to compete against one another for scarce resources, increasing the likelihood that these sectors will receive less funding than last year. On a related note, requesting the new Targeted Infrastructure Protection program as part of DHS' Urban Area Security Initiative raises the concern that funding for critical infrastructure improvements will not be channeled to non-urban area environments. Second, the Administration's $600 million request is woefully inadequate, especially given that port and rail systems have billions of dollars in funding needs. For example, to date, ports will receive $715 million in security grant funding, yet this amount is $410 million short of initial estimated needs and $4.7 billion short of the Coast Guard's $5.4 billion overall estimate of what owners and operators of port facilities believe will be needed to make themselves secure against a terrorist attack. Similarly, outstanding public rail and public transit needs total nearly $3 billion. I support grant programs that take advantage of the sector-specific expertise that exists, or is being developed, within the Department. Additionally, if the targeted infrastructure program is enacted as requested, I believe that additional resources for port and rail security totaling $1.6 billion above the President's request for FY 2006 will be required.

• The FY 2006 President's Budget—similar to last year's proposal—includes no funding for the Metropolitan Medical Response System (MMRS). The primary focus of the MMRS, which was conceived after the 1995 terrorist release of sarin nerve gas in a Tokyo subway, is to develop or enhance existing emergency preparedness systems to effectively respond to a public health crisis, particularly an event involving a weapon of mass destruction (including a so-called "dirty bomb" which disperses harmful radiation). Through MMRS-sponsored preparation and coordination,

local law enforcement, fire, hazardous material, emergency medical service, hospital, public health, and other first responder personnel plan will be more effective in responding in the first 48 hours to a public health crisis. Currently 125 municipal authorities in 43 states benefit from the program. I am not convinced that, consistent with the President's Budget, the goals of the MMRS program will be better supported by other, less specific, terrorism grant programs, and believes that the program should be funded at a level no less than the current year amount of $30 million.

DEPARTMENTAL OPERATIONS

The FY 2006 President's Budget requests $665 for Department Management and Operations, representing a $140 million—or 27 percent increase—above the FY 2005 enacted level. The requested amount includes nearly $50 million to support the establishment of a DHS nationwide regional structure; $26 million for continued development of the Department's headquarters in Washington, D.C., and $53 million for DHS' human resource system initiative, dubbed "MAX HR," which will implement the Department's new personnel system that is slated to begin implementation later this year. It should be noted that DHS' concept of a future regional structure is not yet mature, nor has it been formally approved by DHS leadership, thus calling into question whether funds will be needed as requested in the President's budget. Regarding DHS' new personnel system, I remain concerned that it will erode the collective bargaining and employee appeal rights that have long protected government employees against unfair or arbitrary management practices, and replace the well-established civil service compensation program with a new, untested "pay for performance" system. I will continue to give close attention to this issue, and believes that the $53 million in requested funds would be better allocated to rectify specific homeland security gaps.

OFFICE OF THE INSPECTOR GENERAL

The FY 2006 President's Budget requests $83 million for the Office of the Inspector General (OIG), representing barely a 1-percent increase above the FY 2005 enacted level (less than the rate of inflation). Requested resources will be used to support a staff of 540 employees, most of who will be engaged in audits, inspections, and investigations of various Departmental programs and activities. Given the vital importance of the Inspector General's office in probing and identifying programmatic inefficiencies and general waste, fraud, and abuse in a Department that encompasses over 180,000 employees for the benefit of Congress and DHS' leadership, I am concerned that additional resources may be needed above the level requested by the President to fully support the OIG's work.

BORDER AND TRANSPORTATION SECURITY

Office of the Under Secretary for Border and Transportation Security; United States Visitor and Immigrant Status Indicator Technology (US-VISIT)

The President requests $390 million for the US-VISIT program for next fiscal year, an increase of approximately $50 million above the current year level. I continue to have concerns about the overall development and long-term vision of the US-VISIT program. Additionally, I remain concerned about the continued reliance of the US-VISIT system on rapidly aging Immigration and Naturalization Service (INS) legacy systems. I want to emphasize the need for continued oversight of the program, especially in such areas as the total future cost of the system, contractor performance, the effectiveness of US-VISIT as a counterterrorism tool, and the program's impact on the free flow of commerce at our nation's borders.

NEXUS/SENTRI

The FY 2006 Budget requests $21 million for the NEXUS and SENTRI (Secure Electronic Network for Travelers Rapid Network) programs. Both NEXUS and SENTRI are "pre-enrollment" frequent traveler screening programs designed to expedite border crossings for those individuals identified as posing a low risk of terrorism. I am concerned that the $21 million allocated for NEXUS and SENTRI may be insufficient to adequately fund enrollment centers in major population centers away from the border and to provide necessary maintenance for the technology used for the programs. Additionally, higher levels of funding may be needed above the President's request to promote greater participation in both programs, which would create the advantage of allowing border inspectors to devote more time to screen travelers judged to be "high risk." For this reason, I will continue to exercise close

oversight over the performance of, and resource levels for, the NEXUS and SENTRI programs.

OFFICE OF SCREENING COORDINATION AND OPERATIONS

The Department's FY 2006 proposal seeks to establish an Office of Screening Coordination and Operations (SCO) to coordinate, consolidate, and streamline various screening programs to facilitate both security and travel. I look forward to assessing precisely how the SCO will operate, DHS' rationale regarding which programs will be included as part of the new office, and how those programs will be managed.

As part of this effort, the Department of Homeland Security proposes to shift the US-VISIT program into this new office, along with several other Transportation Security Administration (TSA) or Customs and Border Protection (CBP) efforts. The Department seeks to exercise its existing authority to collect fees next fiscal year totaling $321 million to fully recover the costs of the Secure Flight, Transportation Worker Identification Credential, Hazardous Material Drivers' License Endorsement, and the Alien Flight School Check programs. The new SCO office, or other appropriate entity in DHS, will likely need additional amounts made available for implementation of the new law enforcement officer travel credential, as mandated by the Intelligence Reform and Terrorism Prevention Act of 2004. Additionally, as part of the request for the new SCO office, the FY 2006 President's budget seeks $81 million for the Secure Flight program. The Department of Homeland Security Appropriations Act for 2005 (Public Law 108–334 § 522) prohibits TSA from deploying or implementing the Secure Flight program until the system is certified to meet a number of requirements as set forth by the Government Accountability Office (GAO). The GAO has not yet issued a report on Secure Flight, but has commented to Minority staff of the Homeland Security Committee that notable obstacles remain before the program can proceed. Given GAO's report, I question whether Secure Flight will be sufficiently developed by next fiscal year to require all of the resources requested for it within the President's FY 2006 budget.

CUSTOMS AND BORDER PROTECTION (CBP)

Construction

The President's FY 2006 Budget requests $93.4 million to maintain and construct CBP facilities nationwide. The President's budget makes clear that the entire construction budget is for the Border Patrol and not for our nation's ports-of-entry. While I support the infrastructure needs of a rapidly growing Border Patrol, we are concerned that the request will not meet the Border Patrol's current needs nor will it meet the needs of the workforce authorized in the Intelligence Reform and Terrorism Prevention Act of 2004. Additionally, providing border security without inhibiting trade requires a substantial investment in border infrastructure. This is especially true at our land ports of entry. While the General Services Administration is responsible for construction at our nation's ports of entry, CBP involvement is critical as will be the new Office of Screening Coordination and Operations. Layouts of inspection plazas, space limitations, limited number of inspection booths and lanes all affect the flow of traffic. Clogged borders with large traffic backups put pressure on inspectors to cut corners, thus reducing overall levels of security. The need for additional infrastructure investments is especially necessary given the implementation of US-VISIT and various pre-enrollment programs to separate high from low risk travelers. In a June, 2000 report, the former U.S. Customs Service estimated that an additional $784 million was needed to improve infrastructure and technology at our nation's ports of entry. Given that this estimate was made before the attacks of 9/11, it did not take into account all of the current security-related costs that are now needed. Additionally, it did not include the costs of infrastructure needed to process travelers and goods leaving, as opposed to entering, the country. I believe that at least at additional $1 billion is urgently needed above the level requested by the President for border construction needs.

CBP Personnel

The President's FY 2006 Budget requests $4.7 billion for CBP salaries and expenses, an increase of $197 million above the current year level to fund, in part, CBP personnel. Such personnel are critical in our national effort to prevent terrorists from gaining entry to the United States or using transportation and commercial supply chain systems to help carry out a terrorist attack. I am concerned, however, that several specific resource levels included in the FY 2006 Budget will be insufficient:

• Border Patrol: The Intelligence Reform and Terrorism Prevention Act of 2004 authorized 2,000 additional Border Patrol personnel annually for deployment along

the U.S. northern and southern border from FY 2006–2010. The President's FY 2006 Budget provides funding for only 210—or 1,790 Border Patrol agents short of Congressional intent. I understand that the 210 new agents will replace those from the southern border who have been relocated to the northern border. Resource levels included in the President's FY 2006 Budget will also not result in the necessary Border Patrol personnel required to reach levels authorized in the 2001 PATRIOT Act and the 2002 Enhanced Border Security and Visa Entry Reform Act. Currently, DHS is 728 Border Patrol agents short of the mandates in the latter two bills. If the 9/11 bill authorization levels are taken into consideration, the President's budget should fund 2,728 Border Patrol agents for FY 2006, which would result in over 13,500 agents defending our nation's borders. I believe that, at a minimum, an additional $87 million is necessary above the President's request to satisfy the Border Patrol level for next fiscal year included in the 9/11 reform bill. If all congressional mandates are to be honored, an additional $135 million would be needed above the President's request.

• C-TPAT/CSI: The President's request includes an additional $8 million to pay for supply chain security validations of companies who participate in the Customs Trade Partnership Against Terrorism (C-TPAT) program. I am concerned that the Administration's request may not fix the personnel shortages associated with C-TPAT. C-TPAT membership has nearly doubled over the last year while the level of supply chain specialist has remained the same. This means that, without additional personnel, security validations will take years to complete. Simultaneously, lower than optimal personnel levels will allow companies to receive the benefit of reduced security inspections without ensuring they meet their security responsibilities. The FY 2006 Budget also includes funding for an additional 14 positions in support of DHS' Container Security Initiative (CSI). While such an increase is a positive development, and mindful of past resource increases, I am concerned that it may not be sufficient to ensure effective implementation of the CSI program. The amount of new CSI inspectors, and their deployment schedule at overseas foreign ports, will need to be monitored closely to ensure that, in light of the program's goals, robust examination of cargo at foreign ports occurs before it travels to the United States. I will work to ensure sufficient resources are devoted to both programs.

Non-Intrusive Inspection Technology

The President's FY 2006 Budget requests $125 million for the development, purchase, and installation of radiation portal monitors at our nation's major border crossings. Such portals are a type of non-intrusive inspection (NII) technology that can be used to detect the presence of radiological materials that could comprise a weapon of mass destruction. The $125 million would complete the installation of portal monitors on the southern border and 10 percent of air cargo facilities at international airports. Requested funds are in addition to the $279 million previously provided by Congress to install portals at our 22 largest sea ports, major northern border crossings, and international mail facilities. However, even if FY 2006 requested funds for NII technology are provided, I understand that CBP will still require an additional $92 million above the President's request (for a total of $496 million) to ensure that—consistent with its own plan—portal monitors are installed at air cargo facilities, rail border crossings, and smaller ports of entry. Additionally, no funds are requested in the FY 2006 for handheld isotope identifiers which identify the type of radiation present in a container, or additional VACIS machines which use x-rays to provide an image of the contents of a shipping container. I believe it is unacceptable for NII technology to be lacking at our ports of entry and other critical infrastructure sites over 3 years since September 11, and strongly supports additional resources of at least $92 million above the FY 2006 request to correct this deficiency.

Immigration and Customs Enforcement

The President's FY 2006 Budget requests $4.4 billion for Immigration and Customs Enforcement (ICE), representing a $519 million, or 13 percent, increase above the FY 2005 amount. However, $94 million—or nearly 20 percent—of the increase is dedicated to existing programs which are being shifted to ICE from other agencies. The continuing financial management problems at ICE, along with the ongoing baseline review of its budget, make it difficult to know with any precision whether the requested amount for next fiscal year will be adequate to support ICE's myriad missions. I remain concerned that ICE's financial problems will not be fully resolved until FY 2007 at the earliest, adversely effecting operations in the meantime. I will continue to monitor ICE's financial health closely to ensure it has the resources needed to perform its vital work.

ICE Inspectors

The Intelligence Reform and Terrorism Prevention Act of 2004 authorized 800 additional ICE investigators annually from FY 2006–2010 to investigate immigration violations. The President's FY 2006 Budget provides funding for only 152 new investigators—or 648 investigators short of Congressional intent. I estimate that an additional $61 million above the President's request would be needed to satisfy the FY 2006 personnel level included in the Intelligence Reform and Terrorism Prevention Act of 2004.

Detention and Removal Operations (DRO)

For next fiscal year, the President's budget includes approximately $1.7 billion for Detention and Removal Operations (DRO), including $90 million for additional bed space to incarcerate removable aliens. According to the Department of Homeland Security, the requested $90 million translates to 1,920 new beds—6,080 beds short of the amount included in the Intelligence Reform and Terrorism Prevention Act of 2004. I am concerned that DRO may not be able to accommodate its current bed space needs; if additional funds are not provided in FY 2005 to correct this shortfall, much, if not all, of the proposed FY 2006 increase could be consumed by higher costs resulting in no new bed space. If DRO receives sufficient additional funds in FY 2005 to meet its current needs, then bringing the President's request up to the levels authorized in the Intelligence Reform and Terrorism Prevention Act of 2004 would require an additional $285 million above the level requested by the President.

Federal Air Marshals

The President's FY 2006 Budget includes $689 million for the Federal Air Marshal Service (FAMS) within the Bureau of Immigration and Customs Enforcement, an increase of $25.9 million over the FY 2005 enacted level. I support increased resources for FAMS, but believe that an additional $39.1 million is necessary for the Air Marshal Service to retain and hire sufficient personnel to fully reach authorized levels and ensure appropriate flight coverage.

TRANSPORTATION SECURITY ADMINISTRATION

The President's FY 2006 Budget includes $5.6 billion for the Transportation Security Administration (TSA), representing a net increase of $156 million over the current year level. The Department requests that the majority of TSA's FY 2006 budget—$ 4.1 billion, or nearly 75 percent—will be offset through the collection of passenger security and air carrier fees. Nearly 85 percent of TSA's request directly involves personnel and equipment costs for airport screening of passengers and baggage, with an additional 14 percent supporting aviation needs. Less than 1 percent of TSA's FY 2006 request is for surface transportation security efforts.

Passenger Fee Increase

Of significant note in the President's FY 2006 Budget request is a proposal to increase the aviation security fee placed on passenger tickets by $3.00, to a maximum of $8.00. The Administration estimates that this increase will provide TSA with an additional $1.6 billion in revenue, for a total of $3.8 billion. Additionally, $350 million is proposed in the budget to be paid to TSA by air carriers, which would bring total fee-funded revenue to $4.1 billion—or 91 percent of the cost of providing aviation security screening. I am concerned that an increase in the fee levied on air tickets will have significant detrimental effects on the aviation industry, potentially resulting in the end of operations for multiple air carriers. More fundamentally, I believe that the cost of providing for aviation security in the post 9/11 environment should be financed primarily by the Federal Government, as opposed to passing this cost on to consumers in the form of an additional "tax" on airline tickets. I do not believe the President's Budget proposal is acceptable, and maintain that additional Federal funds, most likely in the form of discretionary appropriations, should be devoted to TSA in lieu of the proposed passenger security fee increase.

Aviation Screeners

I am concerned that the current legislative mandate to limit TSA screeners to no more than 45,000 may be having a detrimental effect on aviation security, given the resulting staffing imbalances and shortfalls that exist at some of our nation's airports. I expect that TSA will soon complete its study of the number of screeners that are needed to fully implement security regulations at every airport, consistent with the Intelligence Reform and Terrorism Prevention Act of 2004 and the Congress should provide the appropriate level of resources needed to support the number of screeners determined necessary.

Private Aviation Screening

The President's FY 2006 Budget request continues funding for the five airports involved in the Private Screening Program (PP5) but does not include segregated funds for additional airports opting out of TSA screening under the Screening Partnership Program (SPP). I understand that TSA intends to fund screening costs for any SPP airports out of funds requested for TSA screener airports, and approves of this approach until more information is available on the number of SPP airports.

Explosives Detection System (EDS)/Explosives Trace Detection (ETD) Installation

The President's FY 2006 budget requests $367 million in discretionary appropriations, to be complemented by $250 million form the Aviation Security Capital Fund, for a total of $617 million for EDS/ETD purchase, installation, and maintenance at airports nationwide. This total is $33 million less than both the full amount made available to TSA for the current year, and the fully authorized amount for EDS installation as a result of the Intelligence Reform and Terrorism Prevention Act of 2004. Of the total amount, $241 million will be devoted to reimburse nine airports through eight Letters of Intent (LOI) for EDS/ETD equipment at a 75 percent reimbursement level for large airports. It should be noted that airports may require up to $4 billion to install in-line EDS technology to protect the traveling public, and that additional resources above the level requested by the President are urgently needed—in part to save money in the long run. Regarding the nine airports that are currently covered by LOIs, the Government Accountability Office has noted that, "According to TSA's analysis, in-line EDS systems would reduce by 78 percent the number of TSA baggage screeners and supervisors required to screen checked baggage at these nine airports, from 6,645 to 1,477."[5] For these reasons, I recommend funding for EDS installation to a level no lower than the fully authorized amount of $650 million.

Air Cargo Security

The President requests $40 million for air cargo security, representing no change from the current year level and $160 million less than the fully authorized amount in the Intelligence Reform and Terrorism Prevention Act of 2004. I feel that such funding levels need to be revisited, given persistent threats to aviation security. I believe that TSA should take steps to ensure that 100 percent of air cargo is inspected and that security verifications for all companies participating in the "known shipper" program are completed. Given that the proposed FY 2005 budget does not provide sufficient resources for either of these goals, I strongly recommend funding for air cargo security efforts at a level no lower than the fully authorized amount of $200 million.

UNITED STATES COAST GUARD

The President's FY 2005 Budget requests $966 million for the Integrated Deepwater program, a $242 million increase over the current year level. The Deepwater program is designed to replace the Coast Guard's antiquated fleet of cutters and aircraft. Many of these assets are reaching the end of their service life and, as a result, suffer major mechanical casualties. These casualties have hampered the Coast Guard's ability to perform its vital homeland security and law enforcement missions. The FY 2006 request will modestly accelerate completion of the program from approximately 22 to 20 years. However, I am concerned that completing the Deepwater program in 20 years is too long to wait in light of the Coast Guard's significant homeland security missions. I believe that the Deepwater program should be accelerated to be completed in 10 years, and that an additional $926 million to the Coast Guard's budget above the level of the President's request to achieve this objective. While this represents a large increase, such an acceleration would not only outfit the Coast Guard with a modern fleet of cutters and aircraft, but, as I understand it, would also results in $4 billion in savings over the life of the program.

SCIENCE AND TECHNOLOGY

The President's FY 2006 Budget requests $1.37 billion for the Science and Technology Directorate of DHS. I am pleased that the request reflects a consolidation throughout DHS of research and development activities within the Directorate and expects that this reprogramming will yield cost efficiencies and technology leveraging in the coming years.

MAN-PORTABLE AIR DEFENSE (MANPAD) SYSTEMS

The Minority notes the increase in the President's FY 2006 Budget request for the counter-MANPADs program to $110 million, an increase of $49 million. The Mi-

nority recognizes that the program is entering more costly development and testing stages, and—consistent with the program's current mandate to protect the American public against MANPAD systems—strongly urges the Department to provide to Congress an operational feasibility study for counter-MANPADs technology.

AVIATION SECURITY-RELATED RESEARCH & DEVELOPMENT

The Minority notes that the Intelligence Reform and Terrorism Prevention Act of 2004 authorizes $470 million for specific aviation security-related research and development (R&D) programs, to include: $100 million for air cargo research and development (R&D) work, $250 million for aviation portal monitors for the detection of biological, radiological, chemical, and explosive materials, $100 million for R&D efforts to support improved explosive detection systems, and $20 million to support the development of advanced biometric technology applications for aviation security. Unfortunately, however, the President's FY 2006 Budget only includes $52 million within DHS' Science and Technology Directorate to fund these critical efforts—$418 short of amounts included in the 9/11 bill. Consistent with congressional intent, I recommend an additional $418 million to fund aviation security-related R&D efforts.

BIOLOGICAL COUNTERMEASURES AND AGRICULTURAL DEFENSE

The FY 2006 budget for the Department includes $362 million for research, development, testing, and evaluation of several biological countermeasures, including: support for threat awareness and risk assessment of biothreats ($46 million); detection systems for aerosolized bioagents ($109 million); automated sample collection technologies ($82 million); and development of animal vaccines and next-generation diagnostics for foreign animal diseases ($87 million). The President's FY 2006 budget for the Department also includes $23 million to establish a new National Bio and Agrodefense Facility to strengthen detection and response capabilities to the intentional introduction of high consequence biological threats, such those targeted against animal livestock or the nation's food supply. Total funding for design and construction of the new Facility is estimated at $451 million for FY 2006–2010. While I applaud the Administration's recognition of the importance of detecting and preventing a bioterror attack, it notes that the total amount of funding requested for biological countermeasures is $35.4 million—or nearly 9 percent—below the FY 2005 enacted level. I will continue to exercise close oversight of the activities designed to boost capabilities to detect and respond to an attack using biological pathogens, including those pathogens used to attack crops or livestock, and recommends funding to a level no lower than the FY 2005 amount of $375 million.

INFORMATION ANALYSIS AND INFRASTRUCTURE PROTECTION

The FY 2006 President's Budget requests $873 million for the Department's Information Analysis and Infrastructure Protection (IAIP) Directorate, representing a $20.5 million, or 2 percent, decrease relative to the current year level. Funds are requested for IAIP Management and Administration, and Assessments and Evaluation.

ASSESSMENT & EVALUATIONS

The FY 2006 President's Budget requests $669 million for the Assessment and Evaluations account, representing a $92 million—or 12 percent—decrease relative to the current year level. The overall reduction is due, in part, to the transfer of $50 million for Buffer Zone Protection Plans as part of the Administration's Targeted Infrastructure Protection grant program within the Office of State and Local Government Coordination, and $41.5 million to the DHS S&T Directorate for critical infrastructure emerging technology pilot projects. I note that an additional $6 million is requested for the Department's cyber security activities above the current year level of $67 million, which will aid in greater computer security preparedness and response to cyber attacks and incidents. Additionally, I am pleased with the $11 million requested for IAIP's National Biosurveillance Integration System, designed to improve the Federal Government's capability to rapidly identify and characterize a potential bioterrorist attack through the integration of information from other Federal agencies, such as the Department of Agriculture and the Centers for Disease Control. Overall, however, I will continue to exercise close scrutiny over the resource levels of the assessment and evaluation efforts of IAIP given its critical functions, in part, to complete a comprehensive National Critical Infrastructure Plan, consistent with Homeland Security Presidential Directive 7, and the creation of an associated national asset database.

MANAGEMENT AND ADMINISTRATION

The President's FY 2006 Budget requests $204 million for the Management and Administration account of the Information Analysis and Infrastructure Protection (IAIP) Directorate, representing a $72 million, or 55 percent, increase over the FY 2005 level. Increases include $38 million for facilities enhancements to allow the IAIP workforce to function in a secure work environment (this is in addition to $26 million requested for enhancements to DHS' Homeland Security Operations Center); $19 million for the Homeland Security Data Network, and $11 million to hire 146 new information analysis, infrastructure vulnerability analysis, and cyber security operations. I want to emphasize the need for continued oversight in this important area of the DHS budget.

ENDNOTES

1. Council on Foreign Relations, Report of an Independent Task Force Sponsored by the Council on Foreign Relations, Emergency Responders: Drastically Underfunded, Dangerously Unprepared (New York: Council on Foreign Relations, June 2003), 2.
2. Public Safety Wireless Network, LMR Replacement Cost Study Report (Washington: Public Safety Wireless Network, June 1998), 5.
3. Council on Foreign Relations, Report of an Independent Task Force Sponsored by the Council on Foreign Relations, America Still Unprepared, America Still in Danger (New York: Council on Foreign Relations, 2002), 14.
4. Council on Foreign Relations, Report of an Independent Task Force Sponsored by the Council on Foreign Relations, Emergency Responders: Drastically Underfunded, Dangerously Unprepared (New York: Council on Foreign Relations, June 2003), 33.
5. Government Accountability Office, "Transportation Security: Systematic Planning Needed to Optimize Resources," GAO–05–357T, Tuesday, February 15, 2005, 9.

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

Mr. Chairman, thank you for the opportunity to submit my testimony to the House Budget Committee regarding the President's proposed FY 2006 budget.

Mr. Chairman, our country continues to face challenges in the industry and manufacturing fields. Jobs are being lost overseas and many of our skilled worker will be retiring in the coming years leaving a critical shortage of qualified domestic applicants who possess the skills to operate in a multifaceted, technologically integrated environment.

Illinois educators and businesses are concerned with the President's FY 06 budget for education, and the proposed cuts to Career and Technical Education (CTE) funded under the Carl Perkins Act. As the Committee is well aware, this essential program has been zeroed out. The approximately $1.3 billion program supports career and technical education for high school and community college programs that lead to employment in high tech and high demand occupations such as health care, computer-related, manufacturing and business. Nationally, only 23 percent of careers require a BA/BS or above according to United States Department of Labor (USDOL) data. Students in CTE programs are the "pipeline" for business, industry and labor's needed workers. The CTE Federal budget leverages state dollars by its matching requirements, so that Illinois will lose not only the Federal CTE funds, but the corollary state funds as well. Federal education budget funds for Career and Technical Education should be increased or at the very minimum retained at current levels.

Research shows that Career and Technical Education (CTE) complements other Federal education legislation, particularly the No Child Left Behind Act goals for high school graduation and increased academic achievement. In Illinois, 95 percent of CTE concentrators graduate. Additionally, CTE reduces dropouts, promotes higher attendance rates, and a recent Chicago Public School System study (Nov. 2004) shows that attendance rates, graduation rates and academic achievement in Chicago Public Schools increased in direct proportion to the number of CTE courses taken. National studies show 80 percent of CTE students complete the same number and type of science and math credits as their peers who take the academic program only. In math-enhanced CTE programs, students score as well or better in geometry and algebra 2; 60 percent of these go on to college (half of these in pre-baccalaureate technical programs).

Career and technical education represents a necessary and successful avenue for students to be prepared for the working world and find meaningful employment. In

Illinois, CTE program data shows that 60 percent of Illinois students took at least one CTE course and that 95 percent of students who complete two or more CTE courses graduate. Finally, 52 percent of CTE students enroll in college after high school. It should also be noted that 38 percent of community college enrollments are CTE students.

Eliminating career and technical education funding will gravely harm the ability of the United States to remain competitive in the global market and will seriously hinder the success of students unable to attend a traditional 4-year college or university.

I urge the Committee and the Congress to fully fund CTE programs and continue our commitment to all forms of education.

PREPARED STATEMENT OF HON. FRANK R. WOLF, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. Chairman, thank you for the opportunity to submit a statement as the House Budget Committee meets to consider the House Budget Resolution for fiscal year 2006.

I urge your support for pay parity between military and civilian employees. There is no reason for either Congress of the Administration to support adjusting military and civilian pay by different amounts. It is only equitable that both military and civilian employees receive the same pay increase this year recommended at 3.1 percent in the President's budget.

As a former Federal employee, I am keenly aware of the invaluable contributions Federal employees make to our country. As we make decisions on the budget resolution, I believe we must ensure that our Federal workforce is treated with fairness and respect.

The Pentagon stated in the proposed regulations for the new National Security Personnel System that "NSPS is essential to the department's efforts to create an environment in which the total force, uniformed personnel and civilians, think and operates as one cohesive unit." What kind of message does it send to those civilians if they receive disparate pay increases from their military colleagues?

A uniform pay increase is necessary to recruit and retain professional employees at a time when many Federal employees are eligible for retirement and new personnel systems are being implemented. The Federal Government is the nation's largest employer. We need to attract and retain the best and brightest for Federal service. What kind of message does it send to the Federal workforce about the jobs they do when we say fairness isn't a part of their pay plan?

Since 9/11 it has become ever more vital to have a thriving civil service. Now more than ever in our nation's history we must take action that reflects the contributions both our civilian and military employees are making—in the war on terrorism and as well as the daily operations of the Federal Government in providing the services upon which every American relies.

- Federal employees are on the front lines of the war against terror.
- The first American to die in Afghanistan was a CIA agent from my district.
- Federal employees died in the terrorist attacks of September 11.
- Federal employees are in Iraq helping the Iraqi people to build a free nation.
- Throughout the world, America's civil servants are serving our government and our people, often in dangerous locations.

How can we tell them we will not give them a fair and equitable pay raise that recognizes their hard work, dedication, and sacrifice?

Closer to home, Federal employees are performing duties that deserve recognition with a pay raise equal to that provided for the military.

What do we tell the Federal employees who are cancer researchers at NIH? My parents died of cancer. We all know of individuals and families struck by cancer and other illnesses.

Don't we want to be able to recruit and keep researchers at places like NIH to improve health care and save lives? Pay parity is essential to allow places like NIH to be able to bring on board renown experts to find cures and treatment for diseases which touch everyone.

What do we tell Federal employees who are FBI agents? When a child is kidnaped, FBI agents are there to help find the missing child and bring the kidnappers to justice.

What do we tell the Federal employees who work to answer questions about Social Security benefits for our nation's seniors?

What do we tell border patrol agents, DEA agents, Federal prison guards, U.S. embassy staff, nurses at veterans hospitals, space center engineers, and the list goes on?

We are asking Federal employees to take on more and more responsibility every day. They are on the ground in the war on terrorism overseas and at home.

Immigration officials are working to keep those who wish us harm out of our country. FBI agents are investigating terrorists' cells, and TSA agents are screening passengers and baggage at airports. They are all playing a vital role in keeping us safe and deserve to be treated with respect and fairness.

Providing a pay raise for Federal employees that is equal to a pay raise for military employees does not increase the budget. Agencies manage pay increases through their regular budgets.

Congress has traditionally provided pay parity for America's military and civilian Federal employees. We have a long tradition in the Congress of recognizing the valuable contributions of our Federal employees in both the military service and in the civil service by providing fair and equitable pay adjustments. This is not the time to shirk our duty to the civil service.

Mr. PORTMAN. Welcome, Mr. Petri.

I would like to turn to Mr. Spratt to see if he has any opening comments for this afternoon.

Mr. SPRATT. Mr. Chairman, we look forward to the testimony of all of our colleagues. And I might simply say the temperature in the room should not be interpreted to mean we are giving you a chilly reception.

Mr. PETRI. You are cutting the heating bill a little?

Mr. PORTMAN. Mr. Petri will give us some good input. To our colleague, the floor is yours for 10 minutes.

STATEMENT OF THE HON. THOMAS E. PETRI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. PETRI. Thank you very much. And I am testifying on behalf of the Transportation and Infrastructure Committee, and I know I speak for my chairman, Don Young. Thank you for extending him, me and the committee this courtesy.

Enactment of H.R. 3, the Transportation Equity Act (TEA): A Legacy For Users, continues to be our committee's highest legislative priority for the upcoming year. Recently the committee unanimously approved its Views and Estimates for the 2006 budget, including a recommendation that highway safety, motor carrier safety and transportation programs be funded at $46.6 billion for 2006. This is slightly higher than the administration's proposed funding level for 2006. But the committee's 6-year reauthorization proposal recently introduced as H.R. 3 is consistent with the administration's 6-year proposed funding level of $283.9 billion. The bill that is coming up next week we hope will be in line with the budget submission from the administration.

Although the administration's proposal is not sufficient to meet highway and transit investment needs as estimated by its own Department of Transportation, our committee considers the $283.9 billion level to be an adequate point at which to resume deliberations on the surface transportation reauthorization bill. So we have adopted this funding level for purposes of House passage of H.R. 3 and request that the budget resolution assume at least the H.R. 3 funding levels.

In addition, in order to preserve maximum flexibility in conference, we ask that a contingency procedure for surface transportation again be included in the budget resolution to allow spending to be increased to the extent such spending is offset by new receipts to the Highway Trust Fund. We remain committed to ensuring that the Highway Trust Fund revenues are adequate to meet

investment needs and are made fully available for their intended purposes. And toward that end, one of the Transportation Committee's highest priorities is the continuation of the firewalls and guaranteed funding levels that were established in TEA 21, including the transit general fund guarantee. We appreciate your continued cooperation on these key components of the reauthorization effort.

In addition to the surface transportation issues I have already discussed, I would like to highlight the committee's recommendations regarding aviation funding. This year the number of air travelers is expected to return to and surpass the record high levels that were experienced prior to 9/11. In 2000, we saw one in every four commercial flights delayed, canceled or diverted. Without improvements in the aviation system capacity, airline delays will quickly return to the levels experienced in 2000.

Under the President's budget, aviation capital programs would receive $5.45 billion, $1.2 billion less than the $6.65 billion levels guaranteed by the Vision 100—Century of Aviation Reauthorization Act. This proposed reduction is extremely shortsighted and will only serve to accelerate the impending crisis of congestion and delays in our Nation's aviation system.

To ensure that our aviation system remains safe, reliable, and efficient, we recommend that aviation capital programs be funded at least at the $6.65 billion level guaranteed by Vision 100. The $1.2 billion shortfall between the President's budget and the Vision 100 guaranteed level must be corrected in the budget year 2006 Transportation-Treasury-HUD appropriations bill, or the bill will be subject to the point of order that protects the Vision 100 authorization level. Therefore, for both substantive and procedural reasons, it is important that the budget resolution assume full funding of the aviation capital programs.

For more comprehensive information on the committee's recommendations, I refer you to the Views and Estimates adopted by the committee on February 16, 2005. These Views and Estimates demonstrate that we are significantly underfunding many of our transportation and infrastructure investments from surface transportation, aviation, to ports, inland waterways, clean water infrastructure, and public buildings. These needs exceed the revenues available.

Underinvestment in our Nation's transportation infrastructure needs is penny wise and pound foolish. Economic growth depends on a transportation system that moves people and goods efficiently. By allowing congestion to grow more and more each year, we are putting our economy, global competitiveness and our quality of life at risk.

While the costs may seem high, the costs of not meeting our Nation's transportation needs is greater still. So I urge your support for the Transportation and Infrastructure Committee's recommendations as you develop the 2006 budget resolution and ask unanimous consent that the full statement be included in the record of your proceedings.

[The prepared statement of Thomas E. Petri follows:]

PREPARED STATEMENT OF HON. THOMAS E. PETRI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Thank you Chairman Nussle and Ranking Member Spratt for allowing me to testify before you on behalf of the Transportation and Infrastructure Committee.

Enactment of H.R. 3, the "transportation equity act: a legacy for users," continues to be the committee's highest legislative priority for the upcoming year.

Chairman Young and I appreciate your assistance during last year's surface transportation reauthorization process, and look forward to continuing to work cooperatively with you as this process moves forward again this year.

Recently, the Transportation and Infrastructure Committee unanimously approved its views and estimates for the 2006 budget, including a recommendation that highway, highway safety, motor carrier safety and transit programs be funded at $46.6 billion in 2006.

While this is slightly higher than the administration's proposed funding level for 2006, the committee's 6-year reauthorization proposal—recently introduced as H.R. 3—is consistent with the administration's 6-year proposed funding level of $283.9 billion.

Although the administration's proposal is not sufficient to meet highway and transit investment needs as estimated by the department of transportation, the committee considers the $283.9 billion level to be an adequate point at which to resume deliberations on the surface transportation reauthorization bill. Therefore, we have adopted this funding level for purposes of house passage of H.R. 3, and request that the budget resolution assume at least the H.R. 3 funding levels. In addition, in order to preserve maximum flexibility in conference, we ask that a contingency procedure for surface transportation again be included in the budget resolution to allow spending to be increased to the extent such spending is offset by new receipts to the highway trust fund.

We remain committed to ensuring that highway trust fund revenues are both adequate to meet highway and transit investment needs, and made fully available for their intended purposes. Toward that end, one of the transportation committee's highest priorities is the continuation of the firewalls and guaranteed funding levels that were established in TEA 21, including the transit general fund guarantee. We appreciate your continued cooperation on these key components of the reauthorization effort.

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

This year, the number of air travelers is expected to return to and surpass the record-high levels that were experienced in 2000, when one in every four commercial flights was delayed, cancelled, or diverted. Without improvements in aviation system capacity, airline delays will quickly return to the levels experienced in 2000.

Under the president's budget, aviation capital programs would receive $5.45 billion, $1.2 billion or 18 percent less than the $6.65 billion level guaranteed by the vision 100—century of aviation reauthorization act.

This proposed reduction is extremely shortsighted and will only serve to accelerate the impending crisis of congestion and delays in our nation's aviation system. To ensure that our aviation system remains safe, reliable, efficient, and able to accommodate the increased number of passengers anticipated in the near future, the committee recommends that aviation capital programs be funded at least at the $6.65 billion level guaranteed by vision 100.

The aviation funding guarantees are enforced through points of order, most notably the "capital priority" point of order. This point of order was intended to ensure that aviation capital needs are not shortchanged in a budget process that tends to defer needed long-term investments while focusing on meeting more immediate needs.

The $1.2 billion shortfall between the President's budget and the vision 100 guaranteed level must be corrected in the FY 2006 Transportation-Treasury-HUD appropriations bill or the entire bill will be subject to this point of order in both the House and the Senate. Therefore, for both substantive and procedural reasons, it is important that the budget resolution assume full funding of the aviation capital programs.

I would also like to draw your attention to several other transportation-related proposals in the President's budget that we believe are either politically unsustainable or unwise. If these proposals are assumed in the budget resolution, they will create a major shortfall in the Appropriations Committee's 302(a) allocation.

For example, a $1.9 billion shortfall will be created if the budget resolution assumes enactment of the administration's proposed increase in the aviation security fee. For reasons detailed in the views and estimates we submitted to you last week,

we believe this fee increase places an unfair burden on air travelers. In addition, we believe it has little chance of enactment at this time, as U.S. Airlines enter their fifth consecutive year of multi-billion dollar losses.

Just as unrealistic is the administration's proposal to zero out Amtrak. Although Amtrak is a perennial favorite of budget cutters, its funding has been consistently restored during the appropriations process. This proposal has little chance of enactment. If the budget resolution assumes liquidation of Amtrak, but Amtrak funds are subsequently restored during the appropriations process, other important programs will have to be cut significantly in order to make up the difference.

In addition, the President's budget proposes to cut funding for the clean water state revolving fund and the army corps of engineers. While these proposals would produce smaller funding shortfalls, they are still of significant concern to the transportation and infrastructure committee.

For more comprehensive information on the committee's recommendations, I refer you to the views and estimates adopted by the committee on February 16, 2005. These views and estimates demonstrate that we are significantly under-funding many of our transportation and infrastructure investments, from surface transportation and aviation to ports, inland waterways, clean water infrastructure, and public buildings.

Under-investment in our nation's transportation and infrastructure needs is penny-wise and pound-foolish. Economic growth depends on a transportation system that moves people and goods efficiently. By allowing congestion to grow more and more each year, we are putting our economy, global competitiveness, and quality of life at risk.

While the cost of meeting our nation's transportation and infrastructure investment needs may seem high, the cost of not meeting them is greater still. I urge your support for the Transportation and Infrastructure Committee's recommendations as you develop the 2006 budget resolution.

Mr. PORTMAN. I thank our colleague from the Transportation Committee, and I appreciate your testimony today and commend you for the fact that you are patient and persistent in coming back again with a highway bill that we will be able to take up shortly in the House.

You indicated that the number will likely be the $283.9 billion that the President had indicated was acceptable. Is that still your understanding, first of all, that that would be your number, and, second, that the administration would be amenable to that number?

Mr. PETRI. Yes.

Mr. PORTMAN. We appreciate the input on the aviation capital programs. Are you going to make changes in the trust fund in the process of this transportation bill?

Mr. PETRI. No.

Mr. PORTMAN. Again, thank you for testifying today before us and giving us your input. We look forward to having your full statement in the record.

Mr. Spratt, any questions?

Mr. SPRATT. Mr. Petri, I don't have the information at my disposal. It is my recollection that the President requested a fairly substantial increase in fees to be applied to the Transportation Security Administration,

Mr. PETRI. I believe that is right. That is obviously in another committee's jurisdiction.

Mr. SPRATT. OK. Homeland Security?

Mr. PETRI. Yes.

Mr. SPRATT. Do you have any opinion, since aviation does fall within your purview, do you have the opinion of what the impact of those fees might be upon the commercial aviation industry?

Mr. PETRI. We know there are bankruptcies there. There are significant tension issues. They have experienced significant increases in ticket fees and other charges in the past few years to fund at least security problems. So the impact cannot be good.

Mr. SPRATT. Thank you very much.

Mr. PORTMAN. Mr. Conaway.

Mr. CONAWAY. No questions.

Mr. PORTMAN. Thank you, Chairman Petri. We appreciate your testimony.

And our next witness is Mr. Gibbons. Are you prepared?

Mr. GIBBONS. I am indeed.

Mr. PORTMAN. Move in the middle if you like. I know you had initially thought you might be joined by Mr. Bishop and Ms. McMorris. I assume they are not going to be joining you at the outset?

Mr. GIBBONS. Mr. Otter is here as well.

Mr. PORTMAN. Do you want to join us at the table, Mr. Otter?

And, Mr. Gibbons, we appreciate your testimony, and you have 10 minutes.

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

Mr. GIBBONS. Thank you, Mr. Chairman, and I will make my comments fit within the time allotted there and would ask that my full statement be admitted into the record.

Mr. PORTMAN. Without objection.

Mr. GIBBONS. Mr. Chairman, I first want to thank you and the members of this committee for inviting us to testify today about issues that directly affect many Western States, but, most importantly, my home State of Nevada. And I understand the challenges that you face in crafting the 2006 budget resolution, and I am grateful that you have given us an opportunity to be involved in that process.

First and foremost, let me speak on a matter of direct importance to the State of Nevada. The President's budget proposal to redirect revenue from Southern Nevada Public Lands Management Act to the Federal Treasury is the issue at hand here. I stand united with the entire Nevada delegation in opposition to this proposal.

Revenues from the land sales in Nevada should stay in Nevada, just as the Southern Nevada Public Lands Management Act (SNPLMA) mandates and Congress intended when the act was passed. The funding Nevada receives under the Southern Nevada Public Lands Management Act is critically needed to support Nevada's general education fund, conservation efforts, habitat protection, and Lake Tahoe restoration. This revenue helps address the challenges facing Nevada due to the development that SNPLMA, the acronym we use, has allowed, such as the many new schools that must be built and the protection of sensitive lands near those new communities. This funding is even more critical when you consider that over 91 percent of the State of Nevada is owned and managed by the Federal Government and, therefore, removed from any property tax rolls.

Additionally, Nevada faces Federal tax share burdens which are unfairly high. For every dollar in Nevada taxes that goes to Wash-

ington, DC, Nevada receives only 70 cents back to our communities. The administration's proposal to divert the revenue from SNPLMA to the Federal Treasury means Nevada would be sending more money to Washington, DC. And getting even less back. This de facto tax adds insult to injury by robbing Peter to pay Paul with money generated by Nevadans in Nevada for Nevada. Therefore, I respectfully request that the Southern Nevada Public Lands Management Act funds remain in Nevada where they belong.

I must also express my strong opposition to the President's proposed funding levels for the Yucca Mountain nuclear waste repository. I would be remiss not to address that issue. And I realize that the United States needs to find a solution to the nuclear waste problem, and I am committed to that goal; however, Yucca Mountain is not the answer.

Every week that goes by, and with every dollar spent in an attempt to make Yucca Mountain feasible, additional flaws that would render the project unsuitable for licensing are exposed. Scientific, public safety, health, and environmental concerns surrounding the proposed waste repository are well documented. The future of nuclear power should not rely on a hole in the ground in the Nevada desert. Rather it should rely on sound science and new, innovative technologies. For the good of our entire Nation, the Budget Committee must reject the unnecessary and wasteful $651 million budgeted for Yucca Mountain, and under no circumstances should the funding for the project be taken off budget or removed from the tight fiscal control of Congress.

On a different topic, as Westerners, we have a very unique relationship with the Federal Government. In Nevada, the Federal Government owns about 65 million acres of land, which, as I mentioned, equates to over 91 percent of the State. Contrast that with the Chairman's home State of Iowa where close to 300,000 acres are owned by the Federal Government, equa less than 1 percent of Iowa's total land mass.

More often than not in the West, the Federal Government isn't just our neighbor, it is the entire neighborhood. With such a large Federal presence comes significant challenges, especially in our rural communities. The Payment in Lieu of Taxes Program (PILT) helps to compensate for the inability of our rural communities to generate tax revenues for schools and local infrastructure because of Federal land ownership. Since Nevada cannot raise revenue from over 91 percent of our State, PILT funding is vital, yet the program has never been adequately funded.

The President's proposal to decrease PILT funding by $26 million will only exacerbate the current funding discrepancy, and the burden to our rural communities grows even greater. I find this disheartening and would encourage you to include full funding of PILT in your fiscal 2006 budget report.

Another discouraging aspect of the proposed budget is $154 million earmark for land acquisition. In an era where we have to dedicate more resources to battling the war on terror, it is irresponsible, I believe, for the Federal Government to spend more money on further land acquisition. Land management agencies do not have enough money to manage the land they currently have. Additional land acquisition places a greater burden on the Federal

agencies charged with management of these lands as well as the communities that lose that tax base. Land management agencies should focus on getting their Federal house in order prior to expanding their reach. If, as a Congress, we can get Federal land acquisition under control and fully fund Payment in Lieu of Taxes, we will make sincere progress in preventing a decrease in the quality of life in our rural communities.

Mr. Chairman, I hope during the next few weeks you can examine these important issues that negatively affect many people in the Western United States. And I want to thank you again for this opportunity to share my views, and I would yield back the balance of my time.

Mr. PORTMAN. Thank you, Chairman Gibbons, and we appreciate your bringing these issues to our attention.

[The prepared statement of Jim Gibbons follows:]

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

Mr. Chairman, I would like to first thank you and the members of this committee for inviting me to testify today about issues that directly impact my home state of Nevada. I understand the challenges that you face in crafting the 2006 Budget resolution, and I am grateful that you have given us the opportunity to be involved in that process.

First and foremost, let me speak on a matter of direct importance to the state of Nevada. The President's Budget proposed to redirect revenue from the Southern Nevada Public Lands Management Act (SNPLMA) to the Federal treasury. I stand united with the entire Nevada delegation in opposition to this proposal.

Revenues from land sales in Nevada should stay in Nevada, just as SNPLMA mandates and as Congress intended. The funding Nevada receives under SNPLMA is critically needed to support Nevada's general education fund, conservation efforts, habitat protection, and Lake Tahoe restoration. This revenue helps to address the challenges facing Nevada due to the development SNPLMA has allowed-such as the many new schools that must be built and the protection of sensitive lands near new communities. This funding is even more critical when you consider that over 91 percent of the state of Nevada is owned by the Federal Government and thereby removed from any property tax rolls.

Additionally, Nevada's Federal tax share burden is unfairly high. For every dollar in Nevada taxes that goes to Washington, DC, only 70 cents goes back to our communities. The administration's proposal to divert revenue from SNPLMA to the Federal treasury means Nevada would be sending more money to Washington, DC and getting even less back. This defacto tax adds insult to injury by robbing Peter to pay Paul with money generated by Nevadans, in Nevada, for Nevada. Therefore, I respectfully request that SNPLMA funds remain in Nevada where they belong.

I must also express my strong opposition to the President's proposed funding levels for the Yucca Mountain nuclear waste repository site. I realize that the United States needs to find a solution to the nuclear waste problem * * * and I am committed to that goal. However, Yucca Mountain is not the answer.

With every week that goes by and with every dollar spent in an attempt to make Yucca mountain feasible, additional flaws that should render the project unsuitable for licensing are exposed. The scientific, public safety, health, and environmental concerns surrounding the proposed waste repository are well-documented. The future of nuclear power should not rely on a hole in the ground in the Nevada desert; rather it should rely on sound science and new, innovative technologies. For the good of our entire nation, the Budget Committee must reject the unnecessary and wasteful $651 million budgeted for Yucca Mountain. And under no circumstances should the funding for the Yucca Mountain Project be taken off-budget or removed from the tight fiscal control of Congress.

On a different topic, as westerners, we have a very unique relationship with the Federal Government. In Nevada, the Federal Government owns about 65 million acres of land, which as I mentioned earlier, equates to over 91 percent of the state. Contrast that with the Chairman's home state of Iowa, where close to 300,000 acres are owned by the Federal Government—equaling less than 1 percent of Iowa's total land mass.

More often than not, in the west, the Federal Government isn't just our neighbor, it's the entire neighborhood. With such a large Federal presence comes significant challenges, especially in our rural communities. The PILT (Payment in Lieu of Taxes) program helps to compensate for the inability of our rural communities to generate tax revenue for schools and local infrastructure because of Federal land ownership. Since Nevada cannot raise revenue from over 91 percent of our state, PILT funding is vital * * * yet, the program has never been adequately funded.

The President's proposal to decrease PILT funding by $26 million will only exacerbate the current funding discrepancy and burden our rural communities even more. I find this disheartening and would encourage you to include full funding of PILT in your FY'06 budget report.

Another discouraging aspect of the proposed Budget is the $154 million earmark for land acquisitions. In an era where we have to dedicate more resources to battling the War on Terror, it is irresponsible for the Federal Government to spend more money on further land acquisition. Land management agencies do not have enough money to manage the land they currently have. Additional land acquisition places a greater burden on the Federal agencies charged with management of these lands as well as the communities that lose that tax base. Land management agencies should focus on getting the Federal house in order, prior to expanding their reach. If as a Congress we can get Federal land acquisition under control and fully fund PILT, we will make sincere progress in preserving the quality of life in our rural communities.

Mr. Chairman, I hope that during the next few weeks that you carefully examine these important issues that negatively impact many western states. Again, thank you for this opportunity to share my views.

Mr. PORTMAN. You mentioned that Iowa had only 300,000 acres. Ohio is probably similar.

Mr. GIBBONS. It should be, I guess.

Mr. PORTMAN. But probably a similar percentage, and these are not issues many of us who are not in Western States deal with everyday.

We appreciate the input on the Southern Nevada Public Lands Management Act, but also on Yucca Mountain and the PILT issue, which is one that most districts probably deal with in one way or another, and then the issue of future land acquisition.

I would like to request at this point before we turn it over to Mr. Spratt that Mr. Otter and Mr. Cannon have a chance to make comments within the time frame. You were going to share these 10 minutes. We have 3 minutes and 17 seconds remaining. You and Mr. Otter have 10 minutes separately. So if you would like to—Mr. Gibbons indicated you with were him on this testimony, but do you have different issues?

Mr. OTTER. No. I will use those 3 minutes that he didn't and plus my own 10.

Mr. PORTMAN. Why don't we do this. Let us turn it over to Mr. Spratt and Mr. Conaway and see if they have questions for Mr. Gibbons to allow him to leave, and then we will turn next to Mr. Cannon and Mr. Otter, assuming this is on the same general topic. And then we are going to go to Ms. Berkley and Mr. LoBiondo.

Mr. Spratt, any questions?

Mr. SPRATT. Mr. Gibbons, just two questions. First of all, I listened carefully, but do you have anything to say about the change in pricing by the Power Marketing Administration? Does that affect Nevada?

Mr. GIBBONS. I did not change that, but I will be happy to look into that to see if there is an impact on the people of the State of the Nevada, especially the rural communities that are affected. But power marketing was not part of my comment.

Mr. SPRATT. Secondly, what would you support in the way of funding for Yucca Mountain?

Mr. GIBBONS. Zero.

Mr. SPRATT. That is a succinct answer. Thank you, sir.

Mr. PORTMAN. Mr. Conaway.

Mr. CONAWAY. Mr. Gibbons, in Texas we have very little Federal lands, but we have school lands that support the educational process. You mentioned that the money from the land sales supports education in Nevada. Can you give me a sense of the percentage of that money?

Mr. GIBBONS. Out of the Southern Nevada Public Lands Management Act, 5 percent goes to the Permanent Education Trust Fund in the State of Nevada; 10 percent goes for the Southern Nevada Water Authority; and the balance, 85 percent, is given to the Department of Interior budget to do with as they speak. And we are talking about $1.6 billion from the sale of land in the most recent years.

Mr. CONAWAY. This is the State department of interior or U.S.?

Mr. GIBBONS. U.S.

Mr. CONAWAY. I don't have any other questions.

Mr. PORTMAN. Mr. McHenry.

Mr. MCHENRY. No.

Mr. PORTMAN. Do you all have any comments you would like to make? You have 1 minute and 14 seconds remaining.

STATEMENT OF THE HON. CATHY MCMORRIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Miss MCMORRIS. Thank you, Mr. Chairman.

I am Cathy McMorris from Washington State and really appreciate the time to share with you one concern. But first of all, I am very supportive of the effort to cut the deficit in half, and I appreciate we are going to have to be making some very difficult decisions, but like everyone else who is here, I have one issue that is especially concerning to Washington State and the Pacific Northwest, and it is related to what would amount to be significant rate increases for the Bonneville Power Administration (BPA), and this is on top of the fact that we had an energy crisis in early 2001.

We have lost a lot of jobs related to that impact. It amounted to a 36 percent increase in retail electric rates, increases during that time period, 1999 to 2002. And this would basically mean that we would be facing similar rate increases moving forward. During that time period, we lost 72,000 jobs. We saw unemployment go up from 5 to 7 percent. We lost 10 aluminum smelters, and there are only 3 more that are partially operating today. And I am very concerned that if we faced more electric rate increases, that we would lose those aluminum smelters. Without a doubt, it would have significant impacts on our economy, and I also believe it would have significant impacts on our tax revenues.

Another piece of this proposal is counting Bonneville's third-party debt cap. The administration in its proposal is raising the debt cap by $200 million, and there is a lot of uncertainty as to what the impact of that would be, and the fact that it would also impact BPA's ability to expand the transmission system, mitigate

for fish and wildlife, and acquire cost-effective conservation and renewable resources.

I recognize that we have some difficult decisions. I believe this part of the proposal would actually cost jobs and stifle economic growth, and I ask for your consideration in removing this part from the budget. Thank you.

[The information referred to follows:]

PREPARED STATEMENT OF HON. CATHY MCMORRIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Thank you for the opportunity to come before you.

I am here today to talk about the Administration's proposal to increase power rates in the Pacific Northwest.

The Pacific Northwest was hard hit by the Western electricity crisis of 2001, the economic recession and the technology slump.

I would like to take a moment to give some examples of what this increase will mean to the region should it be implemented.

The increase in retail electricity rates in the region between 1999 and 2002 was 36 percent—the same order of magnitude as the expected impacts of the market-pricing proposal.

The region has been dramatically affected by the rising cost of energy. For example:

Between 2000 and 2003, the region lost 72,000 jobs.

Unemployment rates increased from 5 percent to more than 7 percent. In both 2002 and 2003, Oregon and Washington had the highest unemployment rates in the nation with the exception of Alaska.

The region's ten aluminum smelters shut down. Only three aluminum plants are partially operating today. Price increases caused by the Administration's proposal would certainly push even those plants over the edge, and a regional industry that recently provided half of the U.S. aluminum production and one-tenth of the world production would be gone.

Here is a summary of the effects of the increased Bonneville market rates:

CHANGE IN REGIONAL ELECTRICITY COSTS

- $1.4 billion increase in cost of power from Bonneville
- $300 million increase in cost of power to residential and small farm IOU customers
- $1.7 billion total increase (spread over 3 years)

EFFECT ON REGIONAL ECONOMY

- $1.3 billion dollar decrease in personal income
- 13,000 decrease in regional jobs
- Additional effects on aluminum and other energy intensive industry
- Decreased income and jobs in other regions

EFFECT ON TAX REVENUES

- $217 million dollar decrease in Federal personal income tax revenues
- Additional loss in Federal revenues corporate profits taxes
- $59 million dollar decrease in state personal tax revenues
- Additional loss in state revenues from corporate taxes

Another important component of the Administration's proposal is counting Bonneville's third party debt toward the cap on its borrowing authority. BPA's borrowing authority is raised by $200 million in the proposal, but the effects of the redefinition of debt are unclear. If BPA's ability to borrow is severely constrained, it will affect its ability to carry out much needed maintenance and expansion of the transmission system as well as fulfill its statutory responsibilities to mitigate for fish and wildlife impacts and acquire cost effective conservation and renewable resources.

I hope my testimony today demonstrates the negative effect this will have on the Pacific Northwest. I urge you to consider these examples. This proposal will cost jobs, cost consumers and stifle economic growth. Our region's economy was built on inexpensive hydro power from our dams and rivers. It is unfair to increase our region's power rates. We need to preserve the natural resources that sustain the economies of the Pacific Northwest.

Again, I thank the Chairman.

Mr. PORTMAN. Thank you for your testimony. Mr. Spratt.

Mr. SPRATT. I have none.

Mr. PORTMAN. The Power Marketing Association issue is one which will be looked at in the individual committees of jurisdiction, and we appreciate your input today.

Mr. Conaway.

Mr. CONAWAY. With respect to the power problems, California chose to not build capacity to generate. Can you shed us Washington State's attitude toward additional power generation capacity for electricity during that time frame? Are you buying power from other places?

Miss MCMORRIS. We have—the biggest challenges that are facing Washington State relates to transmission and getting the power after it is generated. We have had challenges in Washington State in actually generating new power, too.

At the State level we have been trying to work through some of the permitting issues, especially those that have caused us some difficulty, but the biggest challenge is relating to transmission issues, and this proposal would make it even more difficult because BPA oversees the power transmission system.

Mr. CONAWAY. There is some sense of recognition that additional generating capacity within the State would help?

Miss MCMORRIS. Absolutely. And I would remind you that Washington State has many hydroelectric dams. They are—it has been the source of very low power rates in the past, and we have worked very hard to protect those dams and make sure we are generating electricity and adding to the system.

Mr. PORTMAN. Thank you, Ms. McMorris.

Gentlemen, ladies, I am going to make a revision in our timing here, and I won't make Mr. Otter and Mr. Cannon very happy, but I am informed that Mr. LoBiondo was the next Member in line by the staff. He has a plane to catch. And then Ms. Berkley was next.

I was told by Mr. Gibbons that you all were together, so I mistakenly thought you were going to testify with him. If you two gentlemen would not mind being patient, we will let these other Members—so if it is with the indulgence of the committee, I would like to go in order of attendance here, and that is Mr. LoBiondo, then Ms. Berkley, Mr. Cannon and Mr. Otter together, and then Mr. Bishop. I know, Mr. Bishop, you were to be part of the earlier group. If you would like to testify at the end of the line, we would welcome your testimony. But we will go to Mr. LoBiondo for 10 minutes.

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

Mr. LOBIONDO. Mr. Chairman, thanks very much for your consideration. I deeply appreciate it. I appreciate the opportunity to testify today on the 2006 budget. I certainly support the effort to reduce the deficit and move back to a balanced budget; however, I think we must do so in a very responsible way that fairly balances our priorities and provides for improved homeland and economic security for our country.

As the committee is aware, the President has requested an 8 percent increase in the overall Coast Guard budget. I chair the Coast Guard and Maritime Subcommittee, and I just came from a hearing where we were reviewing the Service's budget request, and I can tell you that every penny of this modest increase is desperately needed. The Service continues to be tasked with doing more and more homeland security and homeland security responsibilities while struggling to maintain what are considered very traditional missions that have great significance to our Nation, and as their operation tempo continues to increase, and because of past increases, their aging assets are rapidly failing. Our Dolphin helicopter engines are literally failing in flight, and an alarming percentage of the cutter fleet are suffering from broken propulsion systems and breached hulls, a very serious condition which not only has resulted in fiscal year 2004 of 742 patrol days that were lost because of these asset failures, but, maybe more importantly, they are putting the lives of our Coast Guard men and women at serious risk.

Fortunately, the Deepwater program is working to replace the Service's aging fleet of ships and aircraft with more flexible assets able to meet the multimission challenges of today. Unfortunately, funding for the program has been insufficient to keep up with the original 20-year procurement schedule. We have slipped significantly, and Deepwater needs to be accelerated. Doing so would ensure that the Coast Guard is able to respond to terrorist threats and to maintain a high level of readiness to fulfill its other vital missions. And as a recently released congressional report found, acceleration will result in approximately $4 billion in overall savings to the taxpayer. It is a win-win situation.

The Coast Guard has provided my subcommittee with $920 million in unfunded fiscal year 2006 priorities. Deepwater accounts for $700 million of that. I respectfully request the committee make every effort to at least—to accommodate the administration's request for the Coast Guard, but urge the committee to do more for the sake of our homeland security efforts.

In addition to homeland security and other national priorities is improving economic opportunity. A program now under way is helping to accomplish this goal in my district and across the country. As you know, empowerment zone initiatives provide Federal assistance to support the comprehensive revitalization of designated communities across the Nation.

In my district in Cumberland County, NJ, empowerment zone is a collaborative revitalization effort among the communities of Bridgeton, Millville, Vineland, and Port Norris. Cumberland has committed nearly 100 percent of the $25 million that has been made available by Housing and Urban Development so far. Over 360 jobs have been created to date, with an additional 1,400 that we are just on the edge of being able to lock in on over the next 12 to 18 months if the Federal funding source continues. Over 166 housing units have been renovated and rehabilitated, and there has been construction for areas in EZ neighborhoods. A $4 million loan pool has been made available to be reinvested back into targeted communities. And one of the most telling features of this program and the positive partnership it is is that these projects are

leveraged by a total of about $340 million in private, public and tax-exempt bond funding. Put plainly, this Cumberland EZ zone has leveraged nearly $12 in private investment for every $1 in public funding, yielding great results. I think this is a return that the Federal Government would love to see in a number of different areas.

The administration proposes to consolidate empowerment zone programs in 17 other economic development programs into the Strengthening America's Communities Initiative. While Congress has not seen the details of this proposal, I am very concerned that the initiative may not be effective as the empowerment zone program, and the success we have met in Cumberland County and other areas will be lost, and we will slide back. So until Congress has an opportunity to better review and consider the administration's proposal, I urge the committee to continue to accommodate full funding for empowerment zone.

Economic security is also dependent on providing our youth with the skills they will need to be successful as they move into the workforce. That is why I am very concerned the budget proposes to eliminate Federal funding for vocational education. The Perkins program is the only federally funded program for students who pursue vocational and technical education at the secondary and community college level. These institutions strive to prepare students for employment in the higher-paying skilled jobs of the future. The elimination of this funding would cost New Jersey nearly $30 million in direct career and technical assistance. Without these funds, vocational and technical schools in my State would not be able to effectively continue the professional development of their teaching core and support staff. And in my part of the State, which is a third of the State geographically, it is the rural part of the State, we lag behind a lot of other indicators in north Jersey, and because of infrastructure concerns and a lot of other components, we have an unemployment rate that is nearly double the rest of the State. We don't have the high-tech jobs that come into my part of the district, so vocational education takes on an added responsibility for kids who wouldn't have an opportunity otherwise.

I was very pleased to see the administration's budget include a request to increase the military death benefit from $12,000 to $100,000, but I would like to see this program expanded. Limiting the payout to only those killed on active duty is arbitrary and wrong. The proposal should cover all of our brave servicemembers who have made the ultimate sacrifice to defend our freedom, be it on the battlefield or in training. In my district we have lost five heroes in this war on terrorism, and there is never enough money to honor the sacrifice of these brave men and women and of their families.

I recognize we have significant budget restraints this year, but I strongly believe we must find the necessary resources to secure America's homeland and our economic future. I thank you for this opportunity to present my views.

[The prepared statement of Frank A. LoBiondo follows:]

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

Mr. Chairman, thank you for the opportunity to testify on my priorities for the Fiscal Year 2006 Budget Resolution. I support the effort to reduce the deficit and move back to a balanced budget. However, we must do so in a responsible way that fairly balances our priorities and provides for improved homeland and economic security for our country.

As the Committee is well aware, the President requested an 8 percent increase in the overall Coast Guard Budget. I just came from chairing a Coast Guard and Maritime Transportation Subcommittee hearing on the service's budget request and I can tell you that every penny of this modest increase is desperately needed. The service continues to be tasked with more and more homeland security responsibilities, while struggling to maintain their commitment to their traditional missions. And as their operations tempo increases, their aging assets are rapidly failing. Dolphin helicopter engines are literally failing in flight and an alarming percentage of the cutter fleet is suffering from broken propulsion systems and breached hulls. In fiscal year 2004, 742 patrol days were lost because of asset failures.

Fortunately, the Deepwater program is working to replace the service's aging fleet of ships and aircraft with more flexible assets able to meet the multimission challenges of today. Unfortunately, funding for the program has been insufficient to keep it to its original 20 year procurement schedule. Deepwater needs to be accelerated. Doing so would ensure the Coast Guard is able to respond to terrorist threats and maintain a high level of readiness to fulfill its other vital missions. And as a recently released Congressionally mandated report found, acceleration will result in approximately $4 billion in overall savings to the taxpayer.

The Coast Guard has provided my subcommittee with $920 million in unfunded fiscal year 2006 priorities. Deepwater accounts for $700 million of that. I respectfully request the Committee make every effort to at the very least accommodate the Administration's request for the Coast Guard, but I urge the Committee to do more.

In addition to homeland security, another national priority is improving economic opportunity. A program now underway is helping to accomplish this goal in my district and across the country. As you know, the Empowerment Zone initiative provides Federal assistance to support the comprehensive revitalization of designated communities across the country. It is a 10 year program that targets Federal grants to distressed communities for social services and community redevelopment and provides tax and regulatory relief to attract and retain businesses.

In my District, the Cumberland County Empowerment Zone is a collaborative revitalization effort among the communities of Bridgeton, Millville, Vineland and Port Norris. Cumberland has committed nearly 100 percent of the $25 million that has been made available by HUD so far. Over 360 jobs have been created to date with an additional 1,400 anticipated over the next 18 months, if the Federal funding source continues. Over 166 housing units have been renovated, rehabilitated, constructed or purchased in EZ neighborhoods and a $4 million loan pool is available to be reinvested back into the targeted communities. Cumberland County has funded over 120 initiatives through the EZ program. These projects are estimated to leverage a total of over $238 million in private, public and tax exempt bond financing. Put plainly, the Cumberland EZ has leveraged nearly $12 in private investment for every one dollar of public funding, a remarkable achievement that demonstrates the success and promise of the Zone. The future success, viability and sustainability of the Empowerment Zone and more importantly, our communities, hinge on the ability to continue to attract and leverage private investment. It is imperative the existing Round II Empowerment Zones receive multi-year funding to facilitate the implementation of the long term strategy plan as required by each Zone.

The administration proposes to consolidate the Empowerment Zone program and 17 other economic development programs into the Strengthening Americas Communities Initiative. While Congress has not yet seen the details of the proposal, I am concerned the initiative may not be as effective as the Empowerment Zone program and the success we have met with in Cumberland County could be lost. Until Congress has an opportunity to better review and consider the Administration's proposal, I urge the committee to continue to accommodate full funding for the Empowerment Zone program.

Economic security is also dependent of providing our youth with the skills they will need to be successful as they move into the workforce. That is why I am very concerned the budget proposes to eliminate Federal funding for vocational education. The Perkins program is the only federally funded program for students who pursue vocational and technical education at the secondary and community college level. These institutions strive to prepare students for employment in the higher

paying skilled jobs of the future. The elimination of this funding would cost New Jersey nearly $28 million in direct career and technical assistance. Without these funds, vocational and technical schools in my state would not be able to replace equipment needed to keep up with technology and workplace changes. They would not be able to implement programs to meet the challenges of this century, nor would they be able to effectively continue the professional development of their teaching corps and support staff. All of this translates into reduced opportunities for students as they move into the workforce. I urge the Committee to support funding for this program.

The Administration's budget proposes to slow the growth of Medicaid costs by $60 billion over the next 10 years. While I understand the need, especially now, to look carefully at all programs to ensure that they are being run cost effectively, I fear that cuts of this magnitude could adversely effect needed health care services for some of our most vulnerable citizens. We must remember that nearly 52 million children, poor, disabled and elderly individuals rely on Medicaid for their healthcare needs. Medicaid should be closely examined and policies developed to reform the program so it can be sustained over the long run.

I was very pleased to see the Administration's budget includes a request to increase the military death benefit from $12,000 to $100,000, but I would like to see the proposal expanded. Limiting the payout to only those killed on active duty is arbitrary and wrong. The proposal should cover all of our brave servicemembers who made the ultimate sacrifice to defend our freedom, be it on the battlefield or in training. New Jersey's Second District has lost five of it's sons in Operation Enduring Freedom and Operation Iraqi Freedom. No amount of money would is ever enough to honor the sacrifice of these and the rest of our servicemembers , but this proposal is a step in the right direction. I urge the Committee to accommodate an expanded proposal in the budget resolution.

I want to take a moment to stress the important work the Army Corps does to protect our coastal communities. As you know, the Army Corps works with state and local coastal communities to replenish eroded beaches and dunes to protect the residents and business owners from hurricane and storm damage. Building these projects has a true economic benefit for the Federal Government, as it reduces the amount we have to pay in flood insurance claims and disaster relief when storms hit these areas. Unfortunately, the administration has cut shore protection 60 percent below the FY05 enacted levels and placed a series of new and arbitrary restrictions on funding for these projects. I strongly urge the Committee to reject the administration's budget request for the Army Corps shore protection program.

Finally, I respectfully request that as you prepare a new budget resolution, you not include an assumption of revenues from drilling in the Arctic National Wildlife Refuge. Revenue projections from drilling in the refuge are entirely speculative. Oil companies are currently focusing their investments on producing more oil from already developed fields in Alaska and in exploring areas to the west of these fields in the National Petroleum Reserve. As a result, it would be inappropriate to assume these companies would bid on refuge leases. We should not base our budget projects on such assumptions.

While I recognize that we have significant budget restraints this year, I strongly believe we must find the necessary resources to secure America's homeland and our economic future. I look forward to working with you to develop a budget that reflects these goals.

Mr. PORTMAN. Thank you, Mr. LoBiondo. We appreciate your testimony, and with regard to all these issues, as you know, the Budget Committee is eager to hear your input. Ultimately these issues need to be resolved in your committee, at the Appropriations Committee level.

And on the Coast Guard, I will ask you one question. The President's budget has about a 3 percent increase for homeland security. I don't know how much of that the Coast Guard would benefit from. You indicated earlier it would be good to hold the President's number. Are you pleased with the President's policies and numbers and the budget on Coast Guard?

Mr. LOBIONDO. I am very pleased with the President's policies and numbers considering what some other areas are suffering from, but the part I am trying to emphasize, while people are say-

ing, why are you worried, you have an 8 percent increase there, we have to look at how their missions have been increased.

Homeland security and maritime antiterrorism with port security, we have only scratched the surface. The Coast Guard is tasked to undertake making all of our ports safe. And the maritime economy contributes about $750 billion to the gross domestic product (GDP). If we had a terrorist incident at one of our ports, it is likely to shut down all of our ports. The consequences would be dramatic. So therefore, while Coast Guard has an increase that we are pleased with, this is an absolute minimum we can consider based on the fact we have expanded what we are expecting them to do.

Mr. PORTMAN. We appreciate your testimony on the enterprise zones, vocational education, and finally the expansion of the death benefit, and we look forward to working with you as this budget process unfolds.

Mr. Spratt.

Mr. SPRATT. I listened to your testimony and read it more completely here, and I would encourage you to take a close look at the Democratic resolution. I think you will find a lot of accommodation of these points of view in the Democratic resolution, probably more than in the Republican resolution. So give us a fair shot. Empowerment zones, Coast Guard, vocational education, I think we will have a lot of those places covered.

Thank you for testifying.

Mr. PORTMAN. Mr. Conaway.

Mr. CONAWAY. No.

Mr. PORTMAN. With that, we will turn to Ms. Berkley, and thank you for your patience. You have 10 minutes. If you don't use it all, we will not be disappointed.

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

Ms. BERKLEY. I would like to thank you, Chairman Portman, and, of course, Ranking Member Spratt, for allowing me to share my concerns regarding the administration's budget. There are three issues that have a direct and negative impact on the State of Nevada, and I would like to share those three issues with you.

I would like to address a provision in the President's budget that the people of southern Nevada overwhelmingly oppose. The President has proposed taking 70 percent of the funds from the Southern Nevada Public Lands Management Act account to offset the deficit. This would deny Nevada at least $700 million a year which would be used for conservation, recreation, water, and education programs. I can assure you, Mr. Chairman, the Nevada delegation stands united against this proposal and will fight against this plan at every turn.

As Mr. Gibbons testified, almost 90 percent of the land in Nevada is federally owned. The Southern Nevada Public Lands Management Act is an innovative act that authorizes the proceeds from land sales in Nevada to be used to build parks and trails, acquire environmentally sensitive land, maintaining the Clark County multispecies habitat conservation plan, and improve the clarity of Lake Tahoe. Funds are also allocated for water infrastructure, al-

ways a problem in the Nevada desert, and education programs in the State of Nevada. The law has been highly successful, and Nevada residents and millions of our visitors have benefited from it.

The President should not be penalizing Nevada or seeking to gut this program. Rather he should be applauding Senators Ensign and Reid and former Senator Bryan for their ingenuity and honor the intent of the law. Interior Secretary Norton said during her many visits to the State of Nevada over the last several months that this is an extremely innovative program that should be used as an example for the rest of the Nation. This proposal is going to take Nevada's money, which is used for outstanding and important projects that would go unfunded, and it would go into the general fund where it would disappear, and nobody would benefit from this.

Second, I would like to address the President's proposal to fund the proposed nuclear waste dump site at Yucca Mountain. Multiple lawsuits have revealed that the proposed Yucca Mountain repository will not protect the health and safety of Americans. The Environmental Protection Agency blatantly disregarded the findings of the National Academy of Sciences that radiation levels will reach their peak levels—radiation levels will reach their peak in 300,000 years, and instead the EPA set up a 10,000-year radiation standard; the gap between the science and the EPA standard, a mere 290,000 years.

The findings have established that the storage cannisters that are proposed for Yucca Mountain will corrode. The study did not say they may corrode; it said they will corrode and release radioactive wastes into our groundwater, and there is an enormous terrorist threat and risk created by this project if waste is shipped across the Nation.

Despite the findings, the administration continues to push recklessly ahead with the Yucca Mountain project. The administration has proposed reclassifying contributions to the Nuclear Waste Trust Fund as offsetting collections. Not only does this budget gimmick funnel money to a project plagued with problems, it also bypasses budgetary rules that have been put in place to maintain the integrity of our appropriations process. With rapidly growing deficits, Congress must ensure that every dime of taxpayer money is spent responsibly. Given the overwhelming needs in our Nation and the limited resources at our disposal, it makes no sense to give special treatment to the Yucca Mountain project at the expense of millions of Americans' and our Nation's many pressing needs.

The President's budget also includes a provision that we are deeply troubled by and that directly affects the gaming industry. This provision requires gaming establishments to intercept winnings from customers who owe child support. Now, while I strongly support law enforcement's efforts to collect payments from individuals who have failed to fulfill their parental obligation, I oppose this provision. Under the proposal, a customer whose winnings exceed the threshold for filling out an Internal Revenue Service W2-G form would be subject to the Federal records check in the Child Support Federal Parent Locator Service. If the individual is listed in the system, the gaming establishment would be required to garnish the winnings.

This administration's proposal not only is very bad policy, it creates unreasonable demands on the gaming industry and the individual businesses, their employees, and sets alarming precedents. It forces gaming establishments to pry into sensitive personal information, creating obvious and serious invasions of privacy concerns. Gaming establishments would assume the investigatory and enforcement duties currently entrusted to law enforcement and government agencies, and the gaming establishments could be ultimately liable if any employee mistakes or misuses the information.

Finally, it establishes a precedent of requiring private businesses to directly apply the law to an individual. Should banks check the court records of customers making deposits and withdrawals? Must the car dealer invoke the same requirements against their customers? The answer is clearly no.

The administration's proposal will open the door to additional costly and unreasonable mandates on our business community, and by singling out the gaming industry I think is a huge mistake that starts us down a very slippery slope that we don't wish to go down. While the goal of this provision is laudable, the provision is imprudent and could lead to a myriad of unintended consequences. I urge the committee to reject this proposal. And I thank you for the opportunity that I have been given to testify before the committee.

[The prepared statement of Shelley Berkley follows:]

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

I would like to thank Chairman Nussle and Ranking Member Spratt for allowing me to share my concerns regarding the Administration's Budget.

First, I would like to address a provision in the President's budget that the people of southern Nevada overwhelmingly oppose. The President has proposed taking seventy percent of the funds from the Southern Nevada Public Lands Management Act account to offset the deficit. This would deny Nevada at least $700 million a year, which would be used for conservation, recreation, water and education programs. I can assure you, Mr. Chairman, the Nevada delegation stands united against this proposal and will fight against this plan at every turn.

More than eighty percent of the land in Nevada is federally-owned. The Southern Nevada Public Lands Management Act was an innovative law that authorized the proceeds from land sales in Nevada to be used to build parks and trails, acquire environmentally sensitive land, maintain the Clark County Multi-Species Habitat Conservation Plan and improve the clarity of Lake Tahoe. Funds are also allocated for water infrastructure and education programs in the State of Nevada.

The law has been highly successful, and Nevada residents and millions of visitors have benefited. The President should not penalize Nevada or seek to gut the program. Rather, he should applaud Senators Ensign, Reid and former Senator Bryan for their ingenuity, and honor the intent of the law.

Second, I would like to address the President's proposal to fund the proposed nuclear waste dump at Yucca Mountain. Multiple lawsuits have revealed the proposed Yucca Mountain repository will not protect the health and safety of Americans. The Environmental Protection Agency blatantly disregarded the findings of the National Academy of Sciences that radiation levels will reach their peak in 300,000 years, and instead set a 10,000-year radiation standard. The gap between the science and EPA's standard? A mere 290,000 years!

More findings have established that the storage canisters at Yucca Mountain will corrode and release radioactive waste, and there are enormous terrorist risks created by this project if waste is shipped across the nation.

Despite these findings, the Administration continues to push recklessly ahead with the Yucca Mountain Project. The Administration has proposed reclassifying contributions to the Nuclear Waste Trust Fund as offsetting collections.

Not only does this budget gimmick recklessly funnel money into a project plagued with problems, it also bypasses budgetary rules that have been put in place to maintain the integrity of our appropriations process.

With rapidly growing deficits, Congress must ensure that every dime of taxpayer money is spent responsibly. Given the overwhelming needs in our nation and the limited resources at our disposal, it makes absolutely no sense to give special treatment to the Yucca Mountain project at the expense of millions of Americans and our nation's many pressing needs.

The President's budget also includes a provision that directly affects the gaming industry. This provision requires gaming establishments to intercept winnings from customers who owe child support.

While I strongly support law enforcement's efforts to collect payments from individuals who have failed to fulfill their parental obligations, I oppose this provision.

Under the proposal, a customer whose winnings exceed the threshold for filling out an Internal Revenue Service W2-G form would be subject to a Federal records check in the Child Support Federal Parent Locator Service. If the individual is listed in the system, the gaming establishment would be required to garnish the winnings.

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

It forces gaming establishments to pry into sensitive information, creating serious invasion of privacy concerns. Gaming establishments would assume the investigatory and enforcement duties currently entrusted to law enforcement and government agencies, and the establishments could be liable for any employee mistakes or misuse of information.

Finally, it establishes the precedent of requiring a private business to directly apply the law to an individual. Should banks check the court records of all customers making deposits or withdrawals? Must car dealers invoke the same requirements against their customers?

The answer is no, but the Administration's proposal will open the door to additional costly and unreasonable mandates on our business communities.

While the goal of the provision is laudable, the provision is imprudent and could lead to a myriad of unintended consequences, and I urge the Committee to reject this proposal.

Thank you for the opportunity to testify before the Committee.

Mr. PORTMAN. Thank you, Ms. Berkley, and thank you for giving us a lot of information in a short period of time. We did hear earlier about the Southern Nevada Public Lands Management Act, $700 million a year.

Ms. BERKLEY. You will be hearing it again.

Mr. PORTMAN. It sounds like I may be. And it is an issue that many of us in non-Western States would not be appreciating as you have explained it, so we appreciate that.

Yucca Mountain, we appreciate your input on that; and finally this additional burden on the gaming industry. Thank you so much for your testimony.

Mr. Spratt.

Mr. SPRATT. No questions.

Mr. PORTMAN. Mr. Conaway.

Mr. CONAWAY. No.

Mr. MOORE. No questions.

Mr. PORTMAN. Thank you, Ms. Berkley.

To the patient gentleman from Utah and his colleague from Idaho, I want to thank you for sticking with us and start the clock.

Mr. CANNON. Could we make an adjustment? Mr. Flake has time after us, and he has an airplane to catch. Could we put the time together and let him start, and we will let other people who need to go go more quickly, and stay within the parameters of your time.

Mr. PORTMAN. With the indulgence of the committee. Without objection, we will do that. I want to commend you for your generosity. Mr. Bishop, is that acceptable to you?

Mr. BISHOP OF UTAH. Anything you say will be acceptable.

Mr. PORTMAN. Your testimony will be received. With that, Mr. Flake, welcome to the committee. The gentleman from Arizona, we look forward to your testimony.

STATEMENT OF THE HON. JEFF FLAKE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Mr. FLAKE. I thank my patient colleagues. I will be brief.

I came before the committee last year to ask the same thing I am going to ask this year, and the committee, I believe, did the right thing in putting language in that reflected our concerns. Our concern is every year the President has in his budget additional funding for land acquisition, hundreds of millions of dollars. When we use that, we create more Federal land, which puts our cities and counties at a disadvantage in terms of being able to fund schools and needed resources and services.

We have a program called Payment in Lieu of Taxes that is authorized at over $300 million and only funded at $200 million, actually a decrease from last year. What we are advocating is taking land acquisition funding and applying it to Payment in Lieu of Taxes. The committee did this last year, reflected in language passed by the Budget Committee, and we would urge you to do the same thing this year. When you get more Federal land, it puts us in a deeper hole in terms of Payment in Lieu of Taxes, and so we are really in a bind.

I noted just a few weeks ago, the administration had seen the problem that we have here in the District of Columbia with the Federal Government owning some so much excess land, and it committed to sell off some of that land to get the District government in a better financial position. We have that problem in spades in the West: Arizona, with over half of its land Federal; Nevada is that way, and Utah is even worse. It is difficult for rural counties to make do.

And so we would ask again that we simply do the same thing we did last year: Make further reductions in land acquisition, apply that to PILT, and you would have additional money for deficit reduction. We are not asking for additional resources or money here; we are asking for less, far less, in Federal land acquisition, a little more toward PILT, and apply the rest to deficit reduction. I yield back.

[The prepared statement of Jeff Flake follows:]

PREPARED STATEMENT OF HON. JEFF FLAKE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Thank you for the chance to speak to you today on behalf of the Congressional Western Caucus, where I serve as Vice-Chairman.

The Budget Committee has a number of tough choices to make in the coming weeks. While I want to ensure that Western states have their concerns addressed by this Committee, as a fiscal conservative, I am not asking for something for nothing. Instead, I think we need to reallocate current appropriations in a way that better serves taxpayers.

Last year I talked to you about the need to fully fund the Payment-in-Lieu-of-Taxes program (PILT) by reducing Federal land acquisition funds. As you know, PILT funding goes to counties with high percentages of Federal land.

Because counties cannot draw tax revenue from these Federal lands, PILT funds provide the funding for schools, roads, and public safety programs that normally would be paid for through local tax revenues.

Unfortunately, I am here to talk to you again this year about the same funding issue. PILT is currently authorized at $340 million, yet the President's budget only allocates $200 million for FY '06, a reduction of $26.8 million from the current budget.

The Western Caucus firmly believes that this gap under funds the government's obligation to compensate these communities for the land held by the Federal Government.

At the same time, the President's budget continues to fund the purchase of additional Federal lands despite its inability to effectively manage the Federal lands that it currently administers. In this year's budget, $154 million is provided for new Federal land acquisition.

Last year, the Committee agreed that this inconsistency needed to be resolved. In its discussion of PILT in its budget resolution, the Committee said that the Federal budget could fully fund PILT, and that further reductions should be made in Federal land acquisition spending. I would ask that the Committee reaffirm its commitment to this principle by including this report language again in its budget resolution.

I continue to believe that we should fund PILT by reducing the amount of money appropriated to the purchase of new Federal lands. If we follow this Committee's own recommendations, we should significantly reduce this funding level. By committing these savings to PILT, we could fully fund the program and have money left over for deficit reduction.

Another source of funds better spent on PILT are EPA discretionary grants. The EPA has been widely and consistently criticized by the GAO, OMB, and others for the way it spends more than $300 million every year.

Often the funds from EPA simply free up other money that groups receiving the grants then spend to try and defeat political candidates. Subsidizing such political activity is not a wise use of tax dollars.

In summary, we in the Western Caucus are not asking for something for nothing. We are advocating that this Committee take a hard look at the money we spend, and allocate it more effectively to meet the important needs of our communities rather than increase the already inflated holdings of the Federal Government.

Again, I thank the Chairman.

Mr. PORTMAN. Mr. Otter or Mr. Cannon.

Mr. CANNON. May we share time among ourselves? Is that acceptable?

Mr. PORTMAN. Mr. Flake, thank you for your testimony.

Start the clock, Mr. Otter or Mr. Cannon.

Mr. CANNON. Can we have the chart up here, both charts?

I think what Mr. Flake has said we are going to try and reiterate. The picture here is worth 10 million words. You recall that the States can't tax land that is owned by the Federal Government, and that is why you have a Payment in Lieu of Taxes.

So to set the discussion, let me read you a quote from Ronald Reagan. I have a map, I wish everyone can see it. It is a map of the United States. And land owned by the government is in red, and the rest of the map is white. West of the Mississippi River, your first glance of the map, you think the whole thing is red, the government owns so much property. I don't know any other place than the Soviet Union where the government owns more land than ours does. And with that context, let me turn the time over to Butch, and we will go through several statements.

STATEMENT OF THE HON. C.L. "BUTCH" OTTER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mr. OTTER. Thank you very much, Mr. Chairman, and thank you, Mr. Cannon.

Mr. Chairman, at the risk of repeating what has already been said, I would like to point out in the initial map that you saw, that was not a Presidential election map. That was, in fact, Federal

ownership. And if you look at Idaho, Nevada, Utah, New Mexico, quite a bit of California, you will see that the tax base, which is white, is what supports our schools, it supports our first responders. If there is a crime in that red area, which is government land, police officers and sheriffs from the white area have to go into the red area at the cost to the tax base of the white area.

I think Mr. Flake said it best. We are getting $200 million of Payment in Lieu of Taxes funds. Congress authorized $350 million. So we are getting $150 million less than was authorized. We have never since that authorization received the full funding of PILT. Obviously this was done for the purpose of being able to defray the costs of the Federal lands within the States.

Having said that, let me move on to a couple of other concerns that I have. And I just would mention, too, before I leave this whole lands issue, while we are being offered $26 million in the Interior budget for Payment in Lieu of Taxes, the Federal Government agencies that can own land, the BLM, the Forest Service, the Bureau of Reclamation and National Parks, are getting $90 million to make that map even more red than it is right now. And the redder that map is, the less we have as a tax base.

I am very concerned about the administration's proposal to, we have heard before, the Power Marketing Administration's rates by 20 percent each year. What that means to the Pacific Northwest is an increase in our power rates of about $480 million a year until we reach market price, which will then be a total increase of $2.5 billion.

I would like to remind you that the economies of Washington, Oregon, and Idaho, the Pacific Northwest as a whole, rely heavily on value-added industries, that are driven by the power we produce under our hydro projects.

Another area of concern for me is the administration's proposal in protecting the American borders. During my time in Congress, we have talked a lot about enhancing the national security; however, our inability to control our borders leaves our counties vulnerable to attack and promotes a blatant disregard for our laws.

Over and over again we have heard how national security requires communication, cooperation amongst all levels of law enforcement right down to the county sheriff. I find it particularly disturbing that the administration has completely eliminated funding for the State Criminal Alien Assistance Program. That is where we go and pick up an illegal alien and put them in our jail with our police officers, who feed them and take them until we are ready to turn them over to the INS for shipment or to the Federal Government for shipment back to the country from whence they came, or try them for the crime that they committed. All of those costs and the money that we used to get from the Federal Government have been eliminated from the President's budget.

Mr. Chairman, just one more mention that I want to make, and that is throughout the budget, I am alarmed at seeing where we are actually increasing administrative budgets while at the same time decreasing on the ground where we see the most good being done by the expenditure of the dollars. For instance, a constituent recently brought to my attention that the Small Business Administration's administrative budget is being increased in the President's

budget by 20 percent this year, while proposing grant funding for the actual on-the-ground programs that are being cut, and that is really where we do the best job for our economy and the future businesses that we have in our economy. At the same time that we are cutting many domestic programs that are important, we are increasing our participation and our contributions to the betterment of foreign countries.

Mr. Chairman, with that, I yield back the balance of my time of my time.

[The prepared statement of C.L. "Butch" Otter follows:]

PREPARED STATEMENT OF HON. C. L. "BUTCH" OTTER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mr. Chairman, thank you for the opportunity to testify today. Let me begin by stating my strong support for the principles of budget discipline and fiscal responsibility. I represent a state where balancing the budget is a constitutional requirement, and we understand prioritizing needs and paying as we go. I applaud the President's efforts to rein in spending and his realization that what we spend here is not the government's money—it belongs to the individuals we serve.

With that said, I wish to express serious concerns with certain of the President's budget priorities, specifically as they pertain to meeting the legitimate obligations and commitments of government.

Mr. Chairman, I won't mince words. I am sorely disappointed with the Administration's budget request for Payment in Lieu of Taxes, or PILT. The authorized level for PILT funding is approximately $350 million, yet the Fiscal Year 06 request is for only $200 million. That is $26.8 million less than was paid in Fiscal Year 05. In fact, the $200 million represents the funding level from 2001.

Clearly, that does not rise to the level of commitment that my constituents in Idaho or anyone in the West expect or deserve. We should be increasing PILT, moving closer to fulfilling our obligation to make local governments whole. Instead, we are moving in the wrong direction.

Almost two-thirds of my state's land mass is controlled by the Federal Government. Counties with high percentages of public lands have little tax base to support such essential functions as police and fire protection and the education of our children. It is simply unfair to ask rural citizens whose livelihoods and lifestyles so often suffer as the result of decisions by public land managers to fund the search-and-rescue, waste disposal, and court costs for those who come to play on those public lands. Congress realized this inequity and created PILT. It is time Congress remembers the commitment it made to rural communities and fully funds PILT.

I further suggest that the Federal Government seek to reduce its financial impact on local communities by reducing land acquisitions. It simply does not make sense for the Federal Government to continue acquiring land when it cannot—or WILL not—take care of what it already owns. If it really is in the best interest of the general public for more land to be added to the Federal domain, then I believe a similar amount of land should be removed from Federal management and returned to local tax rolls.

I also am very concerned with the Administration's proposal to increase Power Marketing Administration (PMA) rates by 20 percent each year until reaching "market rates." Although the rate increases are described as "gradual," the impact would be immediate and devastating. To put a dollar figure to it, this proposal would cost the Northwest $480 million next year and $2.5 billion over 3 years.

Such a drain on the region's resources will have a devastating impact on job creation and economic development, and indeed on businesses and communities large and small. The net result will be robbing Peter to pay Paul—increasing the short-term revenue for the Power Marketing Administration at the expense of the long-term economic health and revenue-generating potential of municipalities, industries and individuals throughout the Northwest.

Another area of concern for me in the Administration's budget proposal is protection of America's borders. During my time in Congress we have talked a lot about enhancing national security. However, our inability to control our borders leaves our country vulnerable to attack and promotes blatant disregard for our laws. Over and over again we have heard how national security requires communication and cooperation among all levels of law enforcement, right down to the county sheriff. I find it particularly disturbing, then, that the Administration again has completely eliminated funding for the State Criminal Alien Assistance Program, or SCAAP.

Each year law enforcement agencies at the state and local level incarcerate illegal aliens who have violated federal, state or local laws. They do so at their own expense, often relying on local property tax receipts to cover those costs. Through SCAPP they can be reimbursed for these imposed expenses. Providing adequate funding for the program helps ensure effective local law enforcement and fosters that "team spirit" that we so desperately need to succeed in protecting our national security. And yet, this successful program has been left unnoticed in the Administration's budget over the past few years.

What bothers me so much, Mr. Chairman, is that while such critical programs fall by the wayside in the name of fiscal responsibility, the Administration continues to irresponsibly increase funding for foreign aid. It is as though the right hand does not know what the left hand is doing. For example, a constituent recently brought it to my attention that the SBA's administrative budget has increased by 20 percent this year while proposed grant funding for actual on-the-ground programs—the ones that benefit our economy and the American people—is being reduced. The budget proposal is rife with similar examples.

As it pertains to foreign aid, I am particularly concerned that we continue offering financial assistance to countries with policies at odds with America's national interests. While I support the Administration's efforts in the Middle East, I am convinced that we undermine our success by doling out foreign aid indiscriminately to countries that actively work against us. How can we expect foreign governments to act responsibly in the broader world community if our own policy fails to hold them accountable even to us? The administration is dramatically increasing funding for some foreign assistance programs without evaluating their effectiveness or linking those payments to behavior consistent with America's goals.

Thank you again, Mr. Chairman, for the opportunity to address these critical issues of our government's responsibility to the people we serve.

Mr. CANNON. I think Mr. Bishop would like to speak to the effect of Payment of Lieu of Taxes and the failure to get funding on our schools.

STATEMENT OF THE HON. ROB BISHOP, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

Mr. BISHOP OF UTAH. Mr. Chairman, I assume you have the handout that we presented, I would hope, because we have pictures in there. The testimony will be riveting for you as you read that.

When Utah became a State back in 1896, the enabling act said the land, the red stuff, 67 percent of my State, would be deeded to the Federal Government until such time as the Federal Government shall, not if or might, but shall, dispose of the lands, and the schools were supposed to get 5 percent of the proceeds of that. It is historically typical of enabling acts during that particular period of time. This concept we have today that simply deals with the idea of recreational land-owned funds to all of us is a fairly modern change in the historical purpose for which that land was there.

If you could look at the pictures, and I am hoping you have these. We brought them here.

Mr. PORTMAN. Here they are.

Mr. BISHOP OF UTAH. There are more pictures.

Let me have you turn to the first one, and I am going to go through these quickly. Shows the percent change in projected enrollment, which simply means those of us west of the Rocky Mountains have all the kids. You guys don't. That presents the problem. You can see the same thing if you look at the map of the land there.

Go to the third one, with is pupil-per-teacher ratio, and you find out those in the West have larger classes than those of you in the East.

Percent change in expenditures per pupil. Those area where education is growing slowest happens to be in the West. If you want the bar graph right after it, our education funding is at 28 percent. Those east of the Rockies is growing at 57 percent.

There happens to be a common denominator in all of these things. Go to the one that says Annual Property Taxes Lost to Public Education. If that red property were able to be taxed, my State would have $160 million more for the education budget each year. I have two kids in high school. The Federal Government is hurting my kids.

As you can see by all of these, the common denominator is the West, where there is massive amount of Federal lands, do not have as much money for education as the rest of the Nation does, even though as you keep looking through these, you will find out we have a higher tax burden and a higher commitment to education. It is—the bottom line deals with the amount of land that happens to be there.

We also have the problem, and I am glad the individual is not here, but one of the constituents of a committee member came to my State for recreation purposes on this public land. Now, anyone in Utah knows that you don't go into the black box area. He decided to go tubing in that area. Emery County had to retrieve the body of one of your constituents, and it spent our entire emergency funds for that one individual.

There are expenses incurred by Western States because of Federal land that supposedly belongs to all of us. The PILT issue goes right to the heart of this. If you look at the very last picture, it shows you what we have been paying in PILT. PILT is not welfare for the West. It is rent that is due by the Federal Government so we can maintain services that every other State has.

Actually there is one cute one you have to see. If you go partway in the middle, it is called Land Ownership. If you block out what you all own, you will see that the West is almost totally blocked out, and you can compare it to what the Federal Government owns in your particular States.

What we are asking for is the same thing. There needs to be full funding of PILT. Our children are being harmed and our citizens are being overtaxed because the Federal Government will not allow us to develop our land. If you want to give us the land back, we might work something out, but until that time, there is rent that is due with PILT.

Secondly, as Representative Flake said, there is $154 million in additional funding for land acquisition. There is too much. There has already been 5 million acres identified by the BLM that needs to be eliminated, be vacated. And also there is EPA funding—that last page of my testimony that needs to be eliminated from the budget, looking at disposal lands that are excess.

With that, Mr. Chairman, as the third Ranking Member, let me say I am realizing I am the last as well, let me save whatever time I have to Representative Cannon. I am done.

[The prepared statement of Rob Bishop follows:]

PREPARED STATEMENT OF HON. ROB BISHOP, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

Mr. Chairman, thank you for providing time to individual members to testify on behalf of their priority issues before your committee. As a member of the Congressional Western Caucus, I appreciate your past interest in issues impacting the West. I am motivated to testify today due to several inadequacies in the Administration's FY06 budget.

For decades, the American West has borne the burden of the Federal Government's vast land holdings, resulting in less money available for education, law enforcement, healthcare, emergency services, etc. As I've looked through the Administration's FY06 budget, unfortunately I do not see this burden on the West lessening—I see it increasing.

Payment in Lieu of Taxes or PILT was created to help offset the tremendous cost to the counties from Federal ownership of lands. Sadly the Administration has reduced by $26 million this year's PILT allocation, referring to it as a non-priority in the budget—I am offended.

The Federal Government owns over 65 percent of the land in my home state of Utah. This disparity in ownership is the contributing factor to Utah and the West's poor showing in annual expenditures on public education when compared with the Eastern United States. Utah and most Western states have tax rates that are equal to or greater than most Eastern states. Additionally, Utah spends over 41 percent of its annual budget on public education. However when it comes to per pupil expenditures, we are close to the bottom. So what gives? Frankly, this is attributable to the Federal Government ripping off the West each year by under-funding PILT while still increasing its public lands portfolio. This is demonstrated well in this year's budget as the Federal Government's insatiable appetite to acquire more land is well funded at $154 million.

Mr. Chairman, the Administration's budget priorities, when it comes to public lands in the west, are perverse. I would argue their budget priorities actually harm the children in my state by shortchanging public education. By increasing Federal ownership of lands, they're reducing the amount of taxable land and increasing the burdens on our rural counties. I make no apologies when I say that, in effect, the Federal Government has become an absentee slumlord—zealously and unnecessarily holding onto ownership of public lands while squeezing off financial assistance to nearly broke Western counties. Western counties are increasingly finding themselves in the difficult situation of determining which critical services to fund and still fulfill the various Federal mandates placed upon them.

Some points to be made regarding PILT:

a. The proposed 2006 Budget only funds PILT at $200 million, a $26 million decrease from last year and more than $140 million short of the fully authorized level.

b. The proposed FY 2006 budget ironically provides more than $154 million for new Federal land acquisition, which would create an additional funding burden for the PILT program.

c. Over the past 10 years, the PILT program has always fallen short of the authorized level averaging $155 million, while over the same time period Federal land acquisitions funding has averaged more than $347 million.

The Federal Government owns more than 670 million acres, almost one-third of the land in the United States

As recently as April of 2004 the General Services Administration identified more than 5 million acres of Federal lands as "vacant" with no Federal purpose.

As we consider the disparity in PILT funding and land acquisition funding let us remember President Bush has talked of creating an "Ownership Society." However, we live in a country where the Federal Government is the largest possessor of wealth and property rather than empowering our people with these gifts.

Absent a change in Administration policy, I encourage the following to restore equity to rural western counties:

- Fully fund PILT.
- Cut Federal funds for land acquisition and transfer them to PILT. The Federal Government should not be in the land acquisition business.
- Eliminate EPA discretionary grants. These are controversial grants which should no longer be awarded.

Mr. Chairman, I am passionate about this issue. Again, I appreciate the opportunity to testify before your committee. As you draw up the parameters for the FY06 budget, I sincerely appreciate your favorable consideration of the remarks and statements made by me and my colleagues from the Congressional Western Caucus. With your help, we can reign in the unnecessary spending on further land acquisi-

tion, questionable Federal grants, and restore equity to the West. With that, I yield back the balance of my time.

STATEMENT OF THE HON. CHRIS CANNON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

Mr. CANNON. We will go ahead if you like, and I will be quick. Just a couple of points on PILT. You can tell there is some intensity here. The intensity is we are taxing our people all over the West and spending less on education than anybody else in the country. And the reason for that—and if you look to the charts, you will see the compelling case. And the reason for that is because of public lands. We have the Soviet-style red block in the Western United States. People want to move to rural parts of America. And so when I moved in my house 18 years ago, we had about 3,000 people in my little town and lots of open spaces. Today there is no more open space after 15 years, and the town is about 15,000 people.

We have a problem or an opportunity in America where people want to move to less urban areas. They want to have the opportunities that high tech and broadband give them, and they can do that today, and we need to make that attractive to them. You can't do that when the tax burden is such that your schools in these rural areas are underfunded and they have great difficulty.

The fact is most people think, and I have heard many of our Northeastern friends say, these public lands belong to all Americans, and the answer is that is right. Pay the fee.

I just have to say that this is a vitally important issue. There are other places for this money to come from, including the land acquisition, which I think is about $154 million. We don't need more land if we are not going to pay for it. And secondly, you have the EPA discretionary grants that total about $400 million.

If I might now shift gears to another issue, there is an organization called the Administrative Conference of the United States. It was the only program that was phased out in 1996, I think ignorantly so. We had in my committee, the Committee on Commercial and Administrative Law, a hearing at which both Justice Scalia and Justice Breyer attended. Both of them were remarkably supportive. I think this is the only time we got two Justices this century in the House in a hearing. They pointed out that this committee or this Conference has saved massive amounts of money. In one case, in one issue with the Social Security system, they saved $85 million.

This is a group that has been reauthorized last year to be a group of judges, private lawyers, and government regulatory lawyers who get together, people of high esteem like Justice Scalia and Justice Breyer—I think Justice Scalia was the Executive Director for a while—and they look at the system and say, how can we make the system work better?

We are looking for $3.1 million to fund that. Let me suggest that I don't think that we can spend that kind of money better anywhere on earth. We need to be dealing with science and how science is used in regulation.

We need to deal with the litigation that happens over permits. This group came up with the negotiated regulation process. We

need them to come up with a negotiated permitting process so that we get people's views while we are looking at cutting timber, and not after the permit has been issued and tying it up in litigation for years.

If we want to have healthy forest initiates, it is a problem over the whole country. So we are hoping for that addition to PILT, which I cannot overstate the intensity of emotion on this issue for all the western Members. I chair the Western Caucus. That is a very large number of western Congressmen, and we are deeply concerned about that.

And in addition to that, all Americans in the Western Caucus in particular would like to see the Administrative Conference refunded. Now, it has been reauthorized. It needs to be funded so that we can get the benefit of the wisdom that those people give, by the way, for free. That $3.1 million is the cost of administering it. These are wonderful attorneys who contribute their time to that.

And with that, I yield.

[The prepared statement of Chris Cannon follows:]

PREPARED STATEMENT OF HON. CHRIS CANNON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

It is a pleasure to testify today before Chairman Nussle and the House Budget Committee. I am testifying today to ask your support in funding the recently enacted "Federal Regulatory Improvement Act of 2004" at the authorized level of $3.1 million in the FY'06 House Budget Resolution as well as issue support for the full funding of Payment In Lieu of Taxes (PILT).

The Federal Regulatory Improvement Act, (Public Law 108–401) reauthorizes the Administrative Conference of the United States (ACUS). ACUS was originally established in 1964 as the government's advisor on administrative procedures, but was de-funded in 1996. Last year, the House Judiciary Committee held hearings on whether ACUS needed to be reauthorized. At two separate hearings, the Committee garnered unanimous support from those testifying as well as the Members of the Committee that the reconstituting of ACUS would inject efficiency and fairness into the regulatory process. With the investment of $3.1 million ACUS would save, in some estimates, billions of dollars by streamlining the regulatory agencies and their decisions.

Over the course of its 28-year existence, the Conference issued more than 200 recommendations—some of which were government-wide and others that were agency-specific. It issued a series of recommendations eliminating a variety of technical impediments to the judicial review of agency action and encouraging less costly consensual alternatives to litigation. The fruits of these efforts include the enactment of the Administrative Dispute Resolution Act in 1990, which established a framework for the use of ADR.

In addition to this legislation, ACUS served as the key implementing agency for the Negotiated Rulemaking Act, the Equal Access to Justice Act, the Congressional Accountability Act, and the Magnusson-Moss Warranty-Federal Trade Commission Improvement Act. The Conference also made recommendations regarding implementation of the Congressional Accountability Act. Further, ACUS served as a resource for Members of Congress, Congressional Committees and the Executive Branch.

With respect to specific agencies, the Conference, for example, during the 1970's undertook an exhaustive study of the procedures of a single agency—the Internal Revenue Service—which resulted in 72 proposals concerning the confidentiality of taxpayer information, IRS settlement procedures, and the handling of citizen complaints, among other matters. The IRS ultimately adopted 58 of these recommendations.

According to the Congressional Research Service, there are growing patterns of evasion among agencies with respect to notice and comment requirements. An increasing number of regulations are being successfully challenged in the courts. An informal study by CRS indicates that 51 percent of these rules were struck down by the courts. Needless litigation hurts everyone—it slows the rulemaking process, encourages agencies to try to circumvent public comment requirements, and costs taxpayers millions of dollars.

Another serious area of concern is the need to have a coherent approach among the agencies with respect to emerging issues and technologies. These areas include issues dealing with privacy, national security, public participation, the internet, and the Freedom of Information Act. There are also concerns about the need to have peer review and to have regulations based on sound science. Our people and business communities depend upon Federal agencies to promote scientific research and to develop science-based policies that protect the nation's health and welfare. Integral to the Federal regulatory process is the need to assess the safety, public health, and environmental impact of proposed regulations. Regulations lacking sound scientific support can present serious safety and health consequences as well as cause private industry to incur unnecessary and burdensome expenses to comply with such regulations.

Restoring the Conference would provide a cost-effective, yet highly valuable solution to these problems. It is my hope that the Budget Committee will support this request and move the government toward a more efficient regulatory system.

Another issue of importance to me is sustaining a vibrant western economy. This is a key priority for the Congressional Western Caucus of which I am the Chair.

I commend the President for providing funding for the Healthy Forests Initiative and Cooperative Conservation Programs.

However, I am deeply concerned about the Payment-in-Lieu-of-Taxes program, or PILT, which provides payments to local counties that are unable to draw tax revenue from Federal lands in their jurisdictions. PILT payments help to fund essential services such as environmental compliance, law enforcement, health care, education, firefighting, and search and rescue operations.

Twelve western states have more than 25 percent of their land owned by the Federal Government and four states are more than 60 percent federally owned. This creates a huge strain on Western economies because they do not have the same opportunity to earn tax revenues as other states do.

The PILT program is intended to make up for that shortfall in tax revenues however, over the past several years it has been grossly under funded. Although the PILT program has been authorized at $340 million, the President's budget only calls for $200 million in FY 2006. This is a decrease of $27 million from last year's appropriated level and more than 40 percent less than what is authorized.

Ironically, the President's budget provides more than $154 million for new Federal land acquisition, which would create an additional funding burden for the PILT program. If we can't make payments on the land we already own, why are we proposing to acquire more land? It seems to me, that the budget proposal submitted to Congress got this one wrong.

Making up the shortfall in the PILT program can and must be accomplished. I maintain that cutting Federal land acquisition funds as well as EPA discretionary grants could easily fund the difference.

Every year the EPA makes more than $400 million in grants to various non-profit and educational partners. However, over the last decade, EPA's grants program has been best known for mismanagement.

One illustrative example is the fact that under EPA's management, in FY 2004 more than $337 million in grants went to non-profits, some to environmental organizations that spent more than $18 million in political activities during the 2004 election cycle. Even worse, last year, the EPA's Inspector General noted that one group's grant funding allocated for work on projects under the Clean Air Act was spent by the group's lobbying organization—in direct violation of the law.

Given the current economic climate and the considerable amount of taxpayer dollars appropriated every year for the Environmental Protection Agency and the Departments of Agriculture and Interior, we must use utmost care to ensure that hardworking American dollars are wisely spent.

This request for PILT is consistent with language in last year's budget resolution where the Committee stated that the budget could accommodate full funding of the PILT program and that further reductions in Federal land acquisition should be made.

Again, I'd like to thank Chairman Nussle and the Committee for this opportunity to testify.

Mr. PORTMAN [presiding]. Why don't we break here for questions for the group that just testified, and then we will start with Mr. Porter, who has separate time.

First of all, gentlemen, we appreciate your testimony. And, Mr. Cannon, you have explained the PILT issue well. You have been a real leader on this over the years. Basically, Mr. Flake and Mr. Ot-

ter's suggestions as well as yours, Mr. Cannon, on constructively coming up with an offset, which is basically consistent with your philosophy that we should not be putting more pressure on the schools, taking out of the acquisitions to fund the PILT adequately.

I know that Mr. Bishop is a former schoolteacher. I did not know that he also specialized in analysis and probability and statistics, but great charts. I mean this is a very impressive presentation of the issue in a stark visual way.

The question I would have for you all with regard to the Payment in Lieu of Taxes program is, if indeed it was funded to the extent of its authorization, would that solve the problem that you have laid out in your presentation?

Mr. CANNON. Let me just answer. There is never going to be enough money for these rural areas, because they are deprived of virtually everything by Federal ownership and Federal regulations. If you look at that chart, you will see that the Federal Government has committed in law many, many streams of funds to these people. PILT is only one of these streams of funds.

The full funding level of PILT is appropriated at this point in time. But clearly more money has to come to pay the costs imposed on those counties in the West. And frankly we would just love to see them sold and get the percentage of money that would come to the States when those lands are sold or otherwise diminished in size, diminished in dominance, so if they get sold the States get to tax them in addition to getting a percentage of the sales.

So the issue is complicated. There are several streams of funds that are directed. PILT, in our perception, is the first thing that we need to do, and we just absolutely need to do that one as a fix to the matter so that our counties can count on the revenue stream in the future, then if they have more money coming or more private land that is available to tax that that is good and well.

Mr. BISHOP OF UTAH. Mr. Chairman, if I could also add, as far as the education component, if indeed the enabling acts were honored and the amount of money from a disposal were given to the States and/or they also had an ongoing revenue stream from the amount of money that would be on the lowest of the tax levels, you would see the disparity that is obvious between the West and the East disappear.

Obviously there is never enough money to do everything you want to do, but it would bring equity between those who are non-Federal land States and those who are Federal land States in the area of education if those two actions were taking place.

Mr. PORTMAN. Thank you, Mr. Cannon. I would like to turn to Mr. Cueller for questions.

Mr. CUELLER. I don't have any questions, but I do appreciate it. I understand, I used to do with budget for the State of Texas when I came to public education. I understand the difficulties if you do not have that particular resource. So I understand your argument. I agree with the arguments on that. Thank you.

Mr. PORTMAN. Mr. Conaway.

Mr. CONAWAY. No.

Mr. PORTMAN. Gentlemen, thank you very much for your testimony. We will now, in the order of which people came to the hearing today, we will go to Mr. Porter. Mr. Porter, it sounds like some

of the issues you were planning to raise have already been raised. You did have separate time on our schedule. So you are entitled to it, and we look forward to your testimony.

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

Mr. PORTER. Thank you, Mr. Chairman. I will concur with my colleagues from the West, and I will save the committee's time at this point on some of these issues. But I do agree with and appreciate their presentation.

I support the President and this Congress looking for ways to eliminate waste, fraud, and abuse. I think we can spend hours talking about areas where Federal dollars are being wasted, but we can save that for another time.

However, I do disagree with one of the proposals by the White House that has to do with the funds that are being received from the sale of public lands in Southern Nevada. My colleagues, Mr. Gibbons and Mrs. Berkley, touched upon it earlier.

According to the proposal, there may be a 70-percent reduction in the funds under the Southern Nevada Public Lands Management Act that will remain in Nevada. These are lands that are sold in Nevada. These funds were brought together in a collaborative effort by the Senate, both Democrats and Republicans in the House of Representatives, and all of the funds that are being appropriated and invested in our community are approved by the Secretary of the Interior and signed off based upon Federal standards and Federal laws.

And there is very little land left. This program has certainly been an asset for the State of Nevada, and the value of this land has increased substantially. That value has increased because of the investments that we have made, as a community and as a State, to improve our quality of life in Nevada.

The funds for these projects are substantial—global—and they impact every State in the Union. The funds from the sale of public lands in Nevada are going to protecting Lake Tahoe, which is a treasure for the country; Lake Mead, one of the largest national recreation areas in the country; Red Rock Canyon; Sloan Canyon; to make sure that we do things like protect Indian artifacts and Indian history, and to the implementation of the Endangered Species Act.

Yes, the funds are helping our community, but also helping the country as a whole. Although we are a State of about 2.2 million people, we had about 40 million tourists last year, and visitors explore into our community from all over the country and world. Adding to that the fact, properties that are being sold—in some cases up to 2,000 acres at a time—and are creating communities the size of 70,000 or 80,000 new people a year.

Think about that, Mr. Chairman, new communities of 70,000 to 80,000 new people a year.

With this growth comes major demands not only on our infrastructure, but also on our public facilities that are certainly a part of the Federal program. The fact that we are using Federal dollars from the land sales is actually saving the country money, because instead of us having to come to the House and to the Senate to ask

for funds for some of our programs, for our natural historic resources that are federally controlled, we are using dollars that are generated in Nevada from the sale of lands in Nevada.

Mr. Chairman, I would ask that we find, and I know that our delegation will be happy to find areas of waste, areas of abuse where additional dollars may be available help this budget. However, this is an area that we are being penalized for being frugal.

We have spent our money wisely through the process that was established through regulation and through enactment of this House and the Senate, and I know that we also have additional programs that are budgeted based on these funds for future allocations. I would like to submit additional information, if you do not mind, Mr. Chairman, after I conclude my presentation so I can keep it brief.

Mr. PORTMAN. Without objection.

Mr. PORTER. I would also like to state that I remain adamantly opposed to Yucca Mountain. We want to make sure, as my colleagues have mentioned, that Congress retains control over the budgetary process in the oversight of Yucca Mountain. I know the question earlier was asked what we really wanted to do with Yucca. We would like to close it down, but we also want to make sure that Congress remains in constant oversight of the project.

So, Mr. Chairman, that is a brief overview. I will be submitting this information. But I think that this is a program that is a model for the country and a model for Washington on how funds are spent wisely to make sure that public facilities, Federal facilities are taken care of, and maintained and properties are protected in Nevada.

With that I say thank you, Mr. Chairman.

[The prepared statement of Jon C. Porter follows:]

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

Mr. Chairman, I would like to take a few minutes to speak today about issues of great concern to my constituents and me in Southern Nevada.

First, I would like to state that I am fully supportive of this Committee and President Bush in their efforts to reduce the Federal deficit. I am in lock-step with all of you in making sure that our taxpayers' dollars are used efficiently, and I am committed to helping you all in this effort.

However, in pursuing this ideal, I believe that within the 2005 Budget was a grave error, which is why I am here speaking to the Budget Committee today.

In 1998, Senator Richard Bryan and Congressman John Ensign crafted a bipartisan and bicameral bill known as the Southern Nevada Public Lands Management Act (SNPLMA). When SNPLMA was signed into law, its intent was to allow for the disposal of public lands in Clark County, Nevada, and to provide for the acquisition of environmentally sensitive lands within the state. The money raised from these land sales is divided between the State of Nevada's General Education Fund (5 percent), the Southern Nevada Water Authority (10 percent), and the remaining 85 percent is dedicated to a Federal account for environmental projects, such as development of parks and trails, conservation initiatives, land acquisition, and a multi-species habitat conservation plan in Clark County, Nevada.

Before going into how SNPLMA has benefited Southern Nevada, I want to take a moment to explain how the funding mechanism under SNPLMA works. Every year since being passed into law, local, state and the Federal agencies work together to determine which projects, sales, and acquisitions will occur. Once approved by all stakeholders, this list of projects is sent to the Secretary of Interior for approval. All funds generated from these projects and sales then go into a special fund to be used for Federal purposes within Nevada, as specified within the law.

The goal of SNPLMA is to protect and preserve Southern Nevada for future generations. Since being signed into law, SNPLMA has been amazingly beneficial in

meeting Federal obligations in Clark County. Funds generated from SNPLMA have helped pay for capital improvements at Lake Mead National Recreation Area, Red Rock Canyon National Conservation Area, Spring Mountain National Recreation Area, Lake Tahoe, and other lands administered by the Department of Interior. These funds have paid for the development of much-needed parks and trails in this quickly-growing community, and SNPLMA funds have helped in building and maintaining visitor facilities in some of the most visited national parks and conservation areas in the nation. Further, some of these funds have already been committed for long-term use, such as $300 million going to Lake Tahoe over 10 years in order to help preserve and protect Lake Tahoe for future generations.

In the President's budget proposal exists a provision that could divert seventy percent of the funds generated under SNPLMA. As a Member of Congress who represents many of the people and lands that have benefited from SNPLMA, I am firmly opposed to this provision, because I believe that since these funds were generated in Southern Nevada, they should stay in Southern Nevada for federally beneficial projects. Although no one in the 106th Congress could have imagined how successful this program has been, Clark County has been able to use these much-needed funds to improve and conserve our lands for both locals and tourists alike. It was the Southern Nevada community that helped to increase the economic value of these lands, and I believe that Southern Nevadans should be able to help make sure that their children's children can enjoy areas like Red Rock Canyon, the Spring Mountains, Lake Mead, and Lake Tahoe someday. In other words, these funds are self-generated, as opposed to being derived from taxpayers' dollars, and do not add to the Federal deficit.

As a Congressman who represents a state with approximately ninety percent Federal land, I am here to say that SNPLMA, through the sale of Federal lands where revenue is dedicated to the Federal projects in this area, helps to "free up" Federal dollars for other areas, such as the Florida Everglades, Yosemite and Yellowstone National Parks, and our Grand Canyon. This law also allows Southern Nevada to use SNPLMA, as opposed to Federal, dollars to protect endangered or threatened species. We simply do not need to rely as strongly on other Federal funding sources to support all of the Federal lands we have in Southern Nevada. This bill is smart for both Nevadans, and every single person who uses our Federal parks and lands and enjoys its native species, as it helps to ensure that our Federal lands and species throughout the United States are protected.

It would be different if this bill was coming at the expense of the American taxpayer. However, SNPLMA is fiscally responsible, and environmentally friendly. Although I am in favor of reducing our Federal deficit, I believe that these cuts should come at the expense of wasteful programs, as opposed to SNPLMA.

Mr. Chairman, the entire delegation is united on this effort. I respectfully ask you to consider the benefits of SNPLMA, and the negative impacts this budget proposal will have, as we determine where our Federal dollars will go next year.

Another section in the President's Budget that I am concerned with is the so called "deadbeat dads" issue. This idea was first raised by the Clinton administration in 1994 and again in 2000. The Bush administration proposal would capture gaming winnings of non-custodial parents who have not paid their child support. Each time an individual's winnings triggered completion of an IRS W2G form, employees of gaming establishments, including casinos, horse and dog tracks, and locations where the lottery, jai alai and keno are played, would be required to check a Federal database to determine if the customer was delinquent in owing child support.

This "deadbeat dads" proposal has a commendable goal but uses dubious tactics. First and foremost, no one condemns any effort to avoid child support payments more than I do. But mandating the gaming industry to garnish winnings from those listed in a government database raises serious privacy questions. Additionally, the creation of what would amount to a new Federal bureaucracy to process this information would only seem to compound the potential for mistakes and misuse of sensitive information. Instead we should provide the individual states and localities with the resources they need to locate and penalize those who are delinquent on their child support payments.

Mr. Chairman, I would like to thank the Committee for the time and opportunity to allow me to speak on these issues that are so near and dear to my constituents and me. I am happy to answer any questions.

Mr. PORTMAN. Thank you, Mr. Porter. We appreciate your leadership on the Yucca Mountain issues over the years, and also your leadership now on looking at these public lands issues, including

the Southern Nevada Public Lands Management Act. Thank you for your testimony today. Mr. Cuellar.

Mr. CUELLAR. No questions.

Mr. CONAWAY. Mr. Porter, help me understand Yucca Mountain. I am new to this process. What is Yucca Mountain other than dirt?

Mr. PORTER. Mr. Chairman, I am not sure where we should begin here. Yucca Mountain, in a nutshell, is an area of disposal proposed for Nevada for all high-level nuclear waste. This waste is set to travel through your communities, and our communities, to a site about 100 miles north of Las Vegas where thousand and thousands of tons of high level nuclear waste to be stored at a facility that the State of Nevada is adamantly opposed to. But, unfortunately, there are a number of other States that would like to send their waste into our community, and we have been fighting, will continue to fight this. From a States' rights perspective, we are adamantly opposed, but also for safety reasons. It is an untested, unproven science; facilities that are being built have yet to be tested. So it is a major, major concern for us and has been for years, and we are adamantly opposed and will continue to be.

Mr. CONAWAY. It is underground storage?

Mr. PORTER. Yes.

Mr. CONAWAY. There is a similar one in Carlsbad.

Mr. PORTER. We would like to send the rest of the waste to Carlsbad. It is a different level of waste. These are spent nuclear rods from power generation, but also military grade nuclear waste. But we would love to send the balance of this waste into Carlsbad, and I would work with you on this.

Mr. CONAWAY. We have a low level one planned in Texas. I also understand that folks in Andrews see it as an economic development issue. They see the other side of the coin, that there is an opportunity here to grow jobs in Andrews, Texas, using safe science, using science as best we know to dispose of this stuff. But this is low level, an entirely different realm of risks than what you are talking about.

Mr. PORTER. Thank you for your question. This is a science that is untested. Nevada is being used as that testing ground for storage, and we are concerned for our children, and for our families, with its transportation and burial. Thank you for asking.

Mr. PORTMAN. And again, Mr. Porter, your full statement will be made part of the record. We have one final question from Mr. Cuellar.

Mr. CUELLAR. Mr. Porter, just a question on your testimony. I just want to get your thoughts on the deadbeat dads. I think you are saying we agree with the goal, it is just the way you want or—I think you disagree with the system or the way it is supposed to be collected. That is the privacy issue.

Are you saying that this is pretty much a State issue instead of Federal issue, because I think we agree that we ought to do something about the deadbeat dads that we have out there. I just want to see if you can elaborate a little bit more on the procedure you want to follow.

Mr. PORTER. Thank you. It is in my backup testimony. I appreciate your bringing it up. I think deadbeat dads should be busted and we should use every available means to make sure that they

take care of their children and their families. It is unacceptable that we have deadbeat parents whom are not taking care of their responsibilities. Our concern is that the private sector in this instance would be asked to be the law enforcement agency.

I think that we should help and encourage local governments who are the experts at law enforcement, and do everything we can to encourage and to help them in the collection, whether it be technology driven through the court system. But when you get into the private sector, asking the private sector, again, whether it is a car dealership or a resort in Nevada or a resort in Ohio or Texas, it crosses into a whole other realm, where we think that we should help law enforcement as a Congress, we should help local government, but the private sector getting into collection and into law enforcement I don't think is an appropriate means. And then there is the privacy issue. But I think, more importantly, it is the issue that we should help local government do what they do best.

Mr. PORTMAN. Thank you. Mr. Simmons, we look forward to your testimony. You have 10 minutes.

STATEMENT OF THE HON. ROBERT SIMMONS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. SIMMONS. Thank you, Mr. Chairman, and I thank Mr. Cuellar and Mr. Conaway for their attention and their interest in participating in these hearings, and I commend them on their endurance.

I come before you this afternoon as the new chairman of the Subcommittee on Intelligence, Information Sharing and Terrorism Risk Assessment of the new Homeland Security Committee, now an "A" level permanent committee of the House of Representatives.

I would ask unanimous consent that my full testimony be inserted into the record as read, and then I would like to summarize it.

We all remember, Mr. Chairman, the events of 9/11, especially those of us who were here in this Capitol on that day, and we remember the terrible intelligence failures that resulted in the loss of over 3,000 innocent lives.

The 9/11 Commission report detailed these failures in great detail, and then called upon all of us to, "create something positive, an America that is safer, stronger and wiser." I believe the creation of the Department of Homeland Security and a permanent committee of Congress to oversee that department is part of the effort to create something positive.

I also believe that intelligence reform is part of that effort, and the subcommittee which I chair will try to oversee the creation of an intelligence capability in the Department of Homeland Security that makes us "safer, stronger and wiser."

We all have a common goal. We want our homeland and our loved ones to be safe, but we also know that we can spend every dollar in the budget, we can search every traveler, we can inspect every shipping container and still fail to prevent another attack.

The Chinese built the Great Wall at great expense, but it failed to keep the Mongol hordes out of China. In the 1930s the French built the Maginot Line at great expense to exclude the Germans, but it also failed. So we have to be wise in our choices.

And good intelligence gathering and good intelligence sharing helps us to be wise. Before 9/11, we did not have the capacity to connect the dots because our sharing and our analysis and our reaction was inadequate. Since then we have made a lot of progress toward integrating our intelligence activities, sharing information, and focusing on the terrorist threat. And that threat is very real. It was real 3 years ago. It is real now.

Just last week the media reported on an intercepted communication between Osama bin Laden and Abu Musab al-Zarqawi, reiterating the desire of al-Qaeda to target the U.S. homeland, and that report coincided with Homeland Security Deputy Secretary Loy's testimony, "al-Qaeda has considered using the southwestern border to infiltrate the United States." I note that two of our Members at the dais are from Texas, and that infiltration is a real risk and a real danger to you and to your people.

Good intelligence gives us the eyes and ears to see and hear those who would do us harm, and at the same time good intelligence allows us to preserve and protect the civil liberties of our people.

Now, moving quickly to the budget requests for the Information Analysis and Infrastructure Protection for fiscal year 2006, $873 million has been requested by the President. This represents a decrease of $20 million below the fiscal year 2005 levels, but a substantial number of the activities within Information Analysis have increased. We simply have transfers of some activities and consolidation for savings.

But my point is this: It is essential that the Congress support the Department and support the administration in its request and not make any cuts so that information analysis can continue to expand its important work in this vital area.

We have requested and we support a request for an increase of $12 million in the homeland security operations center. This is the heart and soul of what we are trying to do in homeland security. We have $5.5 million for information sharing and collaboration. An additional $20 million for 173 full-time equivalent employees is also requested.

Do you realize that they are not fully staffed? Do you realize that our information analysis capabilities in the Department of Homeland Security are lacking literally hundreds of personnel and that when we identify people to hire it takes upwards of a year and maybe longer to clear them?

This is a huge problem, and this is something that we have to focus on very carefully. A lot of the offices downtown are empty, and this is inadequate to the task that we have before us.

We have also tried to spend the money smarter. The Information Analysis budget transfers $53 million in buffer zone protection plans to another agency to create a targeted infrastructure protection grants program which will result in a savings, and there are additional savings that we have been able to achieve through consolidation.

My bottom line is, Mr. Chairman, and the message of this testimony is that we have a new Homeland Security Committee, with new subcommittees, which include the Subcommittee on Intelligence. We are overseeing a new agency of government that has

been created to deal with the new security challenges of terrorism in the American homeland. We think we are making progress in this regard. We think the moneys that have been requested are adequate, but we also know that we do not have all of the answers at this point in time. As our oversight activities continue throughout this spring and summer we have to be flexible, we have to be creative. We have to be diligent, because we may have to change course a little bit here and there to meet the task, and we hope that this committee will give us the resources that we need to perform this important mission.

I thank you for your attention. I would be happy to answer any questions.

[The prepared statement of Robert Simmons follows:]

PREPARED STATEMENT OF HON. ROB SIMMONS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Chairman Nussle, Ranking Member Spratt, I thank you for allowing me to testify on the President's Fiscal Year 2006 Budget Submission to Congress.

As Chairman of the Homeland Security Committee's Subcommittee on Intelligence, Information Sharing and Terrorism Risk Assessment, I will focus on the Department of Homeland Security's intelligence and information sharing capabilities.

We all remember the tragic events of September 11th when terrible failures of our U.S. intelligence community resulted in the loss of over 3,000 innocent lives. The 9/11 Commission outlined those failures in great detail, and then called upon all of us to use that tragedy to "create something positive—an America that is safer, stronger and wiser."

The creation of a new Department of Homeland Security, and a permanent committee of Congress to oversee it, is part of that effort to "create something positive." Intelligence reform is also part of that effort, and the new Subcommittee which I chair will try to oversee the creation of an intelligence capability in the Department of Homeland Security that makes us "safer, stronger and wiser."

We all want our homeland and our loved ones to be safe. We also know that we can spend every dollar, search every traveler, inspect every shipping container and still fail to prevent another terrorist attack here at home.

The Chinese built the Great Wall of China at extraordinary expense to keep out the Mongol hoards, and it failed. In the 1930's, the French built the Maginot Line to exclude the Germans, and it failed. So we have to be "wise" in our choices. Good intelligence gathering and good intelligence sharing helps us to be wise.

Prior to 9/11, information was not being effectively shared, analyzed and acted upon. Because of this we were unable to "connect the dots" to prevent 9/11. Since then, we have made great progress toward integrating our intelligence activities, sharing information and focusing on the terrorist threat. It is vital that our activities and capabilities in this area continue to improve. The cost of failure is too high to consider.

The threat is real. Just last week the media reported on an intercepted communication between Osama bin Laden and Abu Musab al-Zarqawi reiterating the desire of al Qaeda to target the U.S. homeland. This report coincides with the testimony of Homeland Security Deputy Secretary, Admiral James Loy, that "al Qaeda has considered using the southwestern border to infiltrate the United States." And we know that our enemies' ambitions do not stop there.

Good intelligence gives us "the eyes and ears" to see and hear those who would do us harm. At the same time, good intelligence allows us to preserve and protect the civil liberties of our people.

This being said, the President's Budget Request for the Information Analysis and Infrastructure Protection in FY06 totals just over $873 million, a net decrease of $20.5 million below FY05 enacted levels. While this includes substantial increases for certain activities within the IAIP budget, it also involves the transfer of over $100 million out of the IAIP Directorate due to Department-wide consolidation efforts. In the coming weeks the Subcommittee will closely examine additional changes for IAIP because of the importance of its mission. The Subcommittee will pay particular attention to the intelligence and information-sharing functions of IAIP as well as the Open-Source Intelligence capabilities of the Department.

While we anticipate some changes to the IAIP budget, we believe that these changes can be accomplished within the top-line DHS budget, so we are not asking

for an overall DHS increase at this time. But it is essential that Congress support the Department in this area and not make further cuts so IAIP can continue and expand its important work in information analysis.

The DHS Information Analysis and Infrastructure Protection Directorate (IAIP) has a unique role in the Federal Government. Not only does it serve as the "eyes and ears" of the department, focusing specifically on the threats and vulnerabilities of the U.S. homeland, but it also establishes vital partnerships with state, local, tribal and private sector authorities. To accomplish this task, the President's budget requests:

• A $12.9 million increase for the Homeland Security Operations Center (HSOC), one of the major successes of the Department to date. Enhancing this capability will strengthen information sharing and coordination with Federal, state, local, and tribal partners as well as with the private sector.

• $5.5 million for the Information Sharing and Collaboration program, which will help link together and coordinate information-sharing between IAIP, DHS operational elements and their state and local partners.

• An increase of $20.5 million to support an additional 73 Full Time Equivalent (FTE) in IAIP. These new hires will directly support the DHS statutory role of analyzing information and sharing information, issuing warnings and sharing assessments with Federal, state, local and private sector officials. It is vital that IAIP make hiring additional personnel a priority.

• A $19.4 million increase for the construction of the Homeland Secure Data Network (HSDN), a secure, classified network for information sharing and collaboration.

In addition to these increases, the DHS budget also strives to spend smarter. For instance:

• The IAIP budget transfers $53 million in Buffer Zone Protection Plans to the Office of State and Local Government Coordination and Preparedness (OSLGCP) to create a Targeted Infrastructure Protection (TIP) Grants program. This will result in a $3 million savings as a result of the consolidation in OSLGCP.

• The IAIP budget also includes a $41.5 million decrease, transferring the Emerging Pilot and Technology Application Pilots to the Science and Technology Directorate as part of a broader DHS consolidation of Science and Technology funding.

These are important first steps to save money through consolidation. Over the course of this year, we can and will do more.

In closing, Mr. Chairman, it is important to reiterate that the Intelligence Subcommittee of the Homeland Security Committee is engaged in a new oversight role involving a new agency of government created to deal with the new security challenges of terrorism in the American homeland. We believe we are making progress in this vital mission. But we also know that these new challenges will require that we be creative and flexible in order to preserve and protect a free America that is "safer, stronger and wiser."

Thank you. I am happy to respond to your questions.

Mr. PORTMAN. Thank you, Mr. Simmons, for your testimony, and congratulations on your new chairmanship. Given your background in intelligence, you are the right person for the task and, as we can tell by your testimony today, you have a good grasp of some of the challenges.

I would ask you as a general matter whether you are pleased with the President's budget as to Homeland Security generally? He has an increase in funding, as you know, and within that makes priorities.

Obviously one of the priorities that you would like to see is not as high on the priority list as it was in the 2005 budget, but can you give us a sense of what the overall budget looks like from your perspective?

Mr. SIMMONS. I will leave it to Chairman Cox to make a definitive statement. I have discussed this issue with him. We believe that the gross numbers are adequate. As long as there is an opportunity to move dollars around within those gross numbers, we can be successful. The administration has been very progressive in allowing increases in this budget. I think the Defense budget is the only other one that has experienced those increases.

So, again, we are not looking to spend a lot of money. That is why I mentioned the Great Wall of China and the Maginot Line. We are not looking to put a guard on every bridge. We are trying to be smarter about this. But to be smarter, you have to have good intelligence, and you will notice that the intelligence budget in the DHS budget is only about 3 percent of the total. About 3 percent of the total.

So it is my expectation that there may be some movement within the gross budget to move some of those figures around as we try to get our arms around the problem, as we try to get people hired, as we try to get some of the components of these 22 agencies to work together better, even to sit together in the same buildings, which at this point they do not, as we try to conform some of the personnel systems, and this also is part of the problem.

So the quick answer is, we think the gross numbers are adequate. We would not like to see those reduced, but there may be some movement within those gross numbers to meet the requirements that we face.

Mr. PORTMAN. Thank you. As you know, we will as a Congress have the ability to reallocate even within a number that we agree to, which is an aggregate number. I know you will be very involved in that process.

Mr. CUELLAR. Thank you, Mr. Chairman. Mr. Chairman, again, congratulations on being a new chairman. I think it is—being from Laredo,Texas, right on the border, I understand those threats. I understand why it is so important to be wise or use the smart ways, because you cannot put an agent in every block or every bridge across. So it is very, very important that we do this.

But I want to just talk about one, your last paragraph, which is very important to me. That is, you are talking about your subcommittee is going to be doing a new type of oversight, and I think one of the things we need to do here in Congress is have the legislative body provide that oversight on how the agencies are working, whether they are spending the money correctly, whether we ought to shift some of those dollars around, have that flexibility, whether they are creating rules or regulations that are too burdensome or not working. And that is a role that we ought to play as Congressmen.

And my question to you is, what is your definition as the new chairman of Congressional oversight, especially when you talk about a new agency that just got created? I can understand how difficult it is, but what is your definition of legislative oversight?

Mr. SIMMONS. A good question. I would first of all say that I had an experience as a staff director of the Senate Intelligence Committee a number of years ago in the establishing and the managing of Congressional oversight of the intelligence community. It was particularly challenging because the activities of the intelligence community were secret.

We have a somewhat similar task today. Certain activities of the Department of Homeland Security must of necessity remain secret so they can remain effective, and at the same time we have an obligation that the people we represent in that oversight process, and the people are represented by us, by the Members of the Congress.

We have budget authority; in other words, we make budget decisions. That is what you are doing here today, and in the next few weeks, is what we do in our capacity as members of an authorization committee. But we also have a responsibility to get out in the field, to actually see who is working where and what they are doing, to see how effective they are, to see if these buildings are empty or if they are full, to see if people are talking, and if their communications systems are working, to see if they are connecting from a Federal level down to a county level, because the task of homeland security no longer involves just the Federal Government, it involves State governments, it involves county and municipal governments, it involves vertical and horizontal communication in a timely fashion.

And I have already made plans for some of these trips. I was in Mexico a week ago focusing on the cross border issues. And in particular, lack of work, lack of jobs, population pressures in Mexico are creating illegal methods of bringing people into this country illegally, and those same networks are available to the terrorists.

If somebody is willing to pay a "coyote" $10,000 to get him into this country or maybe $20,000 or $30,000, they will bring a terrorist into this country. So we have to look at those networks and try to examine what the best way is to deal with them.

It involves a partnership with the executive branch. But it also involves a focus on our civil liberties. In doing all of these things, we do not want to violate the liberties of our citizens in the name of terrorism or homeland security. So it is a balancing act as well.

It is a difficult challenge, but I think it is something that we must do.

Mr. CUELLAR. I thank you. It is refreshing to see that type of definitional approach when it comes to legislative oversight, because I really think, Mr. Chairman, that we need to reassert that Congressional oversight at all levels, not only in the budget but in the committees because, keep in mind that we come and go, but some of institutional persons, the agencies sometimes have a longer life than we do. And I think it is very, very important that we provide that legislative oversight. Thank you.

I know you know the border when you start using words like coyote. Those are the terms and lingo that is used down there.

And the last thing, just to conclude on this, on the border where I live in Laredo, there have been about 26 Americans that have gone across and are missing, and we are starting to see some of those killings on this side of the border. And I am sure that Homeland Security, it will be your committee, or one of your committees will start looking at that, because it is a big problem. And I am worried about that overflow, because you got the MS–13 and some of those violent gangs are coming over the border, and we are starting to see them. I think just yesterday three men were shot in the head right on the U.S.-Mexico border. I am talking about on this side. So you are starting to see that violence coming over, and Homeland Security certainly needs to play a role in that.

Mr. SIMMONS. It may be that part of our oversight visit to the borders may involve you and your district.

Mr. PORTMAN. Thank you. Mr. Conaway.

Mr. CONAWAY. Thank you, Mr. Simmons, appreciate your service and the background you bring to the tasks. Given the risks that should an event happen, you know, God forbid, the amount of criticism of all of us for having not spent immense amounts more on trying to protect ourselves, there will be no limit to that criticism.

So hearing you say that the top line budget as we understand the risks, as we understand the plans for protecting ourselves, that DHS should be able to function within that—and I do agree that if we wait until the terrorists get to the Rio Grande then we are sunk. And the role of intelligence gathering worldwide and us then going after the bad guys where they are hatching those plans, it is far better than waiting until they wade the Rio Grande River and come into this country illegally.

With all of that said, you mentioned two things. One, hundreds of jobs going unfilled, as well as the lengthy time it takes for us to vet or clear from a security standpoint those jobs. Could you speak to the length of time it takes? Is that inordinate to protect ourselves and make sure that we do not hire—and then also, having chaired a State regulatory agency for 7½ years, I know the bureaucrats, when they have empty slots they find someplace else to spend the money that was allocated for those salaries. And it is spent on one-time purchases during the timeframe that the slots are empty. That is one thing, but if they spend that money on ongoing programs and then come back to us and say, well, now I have got these empty slots that were empty, I have not filled them, I need more money to pay those folks, can you speak to us about how—your sense of that happening with these empty slots?

Mr. SIMMONS. First of all, you have a very solid grasp of bureaucratic politics. So I thank you for those insights. I think they are quite correct. The fact is that we have a new agency and a new mission, and something that Americans have really not had to worry about for a long period of time. The War of 1812 is the last time that we had enemy activity, here in Washington, DC. So for approximately 180 years, the two great oceans provided us with most of the security we needed. Now we have to look inward, and this is a new challenge and a new task. Cobbling together 22 organizations with different sets of rules and regulations is not easy.

Standing up a new intelligence capability means you have to get people, and the preexisting intelligence organizations of course have their own people, many of whom are happy with where they are. You can get some from other agencies, but you can't fill all of your slots that way. Assuming you are hiring people that are not cleared, the clearance process is taking upwards to a year, which is not unusual, but we need to set priorities to accelerate that. We do not want the clearance process to be degraded. We simply want it to be facilitated or speeded up.

And I think that can be done. I have had some experience with that over the last several years dealing with industrial clearances for shipbuilders in my district. I think we can work with OPM and with others to create those priorities. These are some of the things that I have learned over the last 2 weeks as the chairman, and these are some of the issues that I intend to focus on. If you need additional answers to your questions, we would be happy to submit them for the record.

Mr. CONAWAY. I appreciate your comment on the heads up on understanding the bureaucratic—at the end of the year spend all of the budget so you do not have to defend not having spent that on your committee is on point.

Mr. SIMMONS. I an am very familiar with the issue. I am not aware that that has taken place.

I am not making any accusations, but I have got a staff member behind me who is taking notes on that. So we will provide that for you.

Mr. CONAWAY. Thank you.

Mr. PORTMAN. Thank you. Mr. Shaw, you are recognized for 10 minutes. Welcome to the committee.

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

Mr. SHAW. Thank you, Mr. Chairman, and I shall not take the full 10 minutes. I appreciate all of you on a get-away day that are with us. So glad to be before you and the members of the committee that are here.

I am here to talk about a subject that is near and dear to my heart. That is the subject of cancer and finding a cure for cancer. I am a lung cancer survivor. I might add here that there is not many of us. Lung cancer is the leading cancer killer among men and women. Lung cancer kills more people annually than breast cancer, prostate and colorectal cancer combined.

More than 50 percent of those newly diagnosed with lung cancer are former smokers or have never smoked before. I may say here that I haven't smoked for about 30 or 35 years, and when they took out and removed the upper left lobe of my lung the doctor said he could tell I was once a smoker. I think this goes to show that the damage that you do perhaps as a young person can certainly come back to haunt you in your adult life.

Overall, one in three women will be affected by cancer in their lifetime and one in every two men. So you can look to your left and to your right and you can find that somebody next to you is going to have cancer if it is not you yourself.

The National Cancer Institute estimates that over 570,000 Americans will die from cancer this year. This equals 1,500 Americans per day, or over 1 per minute. We must work together to turn these statistics around.

I formed, after my lung cancer, the 2015 Caucus with our colleague Colin Peterson from Minnesota. Both Colin and I had cancer operations during the same period of time over 2 years ago. This 2015 Coalition, they are Members of Congress who either are cancer survivors or have a close relative who battled cancer.

As you may know, the National Institutes of Health has established the goal of treating cancer as a manageable disease by 2015. I think we can do better than that. I think we can actually find a cure for cancer by 2015.

Congressman Peterson and I have written the President asking for his strong leadership in finding a cure by 2015. I am submitting a copy of the letter that I would appreciate and ask that it be made a part of the record.

Cancer research scientists are poised to make great breakthroughs in discovering a cure for cancer. Now is the time for the United States to be fully committed to this roadmap of discovery.

As you know, the President proposed $28.8 billion in funding for NIH for fiscal year 2006. Of this, he has proposed $4.8 billion in funding for the National Cancer Institute. While I appreciate the President's continued commitment to the NIH and NCI, I think now is the time to step up our Federal resources.

As we develop the fiscal year 2006 budget resolution, I hope you will give special consideration to NIH, to their budget, and to NCI and join with me in finding a cure for cancer by 2015.

Mr. Chairman, I can tell you there is no more frightening words that you can hear than you have cancer. I will never forget it. The doctor came out and he wouldn't even have eye contact. It was like a jury coming back with a guilty verdict. It is a frightening thing. But it is something that we can cure.

My early diagnosis, and I might say that because of the doctor insisting that I go have the necessary tests, is the only reason I am here today. And we can solve this for all Americans. It is time that we make this commitment, such as Kennedy did with making the commitment to flying a man to the Moon and bringing him home safely. We can find a cure for cancer by 2015. We need to get started on that process and get started now.

I thank you and I yield back.

[The prepared statement of E. Clay Shaw follows:]

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

Chairman Nussle, Ranking Member Spratt and Members of the Budget Committee, thank you for this opportunity to express my thoughts about something very near and dear to my heart—finding a cure for cancer.

I am a lung cancer survivor. Lung cancer is the leading cancer killer among men and women. Lung cancer kills more people annually than breast, prostate and colorectal cancer combined. More than 50 percent of those newly diagnosed with lung cancer are former smokers or have never smoked before.

Overall, one in every three women will be affected by cancer in their lifetime and one in every two men will be affected by cancer in their lifetime. The National Cancer Institutes estimates that over 570,000 Americans will die from cancer this year—this equates to 1,500 Americans per day or more than one per minute.

We must work together to turn these statistics around.

I formed the 2015 Caucus, with our colleague Collin Peterson (D-MN), as a forum for members who are either cancer survivors or have a close relative who battled cancer. As you may know, the National Institutes of Health has established the goal of treating cancer as a manageable disease by 2015. I believe we can go one step further and find a cure for cancer by 2015.

Congressman Peterson and I have written the President, asking for his strong leadership in finding a cure by 2015. I am submitting a copy of this letter for the record. Cancer research scientists are poised to make a great breakthrough in discovering a cure for cancer. Now is the time for the United States to be fully commitment to this road map of discovery.

As you know, the President proposed $28.8 billion in funding for the NIH for fiscal year 2006. Of this, he has proposed $4.8 billion in funding for the National Cancer Institute. While I appreciate the President's continued commitment to the NIH and NCI, I think now is the time to step up our Federal resources.

As you develop the fiscal year 2006 budget resolution, I hope you will give special consideration to NIH budget and join with me in finding a cure for cancer by 2015. Thank you for your time.

Mr. PORTMAN. Thank you, Mr. Shaw, for your personal commitment to this issue. I remember vividly when that cancer was discovered, and I remember you valiantly going through this with

Emily, and as is the case with ever Member present here and anybody here in the audience, all of us have had a brush with it through our families one way or the other, having lost my mother and mother-in-law and having other family members suffer through cancer, but as survivors I certainly understand your commitment to this and we appreciate your specific suggestion.

With that, Mr. Cuellar.

Mr. CUELLAR. No questions, except it is important to have somebody like you to talk about it. I think one of your last statements here, it is not even high ranking officials like you are immune. I think that is one of statements that you had. So I appreciate your courage. I know it is very difficult. I have known a lot of folks. This is one battle that we have to win, Mr. Shaw. Thank you.

Mr. SHAW. If I could comment, Rob, on what you had to say regarding family members. Emily lost her mother and her father and her sister with cancer. We were watching her very closely. And it came to me, which I have no known cancer in my family. So nobody is immune. It is something we all need to watch very, very carefully and have our checkups and do these things.

But I think it is incumbent upon us as Members of Congress to do what we can to seek out, properly fund and find a cure for this disease.

Mr. CONAWAY. No questions, Mr. Shaw, other than to just comment that my first wife battled Leukemia for 4 years, but lost.

Mr. PORTMAN. Thank you for your testimony.

We now are pleased to have with us Mr. Evans. Lane, thank you for being here. And you are joined, I understand, by Mr. Michaud as well as Ms. Herseth. I appreciate your being here. And welcome to the committee and to Congress.

Mr. Evans, you have 10 minutes to divide as you wish. Then we will have an opportunity to ask you some questions as follow up. Welcome to the committee and look forward to your testimony.

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

Mr. EVANS. Thank you, Mr. Chairman. The administration's fiscal year 2006 budget resolution for the Department of Veterans Affairs (VA) proposes flat-line funding that will severely weaken the system. It fails to adequately fund veterans health care and seeks to put the burden on veterans themselves to make up the shortfall.

The administration's budget would force the VA to deny care to thousands of additional veterans, cut programs for nurses within the system, abandon even more veterans who need VA nursing home care, and gut the successful programs of State nursing homes.

This is all at the time that we are in war, at the height of war. This is unconscionable.

For 2006, the administration has requested only one-half of 1 percent more than Congress appropriated for the VA in fiscal year 2005. This will force the Department of Veterans Affairs to sustain and even broaden the practice of rationing care to veterans. What sort of message does it send to our returning troops, to those who might be considering military service, and you cannot get help when you need it—when you come back home?

Under the administration plan, without corrections, the VA programs would receive only a 0.4 percent increase over the funds appropriated for fiscal year 2005. This ignores the VA's own testimony that it needs 14 percent annually to maintain a current level of service. The bottom line is that this administration's proposal is at least $3 billion short in the health care funding just to keep the VA ship afloat. The way we keep it afloat is not by forcing one veteran to fight against the other, or by cutting critically needed professionals, needed by all veterans, working together to solve those problems.

I and my Democratic colleagues on the Veterans' Affairs Committee would submit for your consideration the views that represent, I believe, a realistic VA budget, based on our veterans views.

Thank you, Mr. Chairman, and I yield to the gentleman from Maine at this point.

[The prepared statement of Lane Evans follows:]

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

Mr. Chairman and Ranking Member Spratt, the Administration's fiscal year 2006 budget submission for the Department of Veterans Affairs proposes flat-line funding that will severely weaken the system. It fails to adequately fund veterans' health care and seeks to put the burden on veterans themselves to make up the shortfall. The Administration's budget would force VA to deny care to thousands of additional veterans, cut thousands of nurses from the system, abandon even more veterans who need VA nursing home care, and gut the successful state nursing home program.

At any time, this would be wrong. At the height of a war, it is unconscionable.

For fiscal year 2006, the Administration has requested only one-half of 1-percent more than Congress appropriated for the VA in fiscal year 2005. This will force the Department of Veterans Affairs to sustain and even broaden a practice of rationing care to veterans. What sort of message is that to send to returning troops, to those who might be considering military service, and to all who have already honorably served?

Under the Administration plan, without collections, VA medical programs would receive only a 0.4 percent increase over the funds appropriated for fiscal year 2005. This ignores VA's own testimony that it needs 14 percent annually to maintain a current level of health services.

The Administration's budget calls for a staff reduction of 2 percent in VA's medical care business line. That amounts to the removal of more than 3,000 health care employees, mostly nurses, at a time when there is, in fact, a nursing shortage in VA.

The bottom line is that the Administration's proposal is at least $3 billion short in health care funding just to keep the VA ship afloat. And the way to keep it afloat is not by forcing one veteran to pay for another veteran's care or by cutting critically needed health care professionals.

I and my Democratic colleagues on the Veterans' Affairs Committee have submitted for your consideration views & estimates that represent a realistic VA budget based on veterans' needs. Unlike the Administration's budget proposal, it takes into account the impact of thousands of returning troops from Iraq and Afghanistan who will need health care, including mental health services and other types of transition assistance.

For the third straight year, the President's budget recommends a $250 annual enrollment fee for medical care for Priority 7 and Priority 8 veterans, and more than doubles the amount they pay for prescription drugs. These are veterans whose conditions are not service-connected and who have incomes above VA means-tested levels. According to the Administration's own figures, this will result in driving 213,000 additional veterans out of the system.

But what is most appalling is the position of some that these veterans, Priority 7s and 8s, are not deserving of VA care because they are—and this is quite misleading—"higher income" and might therefore have other health care options. This group of veterans, in fact, includes combat-decorated veterans and others who

served honorably and whose annual incomes exceed $25,000 (single) to $36,000 (four or more dependents). A significant number of them lack health insurance (in 2001, 6.4 percent, but likely more as the number of uninsured Americans continues to grow), and some are not eligible for Medicare.

In the private sector these veterans are not going to receive the veteran-sensitive, specialized treatment that VA can provide. Without VA, some will fall through the health care cracks altogether. Moreover, many in the veterans' affairs community have serious concerns that the VA health care system may not remain a viable independent system without these veterans as patients, so all veterans may be adversely affected by such policies. The Administration's push to oust deserving veterans from the system also endangers VA's other missions of educating the Nation's health care professionals, conducting research and serving as back-up to the Department of Defense in the event of war.

As troops return home from Operation Iraqi Freedom and Operation Enduring Freedom, VA will eventually become responsible for many of their health care needs, particularly for those with injuries that may last a lifetime. Many of these servicemembers will require ongoing rehabilitative care for their injuries—both mental and physical. As of December 2004, VA had treated 32,684 of the 210,000 veterans from these deployments. We agree with the Independent Budget on the necessity of a significant infusion of funds to ensure that veterans are able to receive the best sustaining care available for their problems.

Recent studies have shown that a significant number of returning troops (up to 17 percent or more) are demonstrating a need for post-deployment mental health intervention. Troops' mental health issues range from acute and transitory anxiety and readjustment disorders to more chronic and severe problems, even psychoses. We believe VA must stand ready to provide immediate relief to servicemembers who return requiring its services. Experts indicate that immediate intervention may be the surest remedy to preventing some long-term and chronic disorders.

The President's budget also cuts $9 million from VA's renowned medical and prosthetic research program, whose achievements have benefited veterans and non-veterans alike. As advocates are quick to point out, without appropriated research dollars, these programs fail to draw competitively based funding from private and other government sources. With continued cuts to its appropriated funding levels, the system continues to be challenged to fund merit-reviewed projects that could greatly benefit veterans and other Americans.

Mr. Chairman, we can and must do better for our veterans. We ask you to give serious consideration to the views & estimates put forward by those who join me on this panel today, and our other Democratic colleagues on the Veterans' Affairs Committee.

Thank you.

Mr. MICHAUD. Thank you, Mr. Chairman. I have a couple of my colleagues who actually have flight problems. I can yield to them first. So without objection I yield to my colleagues.

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

Ms. BERKLEY. Thank you again for giving me the opportunity to speak with you on an issue that is very important to me. I am here today to express my disappointment that the administration's budget does not, in my opinion, adequately address the needs of those veterans who have served our Nation, as well as current service members who will soon become veterans.

As many people are aware, I represent the district that has the fastest growing veterans population in the United States. I have almost 200,000 in the southern Nevada area. I work very closely with them. I am very well aware of their problems, and I would like to share those problems with you and how this budget does not help where it is needed the most.

First, the President's budget fails to recognize that more than 30,000 veterans have remanded claims which have been pending for years, and in some cases more than a decade. In Nevada and

across the country, veterans who appealed decisions as long ago as 1994 still have not received a final decision on their claims.

I strongly urge the Budget Committee to use the temporary funding provided in the administration's budget to address the remanded claims problem. And Nevada has the fourth highest remand rate in the Nation. These veterans have been waiting years to have their claims addressed.

In fiscal year 2004, veterans filed almost 200,000 more disability rating claims than in fiscal year 2000. However, the VA rating staff has not increased proportionately. As a result the pending caseload of these claims has significantly increased since President Bush took office. Permanent funding is necessary for 113 additional employees so veterans can receive accurate and timely decisions on their claims.

Second, additional funding must be authorized for the Board of Veterans Appeals to prevent even longer delays in processing appeals. In my home State of Nevada, the number of pending appeals currently exceeds 1,200, which is up from 750 in the year 2001. It is unconscionable that veterans who are appealing decisions for benefits based on their service-connected disabilities are required to wait years for a decision from their own government.

Third, the President's budget is inadequate to continue the investment in improving the Nation's memorials and cemeteries that honor our veterans. I request additional funding to assure progress on the national shrine commitment so those who have paid the ultimate price can be laid to rest in dignified, well-maintained surroundings, and I can tell you without fear of contradiction when I was first running for office 7 years ago and met with the veterans organizations in my community this was the one thing they pointed out to me more than any other.

In addition, I would like to urge the committee to provide funding in the administration's fiscal year 2006 budget to construct a full-scale medical complex in Las Vegas. After going through an exhaustive CARES study, holding hearings across the United States, the administration has added $199 million for a full service VA medical complex in southern Nevada.

We have, as I mentioned, the fastest growing veterans population in the country. We have no hospital, no outpatient clinic, no long-term care facility. The veterans in southern Nevada are relying on a string of temporary clinics scattered across the valley. There are times during the summer when it is 115 degrees. I have 80-year-old veterans standing in the heat waiting for a shuttle to pick them up to take them to 1 of 10 locations. So if they have to go and see a doctor for high blood pressure, they go to one facility. Then they have to get back on the bus, on the shuttle, go to another building in order to get a different service, and then they have to go somewhere else to get their prescription medication taken care of.

Almost 1,500 of southern Nevada veterans are sent to neighboring States hundreds of miles away because the services cannot be provided locally since we do not have a full service VA hospital for our veterans. They usually go to southern California. The problem with that is they tend to be older, they tend to—obviously, if they need the care, they are not in good physical shape, they have medical problems, and they are away from their families. This is

an extremely stressful time, and we need to bring these facilities to southern Nevada where the veterans are located. The burden that these veterans and their families have because of the lack of facilities in Las Vegas is mind boggling and very sad to observe.

The proposed hospital outpatient clinic and long-term care facility, of which we have none, in Las Vegas will significantly improve health care access for the almost 200,000 veterans in my community. That I would say is our number one priority, and since it has already been approved in the budget I ask you to look lovingly at that, and my veterans will thank you very much for that, as we should be thanking them.

I appreciate your time and sincerely hope that we can work together to ensure the highest quality of care and service for our Nation's veterans. There is not a group of Americans that deserves our care more than they do. Thank you very much.

[The prepared statement of Shelley Berkley follows:]

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

Thank you, Mr. Chairman. I am here today to express my disappointment that the Administration's budget does not adequately address the needs of those veterans who have served our country, as well as the current servicemembers who will soon become veterans.

I agree with the positions expressed in the Views and Estimates of the Democratic Members of the Committee on Veterans' Affairs and today, I would like to focus on areas where funding for the VA is desperately needed.

First, the President's budget fails to recognize that more than 30,000 veterans have remanded claims, which have been pending for years and in some cases more than a decade. Almost 75% of those who appealed VA regional office decisions in FY 2004 had those decisions remanded or reversed by the Board of Appeals. In Nevada, and across the country, veterans who appealed decisions as long ago as 1994 still have not received a final decision on their claim. I strongly urge the Budget Committee to use the temporary funding provided in the Administration's budget to address the remanded claims problem.

In FY 2004, veterans filed almost 200,000 more disability rating claims than in FY 2000. The number of veterans filing these claims for the first time has also increased by 83,000. However, VA rating staff has not increased proportionately. As a result, the pending caseload of these claims has increased from 278,334 when President Bush took office to 340,020 as of February 19, 2005. I cannot stress enough that permanent funding is necessary for the 113 additional employees so veterans can receive accurate and timely decisions on their claims.

Second, I agree with the majority that additional funding must be authorized for the Board of Veterans Appeals to prevent even longer delays in processing appeals. Veterans who are appealing decisions to the Board of Veterans Appeals can expect to see a dramatic increase in time to resolve their appeals. Since President Bush took office in 2001, the number of pending appeals has increased from 87,291 to 152,948 as of February 19, 2004. My home state of Nevada is no exception, with the number of pending appeals currently exceeding 1,200 from 750 in 2001. This cannot continue.

Third, the President's budget is inadequate to continue the investment in improving the nation's memorials and cemeteries that honor our veterans. I request additional funding to assure progress on the national shrine commitment so those who have paid the ultimate price can be laid to rest in dignified, well-maintained surroundings.

In addition, I urge the Committee to provide the funding in the Administration's FY 2006 Budget to construct the full-scale medical complex in Las Vegas. Southern Nevada has one of the fastest-growing veterans' populations in the country and there is no hospital, outpatient clinic, or long-term care facility in sight.

The veterans in Southern Nevada are relying on a string of temporary clinics scattered across the Valley and my veterans are forced to shuffle between the clinics for their various health care needs. Hundreds of Southern Nevada veterans are sent to neighboring states, hundreds of miles away from their homes, because the services cannot be provided locally. This is an unfair burden on the veterans and their

families. The proposed hospital, outpatient clinic, and long-term care facility in Las Vegas will significantly improve health care access for the 160,000 veterans in my community.

I appreciate your time and sincerely hope that we will work together to ensure the highest quality of care and service for our nation's veterans.

U.S. CONGRESS,
Washington, DC, February 28, 2005.

Hon. JIM NUSSLE,
Chairman, Committee on the Budget, House of Representatives, Washington, DC.

Hon. JOHN SPRATT, JR.,
Ranking Member, Committee on the Budget, House of Representatives, Washington, DC.

Dear Chairman Nussle and Ranking Member Spratt: We are writing to express our concern regarding a provision in the administration's FY 2006 budget for the Department of Health and Human Services that would require gaming establishments to serve as Federal collection agents for overdue child support payments. While we adamantly support the efforts of state law enforcement agents to recover child support from parents who do not fulfill their parental obligations, this provision is imprudent and could lead to a myriad of unintended consequences.

Under the proposal, an individual whose legal winnings exceed the threshold for filling out an Internal Revenue Service W2-G form would be subject to a Federal records check. A civilian commercial casino employee would be tasked with searching for the name of the winning patron in the Child Support Federal Parent Locator Service to determine whether the winner is delinquent in his or her child support payments. Gaming establishments that fail to execute this function as mandated by the Federal Government would be subject to strict penalties.

Most commercial casinos operate 24 hours a day, 7 days a week. State law requires casinos to payout winnings when they are due and without delay. Therefore, to implement this proposal, thousands of gaming employees would need immediate access to accurate information at all times. These civilian workers,with no law enforcement background, would have access to sensitive, confidential information. Not only does this raise serious invasion of privacy concerns, casinos also could be liable for any employee misuse or mistakes.

Requiring a private business to directly apply the law to an individual would set a dangerous precedent, as well. It could open the door to requiring other cash handling industries to similarly assume the burden of law enforcement duties. Should banks check the court records of all customers making deposits or withdrawals? Must car dealers invoke the same requirements against their customers? The private sector should not be expected to bear the burden of costly and unreasonable mandates, such as the one proposed by the administration.

In conclusion, the intended goal of this provision is laudable, but it is the role of law enforcement to police decisions made in our court systems. This provision singles out the gaming industry, creating unreasonable demands on the employees of gaming establishments. We ask you to reject this proposal and not include this or similar language in the FY2006 Budget Resolution.

Thank you for your consideration.

Sincerely,

SHELLEY BERKLEY,
Member of Congress.

JON. C. PORTER,
Member of Congress.

FRANK LOBIONDO,
Member of Congress.

JIM GIBBONS,
Member of Congress.

BENNIE THOMPSON,
Member of Congress.

CAROLYN KILPATRICK,
Member of Congress.

STATEMENT OF THE HON. STEPHANIE HERSETH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

Ms. HERSETH. Thank you, Mr. Chairman, Mr. Conaway, and thank you to my colleagues, Ranking Member Evans and Mr. Michaud, for yielding time. Thank you for giving me the opportunity to speak to you today.

As the ranking member of the Economic Opportunity Subcommittee, I am here to share my concerns regarding the President's fiscal year 2006 budget request and its impact on VA programs that are intended to provide service members, veterans and military families economic security and advancement.

Today, perhaps more than any time in our recent history, transition assistance, vocational rehabilitation and education programs for veterans are in need of adequate and timely funding. In my State of South Dakota, more than 2,500 National Guard soldiers have served in support of Operations Noble Eagle, Enduring Freedom and Iraqi Freedom. These returning soldiers, along with service members from across the country, deserve the best available service we can provide.

Unfortunately, the administration' budget does not reflect the need nor adequately provide funding for many of the valuable education, vocational rehabilitation and transition services promised to our Nation's veterans.

I want to take this opportunity to highlight two areas of particular concern for me and many of my colleagues on the committee. First, the President's fiscal year 2006 budget request would eliminate 14 full-time employee equivalents FTEEs, in the VA's Education Service. We agree with the majority on this budget issue in rejecting the administration's funding level and recommend an increase in resources of $1.1 million to restore the projected FTEE cuts in VA's Education Service.

Education claims are expected to increase due to more veterans seeking to take advantage of Montgomery G.I. Bill education benefits, as well as a new National Guard and Reserve education program enacted last year as part of the National Defense Authorization Act of 2005. Moreover, a number of senior VA Education Service employees are eligible to retire in the near future. Additional resources are needed to address the expected increases in education claims and to hire new employees.

The second area I would like to highlight is that the President's fiscal year 2006 budget request provides no funding for additional FTEE designated to provide direct vocational rehabilitation and employment counseling services. Rather, the President's budget simply reflects a redistribution of management support personnel. Veterans applying for vocational rehabilitation and employment services increased dramatically over the last decade, roughly 75 percent increase. Demand for this service will certainly and surely continue due to the many injuries suffered by our troops serving in Iraq and Afghanistan.

Former Secretary Anthony Principi established a task force to review the vocational rehabilitation employment program, VR&E, from top to bottom. The VR&E task force issued a comprehensive report in May of last year. The report contained 102 recommenda-

tions to improve the VR&E program and reform it to be responsive to 21st century needs of service connected disabled veterans.

The task force recommended increasing full-time staff positions in the VR&E program by approximately 200 FTEE, including 27 FTEE in headquarters, 112 in the regional offices to deliver direct services, 56 in the regional services for contracting and purchasing, and 8 quality assurance staff.

Consistent with the VR&E task force report, we recommend an increase of $5 million to provide for 57 additional FTEE, one full-time staff position in each regional office.

Again, I want to thank you for providing me the opportunity to speak today and encourage you to reconsider the President's budget request and provide adequate funding for veterans education, vocational rehabilitation, and transition programs. Thank you and I yield back.

[The prepared statement of Stephanie Herseth follows:]

PREPARED STATEMENT OF HON. STEPHANIE HERSETH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

Thank you for giving me the opportunity to speak today. As the Ranking Member on the Economic Opportunity Subcommittee, I am here to share my concerns regarding the President's Fiscal Year 2006 budget request and its impact on VA programs that are intended to provide servicemembers, veterans, and military families economic security and advancement.

Today, perhaps more than any time in recent history, transition assistance, vocational rehabilitation, and education programs for veterans are in need of adequate and timely funding. In my state of South Dakota more than 2500 National Guard soldiers have served in support of operations Noble Eagle, Enduring Freedom, and Iraqi Freedom. These returning soldiers, along with servicemembers from across the country, deserve the best available service we can provide. Unfortunately, the Administration's budget does not reflect the need nor adequately provide funding for many of the valuable education, vocational rehabilitation, and transition services promised to our nation's veterans.

I want to take this opportunity to highlight two areas of concern that I have. First, the President's FY06' budget request would eliminate 14 Full Time Employee Equivalents (FTEE) in the VA's Education Service. We agree with the majority on this budget issue and reject the Administration's funding level and recommend an increase in resources of $1.1 million to restore the projected FTEE cuts in VA's Education Service. Education claims are expected to increase due to more veterans seeking to take advantage of Montgomery G.I. Bill education benefits, as well as the new Guard and Reserve education program enacted last year as part of the National Defense Authorization Act of 2005. Moreover, a number of senior VA Education Service employees are eligible to retire in the near future. Additional resources are needed to address the expected increases in education claims and hire new employees.

The second area I would like to highlight is that the President's FY06' budget request provides no funding for additional FTEE designated to provide direct vocational rehabilitation and employment counseling services. Rather, the President's budget simply reflects a redistribution of "management support" personnel. Veterans applying for vocational rehabilitation and employment services increased dramatically over the last decade—roughly 75 percent increase. Demand for this service will surely continue due to the many injuries suffered by our troops serving in Iraq and Afghanistan. Former Secretary Anthony J. Principi, established a task force to review the vocational rehabilitation and employment program (VR&E) from "top-to-bottom." The VR&E Task Force issued a comprehensive report in May of 2004. The report contained 102 recommendations to improve the VR&E program and reform it to be responsive to 21st Century needs of service-connected disabled veterans. The Task Force recommended increasing full-time staff positions in the VR&E program by approximately 200 FTEE; including 27 FTEE in headquarters; 112 in the regional offices to deliver direct services; 56 in the regional offices for contracting and purchasing; and 8 quality assurance staff. Consistent with the VR&E Task Force Report, we recommend an increase of $5 million to provide for 57 additional FTEE—one full time staff position in each regional office.

Again, I want to thank you for providing me with the opportunity to speak today, and encourage you to reconsider the President's budget request and provide adequate funding for veterans education, vocational rehabilitation, and transition programs.

Mr. EVANS. I would like to yield to the Congressman from Maine for the remainder of our time.

STATEMENT OF THE HON. MICHAEL H. MICHAUD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE

Mr. MICHAUD. Thank you very much, Ranking Member Evans.

Mr. Chairman, I was asked by a member of the Veterans' Committee, Mr. Strickland, if he could submit prepared remarks for the record.

Mr. PORTMAN. Without objection.

[The prepared statement of Ted Strickland follows:]

PREPARED STATEMENT OF HON. TED STRICKLAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Thank you for hearing the oversight perspective regarding VA's unfounded claims of $4.34 billion in management efficiency-based savings and the proposed addition of new fees and co-pays on veterans seeking health care.

I would like to begin by thanking HVAC Chairman Buyer for boldly stating in his views and estimates that VA has "overestimated" management efficiency savings. We fully agree. What we disagree on is the amount of net savings, if any.

In the budget submissions for fiscal years 2005 and 2006, VA uses only 79 words each year to account for claimed savings of about $1.2 billion and 1.8 billion, respectively. All too often, their stated basis has never transpired, never been proven or has encountered serious management problems. Other unstated management problems may also offset claimed savings.

I have brought with me two IG reports to illustrate our point. This is by no means a comprehensive list of VA management deficiencies.

The first is an Inspector General review of the CoreFLS system—$249 million in government obligations for an automated management system that was never deployed because "VA Management of the CoreFLS Project did not Protect the Interests of the Government" and "Senior Leadership did not Respond Adequately to SPD [supply, processing, and distribution] Warnings and did not Ensure Adequate Preparation for CoreFLS Testing." This does not sound like management efficiency. It did not sound like an efficiency to the Carnegie Mellon Independent Technical Assessment Team contracted to review the CoreFLS failure and which noted numerous technical and management related problems.

More recently, on February 16, 2005 the IG published a report titled, "Evaluation of VHA Sole-Source Contracts with Medical Schools and Other Affiliated Institutions" which indicates a myriad of problems with general contracting, contract pricing, and conflicts of interest.

One need only to go the VA IG website or review reports of the Government Accountability Office for a more complete picture, a picture that indicates a host of management problems at VA over the last 4 years—many are associated with a cost to the government—and the taxpayer—because of VA management deficiencies. Nowhere in the budget submissions do we see a substantiated accounting of either the net losses or the net savings at VA. The two must be considered in balance. The result must be proved before we allow "just anybody's guess" to impact veterans' health care. For this reason, we must restore the offsets to veterans' health care based on VA's claims of management efficiencies until those efficiencies are proven and a net savings can be determined.

Perhaps one indicator that the claimed magnitude of VA management efficiencies is—as Mr. Buyer states, "overestimated", relates to VA's strident interest in the last 4 years to impose fees and co-pays on veterans.

VA recommendations for new fees and increased co-pays seem to pop up in rough approximation to the unfounded efficiency claims. Why? If all claims of management efficiency were real, would the fees and co-pays be necessary?

VA has built a house of cards on efficiency claims that are without substance, now they seek to correct for their management shortcomings by levying fees and co-pays on our veterans. This is wrong. We will not support it.

The newly proposed $250 enrollment fee is often compared by our new Chairman to TriCare for Life. Differences abound. Veterans usually do not have a choice of provider/physician at VA, family members are not usually eligible, and there is no fee for TriCare for Life.

Of course there is a threshold for the new VA fees and increased co-pays—in my District, someone making $26,000/yr is considered too wealthy for the exemption.

Following VA's budget savings "exaggeration" with an injustice in order to cover management deficiencies and balance the ledger is no way to treat veterans in this time of war. We will accept an offset to health care based on factual, provable net savings based on management efficiencies. We will not accept burdening those who have served with the cost associated with past management failures at VA.

I urge the Budget Committee to restore all claimed management efficiency savings for FY 2003-FY2006 until net savings are proven.

Mr. MICHAUD. Thanks for the opportunity to appear before your committee this afternoon. I agree with the remarks of Ranking Member Evans regarding the inadequacy of the administration's budget proposal. There is no doubt that there is a growing strain on the VA. We will not truly overcome this challenge with the policies that will decrease demand or ration care because the demands represent the needs of real veterans needing care.

Along with my colleagues here today, and along with the veterans of this country, I believe we should reject the proposed enrollment fees and increased copayments and provide the necessary resources to meet the demands on VA. I would like to draw your attention to the effects of the administration's budget as it affected the long-term care option for our veterans. The administration proposes to limit eligibility for nursing home care to all of its venues and to the mostly severely connected veterans.

That would be devastating. We do not believe that the VA should abandon its long-term care responsibility in any of its nursing care venues, particularly at a time when veterans' demands for such services is increasing and is at its peak.

Congress seemed to share these concerns when it passed Public Law 106–117, which required VA to maintain its in-house nursing home capacity at the level of the fiscal year 1998, but VA programs have continued to erode since that time. Rather than take action to address this erosion, VA continues to propose to do away with the requirement and find ways to reduce its institutional long-term care capacity.

For example, the President's budget would revise the eligibility requirement for the State veterans homes so that the vast majority of veterans who reside in State veterans homes would suddenly be ruled ineligible for per diem benefits. The National Association of State Veterans Homes estimated that in many States this change will eliminate VA per diem for at least 80 percent of State home residents.

The impact would not only be felt by those who would no longer qualify under this proposal, in fact this change would jeopardize the future of State home systems all together. The proposal will cost the State of Maine Veterans Homes $4.7 million per year. By excluding so many veterans it would have a similar impact on the Iowa State Home, in Marshalltown and two homes in South Carolina, and the State Veterans Homes all across the country. I understand that 75 percent or more of the State homes could go bankrupt under this plan. Indeed, it is unclear what all of the impacts of such a plan would be, other than to drastically decrease the cur-

rent workload in funding availability to State homes, thereby threatening the overall ability to the existence of these homes.

To that end, the minority members of the committee are recommending funding to restore the 1998 baseline of services in VA nursing homes, and to enhance State home capability. Mr. Chairman, I would ask that the proposals within the administration budget, the proposals that would jeopardize the care of thousands of aging veterans, be rejected, and that we do not abandon our commitment to the long-term care of our Nation's veterans.

Thank you very much, Mr. Chairman.

[The prepared statement of Michael H. Michaud follows:]

PREPARED STATEMENT OF HON. MICHAEL H. MICHAUD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, thank you for the opportunity to appear before your committee.

I would like to associate myself with the statement made by Ranking Member Evans regarding the inadequacy of the Administration's budget proposal. We should not force those who have sacrificed so much for our country to sacrifice again. There is no doubt that there is a growing strain on the VA. We will not truly overcome this challenge with policies that decrease demand or ration care—because that demand represents the needs of real veterans needing real care. Along with my colleagues here today, and along with the veterans of this country, I believe we should reject the proposed enrollment fee and increased copayments, and provide the necessary resources to meet the demand on the VA.

I would now like to draw your attention to the devastating effects the Administration's budget would have on long-term care options for our veterans. The Administration proposes to limit eligibility for nursing home care in all of its venues—VA—community—and state—to only the most highly service-connected veterans and those with short-term needs. We do not believe that the VA should abandon its long-term care responsibilities in any of its nursing care venues, particularly at a time when veterans' demand for such services—the demand of the "greatest generation"—is at its peak.

Congress seemed to share this concern when it passed Public Law 106–117, which requires VA to maintain its in-house nursing home capacity at the level that existed in fiscal year 1998. But VA's programs have continued to erode since that time. Rather than take actions to redress this erosion, VA continues to propose to do away with the requirement and find ways to reduce its institutional long-term care capacity.

For example, the President's budget would revise the eligibility requirements for the State Veterans Homes so that the vast majority of veterans who reside in State Veterans Homes would suddenly be ruled ineligible for per diem benefits. The National Association of State Veterans Homes estimates that in many states, this change will eliminate VA per diems for at least 80 percent of State Home residents.

The impact would not only be felt by those who would no longer qualify under this proposal. In fact, this change would jeopardize the future of the State Homes system altogether. This proposal would cost the Maine State Veterans Homes $4.7 million per year. By excluding so many veterans, it would have a similar impact on the Iowa State Home in Marshalltown, the two homes in South Carolina, and State Veterans Homes across the country. I understand that 75 percent or more of the state homes could go bankrupt under the plan. Indeed, it is unclear what all of the impacts of such a plan would be, other than to drastically decrease the current workload and funding available to state homes, thereby threatening their overall ability to exist.

In contrast to the President's budget and VA's recent history, the Federal Advisory Committee on the Future of VA Long-Term Care recommended that VA should:

- Maintain its bed capacity
- Increase capacity in the state homes
- And double or triple capacity in its non-institutional long-term care settings.

To that end, the minority Members of the Committee are recommending funding to restore the 1998 baseline of services in VA nursing homes and to enhance state home capacity. Mr. Chairman, I ask that the proposals within the Administration's budget—proposals that would jeopardize the care of thousands of aging veterans—be rejected and that we do not abandon our commitment to the long term care of our nation's veterans.

Thank you Mr. Chairman.

Mr. PORTMAN. Thank you, Mr. Michaud, we appreciate your testimony. And Mr. Evans, thank you for your testimony.

I just want to correct the record, if I could. Ms. Herseth said that she would urge this committee to reconsider the President's request, and there was kind of an implicit assumption in some of the testimony that this committee would be deciding on what the veterans programs will be. That is not the case.

This committee does establish the broad blueprint for our budget. In the case of the veterans programs, of course, these are both mandatory and discretionary, and we come up with two numbers. One is on the discretionary side, which will be an overall number. Within that the Congress, through its committee process, the Appropriations Committee, which Mr. Evans works with, would choose how to spend that money, both in terms of its overall allocation to veterans or not, and then within the veterans program, and the other case there is a broad number for mandatory spending, and the same would apply. So Congress controls the purse strings and we will have the ability to look at all of those programs.

Second, I know you all know this, over the last 5 years veterans health care has been increased by 42 percent. We do have an increase, not adequate, for Mr. Evans' opinion and the other Members who testified, but again that is something to keep in mind. This is a tough year because we do have needs that throughout our various communities are tough to meet.

VA, Mr. Evans, you said would like a 14 percent increase in health care. That is a pretty steep increase to just do year after year after year, and the question is, are there ways in which we can reform the system to make it work better and not have these double digit increases. The veterans in my community are not happy with the care that they receive for the most part. Some are and some aren't, but certainly our veterans system is far from perfect.

But Congress as they look at this will look at the numbers, but also at the substance and some of the reforms, ideas that have been proposed to improve the health care and make it work better for our veterans. Mr. Conaway.

Mr. CONAWAY. Thank you for your testimony. I appreciate it.

One is a comment anecdotally. A veteran from our community from Odessa had a wrist injury, held over from Vietnam, and needed to be taken care of. He was required to go to Albuquerque, New Mexico for assessment and come home. He was required to go back to Albuquerque for the surgery and go home and then go back to Albuquerque—and this is an 8-hour trip—for post-op care. There is no shortage of doctors in Odessa, Texas who could have provided that service and he could have stayed there. The commitments for veterans health care is there. We are going to meet that.

What I would encourage the committee to look at is the idea that, you know, the system was set up in 1950, late 40s, to address the millions of World War II veterans at a time when our medical system was much, much different than it is today, and maybe there is a better way we can meet the needs of all veterans that would be easier on them and cheaper.

I had another veteran, a Vietnam vet suffering from post-traumatic stress syndrome, tell me at a town hall meeting last Friday in Odessa, that he was transported from Odessa to Temple, another 8-hour drive in an ambulance, for $2,300. And when they got him ready for discharge, they gave him a $35 voucher for a bus ride home that got him halfway. A system that works like that way is just nonsense.

I think we can keep these promises. And I have a father who is a veteran of Korea and World War II and goes to a veterans hospital for treatment of diabetes. And we want to keep those promises to him. But I think we can do it better and cheaper. It makes it easier on the veterans.

I am also a veteran. I am a beneficiary of the GI bill. So I have some skin in the game as well.

One other thing, and I just appreciate you listening to this. One of the other witnesses mentioned a caseload at VA for determining disabilities and the appeals. Again, harkening back to the 7 years I spent on a regulatory agency board in Texas, we tracked opened cases from start to finish. And every year we went from a legislative oversight board, with our little chart in hand, that said here is somebody that we opened and somebody we closed. Here is what we have pending, the average length of time it took us to fix that. I would hope that the VA tracks that and the committee is holding their feet to the fire. She said years on determinations. That is awful, I mean, for the lack of a phrase, that your committee doesn't hold their feet to the fire to get the work done.

Thank you for your service. This is a tough environment. We have veterans we are creating every day with problems. I am going to go to Bethesda on Monday to visit with injured troops, to look them in the eye and tell them thank you. We have to keep promises, but we also can't break the bank as the Vice Chairman said. We have had significant increases in VA funding and we have to continue to work together to make sure we keep those promises. Thank you for your testimony.

Mr. EVANS. I believe we can work together to see what we can do. For all of us who have rural counties in their district, it is a tremendous problem for veterans to get a ride, much less a reimbursement for the gas to get to VA medical centers. So it is something I would like to work on.

And, you know, all these problems we bring up about the VA is the reason veterans are doing so well. But by and large, we are going to see an increase in the need for funding veterans of the Persian Gulf wars, and there is an indication that the current level of services should be extended. Most people think we are slowing down the defense spending and slowing down veterans spending and that we don't need them anymore. This one time we need funding increases in both.

So thank you very much, and I appreciate you and the Chairman's assistance.

Mr. PORTMAN [presiding]. Thank you, Mr. Evans. Appreciate you coming before us today and your longtime concern for our veterans.

And, Mr. Michaud, thank you for your testimony.

Mr. PORTMAN. Ms. Bordallo, thank you for your patience. I see you over there and we appreciate you being here. We look forward

to your testimony. Any statement you have may be made part of the record and you are welcome to testify up to 10 minutes.

STATEMENT OF THE HON. MADELEINE Z. BORDALLO, A DELEGATE IN CONGRESS FROM THE TERRITORY OF GUAM

Ms. BORDALLO. Thank, you Mr. Chairman, and members of the House Budget Committee. I thank you very much for the opportunity to testify today. There are several priorities for Guam that I feel merit consideration for inclusion in the Fiscal Year 2006 Budget Resolution. I respectfully request your assistance with ensuring that the budget provide sufficient overhead to cover the costs of these important programs and initiatives.

There are four specific items, Mr. Chairman, that I would like to discuss today very briefly.

The first item I wish to discuss involves the forgiving of debts owed by the Government of Guam to the Department of Agriculture's Rural Utility Service loan program. In enacting Public Law 108–188, the reauthorization of the Compact of Free Association between the United States, the Republic of the Marshall Islands (RMI), and the Federated States of Micronesia (FSM), Congress and the administration recognized the adverse financial impact shouldered by the Government of Guam of providing unreimbursed services to the citizens of these Freely Associated States. Under the Compact of Free Association, citizens of the RMI and the FSM may travel to the United States and utilize any social services without having to pay taxes to U.S. jurisdictions. And because of the geographic proximity, many of the FAS migrants choose Guam as their destination.

In addition to increasing direct Federal assistance to Guam and other U.S. jurisdictions in the Pacific region, the Compact Reauthorization included provisions of a bill that I introduced as the Compact-Impact Debt Reconciliation Act. This act granted the administration authority to reimburse Guam for past unreimbursed costs associated with the FAS migrants by forgiving debts owed by the Government of Guam to the Federal Government. Unfortunately, the administration has declined to exercise its authority to provide such debt relief in fiscal year 2005, citing the need for a congressional appropriation. So I am requesting that Congress appropriate debt relief for $105 million in outstanding RUS loans and respectfully request that the Budget Committee provide sufficient head room to cover this appropriation.

The second item, Mr. Chairman, I wish to discuss concerns coordinating the payment of the Earned Income Credit in Guam and the Virgin Islands. As you are aware, the tax codes of Guam and the Virgin Islands mirror that of the Internal Revenue Code, and we must provide our citizens with the same tax credit as individuals receive in the 50 States and the District of Columbia. However, the payment of refundable tax credits such as the EIC constitutes an unfunded Federal mandate. The refundable portion of this tax credit, which is the amount that exceeds an individual taxpayer's total tax liability, is meant to offset the impact of FICA taxes on low-income individuals. While citizens of Guam and the Virgin Islands pay their FICA taxes to the U.S. Treasury, the terri-

torial treasuries are tasked with covering the costs of the refundable portion of this credit out of our local revenues.

Congresswoman Christensen of the Virgin Islands and I have, over the years, proposed various solutions to this issue. On different occasions, Senate Finance Chairman Grassley and House Ways and Means Committee Chairman Thomas have engaged in colloquies expressing their willingness to work with us to resolve this matter, and we are hopeful for a consensus on a resolution this year. The Joint Committee on Taxation scored my most recent proposed legislation solution at $39 million for fiscal year 2006. I respectfully request that the Budget Committee include this figure in the 2006 budget resolution.

As my third item for discussion, I respectfully request that the Budget Committee provide $8 million in head room for additional Medicaid appropriations to Guam and the small territories. Last year, I introduced a floor amendment to the Departments of Labor, Health and Human Services, and Education Appropriations Act for Fiscal Year 2005 that would have increased Medicaid funding to Guam and the small territories above current section 1108 funding limitations. Section 1108 of the Social Security Act limits the amount of funding that the territories may receive in Federal Medicaid matching grants. I agreed to withdraw my amendment at the request of House Energy and Commerce Chairman Barton upon learning of his interest to work with me to address this matter through the program's authorizing committee. I am pleased with the Chairman's understanding of the adverse impact of section 1108 on the territories and his willingness to help us identify additional resources.

Last year, the House Government Reform Subcommittee on Human Rights and Wellness held a hearing which highlighted continuing health disparities in the territories, coupled with disproportionately high rates of unemployment and low rates of economic growth. Health care financing in the territories has reached, Mr. Chairman, a state of crisis. In this week's meeting of the Interagency Group on Insular Areas a couple of days ago, which was chaired by the Secretary of the Interior, Governors and Delegates of the small territories each highlighted the extent of this crisis. With both the administration and congressional leadership aware of the need to provide additional Federal funding for health services in the territories, I respectfully request that the Budget Committee include $8 million to cover the cost of my proposed increase in section 1108 limitation levels to help address this issue.

Lastly, Mr. Chairman, I wish to raise the issue of Guam war claims. It has been over 60 years since Guam was liberated from the Imperial Japanese forces by the U.S. Armed Forces in World War II. During 3 years of brutal occupation, the citizens of Guam endured internment, personal injury, forced labor, rape, and numerous other violations of human rights. Hundreds of Chamorros, the indigenous people of Guam, were killed. Although Congress passed the Guam Meritorious Claims Act of 1945 to provide immediate relief to the people of Guam, the goal of the act was not realized, due to the complete chaos of postwar Guam and the inaccurate dissemination of information.

The Guam War Claims Review Commission was established under Public Law 107–333 to determine whether there was parity in the treatment of residents of Guam in the war claims process when compared to other war claims programs afforded to other similarly situated Americans. After an extensive review, the War Review Commission found a lack of parity and recommended additional compensation for eligible individuals. Legislation to implement these recommendations will be introduced shortly and I am hopeful for swift congressional consideration. The Review Commission estimates, at minimum, a total of $126 million to be necessary to pay these claims. I respectfully request that the Fiscal Year 2006 Budget Resolution account for these costs.

Mr. Chairman, this would be the last group of U.S. citizens that have not been recognized or compensated for war claims, and we are looking at 60 years ago.

Mr. Chairman, I hope that members of the committee will be on the lookout for fair treatment of the U.S. territories. And, again, I thank you for this opportunity to present the priorities of the citizens of Guam with respect to the Fiscal Year 2006 Budget Resolution. Thank you.

[The prepared statement of Madeleine Bordallo follows:]

PREPARED STATEMENT OF HON. MADELEINE Z. BORDALLO, A DELEGATE IN CONGRESS FROM THE TERRITORY OF GUAM

Chairman Nussle, Ranking Member Spratt, and members of the House Budget Committee, thank you for the opportunity to testify today. There are several priorities for Guam that I feel merit consideration for inclusion in the Fiscal Year 2006 Budget Resolution. I respectfully request your assistance with ensuring that the Fiscal Year 2006 Budget provides sufficient overhead to cover the costs of these important programs and initiatives. There are four specific items that I would like to discuss today, and I look forward to working with you to ensure their inclusion in the Budget Resolution. Included among these requests are funding for Guam debt-relief, the Earned Income Credit in Guam and the Virgin Islands, Medicaid reimbursement to the governments of Guam and the small territories, and Guam War Claims.

GUAM DEBT RELIEF

The first item I wish to discuss involves the forgiving of debts owed by the Government of Guam to the Department of Agriculture's Rural Utilities Service (RUS) loan program. In enacting Public Law 108–188, the Reauthorization of the Compact of Free Association between the United States and the Republic of the Marshall Islands (RMI) and the Federated States of Micronesia (FSM), Congress and the Administration recognized the adverse financial impact shouldered by the Government of Guam of providing unreimbursed services to citizens of these Freely Associated States (FAS). Under the Compact of Free Association, citizens of the RMI and FSM may travel to the United States and utilize any social services without having to pay taxes to U.S. jurisdictions. Because of geographic proximity, the preponderance of FAS migrants chose Guam as their destination.

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EARNED INCOME CREDIT

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tax codes of Guam and the Virgin Islands mirror that of the Internal Revenue Code, and we must provide our citizens with the same tax credits as individuals receive in the 50 States and the District of Columbia. However, the payment of "refundable" tax credits such as the EIC constitutes an unfunded Federal mandate. The "refundable" portion of this tax credit, which is the amount that exceeds an individual taxpayer's total tax liability, is meant to offset the impact of FICA taxes on low-income individuals. While citizens of Guam and Virgin Islands pay their FICA taxes to the U.S. Treasury, the territorial treasuries are tasked with covering the cost of the "refundable" portion of this credit out of local revenues.

Congresswoman Christensen and I have, over the years, proposed various solutions to this issue. On different occasions Senate Finance Chairman Grassley and House Ways and Means Committee Chairman Thomas have engaged in colloquies expressing their willingness to work with us to resolve this matter, and we are hopeful for a consensus on a resolution this year. The Joint Committee on Taxation scored my most recent proposed legislative solution at $39 million for Fiscal Year 2006. I respectfully request that the Budget Committee include this figure in the Fiscal Year 2006 Budget Resolution.

MEDICAID

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GUAM WAR CLAIMS

Lastly, I wish to raise the issue of Guam war claims. It has been over 60 years since Guam was liberated from Imperial Japanese forces by U.S. Armed Forces in World War II. During 3 years of brutal occupation, the citizens of Guam endured internment, personal injury, forced labor and numerous other violations of human rights. Hundreds of Chamorros, the indigenous people of Guam, were killed. Although Congress passed the Guam Meritorious Claims Act of 1945 to provide immediate relief to the people of Guam, the goal of the Act was not realized due to the chaos of post-war Guam and the inaccurate dissemination of information.

The Guam War Claims Review Commission was established under Public Law 107–333 to determine whether there was parity in the treatment of residents of Guam in the war claims process when compared to other war claims programs afforded to other similarly situated Americans. After an extensive review, the Review Commission found a lack of parity and recommended additional compensation for eligible individuals. Legislation to implement these recommendations will be introduced shortly, and I am hopeful for swift Congressional consideration. The Review Commission estimates, at minimum, a total of $126 million will be necessary to pay these claims. I respectfully request that the Fiscal Year 2006 Budget Resolution account for these costs.

Thank you for the opportunity to present the priorities of the citizens of Guam with respect to the Fiscal Year 2006 Budget Resolution. I look forward to working with members of the Committee to ensure inclusion of these items in the Budget, and I look forward to answering any questions you may have regarding these requests.

Mr. PORTMAN. Thank you, Ms. Bordallo. We will think no less of you for the fact you only took 8 minutes. Thank you. Appreciate your testimony on the debt relief issues, earned income tax credit and the Medicaid issues, as well as the Guam war claims. Good education for us those of us on the committee who don't deal with those issues day to day.

Mr. Conaway.

Mr. CONAWAY. I just had one question—historical, of background—the compact that was signed that creates this problem that you have got with the unreimbursed——

Ms. BORDALLO. The debt relief.

Mr. CONAWAY. When did that start?

Ms. BORDALLO. In the 108th.

Mr. CONAWAY. Four years ago. No other questions.

Mr. PORTMAN. We are now pleased to have before the committee Ms. Wilson from New Mexico. Ms. Wilson, you have 10 minutes for your testimony. And any written statement you have will be made part of the record.

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

Mrs. WILSON. Thank you Mr. Chairman. I appreciate your putting my full statement in the record. What I would like to do is summarize. I appreciate your patience for staying so long on go-home day.

What I want to talk to the committee about is Medicaid. In the President's budget there is about $60 million in reductions in Medicaid spending over 10 years and new initiatives amounting to about $16.5 billion, for a net reduction of $43.6 billion. A lot of the proposals for the reductions are what are called "program integrity." and I believe some, if not all, of those proposals have merit, and they would make for significant needed improvements in the Medicaid program. But I believe that these ideas need to be evaluated as part of a comprehensive effort to reform the Medicaid program and bring it into line with 21st century medicine.

When you look at these ideas, even though they are aggressive in many ways, they may not go far enough to reform the program. Medicaid is set up to pay claims. It is not set up to improve anyone's health. And real Medicaid reform goes far beyond what has been proposed in the fiscal year 06 budget. But there are some States who have used the matching Federal structure of Medicaid to inappropriately draw down Federal funds to pay for nonhealth expenses. The most obvious of these is something called the intergovernmental transfer, where money is moved into accounts to draw down Federal match, and then the State or local money is moved back to another completely nonhealth-related purpose.

There are legitimate and illegitimate intergovernmental transfers. We need to make sure that we don't dry up the ability of a county hospital's funds to be used as local match for Medicaid when we try to end some of the more creative financing schemes that State governments have participated in.

The administration estimates that they will save $10.9 billion in 10 years by restricting these intergovernmental transfers. We have to accept and understand that that cost will be shifted to the States

and will result in reduced benefits or reduced payments to health care providers and will have a significant impact on low-income Americans.

There is another initiative in the budget on Medicaid that deals with administrative costs, a proposed cap on the current 50 percent Federal match for administrative costs. Most of the administrative costs that States use for Medicaid are used for computer systems and to fight fraud, track quality, and collect and disseminate data.

The Medicaid program has not done very well on fraud recoveries compared to Medicare. And one of the reasons for that is the way the program is set up and the way the reimbursements are done. I am concerned that if we reduce further the Federal match for Medicaid administrative costs, we are going to see even fewer recoveries and less attention to fraud, waste and abuse in Medicaid, which is all investigated by the States. So we have to be very careful about the unintended consequences of some of these so-called administrative cost constraints. While the initiatives in the President's budget may have merit, I don't think they constitute Medicaid reform.

I chaired a task force in the 108th Congress on Medicaid, and we looked at the entire program and we identified several areas where Medicaid should be improved or modernized to bring it up to date. It is increasingly clear to me that we need a national strategy on long-term care. Thirty percent of the costs of health care under Medicaid goes to seniors, and seniors are only 16 percent of the people who are enrolled in Medicaid; 7 out of 10 nursing home beds in this country are paid for by Medicaid. And this is going to triple over the next 10 years, from about $50 billion in costs to $140 billion in costs. We have a looming challenge on the horizon as baby boomers retire, live longer, and more people are drawing down Medicaid.

There are some proposals in the budget to strengthen existing asset transfer rules, and I think that will probably help. But I think more fundamental reforms and initiatives are going to be needed to get private funding into the system and relieve the burden on Medicaid.

We have 56 different systems for determining eligibility for long-term care, and it is very difficult to do things like reverse mortgages. We have some States that have partnerships for long-term care insurance, but not enough of them. And all of us know that there is a subspecialty of the bar that specializes in qualifying mom and dad for Medicaid while you protect your inheritance. We can't afford for middle- and upper-income Americans to give away their assets so Medicaid can pay for their nursing home care.

Medicaid is administered by the States with a joint State-Federal funding mechanism that I think would make Rube Goldberg proud. In fact, some days, I think it is only held together by bailing wire and duct tape.

There are 47 different eligibility pathways for Medicaid in the State of New Mexico. In most States, it is comparable. Medicaid pays claims, but it doesn't pay to improve anybody's health. In fact, we have had testimony in the Energy and Commerce Committee and asked State Medicaid directors what do you track to see

whether you are improving the health status of low-income individuals in your State. And they look at you like you are from Mars.

Medicaid wasn't set up to improve anybody's health. We will pay a hospital $28,000 to amputate the legs of a diabetic. That is authorized under Medicaid. But you need a waiver from the Federal program to teach a diabetic how to monitor their own blood sugar.

This is a program that is in need of comprehensive reform. It is a one-size-fits-all program. And we are now in a world of health care that demands choices. I think that implementing piecemeal changes, as we are really doing, and we do every year in Medicaid, doesn't really allow us to do the reform that is needed. And setting an arbitrary budget number lets budget drive policy instead of the other way around. We have to get our arms around this program for the long term.

About 10 days ago, I introduced legislation to create a bipartisan commission on Medicaid to make recommendations for improvements that would strengthen and modernize the program. It already has the support of 97 of our colleagues in the House and 22 in the Senate. There are 32 groups that have endorsed the legislation, including the American Hospital Association, the OB–GYNs, the National Association of Counties, and a whole lot of others.

Even more than Medicare, Medicaid is an extremely complicated program and we need a real concerted effort to light the way toward substantial reform. Mr. Chairman, there are 2,500 approved waivers to the Medicaid program. Any Federal program that is given 2,500 exceptions to the rules needs to take a hard look at changing the rules.

I would ask the Budget Committee to include funds in the budget resolution for a bipartisan commission on Medicaid. We are going to have to do some things in reconciliation this year. You all have talked about it, and so have others. But we need to stop doing this year by year and let policy drive the budget and not the budget drive policy.

I thank you for your consideration of this request and I would be happy to answer any questions.

[The prepared statement of Heather Wilson follows:]

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

Thank you, Mr. Chairman, for allowing me to submit testimony on the Fiscal Year 2006 Budget Resolution.

Mr. Chairman, I have some concerns about this budget in the area of Medicaid. President Bush has submitted a budget proposal that would reduce Federal Medicaid spending by $60.1 billion over 10 years. The budget also proposes new initiatives that would increase Federal Medicaid spending by $16.5 billion over 10 years, for a net reduction of $43.6 billion.

To achieve these savings, the budget proposes specific initiatives that the Administration calls "program integrity." I believe some of these proposals have merit and would make needed improvements to the Medicaid program. But these proposals must be evaluated as part of comprehensive reform and its overall impact on the Medicaid program. If there are savings associated with implementing these proposals, the savings should be reinvested in the Medicaid program to enhance programs that will improve the health of those who depend on Medicaid. I believe implementing these initiatives on their own may endanger the ability of the program to provide access to services for the more than 50 million low-income children, pregnant women, elderly, and disabled covered by Medicaid, including more than 420,000 people in New Mexico.

At the same time, this collection of ideas for change contained in the budget may not go far enough to reform the program. Medicaid is set up to pay claims, not to improve anyone's health. Real Medicaid reform goes far beyond the proposals in this budget.

Some states have used the Federal matching structure of Medicaid to inappropriately draw down Federal funds to pay for non-health expenses. This is often done through complicated financing mechanisms that require taxing or transferring dollars from counties, public providers, or in some cases beneficiaries and then returning the funds to the borrower. This allows states to avoid putting up their share while still drawing Federal dollars. These techniques, however, are sometimes used legitimately within the guidelines established in the Medicaid statute and are a vital tool states use to fund health care for low-income Medicaid patients. While fraudulent mechanisms that allow states to use Federal Medicaid dollars inappropriately should be ended, a distinction should be mode between legitimate and illegitimate intergovernmental transfers. If a county hospital funds care for low-income people eligible for Medicaid, a state should be able to use that local contribution as part of its "match," for example. While the Administration estimates savings of $10.9 billion over 10 years by restricting intergovernmental transfers, this cost will be shifted to the states. States will not simply absorb this cost, but will take actions to reduce eligibility, reduce benefits, or reduce payments to health care providers. These decisions have consequences for those who depend' on Medicaid.

Under another initiative, the Federal Government would cap the funding states could receive for administrative costs. States use the 50 percent Federal administrative match to invest in computer systems that identify and fight fraud, track quality, and collect and disseminate data. Reducing the ability of states to prevent Medicaid fraud and abuse and conduct outreach to eligible beneficiaries would appear to be antithetical to the goals outlined in the President's budget and may be ill-advised without further explanation and review.

While some of the initiatives in the President's budget may have merit, they do not constitute Medicaid reform. I chaired a Medicaid Task Force in the Energy and Commerce Committee during the 108th Congress that comprehensively studied the challenges facing Medicaid. We identified several areas where Medicaid should be improved and/or modernized to bring the program in line with 21st Century medicine. It is increasingly clear to me that we need a national strategy for long-term care. While only, 16 percent of the people enrolled in Medicaid are seniors, they account for 30 percent of the cost. Much of that cost is spent on long-term care. Medicaid pays for more than seven out of ten nursing home beds in this country. We are living longer and the baby boom generation will put burdens on the system that Medicaid is not designed to carry. Federal Medicaid spending for long-term care is projected to nearly triple over the next 10 years, from $50 billion to $140 billion. The growth in long-term care spending alone will take away from Medicaid's ability to continue to provide health care services to children, such as early periodic screening and development tests. While enforcing and strengthening existing asset transfer rules will help, more fundamental reforms and incentives will be needed to get more private funding into the system and relieve the burden on Medicaid.

A national strategy on long-term care will make it easier for seniors to get reverse mortgages, promote long-term care insurance, and make sure high quality care is available for low-income seniors by expecting people who can afford to pay for themselves to do so.

There is a subgroup of the bar that specializes in qualifying Mom and Dad for Medicaid while you protect your inheritance. We cannot afford for middle- and upperincome Americans to give away their assets so that Medicaid can pay for their care.

Medicaid is administered by the states with joint federal-state financing mechanisms that would make Rube Goldberg proud. Many eligibility pathways are tied to the old Aid to Families with Dependent Children welfare program, which was replaced with the Temporary Assistance to Needy Families Program nearly a decade ago. In New Mexico, there are 47 different eligibility pathways for Medicaid. Medicaid reimbursement to providers often lags significantly behind Medicare and private insurers, leading to access problems for Medicaid beneficiaries. Medicaid pays claims, but it doesn't pay to improve anyone's health. States need a waiver from the Federal Government to implement programs that teach people who to manage chronic disease, and waivers can take more than 2 years to be approved. With very few exceptions, Medicaid is an inflexible, one-size-fits-all program in a world that demands choices.

We need real Medicaid reform that addresses these challenges. Implementing piecemeal changes that allow us to meet an arbitrary budget number is not real reform. In fact, addressing these issues now through the budget process may inhibit

our effort at making more needed, fundamental reforms in the near future. I do not believe the budget process should drive Medicaid reform or impede our ability to improve it. Policy should drive the budget, not the other way around.

I have introduced legislation to create a Bipartisan Commission on Medicaid to make recommendations for improvements that would strengthen and modernize the program. The legislation outlines specific areas the Commission would examine and directs the Commission to issue a report to Congress, the President, and the public within 18 months. This legislation, introduced less than 2 weeks ago, already has the support of 97 of our colleagues in the House and 22 Senators. Thirty-two groups have endorsed the legislation because they realize that any changes to the Medicaid program have consequences for the populations served and for the providers who administer the Medicaid program. (See addendum). Even more than Medicare, Medicaid is a very complicated program. We need a concerted effort to light the way to real reform. The commission would provide the right forum to carefully deliberate needed policy changes to ensure the long-term financial stability of the program while maintaining Medicaid as a safety net program for low-income children, pregnant women, elderly and disabled Americans.

Mr. Chairman, there are 2,500 approved waivers for the Federal Medicaid program. In fact, the only reason this program is working at all is because of these waivers. Any Federal program that has given 2,500 exceptions is overdue for fundamental reform to change the rules and the program.

I respectfully request that the Budget Committee include $1.5 million in the FY 2006 Budget Resolution for the Bipartisan Commission on Medicaid. Including funding for the Commission in the FY 2006 Budget Resolution will ensure that the work of the Commission begins quickly after its enactment so that Medicaid modernization efforts will not be delayed.

Thank you, Mr. Chairman, for your consideration of this request and I appreciate the opportunity to submit this testimony to your committee.

Mr. CONAWAY [presiding]. Thank you for that testimony. I think most of us share the common concern that the looming issue with Medicaid and Medicare and how we continue to fund that and meet those needs is one that is going to dwarf the current efforts to retool Social Security. And you are serving on the right committee, obviously, that is going to be the one to look at the overall numbers.

I don't have any other questions other than to say good luck with the efforts. And you are going to be on the leading edge of what we have to face in the near future.

Mr. PORTMAN. First I ought to thank you for your willingness to take on this task and your passion for it. This is a critical issue and I am going to go out on a big limb here and tell you we would be happy to cosponsor your legislation.

I see one of my staff members looking up and saying, wait a minute. You haven't asked us yet. In this case, I know it is the right thing to do. I would like to be on the legislation. I think short of a commission, it is difficult to see how we can get at some of these underlying problems. And we have done this with Internal Revenue Service and with Medicare, which was somewhat successful. And I think this is an example of our inability as Members of Congress year to year to make the fundamental reforms that are needed to provide health care that is appropriate to our poor citizens, rather than go through the bureaucratic process of simply delivering a payment.

I am particularly interested in the issue of seniors. And I know in my own State, there is an increasing reliance on Medicaid. This is an effect the States feel as well, because in Ohio the States pick up 40 percent of that. And I think that is probably a leading issue that might get us to the point of setting up a commission once we do that.

As you indicate there are so many other issues we need to look at.

I have one simple question for you and this is premature and has to do with reform. Do you feel that there is an inherent conflict in the way in which the program is set up because of the match that neither the Federal Government nor the State government has an alignment of the responsibility for the full payment of the program and thus the accountability that would go with that?

Mrs. WILSON. I think there are fundamental problems with the way we finance this program and it is not only in the mechanisms between the States and the Feds, but it forces every State official that is going after the marginal penny on the dollar for Federal match. They are not thinking about the patients.

In my previous life I was the Cabinet secretary for children's programs in New Mexico. Here is an illustration, just a story, but I think it tells something. Shortly before I became the Cabinet secretary, we had a lot of kids in group homes. If you are a teenager in foster care, you are not going to have a family of your own until you have one yourself. Most of us can't even stand our own teenagers, let alone one that is abused and neglected. We figured out that, you know, if we could get these group homes eligible as residential treatment centers under Medicaid, we could draw down $0.75 on the dollar in Federal match. Most of these kids have diagnoses, medicalized them, added in behavioral health specialists and psychiatrists and everything else. The costs went up, but for the State, it was only $0.25 on the dollar. The general fund cost to the State went down. We qualified all of these group homes as residential treatment centers, gave every one of these kids a label as mentally ill. You know the one thing they didn't get? They didn't get parents.

What would you have done with that money to support a foster family and give them the training and the support they needed to take a troubled kid? We were doing the wrong thing for the kid, and every one of those kids, because we were following the Federal match.

And there are a thousand decisions like that that are made every day in every State in this Nation and that is why we need to change this program.

Mr. PORTMAN. Good example. And I thank you for your ongoing efforts and appreciate you being here today.

Mr. CONAWAY. Ms. Wilson, you mentioned waste, fraud and abuse within the system. It is my understanding that States are supposed to have units that—are they doing their job? Does that need to be restructured as well?

Mrs. WILSON. I think it does. Even if you go to a 90 percent match, States are very reluctant to invest in computer systems and information investigatory systems that go after Medicaid fraud. And one of the reasons is that they don't get much from the recovery until it is all over and then they only get very little. And so the motivation isn't there as it is under Medicare. So we don't have anywhere near the recoveries for fraud and waste under Medicaid that we do under Medicare.

Mr. CONAWAY. We have been joined by Mr. Cooper.

Mr. COOPER. Nothing.

Mr. CONAWAY. Mrs. Wilson, thank you very much for your passion on this issue. Like I said, you have been the center of the storm on an issue that is going to face this Congress and this Nation over the next several years.

Mr. CONAWAY. Mr. Miller is next on the list. Ten minutes. Thank you for being here today.

STATEMENT OF THE HON. BRAD MILLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. MILLER OF NORTH CAROLINA. Thank you Mr. Chairman. Thank you for this opportunity to address the priorities that I think should be reflected in this year's budget to assure our Nation a prosperous future.

My State faces a difficult economic transition. The industries that North Carolinians have relied upon for their livelihood—textiles, tobacco, furniture—have suffered one layoff after another. Most of the plants that have closed will never reopen. North Carolina has lost more than 190,000 manufacturing jobs in the last 4 years. And the textile industry is bracing for more bad news shortly.

Mr. Chairman, those statistics on job loss are not just economic statistics to me. I can close my eyes and see the faces of workers who have lost their jobs and don't know how they are going to support themselves or their families.

North Carolina's experience is hardly unique. The Nation has suffered a net loss of 2.8 million manufacturing jobs in the last 4 years. Those are jobs with decent wages and benefits, jobs a family can build a future around. The current administration now predicts our economy will slow for the next generation and beyond to a growth rate of about half of what our parents and grandparents experienced. And my generation in particular needs to scale back our expectations of what life will be like after we retire from the workforce.

Mr. Chairman, I refuse to accept that, though we have to do better than the President's proposed budget. We can and should be the most innovative and productive economy in the world. Our great strength is the American people, the American worker, the American entrepreneur and the American scientist. The proposed budget cheats them all of the help they need and deserve.

First, our standard of living depends upon having the most skilled workforce in the world. Chairman Alan Greenspan, in his testimony last week to the Financial Services Committee, stressed the need for both full education and on-the-job training. But the proposed budget cuts $1.3 billion from technical and vocational education programs, including all funding for national and State grants, tech prep education grants, and tech prep demonstration projects. The budget cuts adult education, including adult literacy programs, by $370 million.

Mr. Chairman, to give you one example, Rockingham County in my district has the highest percentage of the workforce in manufacturing in the State. Forty-five percent of the adult population of Rockingham County does not have a high school diploma or GED. Folks went straight from high school to the mill, like their parents did before them. It didn't matter if they didn't have a high school

diploma. Now they are middle aged, my age, they have to find new work, and they have to go back and get a GED to do it. Cutting $370 million from adult literacy programs betrays those workers of what they need.

The budget eliminates funding for education and technology programs, including the Education and Technology State Grants. In North Carolina, the budget would mean $21 million less for vocational education in the public schools and $12 million less for job training programs for our community colleges.

Second, our economic future depends on our economy remaining the world's most agile economy. The entrepreneurial talent of Americans is astounding. Small businesses spot economic niches, even new industries, remarkably quickly and have made our economy the most vibrant economy in the world. We count on small businesses to grow our economy. Half our gross domestic product is generated by small business. Even more important, small businesses create 75 percent of new jobs. But even in the face of our current economic challenges, the proposed budget would cut funding for small business programs by 62 percent.

The $6.1 billion in cuts to programs that provide technical assistance, incentives or capital to small business amounts to only one-quarter of 1 percent of the overall 2006 budget. Those cuts do very little to help the deficit and they stifle the ability of new entrepreneurs to start and grow their own businesses. Many of the programs cut have a proven track record. Many of them make more money on return investment than they cost. For example, the proposed budget once again would raise fees for 7(a) loan program participants, making the program less accessible and more costly. The microloan program run through the Small Business Administration would be eliminated. Programs that help small businesses access technology, such as Community Technology Centers and Technology Opportunities Program, receive no funding. Despite a record deficit and trade deficit, the President's budget was proposed cutting all funding for the U.S. Export Assistance Center which helps small businesses sell their products in the global marketplace. The budget would cut by 56.5 percent the funding for the Manufacturing Extension Partnership (MEP) which helps small businesses, primarily small manufacturers, adopt advanced manufacturing technologies and business practices. In 2002 alone, North Carolina's MEP helped North Carolina companies save $85.6 million, a critical competitive advantage in a ruthless world economy.

Third, our future prosperity depends on remaining the most innovative economy in the world. Our research universities are the envy of the world, and our Nation has led the world in developing new products and new production technologies from research. But the proposed budget for research again fails to even keep pace with the rate of inflation.

The Advanced Technology Program (ATP) is the only source of "patient capital" for many innovative small companies and has helped many businesses cross the valley of death from an idea in the lab to product in the marketplace, a difficult and expensive journey. The proposed budget eliminates all funding for the ATP.

Mr. Chairman, I hope this committee will look at the economic challenges our economy and Nation faces and not accept meekly

that our Nation's economy will not lead the world in the future as it has in the past. We can continue to lead the world, but not with the priorities of this budget. Thank you Mr. Chairman.

[The prepared statement of Brad Miller follows:]

PREPARED STATEMENT OF HON. BRAD MILLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. Chairman, thank you for this opportunity to address the priorities that I think should be reflected in this year's budget to assure our nation a prosperous future.

My state faces a difficult economic transition. The industries that North Carolinians have relied upon for their livelihood—textiles, tobacco, furniture—have suffered one layoff after another. Most of the plants that have closed will never reopen. North Carolina has lost more than 190,000 manufacturing jobs in the last 4 years, and the textile industry, in particular, is bracing for more bad news shortly.

North Carolina's experience is hardly unique. The nation has suffered a net loss of 2.8 million manufacturing jobs in the last 4 years. Those are jobs with decent wages and benefits, jobs a family can build a future around.

The current administration now predicts that our economy will slow for the next generation and beyond to a growth rate of about half what our parents and grandparents experienced, and that my generation, in particular, needs to scale back our expectations of what life will be like after we retire from the workforce.

Mr. Chairman, I refuse to accept that. But we have to do better than the President's proposed budget.

We can and should be the most innovative and productive economy in the world. Our great strength is the American people—the American worker, the American entrepreneur, the American scientist. The proposed budget cheats them all of the help they need and deserve.

First, our standard of living depends on having the most skilled workforce in the world. Chairman Alan Greenspan, in his testimony to the Financial Services Committee last week, stressed the need for both formal education and on-the-job training.

But the proposed budget cuts $1.3 billion from technical and vocational education programs, including all funding for national and state grants, tech-prep education grants and tech-prep demonstration programs.

The budget cuts adult education, including adult literacy programs, by $370 million.

The budget eliminates funding for education and technology programs, including the Education Technology State Grants.

In North Carolina, the budget would mean $21 million less for vocation education in the public schools and $12 million less for job training programs through our community colleges.

Second, our economic future depends on our economy remaining the world's most agile economy.

The entrepreneurial talent of Americans is astounding. Small businesses spot economic niches, even new industries, remarkably quickly, and have made our economy the most vibrant economy in the world. We count on small businesses to grow our economy. Half of the American economy, our gross domestic product, is generated by small businesses. Even more important, small businesses create 75 percent of new jobs.

But even in the face of our current economic challenges, the Bush budget proposal would cut funding for small business programs by 62 percent. The $6.1 billion in cuts to programs that provide technical assistance, incentives, or capital to small businesses, amounts to only one quarter of 1 percent of the overall 2006 budget. These cuts do little to help the deficit, and they stifle the ability of new entrepreneurs to start and grow their own business.

Many of the programs cut have a proven track record. Many of them make more money in returned investment than they cost.

For example:

- The purposed budget once again would raise fees for 7(a) loan program participants, making the program less accessible and more costly.
- The Microloan program run through the Small Business Administration would be eliminated.
- Programs that help small businesses access technology such as Community Technology Centers (CTC) and the Technology Opportunities Program (TOP) receive no funding.

• Despite a record trade deficit, the President's budget purposes cuts all funding for U.S. Export Assistance Centers, which help small businesses sell their products in the global marketplace.

• The budget would cut by 56.5 percent the funding for the Manufacturing Extension Partnership, which helps small businesses, primarily small manufacturers, adopt advanced manufacturing technologies and business practices. In 2002 alone, North Carolina's MEP helped North Carolina companies save $85.6 million, a critical competitive advantage in a ruthless world economy.

Third, our future prosperity depends on our remaining the most innovative economy in the world. Our research universities are the envy of the world, and our nation has led the world in developing new products and new production technologies from research. But the proposed budget for research again fails even to keep pace with the rate of inflation.

The Advanced Technology Program is the only source of "patient capital" for many innovative small companies, and has helped many businesses cross the "valley of death" from idea in the lab to product in the marketplace, a long and expensive journey. The proposed budget eliminates funding for the ATP.

Mr. Chairman, I hope this committee will look at the economic challenges our nation faces, and not accept meekly that our nation's economy will not lead the world in the future as it has in the past. We can continue to lead the world, but not with the priorities of this budget.

Mr. CONAWAY. I appreciate those comments. Mr. Cooper, any questions?

Mr. COOPER. I just would like to thank my friend from North Carolina because I think he has gone the extra mile to not only represent his constituents but protect his constituents, because these budget cuts can and will be devastating to his constituents and people like that around the country.

I think North Carolina is a great example of a State that has done all it could locally to have an excellent education system, but they need a little Federal help. And to abandon vocational education, it is almost unthinkable. You wonder who on Earth suggested this to the President, and hopefully cuts will not remain in the final budget product. But North Carolina is going through a very difficult transition, perhaps the most difficult transition of any State, due to losses of tobacco, textiles, and general manufacturing. My heart goes out to the gentleman, but at least your constituents are well represented.

Mr. MILLER OF NORTH CAROLINA. Thank you, Mr. Cooper. And you know well how important our community college system is. Mr. Cooper, like me, graduated from the University of North Carolina, Chapel Hill. And although he is from Tennessee, I think he knows my State pretty well and understands that we were the leader in community colleges. And they are a remarkable asset to our State. Something like one North Carolina adult in six attends or is enrolled in a community college course in any given year. That is a remarkable statistic. Our State is remarkably dependent upon them.

I gave a statistic of 45 percent of the adult population in Rockingham County not having a high school diploma or GED. But for most of North Carolina's rural counties, the number is in the high 30s, and the community colleges are where folks go to get a GED. They go to workplaces where the employer will help out by letting their employees take courses at their workplace. They are a prize.

And cutting funding for adult education and cutting funding vocational education really cheats the people of my State and workers of my State of the help they need to create an economic future for

themselves as we face—North Carolina faces a very difficult economic transition.

Mr. CONAWAY. We have some difficult choices ahead as the authorizing committees and the appropriations committees deal with the details and assess each one of the President's recommendations. So thank you for your testimony today. Thank you, sir. Appreciate you being here.

Mr. CONAWAY. We will turn to Ms. Capito.

STATEMENT OF THE HON. SHELLEY MOORE CAPITO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WEST VIRGINIA

Mrs. CAPITO. Thank you, Mr. Chairman and Mr. Cooper. Thank you for the opportunity to testify before the committee. I appreciate the opportunity to address items in the budget that I feel are important to West Virginians.

I want to applaud the efforts of the President and the Budget Committee as it moves through the effort to control Federal spending. I think it is important to the Nation's long-term financial health that we try to accomplish the President's goal of cutting the deficit in half by fiscal year 2009.

I would like to address some areas of concern that I have with the President's budget proposal. The budget proposes a New Communities Initiative which combines 18 economic development programs into a single program under the Department of Commerce. The President's budget proposes $3.71 billion for the new program, a significant decrease from the $5.31 billion the 18 programs combined received in last year's appropriation cycle. I support efforts to become more efficient in the Federal Economic Development programs, but I am concerned. I am concerned, however, the funding cuts will do substantial harm to economic development activities in areas like my rural district that greatly needs these resources.

I was interested to hear the discussion of North Carolina, who is in transition. If anybody knows the State of West Virginia well, we want to get to the point where we can transition. We have had always difficult economic problems.

Of grave concern to me is the shift of the Community Development Block Grant (CDBG) program, which itself received more than $4 billion last year from the Department of Housing and Urban Development to the Department of Commerce. Community development block grants provide the resources for economic activities across West Virginia. Cities like Charleston and Martinsburg in my district could see significant reductions of economic development aid if we accept the reconfiguration of the CDBG program. These cities have experienced cuts last year in the CDBG money and further cuts could hinder the city's ability to provide important services and bring jobs to the communities. Rural areas such as West Virginia would be harmed by the CDBG reductions. CDBG money provides funding to West Virginia's Small Cities Grant program that sends development aid to communities across the State. I know that smaller sums of money to States like mine can do enormous and make enormous progress. So any cut is felt in a very significant way.

Planning funds from the programs provide resources to regional councils such as the Region VII Development Council that helps match Federal, State, and local dollars with private investment to bring jobs to Randolph, Upshur, Lewis, and Braxton counties in my district. Some of these counties have unemployment in the 13, 14 percent range. Funds for these planning activities come not just from the CDBG program but also from the Economic Development Administration, another program consolidated under the Communities Initiative. Rural enterprise communities like the Upper Kanawha Valley Enterprise Community would also be at risk for funding reductions under this proposal.

I ask the committee as you consider the President's Communities Initiative to ensure that adequate money is provided to continue to support funding at last year's level for development activities in cities and regional planning organizations.

I am also concerned, as my colleague from North Carolina, with the proposed changes in high school education funding and the vocational technical. The President's budget proposes $1.24 billion High School Intervention Initiative that consolidates the funding for Perkins Vocational Education, the TRIO Upward Bound, and TRIO Talent Search programs. These programs combined received $1.925 billion last year. These programs are crucial to the success of at-risk students and for those careers of those who do not attend college. In West Virginia, we have one of the lower college-going rates. These programs are essential to not only the training but to the future of these young men and women as they seek their futures. States should be held accountable for student achievement certainly, but we must ensure that school districts are given the resources to succeed.

We owe a debt of gratitude to all the men and women who have served in our Armed Forces. It is important we provide those resources to care for our veterans, from the aging members of the World War II generation to those who are returning injured from the war against terror. While I am proud that the budget for veterans health is 47 percent higher than it was in 2001, this year's budget proposal increases funding for veterans by less than one-half of 1 percent. I urge the committee to provide sufficient resources to provide the highest-quality health care for our veterans.

I want to commend the President for including $283.9 billion for the reauthorization of SAFETEA through 2009 in the budget proposal. This funding level will provide the funds necessary for crucial construction projects across this Nation. Making U.S. Route 35 in my district a four-lane highway in Putnam and Mason County is a crucial project that will benefit from this reauthorization.

Medicaid and SCHIP programs are critical programs that provide basic health care to low-income children and families. Medicaid—and we have discussed this, Mrs. Wilson—Medicaid is in a looming financial crisis for both the Federal and State governments. It is important that as we work to reduce our Federal deficits, we work with States to ensure that Medicaid programs are adequately funded and that the burden of the program is not shifted to the States.

I commend the administration for proposing Cover the Kids Initiative that will provide $1 billion in grants to promote SCHIP and ensure that parents whose children could benefit know about this

program. I ask that the committee provide the resources for this new program.

I also want to say that the President's Community Health Centers Initiative has done wonders for the State of West Virginia in delivery and accessing quality of rural health care. These centers, like the Minnie Hamilton Health Center in Calhoun County in West Virginia, reduce the costs of health care by cutting down unnecessary emergency room visits while providing important preventive care. The proposed budget recommends $2 billion for Community Health Centers, and I ask that the committee fully fund the President's request.

In closing, thank you for the opportunity to appear before the committee today for issues that I believe are important to West Virginia. I look forward to working with the committee as this budget resolution moves through our House.

[The prepared statement of Shelley Moore Capito follows:]

PREPARED STATEMENT OF HON. SHELLEY MOORE CAPITO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WEST VIRGINIA

Mr. Chairman, Mr. Ranking Member, and Members of the Budget Committee,

Thank you for the opportunity to testify before the committee. I appreciate the opportunity to address items in the budget that are important to West Virginians.

First, I applaud the efforts of the President and the Budget Committee to control Federal spending. It is important to the nation's long term financial health that we accomplish the President's goal of cutting the deficit in half by Fiscal Year 2009. I am pleased that this goal will be accomplished while extending the tax cuts we passed in 2001 and 2003 that have brought over 2 million jobs to our nation in the past year.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

I would like to address some areas of concern that I have with the President's budget proposal. The budget proposes a new Communities' initiative which combines 18 Economic Development programs into a single program under the Department of Commerce. The President's budget proposes $3.71 billion for the new program, a significant decrease from $5.31 billion the 18 programs combined received in last year's appropriations cycle.

I support efforts to bring more efficiency to Federal economic development programs. I am concerned; however, the funding cuts will do substantial harm to economic development activities in areas like my rural district that greatly need these resources.

Of greatest concern is the shift of the Community Development Block Grant program, which itself received more than $4 billion last year, from the Department of Housing and Urban Development to the Department of Commerce. Community Development Block Grants provide the resources for economic activity across West Virginia.

Cities like Charleston and Martinsburg in my district could see significant reductions in economic development aid if we accept the reconfiguration of the CDBG program. These cities already experienced cuts in CDBG money last year, and further cuts could hinder the cities' ability to provide important services and bring jobs to the community.

Rural areas would also be harmed by CDBG reductions. CDBG money provides funding to West Virginia's Small Cities Grant Program that sends development aid to communities across the state. Planning funds from the program provide resources to regional councils, such as the Region VII Development Council that helps match federal, state, and local dollars with private investment to bring jobs to Randolph, Upshur, Lewis, and Braxton counties in my district. Funds for these planning activities come not just from the CDBG program, but also from the Economic Development Administration, another program consolidated under the communities' initiative. Rural Enterprise Communities, like the Upper Kanawha Valley Enterprise Community would also be at risk for funding reductions under the proposal.

I ask the committee as you consider the President's Communities Initiative to ensure that adequate money is provided to continue to support funding at last year's level for development activities in cities and regional planning organizations.

VOCATIONAL EDUCATION

I am also concerned with proposed changes in high school education funding. The President's budget proposes a $1.24 billion high school intervention initiative that consolidates the funding for Perkins Vocational Education, TRIO Upward Bound, and TRIO Talent Search programs. These programs combined received $1.925 billion last year. These programs are crucial to the success of at-risk students and the careers of those who do not attend college. States should be held accountable for student achievement, but we must ensure that school districts are given the resources to succeed.

VETERANS

We owe a debt of gratitude to all the men and women who have served in our Armed Forces. It is important that we provide the resources to care for our veterans—from the aging members of the World War Two generation to those who are returning injured from the War against Terror.

While I am proud that the budget for veteran's health care is 47 percent higher today than it was in 2001, this year's budget proposal increases funding for veterans medical programs by less than half of 1 percent. I urge the committee to provide sufficient resources to provide the highest quality healthcare for our veterans.

TRANSPORTATION

I want to commend the President for including $283.9 billion for the reauthorization of SAFETEA through 2009 in the budget proposal. This funding level will provide the funds necessary for crucial construction projects across the nation. Making US Route 35 a four lane highway in Putnam and Mason counties in my district is a crucial project that will benefit from this reauthorization level. I urge the committee to include at least the $283.9 billion proposed by the President in the final budget resolution.

MEDICAID

Medicaid and SCHIP are critical programs that provide basic health care to low income children and families. Medicaid is also a looming financial crisis for both the Federal Government and for state governments. It is important that as we work to reduce our Federal deficit, we work with states to ensure that Medicaid programs are adequately funded and that the burden of the program is not shifted to the states.

I commend the administration for proposing the Cover the Kids initiative that will provide up to $1 billion in grants to promote S-CHIP and ensure that parents whose children could benefit from S-CHIP know about the program. I ask that the committee provide resources for this important new program.

I also commend the President on his Community Health Centers Initiative that would open rural health centers in every low income county that can support one. These centers, like the Minnie Hamilton Health Center in Calhoun County, West Virginia, reduce the cost of health care by cutting down on unnecessary emergency room visits, while providing important preventative care. The proposed budget recommends $2 billion for community health centers and I ask that the committee fully fund the President's request.

CLOSING

Again, thank you for the opportunity to appear before the committee today to present issues important to the people of West Virginia. I look forward to continuing to work with the committee on a budget resolution that reflects our national priorities.

Mr. CONAWAY. Mr. Cooper, do you have any questions?

Mr. COOPER. Just briefly, I would like to ask the gentlelady from West Virginia, it is my understanding we could save a lot of money in the CDBG program if we means-tested it. In other words, if wealthy communities were no longer eligible for benefits. And my guess is that means test would still enable communities in West Virginia to receive the funds.

Mrs. CAPITO. Certainly in the State of West Virginia, we welcome all means testing because, unfortunately, our means are not in certain pockets. We do have some areas of growth. But generally

speaking, we are in the low-income areas. We are a member of the Appalachian Regional Commission. All 55 counties belong to that. Of that, over half of those counties were considered economically distressed.

And I believe you bring up an excellent point. If we target our resources to those who are more economically distressed for whatever reason, historically or because of a loss of manufacturing jobs in certain industries, it will create a rising tide for all of our communities, and certainly those that haven't been able to enjoy any of the economic growth that has cascaded across the Nation in the last couple of decades.

Mr. COOPER. I would just encourage you to influence your friends who serve on the committee, because it is usually a party-line vote, and I don't know what they are going to do with CDBG grants. But if you could persuade just two or three of your fellow Republicans, we may be able to save a good bit of this program. But it is going to take Republicans breaking rank on this committee in order to do. I have only served 3 years on the committee and I never seen that happen. Good luck in your efforts to persuade them to think independently on this important issue.

Mr. CONAWAY. Thank you for your testimony. And I appreciate that.

During the Presidents Day break, I had the opportunity to visit a technical school and had it pointed out they used their Perkins grant money to buy equipment that was training people for $40,000- to $50,000-a-year jobs. So that was helpful to understand how the money is used in a real way. Thank you for your comments today.

Mr. CONAWAY. The Chair now recognizes Mr. Robin Hayes for 10 minutes.

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

Mr. HAYES. Thank you, Chairman Conaway, and Ranking Member Cooper. I would ask your permission and unanimous consent to submit the complete statement for the record and highlight the issues that I am sure you have heard before, if that would be OK with the committee.

Mr. CONAWAY. Without objection.

Mr. HAYES. Thank you for the opportunity to testify today. The Eighth District of North Carolina is vitally important to me and others of us who serve. Obviously we are concerned with veterans programs. They are the heroes of the present and past battles. We want to make sure we sustain and increase the services that we provide for veterans, and the President's budget needs a little help there. We got a 2.7 percent increase in discretionary funds. And we want to make sure we increase veterans health care funding and other services and not have anything other than that.

Everything in your power I would ask that you do to adequately fund our Nation's veterans. Quality, affordable, accessible health care service, are a critical priority.

The next item, Mr. Chairman, is impact aid. Impact aid for our military communities such as Cumberland County and surrounding counties at Fort Bragg is important to education and local school

systems in order to replace revenues that are lost because of the very large, very important, much appreciated military presence there. The President's budget puts impact aid at level funding, which unfortunately in this climate, because of the way that the program is structured. The cost-of-living adjustment is triggered by the impact aid formula, and school districts will receive less money. So I would respectfully request a 3 percent increase in the impact aid funding.

Another vitally important issue here to our constituents, hopefully we would take money that has been proposed for funding foreign aid and other operations that could not—we need to do things at home before we spend that money abroad. So I would ask the committee to do what they can in that regard.

The community college presence, our technical colleges, those schools that provide retraining for jobs that we lost in manufacturing and other areas are so vitally important. Perkins funding. I would ask the committee do everything they can to take care of Perkins programs and increase the ability for people to be retrained and reenter the workforce. Economic development and workforce education are so important in mine and other districts.

Other important issues, the agriculture budget; cannot stress enough how much our producer communities depend on a strong agricultural economy. Based on present programming, there has been a $16 billion savings compared to the March 2002 cost estimate. Farmers need to plan just like other businesses. I would like to keep those programs intact because they are working in an environment where internationally we are subject to so many foreign subsidies and artificial tariff barriers. We need to be sure our farmers can be competitive. A disproportionate burden of debt reduction at the present seems to be falling on the shoulders of our farmers.

Conservation initiatives, vitally important. They are doing a great job in addressing the environmental issues in a commonsense and in a very results-oriented way.

Community block grants, as Ms. Capito mentioned are important to my rural district. I hope you will be able to find a way to deal with that.

Mr. Chairman, thank you for the opportunity to testify before your committee. I appreciate your consideration. Everyone wants to cut the budget. There is no disagreement there. It is just when you get into where the cuts come is there some discussion. I appreciate your time and attention and would be glad to answer any questions.

[The prepared statement of Robin Hayes follows:]

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

Mr. Chairman, thank you for the opportunity of allowing me to testify before the Committee today. There are several topics I would like to highlight: funding for Veteran's health care, Impact Aid, Department of Agriculture programs, and Community Development Block Grants.

Mr. Chairman, our veterans are the heroes who helped define our American heritage. They are living evidence that freedom is never free. As we continue to sustain operations in support of the Global War on Terrorism, it is imperative we send a strong signal to these active duty forces that our nation will indeed care for them when they return home.

As you know, the President's FY 2006 budget proposal totals $70.8 billion-$37.4 billion for mandatory programs and $33.4 in discretionary programs. This represents a 2.7 percent increase in discretionary funds over the enacted level of 2005. From 2001 to 2005, veterans health care funding has increased 47 percent. As you and your committee begin assembling the budget resolution for Fiscal Year 2006, I ask that you do everything in your power to adequately fund programs for our nation's veterans.

Providing quality, affordable, and accessible health care services to our nations' veterans must be a priority. In my district in North Carolina, we have been working on establishing a Community Based Outpatient Clinic and must have the funds to do so. We must adequately care for our nation's heroes. During this time when we are calling on our military to do so much, it sends a strong message that we will take care of them to adequately fund veterans programs.

As you craft the budget resolution for Fiscal Year 2006, there are a many challenges to overcome. Funding the Global War on Terrorism, reducing the deficit, providing for our men and women in uniform and taking care of our domestic needs all must be priorities. In balancing these priorities, I ask that you consider reducing the funding for foreign operations. Sending hard-earned American taxpayer dollars overseas to fund programs in other countries and international organizations should not be a top priority when we must meet so many needs here at home first. I urge you to increase funding for veterans programs and fully fund our military requirements before allocating money toward foreign programs.

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

Students in the 8th District of North Carolina depend on this funding, as do the teachers and administrators in the school systems adjacent to Ft. Bragg. As you know, Cumberland County, NC is the proud home Ft. Bragg, one of the largest military installations in the world. Impact Aid literally funds the school system. It takes the place of local tax revenue that otherwise would flow to the school system if Uncle Sam wasn't the primary presence in the County.

This year the President's Budget proposal funds Impact Aid. In tight budget times, this doesn't sound so bad. However, federally impacted school systems know that level funding actually means a loss. Due to a cost of living adjustment that is automatically triggered by the Impact Aid formula, many school districts actually receive less money in real dollars as a result of level funding for the program.

The House Impact Aid Coalition was formed in 1995 to promote and improve the Impact Aid Program. Our coalition has grown from just twelve Members of Congress in 1995, to its current membership of 129. As a Coalition Co-Chair, I join my colleagues to support our goal to increase funding for the Impact Aid Program to $1.281 billion, a 3 percent increase over last year's conference report funding level. At this level, school systems would be able to maintain their vital programs and Congress would affirm its commitment to the program.

Further helping strengthen our Nation's education system, many of my constituents, college students and Community College Presidents, have contacted me with their concerns regarding Perkins funding. The Carl D. Perkins Vocational and Technical Education Act funding is vital to my district, and to the entire North Carolina Community College System. As Congress looks for ways to improve the Perkins program, I urge this Committee to recognize that we must not compromise the success of those that look to Community Colleges for workforce training. We want our young people and those seeking retraining to be prepared for the 21st Century workforce. By eliminating Perkins funding altogether, I fear we would working against our own goal of helping those institutions that are so vital to the economic development and workforce education of my district.

Mr. Chairman, I also want to let you know that I have heard many concerns from farmers in my district regarding the President's budget proposal. My district is very rural and composed of many small to large farms through out the region. I cannot stress to you enough how many producers and communities depend upon a strong agricultural economy.

It is important to consider what U.S. farm policy has already contributed to deficit reduction. U.S. farm policy for commodities has already achieved $16 billion in savings compared to the March 2002 CBO cost estimate. Meanwhile, mandatory funding for conservation, rural development, trade promotion, research, renewable energy, and forestry initiatives have all sustained cuts in the last 2 years totaling more than $2 billion. The recently proposed cuts to U.S. farm policy, when added

to the mandatory savings already achieved, bring to rest a disproportionate burden of deficit reduction on the shoulders of our nation's producers and rural communities.

As you know, producers have made long-term business plans based upon the programs currently available in the Farm Bill. Taking away or altering these programs brings uncertainty to the farming assistance.

U.S. farm policy is also about our producers being competitive globally when many countries all over the world already have much higher price support systems than the U.S. Foreign subsidies and tariffs are 5 and 6 times higher than our own. It is important that we do not inadvertently make our farmers less competitive and hurt our much-needed agricultural exports.

I would also like to stress my support for funding our agriculture conservation initiatives. I've seen first hand how incentive based conservation initiatives, such as EQIP and CRP, have been a major success in rehabilitating wildlife and wildlife habitat and improving air and water quality. I am hopeful that you will continue to support farming programs that have a high rate of success and that are extremely important to 8th District farmers.

Finally, Mr. Chairman I would like to address the proposed cuts in funding to the Community Development Block Grant Program (CDBG's). The CDBG program provides local municipalities the opportunity to create jobs, build and improve much needed infrastructure, provide safe and affordable housing and leverage considerable private sector investment in communities.

In my district, which has been hit particularly hard by the loss of textile and manufacturing businesses, the CDBG program has provided over $13 million in assistance to help keep these towns on their feet.

CDBGs allow our local governments the flexibility to design programs that are most effective to meet their specific needs. I urge that the Committee make every effort to keep this important Program funded at or above Fiscal Year 2005's level.

Mr. Chairman, thank you for the opportunity to testify before your Committee about these important programs. I appreciate your consideration and look forward to working with you on the Fiscal Year 2006 budget.

Mr. CONAWAY. Thank you, Mr. Hayes. Mr. Cooper.

Mr. COOPER. No.

Mr. CONAWAY. Several witnesses have talked about the impact that reducing Community Development Block Grant moneys has. Is there a way that we can quantify that? Any time you cut moneys, everybody says that has a bad effect on programs. But it might be helpful if there is some way we can say, given these grants, you know, to fix things—in my community it is used for curbs and gutters and sewers and infrastructure and those kinds of things that, once it is done it is done. And if we didn't have that money next year, we wouldn't do what we did this past year. Is there some way we can look ahead and see what impact these actual cuts will have instead of just saying that it is going to have a bad impact?

Mr. HAYES. Absolutely. Those actions are underway. And at the same time, folks back home, I say to them, best thing we can do is cut your taxes. Don't send the money to Washington, because by the time we take our portion out of it and what you get back is not as good as if you kept it here. There are some funds that are going to be increased in other areas that would hopefully take some of that impact away and again give a positive impact.

I think the idea of putting it in commerce is to use it for economic development, infrastructure, and things like that that is going to grow the economy and create more jobs, which is so important.

Mr. CONAWAY. Thank you, sir. Appreciate your comments today.

The gentlewoman, Ms. Waters. You are recognized.

STATEMENT OF THE HON. MAXINE WATERS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. WATERS. Thank you very much, Mr. Chairman. The President's proposed funding year budget 2006 will create a tremendous hardship on our Nation's low-income families, senior citizens, disabled persons, veterans, those seeking to improve their lives through education and job training.

As the ranking member of the Housing Subcommittee of the Financial Services Committee, I am here to urge the committee to reject the disastrous budget cuts and program transfers in the U.S. Department of Housing and Urban Development (HUD) budget that the administration has proposed. If the President's budget were enacted, HUD would suffer a whopping 12 percent budget cut, the largest of any Cabinet department.

As I said to HUD Secretary Jackson when he appeared before the Financial Services Committee yesterday, I am very disappointed by the huge budgets cuts and the massive program transfers away from HUD that the administration has proposed in its fiscal year 2006 budget. The HUD budget accelerates a 4-year effort by the administration to dismantle critical HUD programs, to make deep funding cuts in these programs and, regretfully, to target these cuts to our most vulnerable low-income families, seniors and disabled persons.

The proposed elimination of the Community Development Block Grant and the 50 percent cut in the Disabled Housing funding are just two of the most noteworthy examples. We have an affordable housing crisis in much of this country. Just 2 weeks ago, the Los Angeles Times reported that police had to disperse a crowd of about 3,000 people vying for 150 low-income housing applications in Hollywood, CA. When some people rushed the line, a riot ensued.

You could find a similar scene in many, many communities. As the National Low Income Housing Coalition regularly reports, there is not a single metropolitan area where an extremely low-income family can be assured of finding a modest two-bedroom rental home that is affordable. There are literally millions of people who are homeless.

Mr. Chairman, it is stunning to me at a time when the administration seeks $82 billion in a supplemental appropriation for Iraq, Secretary Jackson told us that HUD has to prioritize by cutting affordable housing programs because the Department's proposed budget will not permit these programs to be funded.

The President's proposed budget would eviscerate CDGB to States and localities, thereby resulting in a loss of affordable housing investments of $1.16 billion; cut the disabled housing budget by 50 percent; continue an assault on the rental housing assistance safety net programs, that is Section 8 and public housing; eliminate future funding for the HOPE VI program; rescind $143 million in funding for 2005 HOPE VI funding that was only appropriated a few months ago; and cut funding for housing programs for Native Americans by 16 percent. Funding for critically needed capital repair of housing units is cut another $252 million, and operating assistance is cut by $17 million.

The overall fiscal year 2006 budget housing request is 9 percent below last year's level, and 30 percent below the level when the administration took office after adjusting for inflation. Home block grants and the Housing for People with AIDS program, the HOPWA program, also cut. Even funding for housing counseling and for fair housing enforcement would be cut from the current funding levels.

All these programs play a vital role in providing safe, decent, affordable housing for low-income families, and I am hopeful that we can join together from both sides of the aisle to keep from cutting these programs.

I want to really put my attention at CDBG, the costs. CDBG is that block grant funding program that goes to the cities and the States to be disseminated among some small towns, that is a last-stand effort by the Federal Government to really give some assistance to the cities with critical problems that their budgets just won't meet.

I was pleased to hear you mention that in your area, the cities and towns use this money for infrastructure. I, too, have five cities in my district, and they are small cities. Without CDBG they would not be able to support the needed repairs to the infrastructure that are so desperately needed all over the country. So it is not simply a matter of money that is going to follow 101(c)3 nonprofit organizations that are working with at-risk youth and with seniors and with other very, very needed areas in our cities, it is about support for these towns and cities that they could not get anyplace else. No, Mr. Chairman, they just don't have the budgets.

This CDBG budget proposes to slashcommunity development by $1.9 billion, a cut of 35 percent from the $5.6 billion level at which these programs were funded in fiscal year 2005.

The President is also proposing a major reorganization of community development programs under which nearly all of the programs that comprise a community development fund, including the Community Development Block Grant, would be moved out to the Department of Commerce. Now, I don't know what this is all about. When we talked with Secretary Jackson about this, they talked about taking 18 programs and transferring them over to Department of Commerce. I understand what the Department of Commerce does, and I support economic development in a very, very strong way, and there may be some programs like Section 108 Loan Guarantee Program that is maybe better situated, even though, you know, this particular program is supported by the CDBG funds that would be over in HUD. But these are moneys that are used for the larger project developments in cities, like the development of old towns and big industries that will create a lot of jobs.

So maybe there is some way that something like that could be worked out, but to have these other programs, what do you do? Do you release all of the people in HUD and bring in new people who have long years of experience? I mean, release the people in Commerce, bring in people from HUD, you transfer personnel, you train new personnel, you set up new departments? I don't know how this is done. If you are saying that the people who are there now were responsible for the Department of Commerce programs will then

somehow magically all of a sudden know what to do with CDBG, I don't think so. So I don't understand why that is being done.

Among the programs slated not to be funded under the President's proposals are Brownfields, Empowerment Zones/Enterprise Communities, and the Rural Housing and Economic Development Program. Well, for those people who think that it is important to have economic development in the cities so that we won't continue forever to have to fund 501(c)(3)s because we don't have the kind of businesses and programs that can generate its own funding, it is a mistake to go into their empowerment zones that were set up for economic development and employment and all of a sudden get rid of them. We haven't finished the work yet. The same thing with, well, Empowerment Zones/Enterprise and economic development.

I won't bore you with the rest of this testimony. I know you have been here for a long time, and you have still got Members to go. I have submitted 50 copies as required by the committee. I am very, very hopeful that we will all, Democrats and Republicans alike, see the value in CDBG and HUD and not allow it to be slashed in the way that is being proposed.

Thank you.

[The prepared statement of Maxine Waters follows:]

PREPARED STATEMENT OF HON. MAXINE WATERS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Chairman Nussle, Ranking Member Spratt, Members of the Committee, thank you for the opportunity to testify before you today.

Mr. Chairman, the President's proposed FY 2006 budget will create a tremendous hardship on our nation's low-income families, senior citizens, disabled persons, veterans, those seeking to improve their lives through education and job training, and many other groups.

As the Ranking Member of the Housing Subcommittee of the Financial Services Committee, I am here to urge this Committee to reject the disastrous budget cuts and program transfers in the HUD budget that the Administration has proposed. If the President's Budget were enacted, HUD would suffer a 12 percent budget cut, the largest of any Cabinet Department.

HUD BUDGET

Mr. Chairman, as I told HUD Secretary Jackson when he appeared before the Financial Services Committee yesterday, I am very disappointed by the huge budget cuts and the massive program transfers away from HUD that the Administration has proposed in its FY 2006 Budget. The FY 2006 HUD budget accelerates a 4-year effort by the Bush Administration to dismantle critical HUD programs, to make deep funding cuts in these programs, and regretfully, to target these cuts to our most vulnerable low-income families, seniors, and disabled persons. The proposed elimination of the Community Development Block Grant Program, and the 50 percent cut in disabled housing funding are just two of the most noteworthy examples.

Mr. Chairman, we have an affordable housing crisis in much of this country. Just 2 weeks ago, the Los Angeles Times reported that police had to disperse a crowd of about 3,000 people vying for 150 low-income housing applications in Hollywood, California, when some people rushed the line and a riot ensued. You could find a similar scene in many, many communities.

As the National Low Income Housing Coalition regularly reports, there is not a single metropolitan area where an extremely low-income family can be assured of finding a modest two bedroom rental home that is affordable. Moreover, there are literally millions of people who are homeless.

Mr. Chairman, it is stunning to me, at a time when the Administration seeks almost $82 billion dollars in Supplemental Appropriations, principally for the War in Iraq, Secretary Jackson would tell us that HUD has to "prioritize", by cutting affordable housing programs, because the Department's proposed budget will not permit these programs to be funded.

The President's proposed budget would eviscerate CDBG flexible block grants to states and localities thereby resulting in a loss of affordable housing investments of $1.16 billion dollars; cut the disabled housing budget by 50 percent; continue an assault on the rental housing assistance safety net programs (Section 8 and public housing); eliminate future funding for the HOPE VI program; rescind $143 million dollars in FY 2005 HOPE VI funding that was only appropriated a few months ago; and cut funding for housing programs for Native Americans by 16 percent.

Funding for critically needed capital repair of public housing units is cut another $252 million, and operating assistance is cut by $17 million. The overall FY 2006 public housing request is 9 percent below last year's level, and 30 percent below the level when the Administration took office, after adjusting for inflation. HOME block cuts and the Housing for People with AIDS program (HOPWA) also are cut. Even funding for housing counseling and for fair housing enforcement would be cut from their current funding levels! All these programs play a vital role in providing safe, decent, affordable housing for low-income families. We must not cut these programs.

The HUD budget will cut 50 percent of the funding for the Section 811 program for disabled housing. It is inexcusable for this program to be cut, let alone singled out for a cut of this magnitude. The Administration budget also proposes to turn Section 811 into a rental assistance program only, ending the longstanding Federal role in funding the cost of construction of new affordable housing for the disabled.

CDBG

Now let me turn to CDBG. The Bush FY 2006 budget proposes to slash community development funding by $1.9 billion dollars, a cut of 35 percent from the $5.6 billion dollar level at which these programs were funded in FY 2005. The President also is proposing a major reorganization of community development programs under which nearly all of the programs that comprised the Community Development Fund, including the Community Development Block Grant program (CDBG) would be moved out of the Department of Housing and Urban Development (HUD) and into the Commerce Department.

Among the programs slated not to be funded under the President's proposal are Brownfields, Empowerment Zones/Enterprise Communities, and the Rural Housing and Economic Development Program. The Administration's proposal also eliminates Section 108 CDBG loans which have successfully been used by localities to leverage private sector capital for critical community development projects, and, thus, would throw into jeopardy the funding stream, the collateral, for Section 108 CDBG loan guarantees already outstanding.

These cuts would have a devastating impact on housing, neighborhood improvements, and social services for the elderly, the disabled, families with children, and the homeless. You can't shoehorn $5.6 billion dollars in community development programs into a $3.71 billion dollar economic development program without many people being hurt.

Mr. Chairman, as all of us know, CDBG funds are among the most flexible Federal funds available to cities, states, and community-based organizations. Funds can be used for a wide array of activities, including housing rehabilitation (loans and grants to homeowners, landlords, nonprofits, and developers), new housing construction, downpayment assistance and other help for first-time homebuyers, lead-based paint detection and removal, the purchase of land and buildings, the construction or rehabilitation of "public facilities" such as shelters for people experiencing homelessness or victims of domestic violence, making buildings accessible to the elderly and disabled, "public services" such as job training, transportation, health care, and child care (public services are capped at 15 percent of a jurisdiction's CDBG funds), capacity building for non-profits, rehabilitating commercial or industrial buildings, and loans or grants to businesses.

The proposed CDBG cuts, if enacted, would have a devastating impact on housing, neighborhood improvements, and social services for the elderly, the disabled, families with children, and the homeless. The proposed transfer of community development programs, while requiring legislative action, is extremely ill-advised. The proposal also would reorient CDBG away from its traditional HUD focus of affordable housing and community development, to a Commerce Department whose focus is on economic development, and which caters to business interests.

All of these community development programs play an important role in helping local governments improve their neighborhoods. If the proposed cuts were to be enacted, they would severely damage these communities' efforts to improve safety in their neighborhoods, create jobs, provide affordable housing and social services for their residents, and create a huge funding hole that States and localities cannot possibly fill.

Mr. Chairman, I am also very troubled by the effects that the cuts to CDBG will have on affordable housing. Last year, $1.16 billion in CDBG funds were used for housing, resulting in 112,000 homeowners receiving funds for housing rehabilitation, 11,000 families receiving assistance to become 1st-time homeowners, and 19,000 rental housing units being rehabilitated. The proposed elimination of CDBG would result in a $1.16 billion cut in affordable housing funding.

Finally, it appears that the Administration believes that community development funding should only be available in communities with poverty rates that exceed the average poverty rate. A proposal to limit funding to only the most distressed communities would effectively abandon efforts to help the millions of low-income persons living in middle income and economically diverse communities. Instead of carrying out the existing Federal policy objective of de-concentrating low-income families, the proposal would further concentrate them in the poorest communities, and potentially further stratify society along economic and racial lines. CDBG funds should continue to be available to serve poor people wherever they happen to reside.

CONCLUSION

Mr. Chairman, the President's misguided budget proposals do not meet the needs of the American people. I urge you to reject the President's proposals and substantially improve funding for affordable housing and community development as you write the FY 2006 budget resolution.

Mr. CONAWAY. Thank you, Ms. Waters.

Mr. Cooper, any questions or comments?

Mr. COOPER. I would just like to thank the gentlelady. You do a terrific job not only representing your constituents, but also your voice for the voiceless all across this great country of ours.

I know I have heard a tremendous amount of concern over the HUD cuts in my district. They can be devastating to folks. The CDBG cuts are bad. There are lots of things that we need to look at in this budget and correct, because there are some terrible mistakes made in the President's budget. I thank the gentlelady.

Ms. WATERS. You are certainly welcome.

Mr. CONAWAY. Ms. Waters, thank you very much for coming today. I appreciate your testimony.

Not to be argumentative, but I am a CPA, and I don't automatically subscribe to budget increases in programs to being our best interests. Conversely, I don't automatically subscribe to the idea that budget cuts or reduced funding in certain areas is bad.

You said every single program that you mentioned today was getting cuts. You have very dire predictions as to what would happen if those happen. We have tough choices to make. We have limited resources to spread across an almost seemingly unlimited need across this great country, and look forward to working with you as we try to somehow try to reconcile between those two. So thank you for coming this afternoon.

Ms. WATERS. You are welcome, Mr. Chairman. Let me just say as I close and I leave, one of the good things about CDBG is the community is involved in the entire planning process as mandated by Federal law. Not only do they have to put the notices out so that the community comes together to go over and review what the city is doing, they, too, have the opportunity to suggest to the city where the money is best spent, and the process is one of the best ones that I have ever seen for planning. I am hopeful that we will take that into consideration as we look at this.

Mr. CONAWAY. Thank you. I have got experience with my local United Way over a long time and have seen the good that this program does work and the good process that it has to go through, the annual scrubbing and competition, in effect.

Ms. WATERS. Yes.

Mr. CONAWAY. So that we do have the money spent on the most important needs within the community.

Thank you very much for your testimony this afternoon.

Ms. WATERS. Thank you.

Mr. CONAWAY. Mr. Holt from New Jersey. You are recognized for 10 minutes.

STATEMENT OF THE HON. RUSH D. HOLT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. HOLT. Mr. Conaway, Mr. Cooper, thank you very much. I appreciate the opportunity to be here today. I would certainly concur in the remarks of Ms. Waters, Ms. Capito, Mr. Hayes, all important points. No doubt all day today you have heard about what we can do to meet the needs of the people of the United States, whether we are talking about food on the table or housing.

Let me tell you, if we are economically going to be able to meet those needs, we must invest in innovation. It is the engine that drives our economy. Science and technology leadership must not be taken for granted. Excellence in science and technology requires sustained, appropriately funded research in a broad range of fields. This is not a luxury. It is not welfare for people in lab coats. It is our future well-being. It is the quality of life of Americans, maybe not this year's research for next year's food on the table or next year's housing, but in a very real way it is our future.

The President has proposed that the overall U.S. research and development budget increase by about 0.6 percent in fiscal year 2006 to $132.3 billion. Looked at one way, you would say the Federal investment in research and development has been increasing, but it is a little bit deceptive.

If we put aside the development part of the research and development budget, and this is primarily for defense and homeland security development projects, important as they are—but if we put that aside, the Federal science and technology budget, which would be the real research part, the proposed spending would be about $60 billion, down by 1.5 percent from 2005 spending.

Now, if the U.S. standing in science and technology were secure, we might be able to tolerate this, but our leadership in science and technology is not secure. If we were concerned about jobs going overseas or just meeting our needs here at home, we must be the innovation leaders in the world. As it is, other countries are spending significantly in science and technology, in research and development. More and more of the best patents are foreign, more and more of the best scientific papers are written in other countries, more and more graduate students are choosing to stay in their own countries or go to other places other than United States universities for a first-rate education.

Now, these unprecedented advances in worldwide science and engineering are great news for the world and for humankind at large. Scientists and engineers around the world no doubt will be making important discoveries in innovation. But this is not great news for the United States as a country. The United States is at best treading water.

We can't do that forever. We are living off much of the innovation that came from the 1960s and 1970s. We are overdue for a real significant investment in research and development. As a percentage of GDP, the funding for physical science research has been in a 30-year decline.

Now, Mr. Conaway, Ms. Schwartz, as I would, or any other Member of Congress, you would like to be introduced to the next Rotary Club meeting as a future-oriented Member of Congress. It can't be just words. If we don't actually make this investment in science and technology and research and development, we cannot call ourselves future-oriented.

Let me focus on the National Science Foundation (NSF). The NSF isn't the only part of the Federal R&D effort that requires more support, but it is key to our infrastructure. We have in recent years doubled the funding for the National Institutes of Health (NIH). We have made large increases in the last few years, as I made reference to, in development in the Department of Defense (DOD).

The NIH and the DOD research and development will not be able to use these funds well if we don't make a concurrent investment in the National Science Foundation. It is from the National Science Foundation that the scientists are trained. It is from the National Science Foundation that the instrumentation and methodology is developed so that we can actually get good results from our huge investments that we have, I think, wisely made at NIH and in DOD.

In 2002, the President signed into law the NSF Authorization Act that authorized a doubling in the budget of the NSF by fiscal year 2007. We are not keeping at even one-quarter of that rate. In other words, NSF is not on a doubling path. If we don't put it back on a doubling path, we will be squandering the many billions of dollars that we are putting into NIH, DOD, and elsewhere.

This is just one example of the attention that I believe this committee needs to devote to research and development. There are other things. Let me just make brief mention of the Hubble Space Telescope.

The Hubble Space Telescope is one of the most productive scientific instruments in the world's history. Its best work is perhaps yet to come. It is expanding our understanding of the universe and where we are in the universe. Prematurely ending its mission would be, well, a shame and a disgrace.

Another example I would point to is fusion energy research, supported by the Department of Energy, Office of Science. The administration proposes that we make severe cuts to the U.S.-based research so that we can fund the International Thermonuclear Experimental Reactor (ITER). This could be based in Europe or Japan.

Now, I think supporting ITER is a good idea, but supporting ITER must be in addition to, not instead of, a U.S.-based program. If we don't invest in the United States, the United States will not have the capacity to use the results in the international reactor or to contribute significantly to the international reactor or, what really counts, to be able to develop fusion energy as a marketable energy source in years to come.

A good science budget is within our reach. In the scheme of things, we are talking about seed corn, which is a small fraction of our harvest. A good budget for science can be achieved. I recognize that there are immediate needs, social needs, human needs, but the science is our future.

I hope I have made the case, I have tried to make it as strongly as I can, that not to make a significant investment—for example, not to put NSF on the funding doubling path that we in Congress authorized just a few years ago—would be to put the future and perhaps ourselves in jeopardy. Thank you.

[The prepared statement of Rush Holt follows:]

PREPARED STATEMENT OF HON. RUSH D. HOLT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. Chairman, thank you for the opportunity to testify today on President Bush's Fiscal Year 2006 budget submission to Congress. I want to use this opportunity to address Federal support for science.

Innovation is the engine that drives our economy. The United States' leadership in science and technology is the basis of our global economic and political leadership.

Our science and technology leadership must not be taken for granted. Excellence in science and technology requires well conceived, sustained, and appropriately funded research in a broad range of fields. We need to advance our understanding of the structure of the universe, of the laws governing matter and energy, of the properties of materials, and of the building blocks of life. We need to develop new and better ways to serve human needs with new materials, processes, devices, and systems. To achieve this we need a very well conceived and adequately funded budget for research.

President Bush has proposed that the overall U.S. Research and Development budget increase by only 0.56 percent in FY 2006, to $132.3 billion. I am pleased that in recent years, including this year, the Federal investment in R&D has been increasing. But this increase is largely due to significant increases for weapons research and development, for the creation of new homeland security R&D programs, and for the now-complete campaign to double the National Institutes of Health (NIH) budget. If we put aside the "development" part of the R&D budget, which is primarily for defense and homeland security development projects and which has grown to more than half of the R&D budget, and look at the remaining part, called the "Federal S&T budget", the proposed spending would be $60.8 billion, down 1.4 percent from FY2005 spending.

If the U.S. standing in science and technology were secure, a 1.4 percent cut in this time of tight budgets might be appropriate. If U.S. science were in a secure position, we could rest on our laurels, make some economies, and cut back a bit on science in order to make it a tiny bit easier to cover the huge deficits that have been built up by the current Bush administration.

But our leadership in science and technology is not secure. The United States is still the world leader in science and technology, but other countries are catching up. Other countries are significantly increasing their spending on science and technology, and they are getting results. More and more of the best patents are foreign. More and more of the best scientific papers are written in other countries. More and more of the world's best graduate students are choosing to stay in their own countries for graduate school rather than coming to the great universities of the United States, because their universities increasingly provide a first-rate education.

These unprecedented advances in worldwide science and engineering capacity are great news for the world. Scientists and engineers in other countries will undoubtedly make important discoveries and innovations, and they will build new industries that will benefit us all.

While other countries have been surging ahead, the United States has been treading water. Federal funding of basic research in engineering and the physical sciences has experienced little to no growth over the last thirty years. As a percentage of GDP, funding for physical science research has been in a thirty year decline.

The United States absolutely cannot afford to lose its lead in science. We have to innovate faster and better than anyone else, or we will eventually be second-rate. In every generation since World War II, there have been dire warnings that the United States is loosing its economic and technological edge. Somehow we have al-

ways managed to regain our leadership position. But if you look back, you can see that each time, we have regained our edge because of research and innovation that has received substantial Federal support.

Probably every Member of Congress would like to be introduced at their next Rotary meeting as a future-oriented Member of Congress. Science, technology, and education are the future of America.

Today I want to focus my recommendations on the budget for the National Science Foundation (NSF). NSF is not the only part of the Federal R&D effort that requires more support. But NSF is key to our scientific infrastructure. If NSF is not strongly supported, U.S. basic research is in trouble.

In 2002, President Bush signed into law the NSF Authorization Act (P.L. 107–368). This authorized a doubling of the budget for the NSF by FY 2007, to $9.8 billion, through annual 15 percent increases. In fact, it has taken 4 years for NSF to receive an overall increase of 15 percent, from $4.8 billion in FY 2002 to the President's proposed $5.6 billion in FY 2006. We need to get back on track toward an NSF budget of $10 billion. We can achieve this for NSF through annual 15 percent increases over the next 4 years. For FY 2006, the NSF appropriation should be $6.3 billion, a 15 percent increase over FY 2005.

There are other ways that the budget needs to be revised to support science. An important example is the Hubble Space Telescope. Hubble is one of the world's most productive scientific instruments. It has expanded our understanding of the life and death of stars. It has shown us the accelerating expansion of the universe and the existence of black holes. It is the most successful science project in NASA history. The President proposes to cancel servicing of the Hubble Space Telescope, prematurely ending its mission. We need to restore this funding.

Another example is fusion energy science, supported by the DOE Office of Science. The Administration proposes that we make severe cuts in U.S.-based research, so that we can fund the International Thermonuclear Experimental Reactor (ITER) fusion project, which will be based in Europe or Japan. We should definitely support and participate in ITER. But to benefit the United States, supporting ITER must be in addition to, not instead of, having a U.S.-based program. Otherwise the United States will not have the capacity to develop fusion energy; technology leadership will go to Europe and Japan.

This year marks the 100th anniversary of Einstein's first revolutionary papers. Einstein's science transformed our understanding of the physical world, from the sub-atomic structure of matter and energy to the dynamics of the universe. The discoveries of Einstein and many other scientists in the twentieth century have led to innovations that have powered the U.S. economy. Now, in the twenty-first century, we need to support basic science, to ensure that America has a strong scientific foundation for the future.

Scientists are creative, disciplined, and work hard. As Members of Congress, we too need to be creative and disciplined, to provide the support necessary to enable U.S. scientists to make new and as yet unimagined discoveries. A good budget for science is within our reach. Yes, the United States has immediate needs that must be accommodated in the overall budget. But science is our future, and it must be appropriately supported.

Mr. CONAWAY. Mr. Holt, thank you for those comments.

Ms. Schwartz, do you have any comments for the gentleman from New Jersey?

Ms. SCHWARTZ. Thank you, Mr. Chairman.

Thank you, Mr. Holt. I just want to appreciate, certainly, your own expertise as a scientist, that you would bring this to our attention, and I think that you point out really very correctly that we had already made a commitment, that Congress had made a commitment—not me, I wasn't here at the time—but that the Congress had made that commitment in 2002. It seems we are reneging on that commitment.

You point out that these are—it is a difficult budget, there isn't—there are choices to be made. There is certainly the issue of priorities that have to be made.

My question to you really is to what degree do you think this is isolated to an area? I mean, you are from New Jersey. Obviously, you mentioned Mr. Einstein and some of the rich scientific commu-

nity in New Jersey. Being from the southeastern part of Pennsylvania, I have been very involved in promoting biotechnology as one of the advances that we ought to make our investment in. But I understand as well we have to step back a bit and really look at basic science and scientific research that really leads people to consider it.

I wonder if you could speak at all about any particular parts of the National Science Foundation funding that would be dramatically hurt, that might hurt in particular either geographic areas or scientific communities or populations you think we are going to cut out. Will they cut funding for young people and some of the National Science Foundation scholarships that are provided and other things in particular?

Mr. HOLT. Yes, Ms. Schwartz, thanks for the question. It does appear that education might suffer disproportionately in these budget cuts. But the point I want to make is this is not isolated to any geographic area or to a subject area. It is the source of our productivity and economic vitality in every State in this country, really, in every town and village. Our previous investment in science and technology over the decades is why we are the global, economic, political and, I would say, military leader. It makes possible our discussing CDBG and all of the HUD programs and all of the other things we are talking about here. We would not have a $12 trillion economy had it not been for the investments in transistors, lasers, medical technology, which came from basic research.

The National Science Foundation looks at new materials and processes and devices and systems. It looks at information technology and computer sciences, which are not applicable to just one area, but all areas. We went through, over a 6-year period, a doubling of the National Institutes of Health, up to several tens of billions of dollars now, and I think that was wise. There is a lot of good research coming out of that, but we can't sustain that research unless we are producing the scientists, the methodology, the instrumentation, that is used for this NIH research, and much of that comes from the NSF. That is why the decision was made to put NSF on a doubling path.

Doubling NSF, by the way, would still make it only a small fraction of the budget of NIH. We are not talking about, you know, massive spending. Yes, it is billions of dollars, but it is relatively small in the scheme of things.

Ms. SCHWARTZ. OK. Just one last question, or almost a maybe comment, is that it is both the really hard, serious dollars that we need to do this research. But do you think it is also a message that we don't care about science at a time when we, as you point out, need to be really clear to our young people that science matters, and also to our global competitors, if you will, that science matters, that we will be making that investment in science, because I think otherwise, as you point out, they are already getting ahead—and while I am not sure the sort of space race that we were engaged in many, many years ago, but did compel a lot of young people to think about science as a career, that I am not sure we are doing it, if we are actually cutting science funding as you point out, a National Science Foundation funding.

Do you think it is not just the hard dollars on the actual science that gets done, but the message as well?

Mr. HOLT. Well, Representative Schwartz, as you know, this is a topic for a lengthy discussion at another time. But a failing of our education system is that we have told 80 percent of Americans that science is for scientists. Consequently, most people think that spending at the National Science Foundation is for scientists. No, it is for every man, woman and child in America. Science is for all of us, not just the scientists.

Ms. SCHWARTZ. OK. Thank you very much, Mr. Holt.

Mr. CONAWAY. Mr. Holt, thank you. I think it might help put some additional meat on the bones for your arguments if you would include in your presentation as an example the number of engineers being produced by China today versus in America. I know that is just one segment of the scientific community, but it is a factor of, I think—I could be corrected on this, but I think it is like eight times the number of engineers being produced in China each year than in America, so that it has dramatic ability not just on our dollars, but on our ability to compete in the world.

So thank you for your testimony today. I appreciate that.

Mr. HOLT. Thank you, Mr. Conaway.

Mr. CONAWAY. It is now my high pleasure to welcome my neighboring Congressman from Lubbock, Texas, Mr. Randy Neugebauer. Mr. Neugebauer, 10 minutes.

STATEMENT OF THE HON. RANDY NEUGEBAUER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. NEUGEBAUER. Thank you, Mr. Conaway and Ms. Schwartz, for conducting these hearings.

Mr. CONAWAY. I was hoping you would say Mr. Chairman. I would really like to hear that.

Mr. NEUGEBAUER. Thank you, Mr. Chairman. In fact, I ask unanimous consent to revise my remarks and make my written remarks part of the record.

Mr. CONAWAY. Without objection, sir.

Mr. NEUGEBAUER. Thank you, sir. I know you have heard a lot of testimony, and the hour is drawing close to the evening, but I wanted to make a few points.

I just finished about 13 or 14 town hall meetings all throughout my district, and I think there is a consensus of the people in the 19th District of Texas that $2.57 trillion is enough to spend for our budget. In fact, they agree with me when I say that Congress doesn't have an income problem, it has a spending problem, and it is incumbent upon us, as Members of Congress, to tackle this problem to begin to reduce these deficits so that we do not leave our children and our grandchildren with this huge debt.

As we look forward to our budget, I think one of the things that I want to encourage you is that I think that the President sent over a good target, $2.57 trillion. But you know if we can do better than $2.57 trillion, then I think the taxpayers get an extra dividend. So as we put this budget together, I don't want us to work toward one mark, but work toward a budget that is fiscally responsible and that spends American taxpayers' money wisely.

If you recall, the President during his State of the Union message said, you know, if we can't spend the American taxpayers' money wisely, we shouldn't spend it at all. And I think we all agree that that is exactly what we should be doing.

One of the things that I think is important about this budget process is that we make this budget document flexible, so that our authorizing committees and our appropriation committees can go and do the work that they have been challenged to do. Let them go through the budget and look for ways that we can save, look for programs to eliminate. The President sent over a list of about 150 programs that he believed that we could consolidate or eliminate. You know, I call that a good start. So I think we should not just limit our look to those 150 programs that the President sent over, but certainly look at other programs.

We tend to focus, when we go through this budgetary process—and last year we did reduce nondefense, nonhomeland security discretionary spending, but that is such a small portion of the budget that I think we have to look through the entire budget document. And I think we have to look at mandatory spending.

Mr. Chairman, I am going to quote you, as I heard you say earlier in the week last week, that if you are going to go duck hunting, that you have got to go where the ducks are. As I think we go through this budget, I think that all mandatory spending should be up for a look and not just some parts of mandatory spending and the discretionary spending, because we do know that the fastest-growing part of the budget where we have seen the most increases is, in fact, in the mandatory side of the budget.

As it is—we look at these programs, particularly we look in the agricultural program, I know in the President's budget, he pointed out that he wanted to look at taking some of the cuts from the farm programs.

As you know, when you look at the total USDA budget, that over 50 percent of that budget is mandatory spending on not really farm-related expenditures, being nutritional programs. I think if we are going to give a scrub to the USDA budget, the agricultural budget, that we need to look through the entire mandatory spending part of that.

One of the things that concerns me is that coming from the small business world, I have watched government over the years in making policies 1 year and changing the policy the next. When you are out and making investments and taking risks and borrowing money, that makes it very difficult for our small business people. It makes it very difficult for farmers and ranchers across America.

And so we, in 2002, we passed a farm bill. What we said to the producers and—in America, you know, here is a multiyear policy for farm programs in this country over the next 5 or 6 years. You know what those farmers and ranchers did? They went out and they leased land. They went to their banker. They showed him a 5- or 6-year business plan where they were going to buy new machinery and equipment to be able to farm more effectively and efficiently.

Quite honestly, what makes American producers to be able to compete in this economy on an unlevel playing field when it comes to trade is the fact that our farmers and ranchers have developed

a great deal of efficiency through technology and productivity. The productivity has really come from getting larger. So the family farm in my district that used to be a half section or a section is now a family farm that is farming 4,000 or 5,000 acres of land, and it is through that efficiency that they have been able to compete in a global economy where they are competing with not really other producers in other countries, but literally competing against those countries, because those countries are subsidizing their producers at larger rates than our current farm policy.

You know what else is good about the farm program is we did a multiyear program, but we also put together a farm program that is working. It was designed to be a safety net. In fact, in the first 3 years, it really only cost us what we had projected for 2 years, some $17 billion less than what we had projected for those farm programs to cost.

So it is just not good policy to change the rules in the middle of the stream. I think particularly for agriculture right now it is important, because there are a lot of things that are going on that we are doing on multiple fronts for our producers in our country.

We are at the table right now with the WTO. What we have said in that framework is we have asked those other countries to put their subsidies and their tariffs on the table, and we have agreed to do the same thing. I think it would be premature for us to start taking some of our negotiating chips off of the table from a policy standpoint until we have concluded those negotiations.

Just today we got a ruling where Brazil won a ruling against the United States, saying that the current farm policy in America violates the WTO. All of us know that we are in compliance with the WTO ruling, but, again, that is just another one of those issues that we are going to have to negotiate, and we are on the tail end of this farm—current farm bill and on the beginning of a new farm bill. I think that is the appropriate time for us to begin to address some of the issues that are brought up about how we are going to provide a safety net for producers in the future.

I feel very confident, and as I talked through with producer groups all throughout my district, the agricultural committee wants to be a player, they want to be a partner in reducing this Federal deficit, but we have to do it in a smart and wise way, a way that is a win/win for America. We have to do it in a way that is fair to agriculture and fair to other areas of our budget.

So I hope, Mr. Chairman, as we go through this budget process, I am ready to roll up my sleeves and help bring this number in, hopefully less than $2.57 trillion. I think that would be a real plus. I think it is a doable thing, but I hope as we do that, that we will make sure that we do it in a way that we are making good policy for America while at the same time trying to bring home a dividend of less spending for the American people.

Thank you, and thanks for your time.

[The prepared statement of Randy Neugebauer follows:]

PREPARED STATEMENT OF HON. RANDY NEUGEBAUER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Chairman Nussle and members of the House Budget Committee, thank you for the opportunity to present my views on the 2006 Budget Resolution.

I think many of us agree that a Federal budget of more than $2.5 trillion dollars provides enough resources for the government. As I tell my constituents, we don't have an income problem here in Washington; we have a spending problem. As you put together this year's resolution, I ask that you keep our budget total at or below the total recommended by President Bush.

Even with the recent economic growth and growth in revenues, we continue to spend more than we take in. I commend the Committee's effort last year to slow the increase in non-defense discretionary spending, which we ultimately managed to keep to 1.4 percent. Holding down or decreasing discretionary spending, however, is not going to be enough to reduce the deficit when this spending is less than 20 percent of the budget.

When meeting with constituents last week in my district, I used the analogy that if you are going duck hunting, you go where the ducks are. Well, if we are going to reduce the deficit, we have to go where the spending is.

We are at war, so funding for defense and security must remain a priority. However, there are certainly non-defense discretionary programs that can be reduced, consolidated or eliminated, and we must address mandatory spending in order to continue down the path toward deficit elimination. When the rate of growth in mandatory programs far exceeds the rate of growth in the economy, these programs simply are not sustainable.

I encourage the Budget Committee to set reconciliation targets for mandatory spending, and I also ask that you give the authorizing committees full discretion to determine how we meet those targets. We know this won't be an easy process, but it is our responsibility to address the unsustainable spending growth in order to maintain important programs and services for the future.

One area I want to address in a bit more detail with you is agriculture. Mr. Chairman, my constituents and I appreciated your remarks last month during a C-SPAN interview. I agree with you that we need to look at all the mandatory spending within USDA, not just farm programs, which comprise just one-half percent of the Federal budget.

The 19th district of Texas is heavily dependent on its agricultural economy. Farmers, lenders and input providers have made investment decisions based on a multi-year farm policy, which will be reauthorized within the next 2 years. The 2002 Farm Bill has proven to be a very effective safety net for our producers, providing support in times of lower prices, and reducing support when it is not needed.

During the first 3 years of this policy, farm programs have cost $14 billion less than the Congressional Budget Office predicted when the legislation passed. Even though spending will increase somewhat this year due to lower prices, total spending over the life of this Farm Bill is still projected to be less than was predicted. Changing the rules of the game now, and then again in 2 years, is not sound policy.

Budget decisions we make in agriculture today will not only affect the 2007 Farm Bill, but they will also affect our negotiating position in the World Trade Organization. If we take all of our chips off the table now, we will not have anything left to negotiate with as our trade representatives continue efforts to open new markets and reduce other barriers to U.S. products.

During meetings with constituents throughout my district last week, farmers understood the importance of balancing the budget, and they are willing to do their part to reduce the deficit. However, they do not support agriculture bearing a disproportionate share of the burden. Neither do I, Mr. Chairman.

As you write the House budget resolution, I ask that you fairly distribute reconciliation instructions across areas of mandatory spending, basing them on shares of the budget and contributions already made to budget savings. I also ask that the budget does not restrict flexibility of the authorizing committees in writing reconciliation legislation.

Our constituents are looking to us to make responsible decisions about the use of their hard-earned tax dollars. They are counting on us to set the right priorities and follow thorough on past commitments. Thank you for your work on the first step in our budget and spending process. Mr. Chairman, I appreciate your efforts to ensure that our most important needs are met and that deficit reduction is shared proportionally.

Mr. CONAWAY. Thank you, Mr. Neugebauer. I appreciate those comments.

The thing you did point out is the wisdom of this process in that the Budget Committee simply sets, to use Chairman Nussle's phrase, the fence around it, around this, the number of dollars that we are going to spend, and the folks who know that—the most

about various programs you authorize, the committees and the appropriation committees, will be charged then with doing the heavy lifting of deciding how much that money is spent and where. So I think there is great wisdom in that.

Ms. Schwartz, do you have comments?

Ms. SCHWARTZ. Thank you. Maybe just to ask you if you had any additional suggestions for us, as we sit on the Budget Committee, and while it is just parameters, you make a pretty strong point that $2.5 trillion is plenty of money, that we should look for additional programs to cut, additional spending to cut.

Of course, this particular budget anticipates a certain amount of deficit, adding a certain amount to the deficit of $427 billion. You didn't mention that, whether you actually have some concerns about that in addition, or whether you would set that as a parameter to—and if you have any specific suggestions about where we could cut another $400, $500 billion from the budget, where you would cut in that spending, what programs you would target, whether you would want that all to come out of the health spending; you suggest the mandatory program. So I assume you are talking about cutting some of the health programs that are available to seniors or health benefits available to—where would you cut?

Mr. NEUGEBAUER. That is a very good point.

Ms. SCHWARTZ. What would your suggestion be in terms of additional hot spending cuts that you would want to make; what other programs in addition to your support for cutting the 150 programs already? Inherent in your statement is to cut that, but I assume you don't think we should be adding to the deficit either. Many of us don't think we should be adding to the deficit. But where would you cut?

Mr. NEUGEBAUER. Well, thank you for that question.

First of all, I think the overall goal as to what would I like to see the deficit be, I would like to see the deficit be zero. I would like to see a surplus. But the way we are going to eventually get there is for us to slow the rate of growth in government down to the same rate of the growth in our economy.

Our economy is not growing at the same rate of government spending, so you are never going to be able to fix the deficit problem until you get the rate of growth in government spending in line with the rate of growth in our economy.

What we have already seen is we have stimulated the economy last year, and as you recall, we thought that the deficit was going to be actually about $100 billion more than what it actually was, and how did we do that? Well, we started growing the economy at a very rapid rate, and I think the last figures that came out just last week is we are growing our economy right now at 3.8 percent. Unfortunately, the rate of growth in the government has been in the 4 percent and nearly 5 percent area.

Ms. SCHWARTZ. So you don't have any hope that we might be able to grow the economy. You feel like it is pretty strong.

Mr. NEUGEBAUER. I think even Chairman Greenspan when he comes up to the Hill would tell you that this is pretty strong growth. So we were able to do that by leaving more taxpayers' money in their hands. So when I said we don't have an income

problem, we have a spending problem, that is what I mean. I don't think we need to do anything on the income side.

As it comes to programs, one of the first areas I think we need to look at is tighten up the waste, fraud and abuse. For example, one of the examples in the USDA budget is food stamps. We know that USDA is now bragging that their waste, fraud and abuse is now less than 10 percent, but I think at one time it was 10, 11, or 12 percent.

Unfortunately in that budget, that is in real money so to the extent possible, I think we have to look at it in the areas of tightening up some of these programs.

We also have people that have been on these programs for a number of years. The question is are their ways to be able to transition these people into a work environment and get off of some of these programs?

So I think as we go through all of the budgets, I think we have to tighten up the strengths and say, you know, make sure that we have deserving people on these programs, evaluate how we are administering these programs, if there are ways to say to those agencies, look, you know, an 8 percent or 9 percent fraud rate in your budget is unacceptable. You are going to have to get that number down by this amount, and the way we are going to help you get there is we are going to cut your program by about half of that fraud rate or three-fourths of that fraud rate and really get serious about that.

I think the only way we are going to get there is to put some fairly measured constraints in this budget process on these agencies to make sure that if we are going to send those dollars out, that we are sending them out to the people that need them and serve them and not to folks that are just maneuvering through the system.

Ms. SCHWARTZ. Thank you.

Mr. NEUGEBAUER. Thank you.

Mr. LUNGREN [presiding]. Thank you. Thank you very much, Congressman Neugebauer. We appreciate it very much.

Mr. NEUGEBAUER. Thank you.

Mr. LUNGREN. Next up is Congressman Christopher Shays, but before——

Mr. SHAYS. Well——

Ms. WATSON. I am waiting on someone.

Mr. LUNGREN. Before you do, if I could put one thing in the record, I would ask unanimous consent that all Members of Congress be allowed 7 days to submit statements for the record. Without objection, so ordered.

Congressman Shays.

STATEMENT OF THE HON. CHRISTOPHER SHAYS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. SHAYS. Thank you, Mr. Chairman. I would like my full statement to be submitted in the record, and would want to say as a member of the Budget Committee for 12 years, I have deep respect for the work that you and your Ranking Member and others need to do to help get our country's financial house in order, and I am

grateful that I don't play the same role that I used to. I am happy not to be on the committee. It is a tough job, and happy to be working on other issues, but eager to help you.

I do want to say that I do agree with the previous speaker that ultimately the key is slowing the growth of spending so that the budget grows close to the natural growth of revenue. So if we are seeing a 4 percent growth in our economy, it is one thing to see spending growth that way, but when you see spending grow higher than that, it is not surprising that you end up with deficits.

I want to speak to the fact that in this process of your debating what to do, I think you have to look at both discretionary and mandatory cuts, but I am particularly amazed, frankly, that the administration has sought to consolidate a number of grants into a block grant, particularly the CDBG grant in HUD and the HHS Community Services Block Grant. In the HUD, in the CDBG grant, it is $4.1 billion, and the Community Service Block Grant used by our CAP agency is about $631 million.

Republicans established these programs, and the logic was they would be there to allow for local communities to design programs, not in one big cookie cutter designed by the Federal Government, but designed by them. And our argument was give them the capability to determine their needs in their local community using a block grant program.

Regretfully my own party gives block grants a bad name, because what we then do is we take 16 grants and put them into one grant. We take $5.6 billion—or some said it is not $5.6 billion, it is $5.3 billion, whatever—and we combine it into a program with $3.7 billion, and then we say, OK, now you have the discretion. It just seems to me the way we are using block grants is to disguise cuts and then say to someone else they have to make these cuts.

So I just really hope that in the process of your debating this issue that you don't take the programs that seem to me to be so advantageous to particularly the urban areas and just slash and not look at the whole host of areas throughout the Federal budget, including our health care plans and so on that we are—discussed earlier.

We are going to see growth in Medicare and Medicaid. The question is should they be growing at the rate they are growing. I will tell you when we were on the Budget Committee in the late 1990s, we balanced the budget even sooner than the President thought, but we balanced it by allowing for a 1 percent growth in entitlements. Then every year after that, our budgets were growing off of a lower base, and we balanced the budget doing that. It would be an amazing advantage if we returned to that concept.

I also want to say this evening that whatever you do as a Budget Committee, if you don't have budget enforcement as a part of it, you simply aren't going to achieve what you need to. Whatever you decide to have as your budget, you have got to ultimately agree that it is going to be enforced. Without the enforcement capability, we never would have balanced the budget in the 1990s.

So I want you to look at the entire budget, mandatory as well as discretionary spending; argue that you should look at the mandatory and say to all recipients, you know, we are going to have 1 year where we are not going to have growth, and then say to

them from then on, let it grow at the natural rate again. But particularly of all the things to cut, I am surprised that we would look at Community Development Block Grants as one of the things to cut.

So I thank you for that opportunity to address you, and I notice the full Ranking Member here, and I don't know why he is such a glutton for punishment that he would come back at 6.

Thank you, Mr. Chairman.

[The prepared statement of Christopher Shays follows:]

PREPARED STATEMENT OF HON. CHRISTOPHER SHAYS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

I appreciate the opportunity to testify before you today. As a member of the Budget Committee for 12 years, I have deep respect for the difficult work the Committee does.

The need for affordable and quality housing in Connecticut's Fourth Congressional district cannot be overstated, and I am here to speak with you about proposed cuts to some of our most effective block grant programs. Specifically, Mr. Chairman, I request the Committee not include in the Budget Resolution the proposal to cut funding for the Community Development Block Grant (CDBG) and Community Services Block Grant (CSBG) programs and to transfer them to the Department of Commerce.

I fully support the Administration's goal of halving the deficit by 2009, but am deeply concerned some cuts to domestic spending will be to the detriment of our urban areas. It is critical we not give our cities the short end of the stick.

The President's Budget includes a proposal to consolidate 18 programs, including CDBG and CSBG, into a new program to be operated by the Department of Commerce. Proposed funding for this consolidated program would be 35 percent lower than the combined FY 2005 appropriated level for these 18 programs. The pro rata reduction for CDBG alone would be $1.42 billion.

This funding reduction would have a significant negative impact on the ability of states and localities to address local housing and community development needs. Housing would be particularly hard hit. Last year, $1.16 billion of CDBG funds were used for housing, resulting in 112,000 homeowners receiving assistance to rehabilitate their homes, 11,000 families becoming first-time homebuyers, and 19,000 rental housing units being rehabilitated.

I am also concerned that adoption of this proposal could eliminate funding for communities in Connecticut's Fourth Congressional district and around the state. Although the proposal does not include a detailed funding formula for the new program, it states that it "targets resources only to communities that need assistance, based on poverty and job loss," further noting that only "38 percent of CDBG funds currently go to States and communities with poverty rates that are lower than the national average." A dramatic narrowing of funding eligibility would jeopardize the ability of countless moderate and higher-income communities, like those I represent, to create jobs and affordable housing opportunities for lower income working families. The jobs are an important part of the region's economic engine.

The CDBG program is based on the concept that local communities and states can best determine priority community development needs and then develop strategies and programs to address those needs. I couldn't agree more. The proposed changes to CDBG would jeopardize the flexibility and local control that are the hallmark of the program.

CDBG is a program that works, and I support fully funding it. I am a member of the Financial Services Committee, which I expect will hold hearings on the Administration's proposal as committee of jurisdiction. I hope the budget resolution will not tie the hands of Financial Services and other authorizing committees in considering the future of this critical program.

Mr. LUNGREN. Thank you, Mr. Shays.

I think he came back because you and Congresswoman Watson were here, and he was looking for the magic pills that we could swallow so that we can get this deficit down.

I don't want to keep you too long, but just one quick question. You said that we need to enforce the budget, whatever we decide, specifically——

Mr. SHAYS. I believe in pay-go, and I believe that, candidly, that pay-go should apply to the spending side and the revenue side, the entitlement side, mandatory, and the discretionary side. If our argument is that tax cuts are a good thing, then let us pay for it with spending cuts somewhere else. I think that is what we need to do.

Mr. LUNGREN. Mr. Spratt.

Mr. SPRATT. Mr. Shays, I will state so I can tell you what I told Representative LoBiondo earlier after I listened to his testimony.

Mr. SHAYS. What is that?

Mr. SPRATT. Asking for CDBG, Corps of Engineers, a number of different things, I told him, take a good look at the Democratic resolution when it comes forward because I think it will cover a lot of the bases that are of concern to you.

Give us a chance, and we will do a double-edged pay-go. I absolutely agree with you. It is effective. And no less a person than Alan Greenspan sat that three times and said I was a cynic, I was a skeptic to start with, but the budget process rules made a difference in the 1990s, and this one in particular should be extended.

Mr. SHAYS. Now that I am no longer vice chairman of the Budget Committee, I have a little more flexibility, Mr. Spratt. I intend to vote for pay-go that looks at both sides of the equation.

Now, if you combine it with a lot of other things that I don't like, you make it difficult, but if you provide us some opportunities to isolate some of these votes, not only would it be very hard to vote against, I would be frankly eager to support them.

Thank you. Thank you very much.

Mr. LUNGREN. Thank you, Mr. Shays.

Congresswoman Watson, You have 10 minutes.

STATEMENT OF THE HON. DIANE E. WATSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. WATSON. Yes, and thank you very much. I, too, thank you, appreciate that allotment of time, and I want to thank you and the Members for permitting the testimony here today about the same issue, Community Development Block Grant programs, because I am deeply concerned about the cuts that the President's budget imposes on a community—on community development programs, particularly the Community Block Grant Program, or CDBG, which I will refer to as that. I am further troubled by the proposal to move a number of HUD programs, including CDBG, to the Department of Commerce.

The Community Development Block Grant program is our Nation's source of Federal funds for local community and economic development. Unlike most of what comes out of Washington, Community Development Block Grants permit local community groups, as was said before, to design and carry out programs tailored to the specific local needs of our neighborhoods. For 30 years, the CDBG program has empowered local groups to revitalize their communities and create economic opportunities.

CDBG funds are at work in neighborhoods all across my hometown of Los Angeles. For instance, in Hollywood, the Public Health Foundation Enterprise's "Aztecs Fire Fuels Crew" trains ex-gang members how to become firefighters. In south Los Angeles, the Unity Collaborative, an alliance of community-based organizations,

has worked to mediate peace agreements between violent gangs in south Los Angeles, on the west side in Watts and in Baldwin Village. Along the Crenshaw Corridor, the Marlton Square Project is seeking to reinvigorate a decades-old shopping center with new housing and retail development, and the project will create jobs and offer more housing opportunities.

The Los Angeles County Community Development Commission uses CDBG funds to operate its business technology center, California's largest business high-tech incubator, creating high-tech jobs for an impoverished neighborhood. The BTC currently serves 39 tenant and affiliate firms with high-tech specialties.

CDBG is not a government hand-out; rather, it is one of the most effective tools cities and neighborhoods have to fight economic distress and to create jobs and to lead to creating wealth. Part of what makes CDBG such a powerful tool is that local governments have used CDBG funds effectively to leverage private sector dollars.

Unfortunately, the President's budget for HUD effectively eliminates the Community Development Block Grant Program. The President's budget includes a proposal to consolidate 18 programs, including CDBG, into a new program to be administered by the Department of Commerce. Proposed funding for this consolidated program would be 35 percent lower than the combined fiscal year 2005 appropriated level for these 18 programs. The pro rata reduction for CDBG alone would be $1.42 billion. But what is even more troubling is that this change is being put forward before the relevant committees here in Congress have a chance to hold hearings to judge the impact or the efficacy of these changes.

For example, last year, $1.16 billion of CDBG funds were used for housing, resulting in 112,000 homeowners receiving assistance to rehabilitate their homes, 11,000 families becoming first-time homebuyers and 19,000 rental housing units being rehabilitated. But one might assume that after moving to the Commerce Department, these funds would not be eligible for use on housing. This would cripple local affordability housing efforts at a time when housing prices are skyrocketing. In Los Angeles, half of all families rent, and local fair market rents already are out of reach for more than half of these renting families.

Another cause for concern is the President's replacement of CDBG's existing funding formula. The President's proposal notes that CDBG funds currently go to many communities with lower poverty rates, but simply because the community is not overwhelmingly poor does not mean it is not home to poor people. Changing the funding formula in the way suggested by the proposal could kneecap the effort of moderate-income communities to bring their poorer and excluded residents into the economic mainstream.

While the President's goal of balancing the budget is laudable, it is shortsighted to do it by cutting a program that has been as successful as CDBG. As you draft the budget for fiscal year 2006, I urge you to restore full funding for the Community Development Block Grant programs and keep it at HUD.

So, again, Mr. Chairman and Members, I would like to thank you so much for giving me this time, and I would like at this particular point to yield to Ms. Sánchez.

I do have, Mr. Chairman, some supporting documents to be included in the record, and I have a list of those, and I will present it to staff.

Mr. LUNGREN. They will be included in the record.

[The prepared statement of Diane E. Watson follows:]

PREPARED STATEMENT OF HON. DIANE E. WATSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Thank you, Mr. Chairman, and members of the committee, for permitting us to testify here today about the Community Development Block Grant program. I am deeply concerned about the cuts the President's budget imposes on community development programs, particularly the Community Development Block Grant program, or CDBG. I am further troubled by the President's proposal to move a number of HUD programs, including CDBG, to the Department of Commerce.

The Community Development Block Grant program is our nation's largest source of Federal funds for local community and economic development. Unlike most of what comes out of Washington, Community Development Block Grants, or "CDBGs," permit local community groups to design and carry out programs tailored to the specific local need of our neighborhoods.

For thirty years, the CDBG program has empowered local groups to revitalize their communities and create economic opportunity. CDBG funds are at work in neighborhoods all across my hometown of Los Angeles:

In Hollywood, the Public Health Foundation Enterprise's "Aztecs Fire Fuels Crew" trains ex-gang members how to become firefighters.

In South Los Angeles, the Unity Collaborative, an alliance of community-based organizations, has worked to mediate peace agreements between violent gangs in South Los Angeles, on the Westside, in Watts, and in Baldwin Village.

Along the Crenshaw Corridor, the Marlton Square project is seeking to reinvigorate a decades-old shopping center with new housing and retail development. The project will create jobs and improve local housing opportunities.

The LA County Community Development Commission uses CDBG funds to operate its Business Technology Center, California's largest high-tech business incubator, creating high tech jobs for an impoverished neighborhood. The BTC currently serves 39 tenant and affiliate firms with high-tech specialties.

CDBG is not a government handout rather, it is one of the most effective tools cities and neighborhoods have to fight economic distress and create jobs and wealth. Part of what makes CDBG such a powerful tool is that local governments have it used CDBG funds so effectively to leverage private sector dollars.

Unfortunately, the President's budget for HUD effectively eliminates the Community Development Block Grant program. The President's budget includes a proposal to consolidate 18 programs, including CDBG, into a new program to be administered by the Department of Commerce. Proposed funding for this consolidated program would be 35 percent lower than the combined FY 2005 appropriated level for these 18 programs. The pro rata reduction for CDBG alone would be $1.42 billion.

But what is even more troubling is that this change is being put forward before the relevant committees here in Congress have had a chance to hold hearings to judge the impact or efficacy of these changes. For example, last year, $1.16 billion of CDBG funds were used for housing, resulting in 112,000 homeowners receiving assistance to rehabilitate their homes, 11,000 families becoming first-time homebuyers, and 19,000 rental housing units being rehabilitated. But one might assume that, after moving to the Commerce Department, these funds would not be eligible for use on housing. This would cripple local affordable housing efforts at a time when housing prices are skyrocketing. In Los Angeles, half of all families rent, and local fair market rents already are out of reach for more than half of these renting families.

Another cause for concern is the President's replacement of CDBG's existing funding formula. The President's proposal notes that CDBG funds currently go to many communities with lower poverty rates. But simply because a community is not overwhelmingly poor does not mean it is not home to poor people. Changing the funding formula in the ways suggested by the President's proposal could kneecap the effort of moderate income communities to bring their poorer and excluded residents into the economic mainstream.

While the President's goal of balancing the budget is laudable, it is short-sighted to do it by cutting a program as successful as CDBG. As you draft the budget for FY2006, I urge you to restore full funding for Community Development Block Grant program and keep it at HUD.

Thank you again, Mr. Chairman and members, and before I yield to Ms. Sμnchez, I'd just like to ask that some supporting documents be included in the record. I have here:

• a letter from the Mayor of Los Angeles, Jim Hahn;
• a one-pager from Los Angeles County on how these cuts will impact them;
• a resolution passed by the National League of Cities, which represents 478 cities in California alone, opposing the community development cuts;
• testimony from Jim Hunt, a councilman and former mayor of Clarksburg, West Virginia, who is currently in the leadership of the League of Cities;
• and testimony from Donald Plusquellic, the Mayor of Akron, Ohio, and President of the United States Conference of Mayors, as well as an additional statement from the Conference.

Thank you, and I yield to Ms. Sánchez.

ELIMINATION OF THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM: IMPACT ON 33RD DISTRICT

The following are sample projects funded in the unincorporated areas of the First, Second and Third Supervisorial Districts which provide services to residents in the 33rd Congressional District:

Big Brothers Big Sisters of Greater Los Angeles—Mentor Outreach Project: Provides funding for big and little sister matches and case management services through an intensive outreach campaign to recruit mentors; girls to be matched are at-risk for teenage pregnancy, gang membership and drug/alcohol abuse.

Community Development Commission—Single Family Grant Program: Provides funds for safety repairs to families, seniors and the disabled for single-family residential units.

Foundation for the Junior Blind—Infant Family Project: Provides home-based early intervention services for infants and toddlers from birth to 3 years of age who are visually impaired and have multiple disabilities.

Los Angeles County Department of Consumer Affairs—Homeowners Fraud Prevention Project: Provides assistance to low- to moderate- income homeowners from being victims of fraud in the purchase of a home, home equity transactions including identity theft, and the purchase of household goods and services.

Additionally, the participating city of Culver City received a FFY 2004 CDBG allocation to provide services to benefit the residents of its city. Below are a sample of some of those projects:

City of Culver City

Citywide Curb Cut Project Phase III—Provides for the construction of 40 curb cuts for disabled access, citywide.

Coordinator of Services to the Disabled—Provides funding for staff support for programs, assistance and referral services to low- and moderate-income, severely disabled residents.

Washington Boulevard Streetlight Replacement Project— Provides for the upgrade and installation of eight streetlights and the lighting conduit systems in the city's Redevelopment Project Area.

Los Angeles Urban County Community Development Block Grant Program.

ELIMINATION OF THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM: IMPACT ON LOS ANGELES COUNTY

Background

The Community Development Block Grant (CDBG) program funds a broad range of housing revitalization, community and economic development activities, job creation, and public services, primarily for the benefit of low- and moderate-income persons. Except for set-asides, CDBG funds are allocated by formula to state and local governments. Total CDBG funding was cut from $4.93 billion in FY 2004 to $4.85 billion in FY 2005 with formula grant funding decreasing from $4.33 billion to $4.11 billion. Total CDBG formula grant funding for state and local governments in California fell from $555 million in FY 2004 to $526 million in FY 2005. The President's FY 2006 Budget proposes to eliminate the CDBG program.

Impact on Los Angeles County

The President's proposal to eliminate the CDBG program would hurt the County's economically disadvantaged residents, who are main beneficiaries of CDBG-funded services. According to 2000 Census data, 17.9 percent of all Los Angeles County residents had incomes below the poverty level, a far higher poverty rate than the

12.4 percent national average. In fact, the County had more poor residents than any single state, except for New York, Texas, and California.

In FY 2005, a combined total of $184.3 million in CDBG formula grants have been allotted to local governments in Los Angeles County, including $34.6 million to the County of Los Angeles, which operates the nation's largest Urban County CDBG program. The County administers CDBG funds for unincorporated areas and 48 of the 88 cities in Los Angeles County.

Over the past 4 years, CDBG funds have assisted Los Angeles County residents by:

- Providing nearly 2 million units of services through after-school and recreation programs to over 156,000 youth;
- Providing over 800,000 services, including meals, case management, and other needed services to over 67,000 seniors;
- Rehabilitating close to 7,000 homes;
- Developing almost 9,000 affordable housing units; and
- Creating or preserving over 2,000 jobs.

Eliminating the CDBG program would result in the curtailment of such needed services as well as the many community and economic development projects and public infrastructure improvements that have been funded by CDBG. In addition, its elimination could lead to defaults on existing loans for community and economic development projects that are being repaid using CDBG funds.

RESOLUTION BY THE BOARD OF DIRECTORS, LEAGUE OF CALIFORNIA CITIES

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

WHEREAS, for thirty years America's cities, including both large and small cities in California, have used Community Development Block Grant (CDBG) grants to create jobs, provide affordable housing, eliminate blight and generate new economic investment; and

WHEREAS, CDBG funds have played a critical role in community and economic development in California; and

WHEREAS, CDBG funds have been a powerful economic engine and a job creator, allowing California cities to leverage private investment in numerous business projects that create new employment opportunities and attract equity investment; and

WHEREAS, CDBG funds represent a catalyst for creating more affordable housing, helping cities to leverage the private investment needed to build new rental housing units, revitalize single-family homes. CDBG funds also allow additional homes to be hooked up to sewer lines. All of these endeavors help to provide California families with clean, decent, affordable housing; and

WHEREAS, the CDBG program offers a mechanism for building public infrastructure, helping California cities to redesign roads, build sewerage systems and other much-needed infrastructure improvements; and

WHEREAS, the CDBG program is helping California cities remove blight, reduce drug trafficking and other crime, and thereby enhance the quality of life in California; and

WHEREAS, the President has proposed a new "Strengthening America's Communities Initiative" which combines 18 direct grant programs, including CDBG, into one within the Economic Development Administration (EDA); and

WHEREAS, at $3.71 billion, the new program (which combines 18 programs) is nearly $1 billion less the current CDBG program alone; and

WHEREAS, without proper funding for CDBG, we risk undermining the economic well being of our communities, the future generations that live there, and the nation as a whole.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE LEAGUE OF CALIFORNIA CITIES that we hereby request Congress to enact a FY 2006 budget and appropriations package that funds CDBG formula grants at no less than $4.355 billion, which is level with FY 2005 allocations; and

RESOLVED FURTHER, that Congress maintain the CDBG as a separate and distinct program from other economic development programs that provides a direct and flexible source of funding to local governments; and

RESOLVED FURTHER, that Congress maintain the current "dual formula" system where 70 percent of CDBG funds go to entitlement communities based on population; and

RESOLVED FURTHER, that we will send copies of this resolution to all members of the California Congressional Delegation.

ADOPTED by the board of directors of the League of California Cities this 28th day of February 2005.

PAT EKLUND,
President and Council Member, Novato.

CHRIS MCKENZIE,
Executive Director.

COMMENTS BY DONALD L. PLUSQUELLIC, MAYOR OF AKRON, PRESIDENT, THE U.S. CONFERENCE OF MAYORS, TO THE HOUSE SUBCOMMITTEE ON FEDERALISM, MARCH 1, 2005

Good morning. Chairman Turner, I would like to thank you and the members of the Subcommittee for inviting the Conference of Mayors to share our thoughts on the Administration's proposal to eliminate the Community Development Block Grant.

You were a strong leader within the Conference when you served as Mayor of Dayton, and we appreciate your continued leadership now in Congress.

I am also very pleased to be here with my local government colleagues with whom we are united.

The Conference of Mayors is 100 percent opposed to the budget proposal that would eliminate the CDBG program by merging it with 17 other programs, moving the function to the Commerce Department, and cutting overall funding.

We stated this position when the proposal was first announced—an announcement that came without prior consultation with us—and unanimously reaffirmed this position during our Winter Leadership Meeting this past weekend when we met with Dr. Sampson and told him directly of our opposition.

CDBG has been successful for 30 years, and based on this success, the nation's mayors urge Congress to continue the program's present funding level of $4.7 billion and to keep it at the Department of Housing and Urban Development.

Our written statement, submitted by both elected and appointed officials, is replete with data which show clearly the outstanding performance of CDBG over the past 30 years.

In 2004, using CDBG funds:

- more than 78,000 jobs were created or maintained;
- nearly 160,000 households received housing assistance, and of that amount 11,000 become new homeowners;
- 9 million persons were served by new or reconstructed public facilities and infrastructure;
- 13 million persons received assistance from CDBG-funded public services; and
- CDBG provided loans to businesses in distressed neighborhoods, with more than a quarter of these loans made to minority businesses.

These statistics and many more specific success stories are proudly displayed on the HUD website I would note.

In my city * * * (if you want)

In your cities * * * (see attachment for cities)

Much has been said about OMB's rating of CDBG and the perceived lack of performance outcome measures. Let me make two points on this issue.

First, I know that national organizations representing appointed officials worked for a year with OMB to develop a new performance outcome measurement system. We are very disappointed that OMB turned aside an agreed-upon framework of sound performance measures and instead proposed the elimination of CDBG.

Second, I believe it is unfair to compare performance results between programs like CDBG with much smaller programs like EDA at Commerce. To me, this is like comparing the results of a doctor who treats older, less healthy persons with a doctor who treats fairly healthy young people.

Simply stated, CDBG is targeted at some of the toughest problems our cities face, and some of the most distressed pockets of poverty and blight.

I believe that the positive leveraging results mayors and local leaders have demonstrated using CDBG should be credited not degraded.

OMB contends that 38 percent of the communities receiving CDBG have less poverty than the national average, and that this statistic is another reason for eliminating the program.

The implication from the misleading OMB statistic is that somehow wealthy people are benefiting from CDBG. This is a gross distortion of the truth.

The program's funds are targeted to those "pockets of poverty" or places in a city or county where there is blight, housing needs, or serious economic development needs.

In addition, positively addressing blight and distress helps communities prevent the spread of these conditions to neighboring areas.

Business leaders representing groups such as the Real Estate Roundtable and International Council of Shopping Centers are standing with us. These business leaders have said that CDBG is a cornerstone for the type of public-private partnerships that have led to the renaissance that has occurred in many of our cities in recent years.

As perhaps the most accountable elected officials in the nation, mayors are always open to improving government performance and providing better service to our constituents.

I want this subcommittee to know that once we secure a commitment to fully fund CDBG at $4.7 billion and keep it at HUD, we would be happy to discuss possible improvements to this highly-successful program.

Thank you for this opportunity to testify and look forward to the comments from my colleagues and to our discussion this morning.

TESTIMONY OF HON. JAMES C. HUNT, CITY COUNCILOR, CLARKSBURG, WV, VICE PRESIDENT, NATIONAL LEAGUE OF CITIES, BEFORE HOUSE GOVERNMENT REFORM COMMITTEE, MARCH 1, 2005

Chairman Turner, Ranking Member Clay and members of the subcommittee, thank you for the opportunity to appear before you today to discuss the Administration's proposed shift of Community Development Block Grant (CDBG) program to the Department of Commerce. My name is Jim Hunt. I am City Councilman and former Mayor of Clarksburg, West Virginia and am appearing before you today as First Vice President of the National League of Cities.

The National League of Cities, the nation's oldest and largest organization for municipalities, represents 18,000 cities and towns and over 140,000 local elected officials. Its mission is to strengthen and promote cities as centers of opportunity, leadership, and governance, and to serve as a national resource and advocate for the municipal governments it represents. No matter the size of city, programs like the Community Development Block Grant (CDBG) program have played a critical role in rejuvenating distressed communities and alleviating economic decline throughout our nation's cities.

CDBG has played a critical role in rejuvenating distressed neighborhoods and alleviating economic decline in all types of communities. It is one of the best and only tools currently available to spur economic growth. However, CDBG is not just a jobs creator or economic development incubator, it is also a catalyst for affordable housing and new public infrastructure.

Take my city of Clarksburg, West Virginia, as an example. Using CDBG grant funds, Clarksburg recently constructed a new water line that serves the FBI's new Criminal Justice Information Services Division building. The facility employs over 2,700 people in and around my community.

This project also opened up hundreds of acres of land that are now a hotbed of economic development activity. Before the project, these properties were either blighted or idle because they had no reliable access to water. Today, these lands generate jobs, spur economic activity, and provide housing and green space. They also generate new revenue for the city, the state, and ultimately, the Federal Government.

This story is echoed in cities across America:

• Tuscaloosa, Alabama used $2 million in CDBG funds to renovate an area near the University of Alabama. The project helped create more than 100 new jobs and retained many more.

• Milwaukee, Wisconsin used the program to rehabilitate or construct more than 700 affordable housing units—and help more than 250 low income, first-time home buyers live out the American dream.

Unfortunately, the Administration is proposing to eviscerate the CDBG program by shifting its funding to a new and significantly smaller program within the Department of Commerce. For reasons to be outlined shortly, NLC urges you to reject the Administration's proposal and to maintain CDBG as a distinct and separate program within the Department of Housing and Urban Development (HUD).

A. The Administration's Strengthening America's Communities Initiative (SAC) Would Not Serve the President's Goal of Supporting Economic Development.

The Administration's Strengthening America's Communities Initiative (SAC) will have a tremendous impact on the way the Federal Government allocates community development funds. Unfortunately, it has offered little in the way of details to the various stakeholders. Therefore, it is difficult to quantify one's concerns without

knowing the specifics. However, based on the documents released by the Administration in support of the proposal, local governments have these initial concerns

Specifically:

1. The proposal would drastically reduce community development funding by roughly $2 billion—funding local governments will not be able replace.

2. The proposal would significantly alter eligibility requirements to the disadvantage of some low- and moderate- income communities.

3. The proposal would narrow the performance standards from that of the current CDBG program to only economic criteria, a step that would drastically reduce the flexibility and effectiveness of community development moneys.

1. The Administration's SAC Program Would Drastically Reduce Funding for Community Development Programs That Cannot Be Recovered.

The Administration's SAC proposal collapses 18 current programs, whose combined fiscal year 2005 budgets total approximately $5.5 billion, into a single grant program funded at $3.7 billion. The Administration's proposed budget for SAC grants represents a funding cut of nearly 35 percent from what Congress allocated in fiscal year 2005 for all 18 programs. This cut disproportionately harms CDBG funding because CDBG's fiscal year 2005 funding level of $4.7 billion represents nearly 80 percent of the $5.5 billion of combined funding. Moreover, the proposed $3.7 billion for SAC grants is $1 billion short of CDBG's current funding level.

The Administration claims that it is seeking to "retarget and refocus" these funds to create new program efficiencies. However, from a practical standpoint, NLC questions whether moving the programs from HUD, where administrative and professional infrastructures already exist and function well, to the Department of Commerce will generate any real savings because building the agency's capacity to administer the programs alone would likely consume any cost savings derived from consolidating these programs.

2. The Administration's New Eligibility Criteria Would Ignore the Needs of Many Low- and Moderate—Income Communities.

The Office of Management and Budget claims that SAC will better fund communities most in "need of assistance" by creating new eligibility criteria around national job loss, unemployment, and poverty rates. Too many communities, it says, receive funding that they no longer need, even though many of these communities have poverty rates below the national average.

The details are still unclear as to which communities will be eligible for SAC grants, but it seems clear that they must, at the very least, have poverty and job loss rates above the national average. If this is so, then Administration has made the mistaken assumption that impoverished neighborhoods no longer exist in communities ranking above the national average on the poverty and job loss index. We at the local level know however, that this is far from reality.

Using national averages to measure assistance needs ignores the reality that our nation is comprised of local economic regions that are unique. For example, the majority of families who earn below the regional median household income in the greater Washington, D.C.—Baltimore metropolitan area may earn more than the national poverty rate, but they are just as much in need of assistance because the cost-of-living in this region is significantly higher than the national average.

Throughout West Virginia, when you travel to virtually every city, from large to small, you don't have to drive very far to find the areas of our cities and towns that have been forgotten; where poverty and despair reign. This one-size-fits-all approach proposed by the Administration will likely stifle the flexibility and effectiveness currently found in CDBG. The result will be that many cities and towns will still be forgotten and poverty and despair will continue to reign.

3. The Administration's Proposal Would Narrow Performance Standards, Drastically Reducing the Flexibility and Effectiveness of Community Development Moneys.

The Office of Management and Budget claims that programs like CDBG have no measurable results. The Administration's proposal suggests new performance standards like job creation, new business formation rates, commercial development and private sector investment as tools to determine whether communities receiving SAC funds are achieving results and thus, their eligibility to retain funds or to earn bonus grants.

Unfortunately, measuring results by these criteria makes little sense for communities that are chronically impoverished, have little to offer in the way of resources, and are unlikely to show significant progress over relatively short periods. In short, these communities are being set up to fail.

For example, Clarksburg recently used a $250,000 CDBG grant to demolish vacant and dilapidated buildings in certain neighborhoods throughout our city. These structures were havens for crime, targets for vandalism and fires, and an attractive

nuisance for our children. The city used the vacant lots created by the project to expand businesses as well as create space for larger yards and garages for our residents.

Unfortunately, it is very difficult to assess the impact of removing a drug den from a neighborhood using economic criteria alone. Moreover, it is difficult to assess economic impact in relation to this type of project over a short period. Yet, the Administration's proposed criteria would try to do just that. Closing down a drug den may not immediately create job growth, spur new business formation, or encourage new commercial and residential development. However, it will immediately increase the quality-of-life of its neighbors. That is measurable and is the foundational beginning for any plan to attract new commercial and residential development in the future.

Since its creation in 1974, CDBG has had a three-pronged mission to: (1) benefit low- and moderate-income individuals and households; (2) eliminate slums and blight; and (3) address the urgent needs of communities faced with a serious and immediate economic or health threat. These goals have allowed local government broad latitude in how it uses grant funds, and whether that use is for the creation of new economic development opportunities, affordable housing, public facilities, or services. Ultimately, these goals have given cities the latitude to address "urgent needs" like eliminating drug dens and other cancers on our communities—latitude not found with other programs. It is because of CDBG's flexibility and autonomy of local control that the CDBG program has become, from the local government perspective, the most effective form of Federal assistance currently available.

If the Congress alters the CDBG program as proposed, however, we in West Virginia fear that the state's entitlement cities will be placed in direct competition with non-entitlement cities as well as with larger municipalities located across the nation. CDBG communities have already faced reduced funds from the program. This problem does not necessarily stem from huge cuts in CDBG funding. Instead, it is the result of a continued and growing need. More simply put, more communities have been competing for a static or slightly decreasing pot of money. Now the Administration proposes to cut that scarce funding by a total of nearly $1 billion ($2 billion if one includes the other 17 community development programs). This cut can only exacerbate the problem and increase competition among localities. To say that the SAC proposal is a compassionate attempt to bring more money to distressed areas like those in West Virginia is to deny the reality that there will be less funding for an ever-larger universe of need.

B. The CDBG Program Should Remain Flexible and Distinct from Other Community Development and Economic Development Programs and Should Be Level Funded for FY 2005.

The long-standing goal of community development has been to improve the physical, economic, cultural and social conditions and opportunities a community offers its residents. For this reason, NLC urges the Congress to work with state and local governments as a full partners in achieving this goal. Over the last 30 years, the CDBG program has served as an excellent example of a successful Federal and local community development partnership. For this reason, NLC will continue to advocate in Congress for a fully-funded CDBG program at the Department of Housing and Urban Development that is distinct and separate from other economic and community development programs.

NLC will strongly support legislation that funds CDBG formula grants at no less than $4.35 billion and the overall program at $4.7 billion. Moreover, NLC will support legislation that keeps the CDBG program within the HUD account and provides a direct, flexible and reliable source of funding to local government. Lastly, NLC will seek to maintain the current "dual formula" system where at least 70 percent of CDBG formula funds go directly to cities.

STATEMENT BY U.S. CONFERENCE OF MAYORS; NATIONAL ASSOCIATION OF COUNTIES; NATIONAL LEAGUE OF CITIES; NATIONAL ASSOCIATION OF LOCAL HOUSING FINANCE AGENCIES; NATIONAL ASSOCIATION FOR COUNTY COMMUNITY AND ECONOMIC DEVELOPMENT; NATIONAL COMMUNITY DEVELOPMENT ASSOCIATION; NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS; COUNCIL OF STATE COMMUNITY DEVELOPMENT AGENCIES TO THE HOUSE SUBCOMMITTEE ON FEDERALISM, MARCH 1, 2005

The U.S. Conference of Mayors (USCM), National Association of Counties (NACo), National League of Cities (NLC), National Association of Local Housing Finance Agencies (NALHFA), National Association for County Community and Economic Development (NACCED), National Community Development Association (NCDA), National Association of Housing and Redevelopment Officials (NAHRO), and the Coun-

cil of State Community Development Agencies (COSCDA) appreciate the opportunity to present this statement to the House Subcommittee on Federalism and the Census. We offer this testimony in strong support of the Community Development Block Grant Program (CDBG) and in equally strong opposition to the Administration's "Strengthening America's Communities Initiative."

The Administration's FY 2006 budget proposes the total elimination of CDBG. In CDBG's place, the Administration is proposing the creation of a smaller program within the Department of Commerce that will focus solely on economic development. We strongly oppose this substantive policy change for several reasons. First, CDBG is the nation's premier community development program with a long record of success. Second, the Department of Housing and Urban Development (HUD) and the Department of Commerce each play an important role in an intergovernmental partnership with respect to community and economic development. These roles must be preserved. Overall there is no reason to eliminate CDBG or create a new program within the Department of Commerce to administer Federal community development funds.

CDBG was signed into law by President Gerald Ford in 1974. Now in its 30th year, CDBG is arguably the Federal Government's most successful domestic program. The CDBG program's success stems from its utility i.e., providing cities, counties and states with flexibility to address their unique affordable housing and neighborhood revitalization needs. Based on HUD's most recent data, in FY 2004 alone the CDBG program assisted over 23 million persons and households.

CDBG HAS POSITIVE IMPACT

HUD, OMB and grantees celebrated CDBG's anniversary last September under the theme "Performance Counts." This was entirely appropriate because CDBG has been performing at a high level for 30 years, and it continues to produce results. In fact, according to HUD, more than 78,000 jobs were created or retained by CDBG in FY 2004. In addition, in FY 2004, 159,703 households received housing assistance from CDBG. Of this amount 11,000 became new homeowners, 19,000 rental housing units were rehabilitated and 112,000 owner occupied homes were rehabilitated. In FY 2004, over 9 million persons were served by new or reconstructed public facilities and infrastructure, including new or improved roads, fire stations, libraries, water and sewer systems, and centers for youth, seniors and persons with disabilities from CDBG funds. In addition, more than 13 million persons received assistance from CDBG-funded public services in FY 2004, including employment training, child care, assistance to battered and abused spouses, transportation services, crime awareness, and services for seniors, the disabled, and youth. In addition, over time grantees provide CDBG-funded loans to businesses located in distressed neighborhoods, with minority businesses receiving approximately 25 percent of the loans.

CDBG has been achieving results like this throughout it history. An analysis performed by Professor Stephen Fuller of George Mason University in 2001 shows that over the first 25 years of the CDBG program CDBG-funded projects created 2 million jobs and contributed over $129 billion to the Gross Domestic Product (GDP).

EXAMPLES OF CDBG AT WORK

Consider the following examples of CDBG at work in the community. These projects were all award winners at last September's 30th Anniversary Celebration of the CDBG program.

The City of Jacksonville-Duval County, FL has invested more than $20 million to revitalize the Royal Terrance neighborhood, one of its oldest and poorest. The improvements included extensive drainage, sewer, paving and curbs and gutter improvements. Since 1998, CDBG, together with HOME funds, has been expended to rehabilitate the homes of 72 low- and moderate-income residents. In addition, CDBG funded-rehabilitation has resulted in 75 homes of low- and moderate-income persons being hooked up to sewer lines. A $700,000 Section 108 loan guarantee assisted with the rehabilitation of a 200-unit apartment complex where all of the residents receive

Section-8 rent subsidies. A private investor contributed $4.5 million to the rehabilitation. CDBG funds also addressed part of the rehabilitation of vacant buildings in the Royal Terrance neighborhood that have now been converted into commercial facilities that house businesses.

Los Angeles County used CDBG funds to develop its Business Technology Center, the largest high-tech business incubator in California. Opened in 1998, the BTC is a 40,000 square-foot facility in a minority community that was developed with CDBG funds ($3.5 million) and Economic Development Administration funds ($2 million). This is a good example of the programs of the two agencies complementing

each other. Development of the facility removed a blighted structure, provided an anchor to revitalize a commercial corridor, and used technology to jump-start a disadvantaged community. Today, the BTC serves 39 tenant and affiliate firms with specialties ranging from fuel cells to biometric software to make DNA micro arrays more effective. Over 45 percent of the BTC firms have received more than $65 million in equity investment and created more than 475 jobs.

The City of Portland, Oregon's Rosemont project involved the redevelopment of an eight-acre site to preserve the historic Villa St. Rose School and Convent while creating a range of affordable homeownership and rental housing opportunities. Completed in 2002, Rosemont integrates several different housing types, provides a spectrum of affordability, and includes much-needed community services. There are 100 units of senior rental housing in the preserved and expanded Villa St. Rose Convent building. There are 18 new family rental units, 17 affordable homes for first-time homebuyers, 30 town homes, several single-family homes for sale at market rate, and a Head Start facility that will have five classrooms and administrative offices. The City provided $3.9 million in permanent CDBG financing to develop the senior housing, helped with the site planning, made street and other public improvements, and provided homebuyer assistance.

Yuma, Arizona's historic Carver Park Neighborhood is a 22-block area that is 73 percent Hispanic and has a high rate of unemployment with nearly half of its residents living in poverty. The City designated it a Neighborhood Revitalization Strategy Area under the CDBG program in 2000. As a result, significant improvements and additions have been made to the neighborhood's housing stock. Thirty-six town homes and 89 units of new rental housing (constructed with Low-Income Housing Tax Credits) have been built. An additional 40 units of private single-family units have been added to the housing stock, 53-units have been rehabilitated, and two homes were reconstructed. HUD also approved a Section 108 loan guaranteed for homeownership activities. The neighborhood just celebrated the opening of the Dr. Martin Luther King Neighborhood Community Center, a safe place for youth to gather. The improvements made in this neighborhood demonstrate the impressive leveraging of public and private funds and programs to maximize CDBG funding. To date a total of $27.5 million in additional investment has been leveraged for neighborhood revitalization from a total CDBG investment of $4.1 million.

The City of Dayton, Ohio has focused its community development efforts on eradicating blight from its neighborhoods and making large abandoned commercial sites available for re-use and redevelopment in order to create jobs. From 2000 to 2003, the city spent $3.8 million to clear 61 acres of blighted commercial properties in order to make these brownfields sites available for business re-use. Of the 61 acres, 10 have been developed for a new business incubator and the expansion of Select Tool, a Dayton manufacturing firm that retained 55 jobs and will create 100 new jobs. In addition to brownfields redevelopment, the City spent over $600,000 for business loans and grants to 29 businesses, resulting in the creation of over 56 jobs for low- and moderate-income residents. In addition, from 2000 to 2003, the City spent over $350,000 in workforce development programs and partnered with such local agencies as the home builder's association to equip under- and unemployed residents in accessing living wage jobs. Over 800 low- income residents were served through the City's workforce development partners and 172 were placed in full-time, living wage jobs. Overall, from 2000 to 2003, the City leveraged $61 million in additional private and public funds for every CDBG dollar it allocated.

When disaster strikes, Congress usually turns to the CDBG program to help provide relief as it did for Florida in the wake of last year's devastating hurricane season. CDBG has also been an effective resource in helping New York City rebuild after the September 11th tragedy. HUD has provided New York with $3.483 billion in CDBG funds to be administered by the Empire State Development Corporation (ESDC) and its subsidiary the Lower Manhattan Development Corporation (LMDC). Of that amount, $700 million has been committed to ESDC and $350 million to LMDC for business retention/attraction and economic loss compensation. An additional $305 million is being used by LMDC for a residential incentive program, training assistance and administrative costs. The process of designating the balance of the funds continues, and CDBG will continue to play a critical role in the City's recovery.

The Self Help Virginia water and sewer program is able to bring centralized water or sewer service (and often both) to remote, undeserved, low-income rural communities where conventional infrastructure financing (loans or grants) would not be economically feasible. The program takes advantage of local volunteer labor to provide water and sewer services where those services would be difficult or unaffordable to provide through conventional needs, particularly in the state's Appalachian counties. In the past 6 year's the state has provided over $6.1 million in

CDBG funds to assist 30 projects. Over 100 miles of pipe have been laid. Over 2,800 people now have (or will soon have) reliable water and sewer service. The state has further supported revitalization in these areas with housing rehabilitation grants and other community development investments. The state has stretched its dollars by combining CDBG funds with Appalachian Regional Commission funds and local dollars. The state estimates the cost savings from this program to be $10 million (a 62 percent reduction from the estimated "retail cost" of these projects if they had been contracted out).

CDBG WORKS, WHY ELIMINATE IT?

CDBG is popular on both sides of the aisle, and the private sector recognizes its value as well. Senator George Voinovich (R-OH) said recently at the U.S. Conference of Mayors Winter Meeting that "CDBG is the finest Federal program ever to impact cities * * * [it] should be increased, not decreased." The President of the Mortgage Bankers Association of America, Michael Petrie, was quoted at the same meeting as stating "we need to work together to preserve funding for HUD programs such as CDBG." Senator Christopher Bond, Chair of the Senate HUD Appropriation's Subcommittee, and someone who has considerable experience with CDBG as a former governor and as chair, was quoted in the February 8th edition of the Washington Post as saying that the proposal "makes no sense."

We are frankly puzzled that the Administration offered this sweeping proposal. In late January, HUD Secretary Alfonso Jackson told the Winter Meeting of the U.S. Conference of Mayors that the Bush Administration is " * * * committed to the CDBG program. He said that CDBG " * * *is a good program and the Administration is committed to seeing that it meets its responsibilities." He said that the FY 2006 budget " * * * would be fiscally conservative but it will allow you [mayors] to carry out your responsibilities." What a remarkable turn of events to see that the FY 2006 budget completely eliminates the CDBG program.

The organizations represented by this testimony do not agree with the poor rating the program received by the Office of Management and Budget (OMB) as part of its Performance Assessment Rating Tools (PART) process. Our analysis of the PART suggests that it is an inappropriate measure of a block grant program's performance. Instead, it lends itself to an assessment of categorical programs. As described above, contrary to the results of this inappropriate rating tool, the program does work well. Since its enactment in 1974, the program has been, and continues to be, a critical affordable housing and neighborhood revitalization tool for communities. While providing essential services to citizens nationwide, CDBG also acts as an engine of economic growth. It creates jobs and retains business, and it provides communities with the tools to make needed infrastructure improvements, all with t a focus on low- and moderate income persons and their neighborhoods.

The PART review of CDBG states that the program lacks performance outcome measures. NCDA, NACCED, NAHRO, and COSCDA worked with OMB and HUD for nearly a year on performance outcome measures for HUD's four formula grant program: CDBG, HOME Investment Partnerships Program, Emergency Shelter Grants (ESG) and Housing Opportunities for Persons with AIDS (HOWPA). Through a consensus, the group has developed a framework and specific outcome measures to evaluate the effectiveness of these programs. OMB helped develop this and has signed off on the framework and the outcome measures. HUD is in the process of implementing it. We worked in good faith with OMB and HUD in developing sound performance measures for CDBG; all parties supported the existing program. Why suddenly has OMB shifted its support of the program? Why did it develop a whole new "Strengthening America's Communities" (SAC) Initiative to replace CDBG when all parties agreed that CDBG had great accomplishments that could now be reported through our newly created Performance Measures system?

ADMINISTRATION'S "STRENGTHENING AMERICA'S COMMUNITIES" PROPOSAL

It has been reported that a "Cross Cutting Working Group" of senior staff from Federal agencies recommended these changes and that is the genesis of the Strengthening America's Communities Proposal. This is patently untrue. That group met last year to develop common outcome measures for certain Federal programs. The work of that group was to collect information in a common way about programs that helped communities. However, each of the Federal programs proposed to be eliminated plays a different role, and each is still very much needed.

It is difficult for us to comment on the Administration's proposal without knowing the full details. The Initiative is undefined and unknown at this point. What is clear is that 18 programs that touch on urban and rural economic development, at an FY 2005 funding level of $5.5 billion, are proposed to be turned over to the Department

of Commerce and reemerge as a new program whose funding level is proposed at $3.71 billion, a reduction of nearly $2 billion. We do not support such an initiative. We do not support the elimination of the CDBG program in any form nor do we support the transfer of its funding or the funding of any other HUD program to the Department of Commerce.

With the creation of this Initiative, the Administration seems to be suggesting that CDBG is only an economic development program. In FY 2004, 25 percent or $1+ billion in CDBG funds went to housing activities—assistance to first-time homebuyers, and single- and multi-family housing rehabilitation. Another 40 percent of the funds went to support public infrastructure—water and sewer facilities, streets and sidewalks, fire stations, and community centers, all in low- and moderate-income neighborhoods.

It is also reasonable to question whether the Commerce Department has the capacity to administer a multi-billion dollar program. Its $257.4 million economic development grant and loan programs are dwarfed by HUD's $4.7 billion CDBG program. HUD, together with its more than 1100 urban, suburban and rural CDBG grantees, constitutes an effective infrastructure for program administration. State and local grantees are intimately familiar with the CDBG statute and implementing regulations. It begs the question, why not move Commerce's economic development programs to HUD for it to administer?

Moreover, programs currently located within the Department of Commerce's Economic Development Administration (EDA) portfolio already address several of the issues contemplated by the new initiative. EDA's grant and loan programs are utilized by local governments to stimulate private sector job growth, ease sudden and severe economic distress and promote long-term economic development planning. They are critical to the nation's distressed areas across the country. EDA's programs were reauthorized last year through FY 2008, a move strongly supported by local governments. The severe impact created by the loss of these important resources cannot be understated.

In addition, a major concern for us, and the communities we serve, is the issue of repayment of Section 108 guaranteed loans. Section 108 is a component of CDBG and allows communities to fund large scale projects pledging future CDBG allocations to repay these loans. Many communities across the country have undertaken projects financed by Section 108 guaranteed loans and depend on their CDBG allocations for repayment. Without CDBG, these communities would be forced to repay these loans with their own funds. This would put many communities at risk of repayment and/or reduce already diminishing local general revenues.

SUMMARY

In summary, we find this new proposal totally unacceptable, and we are extremely disappointed that this tactic is being used as an excuse to eliminate CDBG and cut much needed resources to communities. A key priority of the Bush Administration is stimulating the domestic economy by creating jobs and expanding homeownership, and that is exactly what CDBG does. CDBG is good business and is the foundation of our nation's communities.

The fact is, CDBG is working, and it will work even better once HUD implements the new performance outcome measurement system. It needs to remain at the Department of Housing and Urban Development and funded in FY 2006 at a funding level of at least $4.7 billion, with no less than $4.35 billion in formula funding. This funding level approximates the FY 2004 funding level and the amount requested by the President in his FY 2005 budget.

Mr. LUNGREN. Now, Ms. Sánchez.

STATEMENT OF THE HON. LINDA T. SÁNCHEZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. SÁNCHEZ. Thank you. I would like to thank acting Chairman Lungren and Ranking Member Spratt for allowing me to speak today. I will talk about an issue today that transcends community and party boundaries, and that is the possible gutting of Community Development Block Grants in the President's 2006 budget.

Community Development Block Grants, or CDBGs, can be used for a seemingly endless variety of projects aimed at improving the quality of life in needy areas around our country. Let me share

with you some stories and statistics from cities that will be affected by CDBG cuts.

One of the cities that has expressed grave concern over the loss of funding is the city of La Mirada in my district. The mayor over there, Susan Tripp, took the time to explain to me just how much her city would be injured with the potential cuts.

The pride of the city of La Mirada is the Community Senior Center, which was completed in 2001. More than $1.8 million of the center's $3.2 million cost came from CDBG, or Community Development Block Grants. That is more than half of the funding. The Senior Center now serves as a hub where La Mirada's large, elderly population benefits from computer literacy classes, nutrition programs and health screenings. Without CDBG funding, the construction could have been delayed for years.

La Mirada also uses CDBG funning to enact a loan program for needy families. The repayment of the principal and interest is then put back into the loan system. There is more than $1 million circulating in the loan program, creating and sustaining opportunity.

In the city of Whittier, which is also in my district, CDBG moneys are used to fund the Salvation Army, the Interfaith Food Center, the Southeast Area Social Services Funding Authority and the Social Service Commission Scholarship Program. These programs fund an emergency shelter, food for low-income families, services for seniors, and recreational scholarships for needy children. The total cost to do all of this in Whittier with CDBG funds is less than $65,000. I honestly cannot imagine a more efficient use of Federal money.

The final city that I would like to talk about is Long Beach, CA. I believe the numbers speak for themselves on what an impact CDBG has for the community. Long Beach received $10.6 million for fiscal year 2004–2005. That money was used to remove 109,000 graffiti tags from more than 34,000 sites. It was used to improve more than 1,200 housing units. It was used to provide services for 23,000 homeless persons. I think most impressively, CDBG funds were used to serve 95,031 youth with after-school and weekend recreation activities.

I hope that these examples have helped demonstrate to the committee here today that these funds play an enormous and important role in the day-to-day survival and successes of our cities.

I would like to close my testimony with a quote from a local official: "A key priority of this administration is stimulating the domestic economy by creating jobs and expanding home ownership. One of the best tools that mayors of cities across America use to achieve these and other important goals is the Community Development Block Grant program. At a time when city budgets are severely challenged and have significant community and economic development needs, this cut and realignment will have a devastating impact on local governments' ability to provide resources to those communities and neighborhoods most in need."

This quote eloquently captures the vital nature of CDBG programs in our cities. Mr. Chairman, this quote did not come from a Democratic colleague or anyone here in Washington. It is from the mayor of Long Beach, CA, and vice president of the U.S. Con-

ference of Mayors, Beverly O'Neill, a local leader who knows what the effect of these cuts would be.

Community Development Block Grants work, and they are efficient. They are supported across the board by local community leaders regardless of their party affiliation. I strongly urge that CDBG funding be kept at the current level and that it be kept as a separate and distinct program. I thank you for your indulgence and yield back.

[The prepared statement of Linda T. Sánchez follows:]

PREPARED STATEMENT OF HON. LINDA T. SÁNCHEZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

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And, I think most impressively, CDBG funds were used to serve 95,031 youth with after school and weekend recreation activities.

I hope that I have helped demonstrate to the Committee here today that these funds play an enormous and important role in the day to day survival and success of our cities.

I would like to close with a quote from a local official:

"A key priority of this Administration is stimulating the domestic economy by creating jobs and expanding home ownership. One of the best tools that mayors of cities across America use to achieve these and other important goals is the Community Development Block Grant program,"

"At a time when city budgets are severely challenged and have significant community and economic development needs, this cut and realignment will have a devastating impact on local governments' ability to provide resources to those communities and neighborhoods most in need."

This quote eloquently captures the vital nature of CDBG programs in our cities.

Mr. Chairman, this quote did not come from a Democratic Colleague or anyone here in Washington. It is from The Mayor of Long Beach, California, and Vice -President of the U.S. Conference of Mayors, Beverly O'Neill—a local leader who will feel the effects of these cuts.

Mr. Chairman, Community Development Block Grants work and they are efficient. They are supported across the board by local community leaders regardless of party affiliation.

I strongly urge that CDBG funding be kept at the current level and that it be kept as a separate and distinct program.

I thank the Committee for its time.

Mr. LUNGREN. Thank you for the testimony of both of you. I don't know how timely it could have been, Congresswoman Sánchez, but Beverly O'Neill is an old friend of the family. My dad was a doctor of her family for years and years. I don't know if you knew that and put that in at the very end to get me, but you got me.

Ms. WATSON. I just want you to know, Mr. Chairman, she bears my family, my mother's maiden name, too, O'Neill, so I feel like she is in the family as well.

Mr. LUNGREN. I know it is late, and I know people want to get moving, but just let me ask the two of you one simple question. That is we are charged with the responsibilities of trying to bring down this deficit, trying to bring some restraint in government, trying to give the appropriating and authorizing committees as much flexibility as possible without telling them exactly what to do, but without telling them what targets to hit. If, in fact, we would not do what the President wants to do with CDBG grants, where would you suggest we look for that money in the area of HUD?

Ms. WATSON. What I would suggest is that you don't look here. I have participated in a press conference with my mayor, Jimmy Hahn, I think you know Jimmy, and with agency directors and the people who receive services from those agencies. We have been able to improve in really a minor way the conditions of life in our city by removing some homeless, by putting up affordable housing.

I have been working with the city leadership on the Marlton project for over 20 years now. I have worked with the former, now deceased, Mayor Tom Bradley. We got our first project done.

There are two projects back to back, and this is the second one. The proprietors of the shops in that area had been waiting years and years and years to move out and to move on so we can do 240 units of affordable housing and upscale and up-end shops to be able to bring the revenues and cycle them through that community.

So, you know, it is a matter of whose ox is being gored. I would not want to say cut this program, but save ours, but what I wanted to do is look at the programs that are really effective in terms of the needs of our urban cities and then look at other programs that are distant, removed and consider those, because ours certainly has been effective in Los Angeles.

Thank you, Mr. Chairman.

Ms. SÁNCHEZ. If I might respond briefly. I am mindful that Congress has a very big task in trying to set a path of fiscal responsibility and to try to spend moneys wisely, and I don't pretend to be an expert. That is what this committee is charged with doing. I do want to say that. But a huge cut, like the cuts that are anticipated as a third of the funding of CDBG, would be extraordinarily severe for a project that has so much benefit to local communities and has

the type of flexibility that cities rely on to try to improve quality of life in each of the local communities.

So although I can't say specifically where the money might come from, I would advocate that perhaps if there are cuts that need to be made, you look at making them in smaller increments across the board in many different programs rather than gutting one of, again, the most successful programs that cities have for serving their local communities.

Mr. LUNGREN. I appreciate your comments. This goes back to what Alan Greenspan said yesterday. He said he didn't want to be in our shoes, because he knew that we had to make decisions among values; that all of these programs are valuable. I am one who believes that you can't get to where we want to go merely by getting rid of waste, fraud and abuse, because, frankly, we probably have to figure out which are more valuable given the fact that probably all of them have value.

So I appreciate your representation of support for these particular programs.

Mr. Spratt.

Mr. SPRATT. Let me simply say that we will do everything we possibly can to answer your concerns in the Democratic budget resolution. I am a firm believer in the CDBG in my district, which is mainly small towns and rural areas. This has been a very, very, very effective Federal program. It stood the test of time. While the other grants made were going, the CDBG has lasted simply because people can point to demonstrable results of the program, and I hope we can save it intact and fully funded.

Mr. LUNGREN. Thank you very much, Ms. Watson and Ms. Sánchez.

Now Congressman Bishop is recognized for 10 minutes.

STATEMENT OF THE HON. TIMOTHY H. BISHOP, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. BISHOP OF NEW YORK. Thank you, Mr. Chairman. I want to thank you and Ranking Member Spratt for this opportunity to testify on the upcoming fiscal year 2006 budget. In my view, the President's recent spending requests do not accurately balance America's priorities, and I intend to touch on some of the more problematic areas in the budget. I will also convey some of the specific concerns that my constituents on Long Island have with the proposed budget.

The administration's proposal forces working families, in my view, to pay for short-sighted spending choices at the Federal level in the form of a reduced return on their tax dollars for government services, combined with higher State and local taxes. The President's budget for fiscal year 2006 contains drastic cuts which he says are necessary to cut the deficit in half in 5 years.

There are several things wrong with this claim, not the least of which that it simply isn't true. The administration's 5-year budget projections omit such significant costs as the continuing presence of our troops in Iraq and Afghanistan, the enormous cost of privatizing Social Security as the President proposes, and no corresponding growth in interest costs, even though these activities would be funded entirely by additional borrowing.

As a former college administrator, and as a member of the House Committee on Education and the Workforce, I am keenly sensitive to the needs of our students. The President's budget reduces overall education funding by nearly 1 percent below last year's level, which is a more pronounced decline when compared to current authorized levels. In addition, the administration's proposal cuts the overall education budget for the first time in more than a decade and proposes to eliminate funding for 48 programs such as vocational education, teacher quality and training, TRIO and the Safe and Drug-Free Schools Program.

I want to just focus on one part of the President's budget that I find particularly troubling. The budget does a disservice to both colleges and college students by calling for the recall of the Federal share of institutions involving loan funds for Perkins loans. These funds are made up of Federal capital contribution, institutional matches and repaid Perkins loans and up until now have been used to make new loans to students from low- and middle-income families.

In 2004, colleges made over $1.2 billion in these types of loans. They averaged $1,875; went to 673,000 needy college students. The recall of the Federal share of Perkins loans will amount to a recall of more than $7 billion over 10 years, with $6 billion of the amount collected going toward deficit reduction, not to the current practice of investing that money back into Federal financial aid.

The President's tax cuts and deficit spending have pushed us over the precipice of fiscal balance into a budget climate that supports cutting back aid for disadvantaged students to pay for misplaced priorities and tax cuts for people whose children will never need a Perkins loan.

The President's proposal specifically targets my district on Long Island by nearly eliminating funding for programs that directly benefit the people I represent.

My district includes over 300 miles of shoreline, and the local economies of Long Island depend on a clean, a hospitable ocean environment and welcoming local waterways to spur tourism throughout the region.

The integral relationship between coastal health and local economies appears to have been overlooked during consideration of many agency budget proposals. The administration consistently supports the idea of regional partnerships between the EPA and local governments, but even as Federal officials are discussing those efforts the President's budget tells a different story.

Regional programs designed to serve local areas are eviscerated under the 2006 budget. The Long Island Sound study, for example, which last year received nearly $7 million, is an entirely regional program designed to clean up a long neglected body of water bordering both New York and Connecticut. Under the current budget, if enacted as is, the worthwhile regional program would be gutted and only receive $477,000, a 94 percent cut.

Similarly, the Fire Island to Montauk Point study will allow the Army Corps of Engineers to complete a multiple decade study of 83 miles of coastline in my district, allowing for a comprehensive plan to alleviate environmental concerns and guarantee the safe passage of commercial and recreational fisherman.

Long Islanders are eagerly anticipating the economic and quality of life benefits to finish this study, and the President proposes no funding for its completion. There seems to be no conceivable reason to eliminate funding for a 20-year project that is only a year and a half from completion, particularly when completion will only cost $1.7 million.

As we continue our military conflict overseas, we are experiencing an increasing number of returning soldiers who are maimed or incapacitated as a result of injuries sustained in battle. Even as our current troops are in harm's way, the proposed budget contains egregious cuts and taxes for the men and women who came before the currently returning troops.

These members of the greatest generation now rely on a health care system that is under attack by misguided budgeting. As was the case in previous years, the President submitted a budget calling for a $250 veterans health care tax and an increase in prescription copayments of more than 100 percent.

Congress rightfully rejected those proposals over the last few years, and I am hopeful that this will again be the case. But there is now a new attack on the health of our older veterans. Many providers of long-term care for veterans, most notably State veterans homes, are faced with the sobering prospect that their ability to provide care for deserving vets will plummet by over 60 percent from the current year, forcing veterans already in State veterans homes to find other options.

This is not a way to treat Americas heroes, and our veterans deserve the care that they have earned. Let's just reflect on this. We give millionaires 6-figure tax breaks and we take away nursing home care for World War II veterans. I do not see any how reasonable person can justify that.

I urge this committee to take a hard look at the issues I have raised and to work to address the country's need for a sound fiscal policy and the tendency to abandon positive programs benefiting both the Nation and Long Island.

I thank the Chairman and I thank Ranking Member Spratt, and I look forward to working with you as these issues move forward. Thank you.

[The prepared statement of Timothy Bishop follows:]

PREPARED STATEMENT OF HON. TOMOTHY H. BISHOP, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

I want to thank Chairman Nussle, Ranking Member Spratt and all of the members of the Budget Committee for allowing me the opportunity to testify on the upcoming fiscal year 2006 budget. During this time of conflict in the world it is imperative to support America's operations overseas, while making domestic spending choices that enhance the greater good.

In my view, the President's recent spending requests do not accurately balance America's priorities, and I intend to touch on some of the more problematic proposals in the budget. I also will convey some of the specific concerns that my constituents on Long Island have with the proposed budget.

The administration's proposal forces working families to pay for shortsighted spending choices at the Federal level in the form of a reduced return on their tax dollars for government services, combined with higher state and local taxes.

The President's budget for fiscal year 2006 contains drastic cuts, which he justifies as necessary to cut the deficit in half in 5 years. There are several things wrong with this claim, not the least of which is that it is simply not true. The administration's 5-year budget projections omit such significant costs as the continuing presence of our troops in Iraq, the enormous costs of privatizing Social Security as the

president proposes, and no growth in interest costs, even though these activities, as well as a great many others, would be funded entirely by additional borrowing.

As a former college administrator, and a Member of the House Committee on Education and the Workforce, I am keenly sensitive to the needs of our students. The President's budget reduces overall education funding by nearly 1 percent below last year's level, which is a more pronounced decline when compared to current authorized levels. In addition, the Administration's proposal cuts the overall education budget for the first time in more than a decade and proposes to eliminate funding for 48 programs such as vocational education, teacher quality and training, TRIO and the Safe and Drug Free Schools program.

The President's budget does a disservice to both schools and students by calling for the recall of the Federal share of institutions' revolving loan funds for Perkins loans. The funds, which are made up of Federal capital contributions, institutional matches, and repaid Perkins loans, are used to make new loans to students from low and middle-income families.

In 2004, colleges made $1.263 billion in loans, which averaged $1,875 to 673,000 borrowers through the Perkins program. The recall of the Federal share of Perkins loans will amount to more than $7 billion over 10 years, with $6 billion of the amount collected going toward deficit reduction, not to the current practice of investing that money back into Federal financial aid. The President's tax cuts and deficit spending have pushed us over the precipice of fiscal balance into a budget climate that supports cutting back aid for disadvantaged students to pay for misplaced priorities and tax cuts for the wealthy; people whose children will never need a Perkins Loan.

The President's proposal specifically targets my district on Long Island by nearly eliminating funding for programs that directly benefit the people I represent. There are over 300 miles of shoreline in my district and the local economies on Long Island depend on a clean, hospitable ocean environment, and welcoming local waterways to spur tourism throughout the region. The integral relationship between coastal health and local economies appears to have been overlooked during consideration of many agency budget proposals.

The Administration consistently supports the idea of regional partnerships between the EPA and local governments, and as Federal officials are discussing these efforts, the President's budget tells a different story. Overtly regional programs, designed to serve local areas, are eviscerated under the fiscal year 2006 budget proposal. The Long Island Sound Study, which received nearly $7 million last year, is an entirely regional program designed to clean up a long neglected body of water bordering New York and Connecticut. If the current budget were enacted as drafted, this worthwhile regional program would be gutted and only receive $477,000.

The Fire Island to Montauk Point Study will allow the Army Corps of Engineers to complete a multiple decade study of 83 miles of coastline in my district, allowing for a comprehensive plan to alleviate environmental concerns and guarantee the safe passage of commercial and recreational fisherman. Long Islanders are eagerly anticipating the economic and quality of life benefits to finish this study, and the President proposed no funding for its completion. There seems to be no conceivable reason to eliminate funding for a 20-year project that is only a year and a half from completion, particularly when completion will only cost $1.7 million.

As we continue our military conflicts overseas, we are experiencing an increasing number of returning soldiers who are maimed or incapacitated as a result of injuries sustained in battle. Even as our current troops are in harm's way, The proposed budget contains egregious cuts and taxes for the men and women who came before the current returning troops. These members of the greatest generation now rely on a health care system that is under attack by misguided budgeting.

As was the case in previous years, the President submitted a budget calling for a $250 veterans' health care tax and an increase in prescription co-payments of more than 100 percent. Congress rightfully rejected these proposals over the last few years and I am hopeful that this will again be the case. There is now a new attack on the health of our older veterans. Many providers of long-term care for veterans, most notably state veterans' homes, are faced with the sobering prospect that their ability to provide care for deserving vets will plummet by over 60 percent from the current year, forcing veterans already in state veterans' homes to find other options. This is not the way to treat America's heroes, there is no expiration date for valor, and our veterans deserve the care they have earned. Let's reflect on this: we give millionaires six figure tax breaks and we take away nursing home care from World War II veterans. No reasonable person could justify this.

I urge this committee to take a hard look at the issues I have raised, and work to address the country's need for sound fiscal policy and the tendency to abandon positive programs benefiting Long Island and the nation. Thank you Mr. Chairman

and Ranking Member Spratt, I look forward to working with you on these issues as we move forward.

Mr. LUNGREN [presiding]. Thank you, Congressman Bishop. Something you said intrigued me to ask a question which is on my mind. I think it is directed toward the comments you made, and that is your discussion on education funds.

And it is my observation that no matter what the Federal Government does by way of support for higher education, whether it is grants, whether it is loans, et cetera, there is an inexorable rise in tuition charged by institutions, both private and public, that far exceeds anything else perhaps except medical costs, and I have always been at a loss to figure out why that is the case. Frankly, it doesn't matter, it appears to me, in the budget whether we add more money or don't add more money, the colleges just seem to charge more and more and more for both private and public institutions.

I just wonder if you could give me a little——

Mr. BISHOP OF NEW YORK. I can give some—at least my own insight on that. I was a senior administrator of a college, and I was in fact responsible for maintaining and developing the institutional budget where I was for about 20 years, and I would make a couple of comments. One, increases in tuition at State supported schools are largely the result of reduced State appropriations to subvent the cost of the students who are at those schools. At private schools, the increases roughly have been about double the Consumer Price Index dating back to the early 1980s, but they have pretty much tracked something called the HEPI, the Higher Education Price Index, which is a market basket of costs that are driven largely by wage costs, by fringe benefit costs. About 60 percent to 70 percent of total expenses at a private college are in salary and fringe.

The other costs that colleges encounter that rise at a rate more rapid than the Consumer Price Index are keeping pace with instructional technology, keeping pace with library resources. And then for private colleges, a huge area of growth is essentially discounted tuition. Colleges, particularly unendowed colleges, take in tuition and then give it back in the form of unfunded student aid, the consequence of which is that student prices go up.

Mr. LUNGREN. Does it have anything to do with lower classloads with faculty? I have at least observed that both at private institutions and public institutions, other than our community colleges, where I see faculty maintaining rather heavy classloads.

Mr. BISHOP OF NEW YORK. Yes. An issue, particularly for the more research-oriented institutions, is lower teaching loads for the faculty, which is generally covered by adjunct instruction as opposed to the hiring of more full-time faculty.

I think most, again most underendowed or unendowed private colleges are at a 12-hour load, most community colleges are at a 12- or 15-hour load, although the heavily endowed research oriented institutions some have faculty teaching loads as low as 6 hours.

Mr. LUNGREN. Thank you very much. Mr. Spratt.

Mr. SPRATT. Mr. Bishop, Mr. Lungren and I both served here with Carl Perkins, and in my State in particular technical edu-

cation has been a huge success. It has been the underpinning for the industrial development that we have been able to achieve in South Carolina as we move from an agrarian State to an industrial State, and the Perkins loans have been an integral part of financing all of that.

And for that little bit of money and the great good it does, I simply cannot see requiring the repayment of the Perkins fund loans. It is going to leave these schools with nowhere to turn, at least in the short term.

Mr. BISHOP OF NEW YORK. And the thing that I find so frustrating is I applaud the President's effort to increase or proposal to increase the Pell Grant maximum by $100 a year for 5 years so it will go up by $500. But it is completely offset by taking away Perkins loan funds, which averaged $1,800 per student. We are giving with one hand and taking away rather heavily with the other.

Mr. SPRATT. Thanks for your testimony. It is clear that you know of what you speak.

Mr. LUNGREN. Thank you very much.

Mr. BISHOP OF NEW YORK. Thank you.

Mr. LUNGREN. Now, we have Congresswoman Barbara Lee, who is here for her 10 minutes of presentation. Thank you.

STATEMENT OF THE HON. BARBARA LEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. LEE. Thank you, Mr. Chairman. Good to see you. Thank you, Ranking Member Spratt, for this opportunity to take the time to listen and hopefully incorporate some of these ideas into your budget deliberations.

How the President chooses priorities for his budget each year really does define, our commitment as a Nation to what our priorities are, and I believe unfortunately that this budget falls way short of what our commitment should be. Especially in a time of war, everyone agrees, myself included, that spending on national security and defense is a priority. Yet the President's fiscal 2006 budget in terms of homeland security, for example, is cut by about 18.1 percent. So as a Member representing one of the largest ports in the country it is clear to me that, our national security priority funding list should include at the top a significant increase, not a decrease in port security funding.

However, the President's budget also eliminates the Department of Homeland Security's Port Security Grant Program by combining it with other transportation security programs. This move I believe unwisely sets up a competition between different types of transportation security priorities from really the same pool of funds.

And at the same time that we discuss national security, we must also include the importance of economic security for all Americans. If our country is to be secure from within, our citizens must not feel vulnerable, should feel secure, should be strong within our own America, and unfortunately, I believe that the President's budget underfunds critical programs that ensure this economic security for all Americans in terms of their access to affordable health, housing, education, and other vital types of programs and issues and services.

I serve on the Housing and Community Opportunity Subcommittee of the Financial Services Committee, and we heard the budget presentation this week by the Secretary.

Consider the fact that in this budget, for example, the Community Development Block Grant program is really eliminated. Even though it is transferred into Commerce it is for the most part gone. This program provides formula grants and other financial assistance toward improving housing and economic conditions in low and moderate income neighborhoods. In 2005 this represents crucial funding of about $4.6 billion. The President's budget slashes by nearly, I think it is about 10 percent, $250 million funds for our local public housing authorities, for capital repairs, improvements for housing stock. Housing for the disabled, I was really quite shocked to see that has been cut by 50 percent from 2005 levels. The brownfields redevelopment programs which provide incentives for hazardous site cleanup and redevelopment; that is eliminated.

I asked the Secretary during our hearing, what about the disabled? What about senior citizens? What about children who will be affected now because the lead grant programs have been cut? Children will get sick as a result of this. And the Secretary responded there just wasn't enough money and he had to prioritize the budget he had.

And, of course, I was concerned because it didn't appear, and I asked him if he fought for additional resources. And his response was he had to prioritize within the deck he was dealt, in essence.

The President's budget also does not go far enough in funding HIV/AIDS programs, and we all know that the President in his State of the Union speech mentioned the glaring escalation in HIV/AIDS rates in the African American community, especially with African American woman.

The Ryan White Care Act is underfunded by $500 million, and this is just what it takes to keep people off the waiting list for life-saving drugs, in terms of just the money that we would need just to do that, and that does not even deal with prevention and education. So we need $500 million just to get people off of the waiting list.

The Minority Aids Initiative has been flat funded yet again, no additional resources. Yet the problem is getting greater. Essentially this is a cut, as each year more and more people are infected, and again people of color, African Americans primarily.

The President's budget even cuts funding, and again this goes under the HUD budget, but the funding for people living with AIDS. It is called HOPWA. That is cut this year by about 5 percent. Again, the Secretary said that it is about priorities. Cuts like those to HOPWA really punish people, by making them choose between their health care needs and their housing needs.

And, sadly, I think this overall budget is filled with similarly unfair examples. And still the standard response to anyone who questions the administration's priorities is that there are not enough funds. As Secretary Alphonso Jackson said, there are just not funds to ensure this economic security for all Americans.

But I beg to differ. We can ensure that components of our national security, including economic security, are fully funded if we

rein in the billions of dollars in waste, fraud and abuse at the Defense Department.

In fact, and I reference this January 2005 GAO report. It notes, and let me quote from that report. It said the lack of adequate transparency and accountability across DOD major business areas results in billions of dollars of wasted resources annually.

The reports of waste, fraud and abuse at DOD are staggering. Consider these two examples, for example. In 2003, GAO uncovered that the Army lost track of 56 planes, 32 tanks, 36 Javelin missile command launch units. This represents more than $1 trillion in taxpayer money.

In 2002, the GAO documented that the DOD database system for tracking billing and financial operations is so duplicative across the Department that it wastes about $18 billion annually. The President could help reach the funding goals of nearly all of our essential national and economic security programs if only he began by eliminating unnecessary waste and fraud in programs at DOD.

The Center For Defense Information estimates that the President's budget could free up $41 billion by defunding cold war era weapons systems like Missile Defense Initiative and the B–2 bomber.

Mr. Chairman, Ranking Member, the President's budget I believe erodes our economic security, it weakens our communities, and it leaves our infrastructure crumbling. The President's support of outdated weapons systems and wasteful defense programs relegates economic security priorities really to the back burner, and it should not be.

So I urge you to take into account these economic security concerns as you work to develop a Congressional budget resolution. I look forward to assisting you with this task, and I thank you for your time.

[The prepared statement of Barbara Lee follows:]

PREPARED STATEMENT OF HON. BARBARA LEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Chairman Nussle and Ranking Member Spratt, thank you for taking the time to listen, and hopefully incorporate some of these ideas into your budget deliberations.

How the President chooses priorities for his budget each year defines our commitment as a nation to the issues. Unfortunately, the President's FY06 budget falls short.

Especially at a time of war, everyone agrees that spending on national security and defense is a priority. Yet, the President's fiscal year 2006 (FY06) Department of Homeland Security budget is cut by 18.1 percent.

As a Member representing one of the largest ports in the country, it is clear to me that topping our national security priority list must be significant increases in port security funding. However, the President's budget eliminates the Department of Homeland Security's Port Security Grant Program by combining it with other transportation security programs. This move unwisely sets up a competition between different types of transportation security priorities from the same pool of funds.

At the same time, any discussion of national security for all Americans must include the important component of economic security for all Americans. Unfortunately, the President's budget underfunds critical programs that ensure all Americans have access to affordable housing, health care, education, and other vital services.

Consider the fact that the President's budget eliminates the Community Development Block Grant (CSBG) program. This program provides formula grants and other financial assistance toward improving housing and economic conditions in low- and moderate-income neighborhoods. In 2005, this represents crucial funding of $4.6

billion. The President's budget slashes by nearly 10 percent (or $252 million) funds for local public housing authorities for capital repairs and improvements for housing stock. Housing for the disabled is cut by 50 percent from the 2005 levels. The Brownfields Redevelopment programs, which provide incentives for hazardous site clean-up and redevelopment is eliminated.

The President's budget also does not go far enough in funding important HIV/AIDS programs. The Ryan White CARE Act is underfunded by $500 million; and this just represents how much it would take to keep people off the waiting list for live-saving drugs. The Minority AIDS initiative has been flat funded yet again. Essentially, this is a cut as each year more people of color are infected. The President's budget even cuts funding for Housing for People with AIDS (HOPWA) by 5 percent. Mr. Chairman, cuts like those to HOPWA punish people by making them choose between their health and housing. Sadly, this budget is filled with similarly unfair examples.

Still, the standard response to anyone who questions the administration's priorities is that there are not enough funds to ensure economic security for all Americans.

Mr. Chairman, I beg to differ. We can help ensure that components of our national security, including economic security, are fully funded if we rein in the billions of dollars in waste, fraud, abuse at the Department of Defense (DoD).

In fact, a January 2005 U.S. General Accounting Office (GAO) report notes that 'the lack of adequate transparency and acoountability across DoD's major business areas results in billions of dollars of wasted resources annually.'"

The reports of waste, fraud, and abuse at the DoD are staggering. Consider these two examples:

1. In 2003, the GAO uncovered that the Army lost track of 56 planes, 32 tanks, and 36 Javelin missile command launch units. This represents more than $1 trillion in taxpayer money.

2. In 2002, the GAO documented that the DoD database system for tracking billing and financial operations is so duplicative across the Department, it wastes the DoD $18 billion annually.

The President could help reach the funding goals of nearly all the essential national and economic security programs if only he began by eliminating unnecessary programs at DoD. The Center for Defense Information estimates that the President's budget could free up nearly $41 billion by defunding Cold War era weapons systems like missile defense initiatives and the B-2 bomber.

Mr. Chairman, the President's budget erodes our economic security, weakens our communities, and leaves our infrastructure crumbling. The President's support of outdated weapons systems and wasteful defense programs relegates economic security priorities to the back burner.

I urge you, Mr. Chairman, to take into account economic security concerns as you work to develop a congressional budget resolution. I look forward to assisting you with this task. Thank you for your time.

Mr. LUNGREN. Thank you, Congresswoman Lee. I have asked some others that in the categories where they have suggested we should not cut, tell us where they would cut instead. And I take it from your comments that instead of, for instance, finding cuts to offset the ones suggested by the administration in HUD for the CDBG program, you would suggest that we actually can achieve savings in waste, fraud and abuse in the Department of Defense and take care of the cuts that you object to in the other departments. Is that correct?

Ms. LEE. That is exactly it, Mr. Chairman, and I think we would be better for it as a country, and I would think we could achieve some bipartisan support for it. I don't think the American people want to see their tax dollars being wasted, and that is what is going on. I think they would rather see real economic and national security efforts being paid for.

Mr. LUNGREN. But you would also include Missile Defense Initiative and B–2 bomber in that category, correct?

Ms. LEE. I would definitely include B–2 bomber. I personally, there is a lot of debate about the effectiveness of missile defense, but I certainly would include missile defense in that category. But

even if you do not include missile defense, there is still billions of dollars in the waste, fraud, and abuse.

Mr. LUNGREN. Mr. Spratt.

Mr. SPRATT. Thank you for your testimony. I can assure you we will take your concerns into account when we put together the Democratic budget resolution.

Mr. LUNGREN. Thank you, Congresswoman Lee. And you being the last member I see in attendance, the hearing is now adjourned.

[Whereupon, at 6:50 p.m., the committee was adjourned.]

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