

[COMMITTEE PRINT]

HOUSE OF REPRESENTATIVES
COMMITTEE ON THE BUDGET

VIEWS AND ESTIMATES
OF
COMMITTEES OF THE HOUSE
(With Additional and Minority Views)

ON THE
CONCURRENT RESOLUTION ON THE
BUDGET FOR FISCAL YEAR 2015

SUBMITTED PURSUANT TO SECTION 301(d) OF THE
CONGRESSIONAL BUDGET AND IMPOUNDMENT
CONTROL ACT OF 1974



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March 20, 2014

The Honorable Paul Ryan, Chairman
House Committee on the Budget
309 Cannon House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and clause 4(f) of House Rule X, we are providing below the recommendations of the Committee on Agriculture with respect to the suite of policies within the Committee's jurisdiction. The Committee on Agriculture appreciates this opportunity to share its views and estimates for the fiscal year 2015 budget cycle.

The Committee on Agriculture is dedicated to ensuring that the Federal government continues to promote policies and risk management tools that will keep American agriculture and rural communities strong and our citizens healthy and safe. We also know that this country continues to face a fiscal crisis that, if not addressed, will not only harm the agricultural sector and rural America but the country as a whole. The Committee on Agriculture worked diligently over the past three years to reform all programs within its jurisdiction, culminating with the passage of the Agricultural Act of 2014 and resulting in \$23 billion in spending reductions.

The Committee's main focus will now shift to ensuring proper implementation of the Agricultural Act of 2014. The Committee will also continue focusing on its oversight role, ensuring that the U.S. Department of Agriculture is administering its programs in a fiscally responsible manner. Additionally, the Committee will reauthorize the Commodity Futures Trading Commission (CFTC) while continuing its vigorous oversight of CFTC regulations.

The Agricultural Act of 2014 makes historic reforms to farm policy, eliminating Direct Payments that were made to farmers over the last 17 years regardless of market conditions. By contrast, the new risk-based policies will provide assistance only when

producers see significant drops in market prices or revenue. The Agricultural Act of 2014 also authorized livestock disaster assistance, which is vital given the extreme weather conditions that have gripped livestock producers across the country—from exceptional drought in California to historic blizzards in South Dakota. These and many other substantial reforms to farm policy produced approximately \$13 billion in net savings, including a historic 30 percent reduction to traditional farm policy spending.

In addition, we reaffirmed that crop insurance, which is distinct from traditional farm policy, has become the cornerstone of risk management in agriculture for a great many producers. At numerous hearings, both in the field and in D.C., the Committee heard about the importance of the federal crop insurance program and how it must not be weakened, particularly since it has already experienced billions of dollars of cuts in recent years. The prolonged drought has exemplified exactly how important crop insurance is to producers and the rural economy. The Agricultural Act of 2014 makes additional improvements and investments in crop insurance, the cost of which were more than offset by reductions to traditional farm policy.

The Agricultural Act of 2014 also made significant reforms to our nation’s conservation programs while reauthorizing cost-share and technical assistance for farmers, ranchers, foresters, and landowners through voluntary, incentive-based conservation programs. Through these programs, producers protect and restore water quality and quantity, air quality, wildlife habitat as well as address regulatory requirements while providing a safe, abundant, and affordable food supply. These programs had grown in size and significance over the last 25 years. The Agricultural Act of 2014 emphasizes working lands programs that help producers comply with burdensome regulations or at times even avoid the need for regulations in the first place. Through bipartisan consensus, the Committee identified reforms that would maintain the core functions and goals of the conservation programs while eliminating or combining 23 duplicative and overlapping programs into 13 to allow for simplified and streamlined delivery, while also providing over \$6 billion in savings.

The largest program under the Committee’s jurisdiction—the Supplemental Nutrition Assistance Program (SNAP)—comprises the portion of the agricultural budget that has seen the most dramatic spending increase, tripling over the last ten years. While the Congressional Budget Office (CBO) forecasts SNAP participation and spending to decline over the next 10 years because economic expansion will allow spending to recede to more historic levels, the program is still expected to account for almost 80 percent of farm bill spending.

The Agricultural Act of 2014 includes the first reforms to SNAP since passage of the 1996 welfare reforms. Of significance, the Act reduces mandatory spending, establishes pilot work-based incentives for states to reduce dependency on SNAP, stops USDA from carrying out unnecessary advertising and recruiting, prevents states from using the “Heat-and-Eat” loophole with only nominal Low-Income Heating Assistance Program (LIHEAP) payments, and requires USDA to take a number of actions to prevent and stop retailer fraud. The act also includes other reforms to improve the program’s integrity such as preventing lottery winners and traditional college students from receiving benefits.

The Committee will monitor the implementation of these reforms while continuing to look for ways to more efficiently administer the federal nutrition programs, ultimately ensuring that every American has food on their table while we continue to be good stewards of taxpayer funds.

Beyond the \$23 billion in savings from this year, it is important to note the budget reductions that programs under our jurisdiction have experienced over the past several years and will continue to face going forward. For example, the 2008 farm bill reduced crop insurance by an estimated \$6.8 billion at the time; the renegotiation of the Standard Reinsurance Agreement further reduced the CBO baseline for crop insurance by more than \$6 billion; and a recent re-rating of crop insurance led to even further reductions in crop insurance spending. While the Agricultural Act of 2014 made significant spending reductions, it is important to note that all of the programs under the jurisdiction of the Committee that were not explicitly exempted by the Budget Control Act of 2011 will continue to be subject to sequestration, achieving further savings.

Another way to reduce the deficit is to grow the economy. To that end, the Committee will continue its oversight of regulations that affect economic growth and job creation. For example, regulations finalized after the MF Global and PFG BEST bankruptcies have highlighted the need for continued oversight of the CFTC and a review of the customer protections authorized under the Commodity Exchange Act. There is also concern that implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act has had a direct impact on non-financial participants in CFTC-regulated markets. The Committee will act to re-authorize the CFTC this year with these concerns in mind in order to strengthen futures customer protections and ensure producers and end-users have access to effective and cost-efficient tools to best manage their risk and grow our economy.

Some may argue that the current agricultural economy and farm prices are strong and, therefore, our agricultural policies should be cut even further. This conclusion ignores lessons from history. Recent high prices have not made the family enterprises that make up our farm sector any less vulnerable—indeed it has just raised the stakes in what is still an exceptionally costly, risky business. It bears mentioning that during some of the worst economic times in the last 50 years, production agriculture served as a catalyst for economic growth. The farm safety net now constitutes less than one quarter of one percent of the federal budget, but it underpins this vital segment of the American economy.

Recognizing the dire fiscal situation this country is in, we passed a bipartisan farm bill that contributes substantially to deficit reduction while simultaneously reforming policies and providing risk management tools for the nation's agricultural producers. The Committee looks forward to monitoring the implementation of the Agricultural Act of 2014 to ensure that these reforms are implemented in a timely manner.

We are grateful for your consideration of the views we have presented and look forward to providing assistance in preparation of a responsible budget resolution.

Sincerely,

Handwritten signature of Frank D. Lucas in black ink, written in a cursive style.

Frank D. Lucas
Chairman

Handwritten signature of Collin C. Peterson in black ink, written in a cursive style.

Collin C. Peterson
Ranking Minority Member

Congress of the United States
Washington, DC 20515

March 19, 2014

The Honorable Paul Ryan
Chairman
Committee on the Budget
309 Cannon House Office Building
Washington, DC 20515

The Honorable Chris Van Hollen
Ranking Member
Committee on the Budget
B-71 Cannon House Office Building
Washington, DC 20515

Dear Chairman Ryan and Ranking Member Van Hollen,

As Members of the Committee on Agriculture, we write to provide additional views to the Committee's Views and Estimates that were considered and adopted by the Committee on March 13, 2014. We appreciate the opportunity to provide these additional views.

There have been many changes since the Committee's Views and Estimates were filed last year. As the Committee's Views and Estimates correctly notes, the Second Session of the 113th began with the passage and enactment of a new Farm Bill. This Farm Bill included an \$8.55 billion cut to the nation's preeminent anti-hunger program, the Supplemental Nutrition Program (SNAP). The cuts to SNAP included in the Farm Bill come in addition to an \$11 billion across-the-board cut to SNAP that took effect on November 1, 2013. Taken together, SNAP was cut by nearly \$20 billion since the Committee filed Views and Estimates in 2013.

It is important to put SNAP participation and spending in perspective. It is undeniable that SNAP caseloads grew in the recession. In fact, SNAP caseloads grew as a direct result of the recession. More people qualified because of lost jobs or reduced incomes and a larger share of eligible people applied as states worked to make it easier to apply for SNAP. Those individuals and families who rely on SNAP do not have it easy. Individuals and families who qualify for SNAP do so because they meet the income requirements. In other words, they are low-income or poor. They qualify because they need help putting food on their tables.

That is why these cuts – both the November 1, 2013 across-the-board cut and the \$8.55 billion cut included in the Farm Bill – are problematic. SNAP is already among the most – if not the most – effective and efficient federal programs. Error rates are extremely low and many of the errors in the program are due to underpayments. USDA and states are taking measures to further reduce fraud rates. These are good efforts and it's important that not only are all of these funds properly spent but that the majority of these funds go to benefits. That is where the difficulty lies with these two cuts. The November 1st cut affected every single SNAP beneficiary.

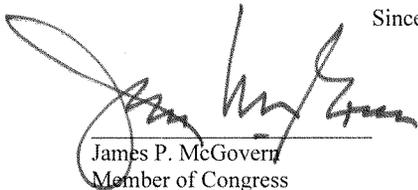
Approximately 47 million SNAP beneficiaries saw their benefit – their food budget – cut by an average of \$30 for a family of three. On top of that, the cuts in the Farm Bill affect 16 states and, without state action, will cause even more harm to poor families who rely on SNAP to put food on their tables.

Despite partisan claims to the contrary, SNAP works. It is a good program that is effective and efficient. In fact, SNAP has its own quality control built into the program. On top of that, the Farm Bill includes several additional quality control requirements that will only make the program more effective and efficient. The good news is that SNAP participation is falling because of the improving economy. In fact, a million fewer people received SNAP in December 2013 than in December 2012. That is the fourth straight month in which participation fell from the previous year. To build on that good news, the Congressional Budget Office (CBO) expects that SNAP participation will fall by two to five percent each year over the next decade as the economy improves.

We are concerned that there will be another attempt to cut this critical program. SNAP works and any future cuts will come directly from beneficiaries – simply, future cuts will take more food away from poor, hungry people in America. Instead of cutting SNAP benefits, we should be taking positive steps to reduce hunger and the need for SNAP. One way to reduce SNAP participation is to increase the minimum wage. A recent study by the Center for American Progress found that increasing the minimum wage to \$10.10 would move about 3.5 million people off of SNAP simply because they wouldn't need the program. It's simple – increased wages means people will not have to rely on SNAP. Instead of arbitrarily cutting SNAP in order to reduce the deficit, we should be doing more to increase wages and get people back to work. Those two actions are more effective ways to decrease SNAP participation and reduce the amount of money spent on this important program.

Thank you for your attention to these additional views. We look forward to working with you and with the Members of the Committee on Budget on this important issue.

Sincerely,



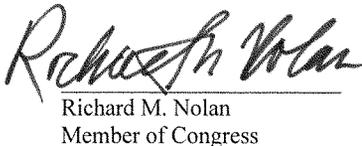
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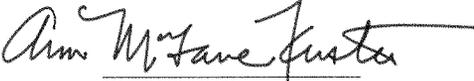
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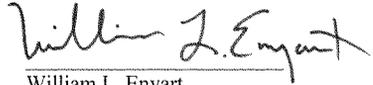
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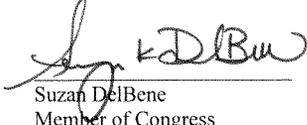
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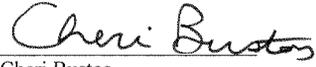
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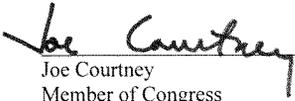
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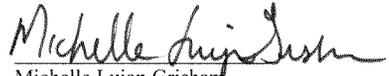
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ROBERT L. SIMMONS, II, STAFF DIRECTOR

March 25, 2014

The Honorable Paul Ryan
 Chairman, Committee on the Budget
 U.S. House of Representatives
 Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, and clause 4(f) of rule X of the Rules of the House of Representatives, we are forwarding to you our views regarding the National Defense Budget Function (050) for fiscal year 2015 (FY15).

Budget Overview

The President's FY15 budget requests \$521.3 billion in discretionary budget authority for national defense. Of this total, \$495.6 billion is for the Department of Defense (DOD), \$18.0 billion is for the Department of Energy's defense activities, and \$7.7 billion is for other defense-related activities. The President's budget also includes \$8.2 billion in mandatory budget authority. The budget submission complies with the limitations mandated by the Budget Control Act of 2011 (BCA), as amended by the Bipartisan Budget Act of 2013 (BBA) for funding levels in FY15.

In addition to the base budget request, as required by Section 1008 of the John Warner National Defense Authorization Act for Fiscal Year 2007 (Public Law 109-364), the President's budget for FY15 includes a separate request of \$79.4 billion for war-related expenditures in support of ongoing military operations in Afghanistan, forward presence in other critical areas, and the resetting of equipment, presented again this fiscal year as Overseas Contingency Operations (OCO). However, details of this request will be delayed. The DOD has stated that justification materials will be available 2-3 months after the post-2014 strategy in Afghanistan is determined.

The DOD's \$495.6 billion base budget for FY15 is presented as "repositioning the military for the new strategic challenges and opportunities that will define our future: new

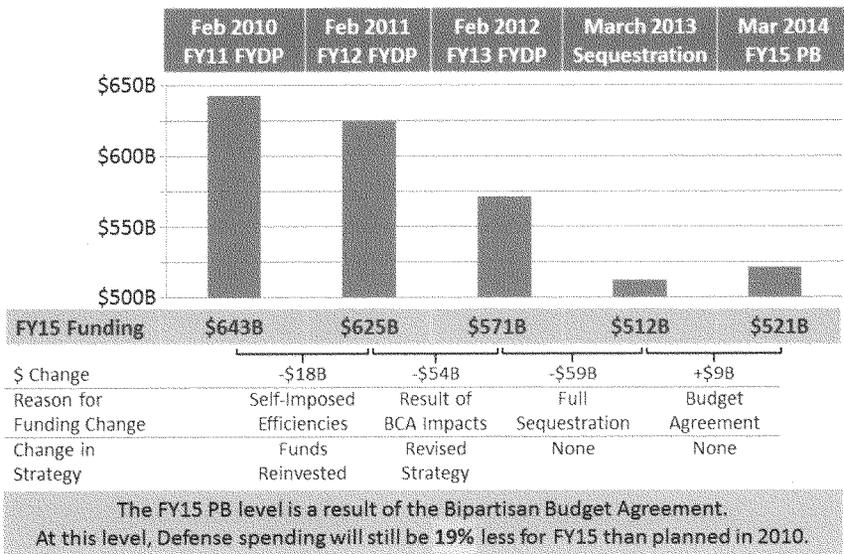
The Honorable Paul Ryan
 March 25, 2014
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technologies, new centers of power, and a world that is growing more volatile, more unpredictable, and in some instances more threatening to the United States¹. In the aggregate, the Department's budget submission for FY15 is equivalent to the FY14 appropriation, \$31.0 billion below the FY14 budget request, and \$45.2 billion or 8.4 percent below the FY15 estimate presented in last year's Future Years Defense Program (FYDP).

Declining Defense Funding Over Time: Progression of Fiscal Year 2015 Funding Levels

Over the last four years, this committee has seen the level of funding requested and appropriated for national defense decline. Under sequestration, national defense spending would decrease over 19 percent in fiscal year 2015, when compared with the level projected for fiscal year 2015 in the FYDP included in the first budget request prepared by President Obama's administration, submitted in February 2010.

Timeline of the FY15 Funding Level National Defense (050) Base Funding



The decline in defense spending has been alarming. The committee continues to be concerned that resources are insufficient to fulfill the current defense strategy. Although the

¹ The Honorable Chuck Hagel, Secretary of Defense, before the House Armed Services Committee, "The Fiscal Year 2015 National Defense Authorization Budget Request from the Department of Defense," March 6, 2014.

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civilian and military leadership of the Department of Defense attempts to defend each successively lower budget request, their previous testimony directly contradicts the assertion that the current budget request would allow the military to fulfill the defense strategy at low to moderate risk.

This month, the Chairman of the Joint Chiefs of Staff, General Martin Dempsey, USA, framed the current budget submission as a series of choices between national security and fiscal reality, saying:

“The balance between our security demands and our available resources has rarely been more delicate. The Secretary walked you through the measures we are taking in this budget to try to balance as best we can national security and fiscal responsibilities.”²

This appears to be an optimistic assessment, given that three years ago, Secretary Gates stated in January 2011 when discussing his budgetary strategy:

“This [FY12 budget] plan represents, in my view, the minimum level of defense spending that is necessary given the complex and unpredictable array of security challenges the United States faces around the globe...In recent weeks there have been calls from various quarters for major reductions in defense spending – to include substantial cuts in modernization, force structure, troop levels and overseas bases. I consider such proposals risky at best and potentially calamitous.”³

Moreover, this statement was made three months before the President proposed an additional \$400 billion in cuts to the military, which were subsequently enacted in the BCA⁴. In speaking to the reductions applied to the Department after the passage of the BCA, Secretary Panetta testified to the committee in February 2012:

“And, let me finally be very clear. When you take a half a trillion dollars out of the defense budget, it comes with risk. We think they are acceptable risks. But, nevertheless, there are risks here. We are dealing with a smaller force. We are going to have to depend on the speedy mobilization. We are going to have to depend on new technologies. We are going to have to take care of troops coming home to make sure that they have jobs and have the support that they need. There is very little margin for error in this budget.”⁵

² General Martin Dempsey, Chairman of the Joint Chiefs of Staff, before the House Armed Services Committee, “The Fiscal Year 2015 National Defense Authorization Budget Request from the Department of Defense,” March 6, 2014.

³ <http://www.defense.gov/speeches/speech.aspx?speechid=1527>

⁴ The Budget Control Act reduced funding for national defense by \$487 billion through 2021.

⁵ The Honorable Leon Panetta, Secretary of Defense, before the House Armed Services Committee, “The Fiscal Year 2013 National Defense Authorization Budget Request from the Department of Defense,” February 15, 2012.

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Then, prior to sequestration being applied across the federal government, General Dempsey followed up in February 2013 with this statement:

“We built a strategy last year that we said we can execute and absorb \$487 billion. I can’t sit here today and guarantee you that if you take another \$175 [billion], that that strategy remains solvent. The question I would ask this committee: What do you want your military to do? If you want it to be doing what it’s doing today, then we can’t give you another dollar.”⁶

Unfortunately, since General Dempsey made those remarks, the President and Congress have taken an additional \$45 billion from FY15 alone. Yet, our military continues to be asked to perform the same missions as in February 2013, including fighting a war in Afghanistan, and also missions that we could not have anticipated at the time. Within just the last week, we have seen U.S. forces directed to (1) support an increased NATO air patrol mission in the Baltics in the wake of Russia’s illegal annexation of the Crimea, (2) board and take control of the M/T MORNING GLORY, a stateless vessel that had been seized by armed Libyan separatists, and (3) search for the missing Malaysia Airlines Flight 370 whose last known location was somewhere over the Indian Ocean or in Central Asia.

Meanwhile, this nearly 20 percent decrease in defense spending stands in stark contrast to the military buildup we’re witnessing in Russia and China and the security threats facing our nation. Both Russia and China are arming at an alarming rate—Russia’s military spending is up roughly 30 percent and China’s has more than doubled in recent years. Al Qaeda affiliates grow stronger and more dispersed, Iran buys time with “deals” while continuing to step up regional terrorism campaigns, and Syria continues to commit acts of horror against its people. Long-time U.S. allies have begun to question the staying power of U.S. security commitments due to its declining defense budgets.

Indeed, arbitrary funding reductions have decimated the Department over the last three years. What’s more, uncertainty regarding the availability of funding has hampered the military’s ability to revise the defense strategy to be consistent with available resources. This is a classic case of “ways-means-ends” mismatch. The desired end state has not changed, but the ways and means through which the military can fulfill the strategy have been stretched to their limits. For example, the current budget submission, which is modestly above sequestration levels over the FYDP, would:

- Reduce the overall size the military -
 - The Army will reduce active duty soldiers from 520,000 to 420,000
 - The Army National Guard will be reduced from 354,000 to 315,000
 - The Marine Corps will be reduced from 189,000 to 175,000;

⁶ General Martin Dempsey, Chairman of the Joint Chiefs of Staff, before the House Armed Services Committee, “Impacts of a Continuing Resolution and Sequestration on Defense,” February 13, 2013.

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 March 25, 2014
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- Continue to erode readiness as a consequence of prior and anticipated future cuts -
 - Today, 7 Air Force squadrons do not meet the requirements to deploy and only 4 out of 45 Army Brigade Combat teams are fully ready
 - Overall, full spectrum readiness will not recover for nearly a decade;
- Ask our military families to increase their out of pocket costs and reduce the pay raises they're entitled to by law -
 - Pay raises will be reduced from 1.8% to 1% for the second year in a row
 - Most TRICARE plans will be eliminated, increasing costs for active duty families and retirees, while further increasing costs to the oldest retirees
 - Assistance for commissaries will be reduced, passing those costs to military families and likely reducing access
 - Housing allowances will be reduced, increasing the share military families pay; and
- Cancel or retire significant force structure -
 - Cancel: The Army's Ground Combat Vehicle, which would have replaced the Bradley Fighting Vehicle that's been in service since the 1980s
 - Retire: The U2 Aircraft, which is a critical high altitude airborne intelligence, surveillance, and reconnaissance (ISR), needed at a time when combatant commander requirements for ISR are not being fulfilled
 - Retire: The A-10 Warthog Aircraft, which provides close air support to our troops in combat
 - Take Offline: 11, or half of, U.S. Navy Cruisers, which are multi-mission ships that play a critical role in both air defense of carrier strike groups and missile defense
 - Take Offline: The USS George Washington Aircraft Carrier, reducing our carriers to 10, in spite of the fact that the Commander of U.S. Pacific Command and others have indicated that we could not have an effective national security strategy with fewer than 11 carriers
 - Reduce: F-35/Joint Strike Fighter procurement by 8 aircraft
 - Reduce: Navy P-8 long-range anti-submarine warfare, anti-surface warfare, and ISR aircraft by 8
 - Reduce: The Navy's Littoral Combat Ship buy from 52 to 32 ships.

General Dempsey warned of this "ways-means-ends" mismatch when the latest defense strategy was released following the passage of the BCA, commenting at the time that if the military had to absorb more cuts:

"We [would] have got to go back to the drawing board and adjust our strategy. What I'm saying to you today is that the strategy that we would have to adjust to would in my view not meet the needs of the Nation in 2020 because the world is not getting any more stable. It is getting increasingly unstable, for all of the reasons we are talking about here today. So, I think we've done as much as we can do, given what I know about the future we are about to confront."

The Honorable Paul Ryan
March 25, 2014
Page 6

Therefore, although the Administration failed to take advantage of the Quadrennial Defense Review to adjust the President's 2012 strategy, we believe that the lack of resources to execute the current strategy or any adjustment to the strategy would 'not meet the needs of the Nation'. If a primary constitutional responsibility for Congress is to provide for national defense, we as a body should provide the funds necessary to do so, without asking our citizens who wear the uniform to absorb the extra risk on our behalf. This includes providing certainty of funds, as well as an increase to funding levels in fiscal year 2016 and beyond.

Opportunity, Growth, and Security Initiative: Using National Security for Political Gain

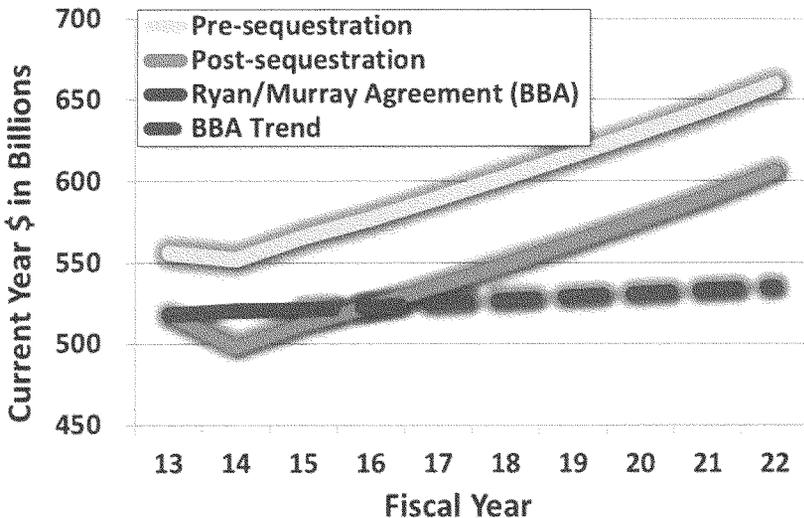
As part of the fiscal year 2015 budget request, the President included a package of program adjustments and tax increases totaling less than 1.5 percent of all outlays in FY15. While most of the public has rightfully focused on increasing defense spending, the Administration's analysis of this initiative does not even describe how funds will support national defense; rather the verbiage dwells on the benefits to non-defense areas of the discretionary budget.⁷ It is undeniable that the military has unfunded requirements that are not included in the FY15 budget request, but the treatment of these by the Administration is shallow at best. In fact, I sent a letter to each of the military service chiefs and combatant commanders on February 14, 2014, requesting a description of their unfunded priorities. The responses are currently being held by the Secretary of Defense. Therefore, it appears that this package is a thinly veiled attempt to use the promise of discretionary spending increases to pass revenue legislation. This not only holds hostage our national defense, but it detracts from the significant fiscal concerns facing our nation. If the Commander in Chief supports a strong national defense, funds for the Department should be requested with no strings attached.

Outyear Defense Budget Trend Concerns – The FY16 Problem

The committee is concerned with the current trend of funding for defense spending. Over the last three years, base defense spending has been essentially flat, which has caused a loss of buying power within the Department as inflationary influences take effect across multiple years. If this trend continues, defense spending will be at sequestration levels in FY16, and will be below sequestration levels beginning in FY17. The committee supports a path to restoring national defense to pre-sequestration levels for FY16 onward.

⁷ Budget of the U.S. Government, Fiscal Year 2015, March 2014, p. 11.

National Defense (050) Budget Positions FY 2013-2022



While the Bipartisan Budget Agreement of 2013 provided for stability in the discretionary budget for FY14 and FY15, which should be applauded, the agreement still fell far short of what is required for executing the current Defense Strategic Guidance this fiscal year and through the outyears. At full sequestration levels, Secretary Hagel discussed his position of funding Defense at that level:

“The result would be a military that could not fulfill its defense strategy, putting at risk America’s traditional role as a guarantor of global security and, ultimately, our own security. This is not the military the President nor I want. It isn’t the military that this committee or this Congress wants for America’s future. But it is the path we are on unless Congress does something to change the law.”⁸

The FYDP requests an additional \$115 billion to fulfill defense requirements, but those funds still fall short of supporting the current defense strategy. For example, even with the inclusion of \$115 billion, the FYDP proposes an end strength level for the Army at the lowest levels since World War II and a Marine Corps that would be forced to redeploy forces from everywhere else across the globe to support even one major contingency.

⁸ The Honorable Chuck Hagel, Secretary of Defense, before the House Armed Services Committee, “The Fiscal Year 2015 National Defense Authorization Budget Request from the Department of Defense,” March 6, 2014.

The Honorable Paul Ryan
 March 25, 2014
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Mandatory and Discretionary Spending Trends

The following chart displays the recent outlays for mandatory and defense discretionary spending, as well as the actual and estimated net interest payments required since FY00. The impact of sequestration would not significantly change the rate of growth in mandatory spending (including mandatory spending for National Defense and Veterans Affairs), while net interest outlays continue to grow. In fact, our spending to service the debt is projected to be at the same levels as defense discretionary spending by 2020.

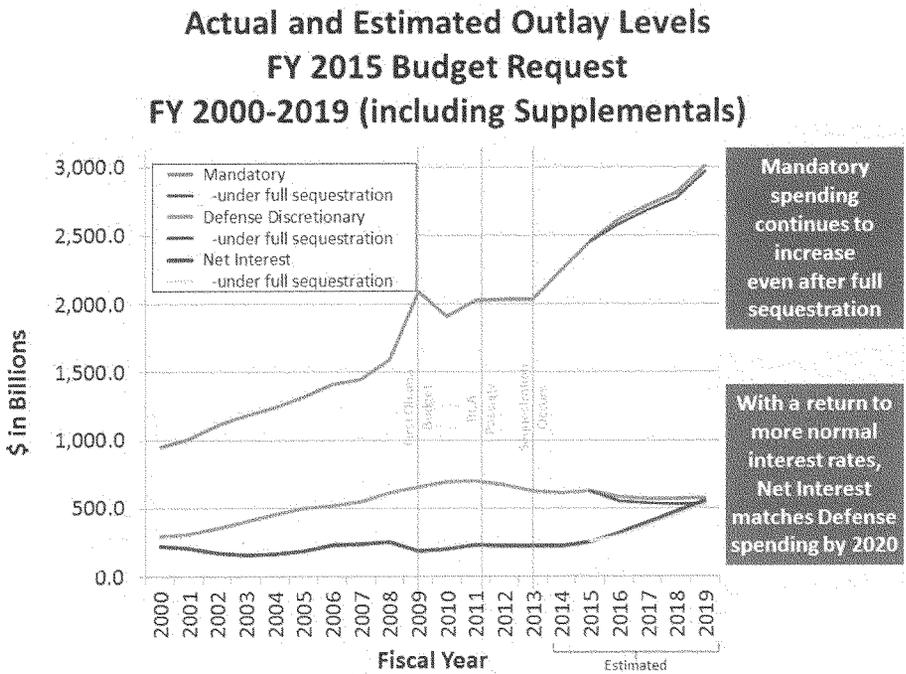


Table 8.1, Historical Tables, Budget of the U.S. Government, FY 2015, March 2014

The Return to Regular Order

Chairman Ryan, we commend you and the other members of the Committee on the Budget for your work with the Senate, returning regular order to the appropriations process through the Bipartisan Budget Agreement of 2013. It was a compromise agreement – everyone gave a little – that established certainty and continuity over two fiscal years. While it didn't address the core fiscal issues facing this country, most notably unconstrained mandatory spending costs, the establishment of a funding level agreed to by both houses of Congress has provided stability during this year's budget process.

The Honorable Paul Ryan
March 25, 2014
Page 9

Current Fiscal Oversight Initiatives

The committee agrees with Speaker Boehner that “it’s time to bring real fiscal responsibility back to Washington”, as you mention in your letter dated January 28, 2014, requesting our views and estimates. As our warfighters face on of the most complex and demanding security environments in recent memory – Iran, North Korea, Russia, the defense of Israel, our transition in Afghanistan, Libya, Syria – we must continue in our efforts to refocus DOD on its core mission of providing for our common defense.

The committee has undertaken numerous efforts to reduce federal spending and reform the way the Department executes its national defense strategy. A sample of these efforts is provided below. However, while efficiencies and reform are helpful in freeing up some funds to reinvest in defense, they alone are insufficient to execute the current defense guidance.

DOD Management Efficiencies and Overhead Reductions

The committee supports the Secretary of Defense’s efforts to implement management efficiencies and overhead reductions in DOD headquarters. As Secretary Hagel has noted, “management reforms, consolidations, personnel cuts, and spending reductions will reduce the Department’s overhead and operating costs by some \$10 billion over the next five years and almost \$40 billion over the next decade.”⁹ The committee included language in the FY14 National Defense Authorization Act (sec. 904) to require the Secretary of Defense to develop a plan for streamlining DOD management headquarters by changing or reducing the size of staffs, eliminating tiers of management, cutting functions that provide little or no added value, and consolidating overlapping and duplicative programs and offices. The reductions are also part of the committee’s broader two-year DOD institutional reform project to reinvest institutional savings in the warfighter.

Headquarters and Combatant Command Efficiencies

The committee has tasked the Government Accountability Office (GAO) to examine US Central Command along with all functional combatant commands and propose changes to check the expansion of headquarters staff which has grown considerably over the last decade. GAO will apply the same approach to the Office of the Secretary of Defense, the Joint Staff, and the Service Secretaries. GAO has also been tasked to assess the Department’s efforts to review its roles and missions, since the FY08 NDAA initiated roles and missions reviews were never seriously attempted by the Department.

DOD Auditability and Financial Management

The Comptroller General of the United States has consistently identified the DOD’s financial management as a high-risk area since 1995. The Department’s inability to track and

⁹ The Honorable Charles T. Hagel, Secretary of Defense, “Statement on Strategic Choices and Management Review,” July 31, 2013.

The Honorable Paul Ryan
 March 25, 2014
 Page 10

account for billions of dollars in funding and tangible assets continues to undermine its management approach. It also creates a lack of transparency that significantly limits congressional oversight. The Department's inability to produce auditable financial statements undermines its efforts to reform defense acquisition processes and to realize efficiencies. Without these objective tools, neither the Department nor Congress can verify that greater value is being created. As a result, the committee continues to monitor the Department's efforts to implement the Financial Improvement and Audit Readiness (FIAR) plan required by the FY10 NDAA to correct the weaknesses in its financial statements, including its efforts to meet the Secretary of Defense's goal of achieving audit readiness on the Statement of Budgetary Resources by 2014, and monitor closely the interdependencies between FIAR and the hundreds of millions of dollars being spent on business systems modernization programs that the Department has proposed to address its financial management problems.

Military Compensation and Retirement Modernization Commission

The FY13 NDAA established a Military Compensation and Retirement Modernization Commission to (1) ensure the long-term viability of the All-Volunteer Force; (2) enable a high quality of life for military families; and (3) modernize and achieve fiscal sustainability of the compensation and retirement systems. During this year's budget rollout, Secretary Hagel stressed the need for a holistic look at compensation, stating:

“A holistic and comprehensive approach must be taken to compensation changes. Continuous piecemeal changes will only magnify uncertainty and magnify doubts ... with our servicemembers about whether promised benefits will be there in the future.”¹⁰

DOD Acquisition Reform and Regulatory Reduction

As part of the committee's broader two-year DOD institutional reform project to reinvest institutional savings in the warfighter, the committee is requesting input from the acquisition community on eliminating or revising unnecessary regulations. The project focuses on regulations that increase the cost of defense acquisition or delay delivery of useful capabilities to the warfighter while in some cases failing to provide substantial benefit to the taxpayer. A typical DOD program officer has to sort through thousands of pages of regulations which collectively drive up cost and schedule for each program. Additionally the committee will seek to reform acquisition culture to drive out disincentives that increase costs and schedules of major programs and delay delivery to the warfighter.

Future Overseas Contingency Operations Funding

The President's budget request estimates \$450 billion for Overseas Contingency Operations (OCO) over the ten-year period through FY21. When looking at what's been

¹⁰ The Honorable Chuck Hagel, Secretary of Defense, before the House Armed Services Committee, “The Fiscal Year 2015 National Defense Authorization Budget Request from the Department of Defense,” March 6, 2014.

The Honorable Paul Ryan
 March 25, 2014
 Page 11

appropriated for FY13 and FY14, and the current budget request for FY15, approximately \$270 billion of the \$450 billion has been allocated, leaving \$180 billion for any further operations for a post-2014 posture in Afghanistan, forward presence in other critical areas, and the reset and recapitalization of equipment returning from theater. The committee supports the continued allocation of OCO funds for the remaining years previously identified, with a caution that this funding level should be revisited if activities overseas should heighten in the future.

Summary

General Dempsey summed up the views of the committee regarding the President's current budget proposal for National Defense in a recent hearing this month:

"To be clear, we do assume higher risks in some areas under the FY15 proposal...If sequester-level cuts return in 2016, the risks will grow, and the options we can provide the Nation will shrink."¹¹

Identifying risk can be difficult. Can we as a nation accept moderate to high risk? What exactly is that? As Secretary Hagel discussed with our committee earlier this month...

"Risks are more than just reducing numbers. It isn't just capacity. Part of it, it is the readiness of the force you have. Are they capable, ready, agile? Are they modern? Are they equipped? Do they need what they require? Can they be moved on time? Can we respond quickly all over the world to any contingency? Those are also part of the arc of the risk...that we would [not only] subject our military to, but our country to, the further down you take this budget because we won't have the resources to provide that modernization, to provide that readiness."¹²

The funding for national defense for fiscal year 2015 is set in law as part of the Bipartisan Budget Agreement of 2013. As previously noted, we support this agreement, especially the certainty it provided for our military planners, its promise of a return to regular order, and the modest increases it provided to national defense over sequestration. However, without a change in the current funding trend, the nation's defense strategy will most assuredly require a further overhaul, demonstrating once more the decline in capabilities of a once powerful military. Our allies and adversaries are paying close attention to our decisions; indeed their behavior reflects both hedging and new forms of aggression. As even the *New York Times*' noted last week, the "light footprint" embraced by President Obama and others who have advocated for additional cuts to national defense has "proved frustratingly ineffective".¹³ But there is still an opportunity

¹¹ General Martin Dempsey, Chairman of the Joint Chiefs of Staff, before the House Armed Services Committee, "The Fiscal Year 2015 National Defense Authorization Budget Request from the Department of Defense," opening statement, March 6, 2014.

¹² The Honorable Chuck Hagel, Secretary of Defense, before the House Armed Services Committee, "The Fiscal Year 2015 National Defense Authorization Budget Request from the Department of Defense," March 6, 2014.

¹³ David E. Sanger, "Global Crises Put Obama's Strategy of Caution to the Test", *New York Times*, March 16, 2014, <http://www.nytimes.com/2014/03/17/world/obamas-policy-is-put-to-the-test-as-crises-challenge-caution.html>

The Honorable Paul Ryan
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Page 12

to reverse course. We urge your support for adequate funding for national defense in fiscal year 2016 and beyond, at a minimum level of pre-sequestration estimates associated with the 2012 defense strategy.

In closing, we appreciate the opportunity to express these views on behalf of the Committee on Armed Services. We look forward to working with you and the members of the Committee on the Budget to construct a budget plan that reflects our commitment to meet emerging threats and secure our national defense.

Sincerely,

A handwritten signature in black ink that reads "Howard P. 'Buck' McKeon". The signature is written in a cursive, somewhat stylized font.

Howard P. "Buck" McKeon
Chairman

cc: The Honorable Chris Van Hollen

HPM;jas

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U.S. House of Representatives

Washington, DC 20515-6035

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March 25, 2014

The Honorable Paul Ryan
 Chairman, Committee on the Budget
 U.S. House of Representatives
 Washington, D.C. 20515

Dear Mr. Chairman:

We are writing to express views and estimates alternative to those submitted by Chairman McKeon in accordance with Section 301(d) of the Congressional Budget Act of 1974 and clause 4(f) of Rule X of the Rules of the House of Representatives, regarding the national defense budget function for fiscal year (FY) 2015. Our country faces extensive national security challenges. We are committed to maximizing the military's preparedness for, and effectiveness in, meeting present and future challenges, just as we are committed to the courageous men and women who sacrifice daily to make that effectiveness a reality through their service. We must honor these commitments by fulfilling our duty to provide the Armed Forces with the proper resources, policies, and flexibilities to excel. We support the President's budget request, because it offers the Congress a solid basis for cost-effective planning and decision-making and because it supports current and future military requirements.

Unfortunately, political dysfunction has undermined timely and productive budgetary planning for FY 2015 and beyond. To date, the Congress has failed to enact a comprehensive deficit-reduction plan that will extend beyond FY 2015. The Budget Control Act of 2011 (the BCA) was enacted to avert a default on Federal debt obligations, and it reduced discretionary spending levels by approximately \$1 trillion through FY 2021. Because the Joint Select Committee on Deficit Reduction did not succeed in recommending legislation providing an additional \$1.2 trillion in deficit reduction, the law required that further savings be sequestered in FY 2013. The Bipartisan Budget Agreement of 2013 (the BBA) amended the BCA to provide welcome relief from sequestration in FY 2014 and FY 2015. However, current law still mandates that, absent further agreement to the contrary, additional savings will be sequestered from the national defense budget function from FY 2016 through FY 2021. Sequestration was designed as a forcing mechanism for an agreement on a balanced, long-term, deficit-reduction

plan. Sequester has failed to produce the intended results, and it no longer makes sense to rely on it as a motivator. The costs to the Federal system and to the American economy are too great.

Sequestration wreaked havoc on the Federal budget in FY 2013, and it threatens to do so again as of FY 2016. Automatic, indiscriminate cuts would again be applied to a wide variety of discretionary spending programs, forestalling the sound planning needed for prudent and meaningful investments in national security, the workforce, transportation, infrastructure, education, health care, public safety, housing, innovation, small business development, and many other facets of enduring national strength. We cannot afford to sacrifice wholly any of these vital interests when budgeting for our future.

Even the prospect of sequestration is disruptive to regular order and to the congressional budget cycle, and it fosters damaging uncertainty. Uncertainties over future Army, Army National Guard, and Marine Corps end strength totals, the number of serviceable Navy aircraft carriers, other major weapon system procurements, and combat unit readiness are just a few defense-related examples of the numerous disruptive effects that the congressional failure to enact a comprehensive, deficit-reduction solution continues to impart on governmental operations. Moreover, short-term remedies, like the BBA, only suspend the prospect of sequestration, perpetuate disorder and uncertainty, and debilitate vital planning efforts.

The Congress must eliminate the threat of sequestration to: dispel uncertainty, empower economic recovery, enable the passage of appropriations legislation within a clear discretionary spending budget, and grant the legislative and executive branches of government the flexibility needed to identify and implement savings in a responsible and deliberate manner. The Congress must then pass a comprehensive, long-term, deficit-reduction plan to solve the country's fiscal challenges and to promote national security, economic stability, and the continued growth and prosperity of the United States. Deficit-reduction goals cannot be effectuated through cuts alone. The keys to this solution are increased revenues and changes in mandatory spending. The Congress must, therefore, establish a manageable, long-term, discretionary spending plan that advances national interests on a broad front.

Budgeting in a tough economic climate demands diligence and decisiveness. Regular order allows the Congress to work closely with Federal agencies in making difficult choices and in building a discretionary spending plan that targets savings and maximizes efficiencies, while maintaining effectiveness.

The President's base budget request for FY 2015 contains approximately \$521.3 billion in discretionary budget authority and roughly \$8.2 billion in mandatory budget authority for the national defense budget function. Of the discretionary budget authority: \$495.6 billion is apportioned to the Department of Defense for military activities; \$18.0 billion is allotted to the Department of Energy for atomic energy defense activities; and \$7.7 billion is reserved for other defense-related activities. The President's budget request also includes \$79.4 billion in discretionary budget authority to support continuing overseas contingency operations.

The President's budget request also includes an "Opportunity, Growth, and Security Initiative" that would provide an additional \$28 billion for the national defense budget function

in FY 2015. This proposal is deficit neutral, as it is offset by a balanced package of spending reductions and tax reforms. The President's proposal would reinvest the \$28 billion into: the research, development, and procurement of key weapon system modernization programs; additional training, maintenance, and support for military readiness restoration efforts; human capital and infrastructure to augment the safety, reliability, and effectiveness of the nuclear weapons stockpile; and military construction and base facility improvement projects. The President's budget request also supports national defense spending levels that are roughly \$209 billion dollars over sequestered spending levels through FY 2024. These projections support the executive branch's current strategic guidance, and we should endorse them.

Our duty to responsibly manage national security risks demands that we seriously consider incorporating the President's Opportunity, Growth, and Security Initiative into the defense budget for FY 2015 and that we remove the threat of sequestration from affecting plans and priorities in the out years. Moreover, bolstering the achievement of defense priorities alone would be insufficient. The Opportunity, Growth, and Security Initiative also provides \$28 billion in deficit-neutral discretionary funding to other important Federal spending priorities, including homeland security and law enforcement preparedness and emergency response capacities, veterans' services, and foreign assistance programs. We should support these national investments as well. National security involves much more than defense.

As we strive to reduce deficit spending, to pay down the national debt, to create employment opportunities, and to empower economic performance, we ask that the national defense budget function allocation for FY 2015 provide resources sufficient for ensuring strategic national security priorities. We support the President's proposed defense budget, because it is predicated on strategic priorities. Our committees' adjustments to it must be discriminate and justified, and they must follow the same principle.

Thank you for your consideration of these alternative views and estimates. We look forward to working closely with you and with your colleagues on the Budget Committee in crafting a budget that responsibly addresses our national defense needs.

Sincerely,

Adam Smith
Ranking Member

cc: The Honorable Chris Van Hollen

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March 24, 2014

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The Honorable Paul Ryan
Chairman, Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Ryan:

Thank you for the opportunity to submit my views regarding the President's budget for fiscal year 2015.

Because of Congress' failure to act, our nation's defense spending has declined at an alarming rate due to sequestration and the Budget Control Act. We now must find a bipartisan and balanced approach to both reducing our nation's spending and increasing revenues so that we can end the thoughtless, across the board cuts that have imperiled our national security.

Across the nation, our military faces training disruptions, cuts in flying hours and inactivation of entire brigades. My home district also faces the loss of critical assets under the President's proposed budget, which calls for the divestment of the A-10 Thunderbolt II, also known as the Warthog.

The A-10 is unsurpassed in its ability to provide close-air combat support for service members on the ground. It is solid, rugged, reliable and inexpensive to maintain. It flies low and slow, providing unique and punishing firepower at extremely close distances. It can take off and land in austere environments, take incoming fire in the hottest of battlefields and live to fight another day.

The estimated savings from the divestment of the A-10 fleet are small compared to the budgetary cuts sequestration demands of the Air Force. While I sympathize with the tough choices the Department of Defense must make, to increase the risks to our ground troops without significant budgetary savings and a viable replacement on hand is just as reckless as the larger defense spending cuts we have generated over the course of the last few years.

Over the last few years, the Congress has invested significant resources to modernize the A-10 fleet – including re-wiring the entire fleet and installing new cockpit displays, advanced targeting pods, threat countermeasures and digital data links. If the Air Force were to follow through on its plan to divest the A-10, it would represent an irresponsible waste of tax dollars that have already been spent to modernize the airframe.

I look forward to working with you and our colleagues on both sides of the House and Senate to come up with a solution to our fiscal needs so that we can meet the future threats to our national security and homeland.

Thank you for your consideration.

Sincerely,



RON BARBER
Member of Congress

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March 25, 2014

The Honorable Paul Ryan
 Chairman
 Committee on the Budget
 309 Cannon House Office Building
 Washington, D.C. 20515

Dear Chairman Ryan:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and clause 4(f) of House Rule X, enclosed please find the Budget Views and Estimates for Fiscal Year 2015 of the Committee on Education and the Workforce, with minority views and estimates attached.

Should you have any questions, please contact me at your convenience.

Sincerely,


 John Kline
 Chairman

BUDGET VIEWS AND ESTIMATES FOR FISCAL YEAR 2015**COMMITTEE ON EDUCATION AND THE WORKFORCE****113TH CONGRESS, SECOND SESSION****MARCH 25, 2014**

At the beginning of the 113th Congress, the House Committee on Education and the Workforce pledged to “take concrete steps to reduce waste and duplication within federal programs and policy initiatives.” As it considers the budget for Fiscal Year (FY) 2015, the committee recognizes the progress made over the last 12 months and the need to remain vigilant in our efforts to address the difficult challenges that remain:

- The national debt now stands at more than \$17.4 trillion, more than \$6 trillion of which has been added since President Obama took office in 2009.
- In FY 2014, the federal government is projected to run a deficit of more than \$514 billion.
- Federal debt held by the public is expected to equal 74 percent of GDP by the end of 2014.
- Median household income has decreased by \$3,661 under President Obama, falling from \$55,958 in January 2009 to \$52,297 in December 2013.
- More than 11 million adults have dropped out of the labor force since 2009, while total employment has grown by only 3.6 million.

President Obama has tried to convince the American people that our commitment to strengthening this nation and helping those in need should be judged by the number of programs we create and taxpayer dollars we spend. Yet, despite higher spending, tax hikes, and mountains of debt, millions of families remain trapped in poverty and are searching for work.

In critical areas such as early learning, workforce development, and higher education, the Obama administration’s latest budget proposal aims to make an existing maze of programs even more costly and confusing. Spending more money on broken programs will not provide the support our most vulnerable children, workers, and families desperately need.

Education and workforce policies are vital to the success of our country and the future prosperity of our citizens. We all want to ensure students receive a quality education and workers acquire the skills necessary to compete in today’s workforce. To achieve these goals, we must abandon the status quo and enact meaningful reforms that lay the groundwork for a stronger, more prosperous nation – without piling more debt on future generations.

Throughout the first session of the 113th Congress, the House Education and the Workforce Committee successfully advanced responsible proposals to revamp the nation’s job training system, raise the bar on K-12 education, promote workplace flexibility, and strengthen higher education. In the year ahead, the committee will continue to do its part to work toward a

balanced budget and promote fiscal discipline by curbing wasteful spending, holding the federal bureaucracy accountable, and cutting unnecessary red tape.

EDUCATION PRIORITIES

Along with the Department of Education's budget, the federal government's role in education has grown significantly over the last 35 years. In FY 2014, the department operated more than 100 programs with more than \$67.3 billion in total discretionary funds. Federal education spending has more than quadrupled since 1980, yet student achievement levels largely remain flat. Clearly, more money is not the answer.

Instead of working with Congress to address the problems in our education system, the Obama administration continues to bypass the legislative process in favor of creating new programs and initiatives that coerce states, school districts, and higher education institutions to adopt the president's preferred reforms. This heavy-handed approach has expanded federal control and raised serious questions about what the future could hold for our schools. It is time to shrink the federal role in education; end wasteful, inefficient, and unauthorized spending to help balance the federal budget; and limit burdensome regulations imposed on states and schools.

The committee respectfully offers the following recommendations for consideration by the Committee on the Budget as it prepares its FY 2015 budget resolution:

Empowering State and Local Education Reform

Across the country, state and local leaders are promoting innovative solutions to raise achievement and foster school and teacher accountability to ensure students have the skills necessary to graduate high school. The committee believes the federal government should reduce its interference in the day-to-day operations of our elementary and secondary schools and grant education reformers the flexibility to succeed.

Despite the president's rhetoric, his actions perpetuate more of the same top-down approach to education reform that has proven unsuccessful for students and families. In his attempt to use executive fiat to rewrite the *No Child Left Behind Act* (NCLB) through conditional waivers, President Obama replaced one set of federal mandates with another that forces states to adopt the administration's preferred education reforms in exchange for uncertain and temporary relief. The committee wants to encourage innovation by freeing all states and school districts from the overly-prescriptive requirements under current federal K-12 law. To this end, the committee continues to work aggressively to reauthorize the *Elementary and Secondary Education Act* (ESEA) in a way that removes the barriers to critical state- and locally-led reform efforts. The committee calls on the president and Senate Democrats to work with us to empower parents and provide real flexibility to state and local leaders.

Reforming Elementary and Secondary Education

When signed into law 12 years ago, NCLB was heralded as a game changer for public education policy. While it was an important step toward providing student achievement data to parents, the law now desperately needs reform. Recognizing the shortfalls of current law, many states have taken matters into their own hands. At the behest of parents, teachers, and principals, reform-minded individuals are working to expand transparency, modify outdated teacher tenure practices, provide additional choice options to students trapped in low-performing schools, and enhance accountability for student achievement at the state and local level. The results have been impressive: states have narrowed student achievement gaps, engaged parents, and improved student learning without federal intervention.

The committee supports federal efforts that help state and local leaders reform our nation's broken education system. However, instead of continuing the administration's waiver scheme or supporting new programs that call for a more intrusive federal role in education, the committee passed legislation last July to reauthorize ESEA. H.R. 5, the *Student Success Act*, builds on the exceptional progress being made at the state and local levels, while also including responsible measures to help ensure all students have access to a quality education. The bill focuses on restoring local control, reducing the federal footprint, supporting effective teachers, and empowering parents.

Most importantly, the *Student Success Act* includes responsible funding authorizations for elementary and secondary education programs and rejects the administration's insistence on creating winners and losers in the federal budget. The bill focuses the federal role in education on supporting long-standing programs designed to improve student achievement and teacher effectiveness. The legislation consolidates dozens of programs currently authorized under ESEA into a single Local Academic Flexible Grant to provide states and school districts maximum flexibility in the use of federal aid. Most of the consolidated programs have been found to be duplicative, ineffective, or too small to have a meaningful impact. For example, the Ready-to-Learn program has demonstrated limited benefit for student achievement; the School Leadership program is duplicative of the main Teacher Quality Grants program; and the Physical Education program is duplicative of initiatives administered by the Centers for Disease Control as well as projects and school wellness policies created and funded under the *Child Nutrition Act*.

In addition, the *Student Success Act* does not authorize funds for Obama administration priorities like Race to the Top, Investing in Innovation, School Improvement Grants (SIG), or Promise Neighborhoods. The SIG program is a particularly egregious example of misplaced priorities. Recent data from the Department of Education show decidedly mixed results for the taxpayers' \$5 billion investment in the program, with one-third of recipient schools actually performing worse than they did prior to receiving funds. For those schools that performed better, most of the improvements were modest. The committee believes Congress should fulfill its current commitments to federal education initiatives before creating new programs and mandates. The committee urges the Committee on the Budget to reject the administration's approach to public education and incorporate into the budget resolution our efforts to streamline federal K-12 education programs and provide funding flexibility to states and school districts.

Supporting Effective Teachers

The Obama administration's FY 2015 budget proposal continues to push for irresponsible and disconnected teacher effectiveness initiatives by again requesting a significant increase in funding for new and existing teacher quality programs. The request seeks new funding for professional development on the use of technology and data, and repeats the inclusion of a new \$5 billion mandatory program to support efforts to improve the educator profession. These new initiatives are in addition to the 82 existing teacher quality programs identified by the Government Accountability Office (GAO) in its 2011 report entitled, "Teacher Quality: Proliferation of Programs Complicates Federal Efforts to Invest Dollars Effectively." The report found the federal government spent more than \$4 billion to administer these programs across 10 federal agencies. Many of the programs shared similar goals and had limited benefit.

The *Student Success Act* rejects the administration's irresponsible teacher proposals. The bill consolidates many existing teacher quality programs into a single Teacher and School Leader Flexible Grant, allowing states and school districts to support a variety of innovative and proven teacher effectiveness strategies. The legislation encourages the private sector, including for- and non-profit entities, and colleges and universities to partner with school districts to drive improvements and innovation in the teaching profession.

The *Student Success Act* also eliminates the onerous Highly Qualified Teacher (HQT) requirement, which is an enormous burden on states and districts and tells superintendents, teachers, and parents very little about teacher effectiveness. Instead, the bill supports state and local official efforts to develop and implement teacher and school leader evaluation systems that provide parents the information necessary to make decisions about their children's education.

Parents know the best teachers are those who keep students motivated and challenged in the classroom. The committee urges the Committee on the Budget to reject the administration's approach to teacher quality and incorporate our efforts to promote effective teachers, innovation, and improved classroom instruction into the budget resolution. In addition, the committee believes additional savings can be realized through a more coordinated effort to consolidate teacher quality programs across congressional committees.

Supporting STEM Education Programs Responsibly

A January 2012 GAO report found that in FY 2010, 13 federal agencies invested more than \$3 billion in 209 programs designed to increase knowledge of science, technology, engineering, and math (STEM) fields and encourage attainment of STEM degrees. Eighty-three percent of the programs overlapped to some degree with at least one other program, and fewer than half of the programs surveyed indicated they coordinated with other agencies. GAO also found opportunities to enhance coordination, align government-wide efforts, and improve efficient use of limited resources through program consolidation and reduced administrative costs.

A robust education system with a more coordinated focus on increasing the number of elementary and secondary students and college graduates interested and employed in the STEM fields is essential to the nation's economic competitiveness. Because of this, the committee urges

the Committee on the Budget to examine ways to eliminate and consolidate STEM programs across congressional committees to better coordinate federal efforts to educate and train students for the jobs of the future.

Making Special Education a Priority

In 1975 Congress passed the *Individuals with Disabilities Education Act* (IDEA) and committed to pay states up to 40 percent of the average per-pupil expenditure to educate students with disabilities in the nation's public schools. To date, Congress has not come close to meeting this funding commitment. The Obama administration's FY 2015 budget proposal includes only \$11.5 billion for the Grants to States (Part B) program, almost the same as the previous fiscal year. If this funding level is enacted, it will likely reduce the federal government's contribution to less than 15 percent of the national average per-pupil expenditure. The committee firmly believes the federal government must keep the commitment it made to states, school districts, parents, and students with disabilities to assist with special education costs.

The committee recognizes current budgetary constraints make it difficult to fully-fund IDEA. However, the administration's ongoing proposals to reduce the IDEA funding contribution in favor of advancing new, untested programs are extremely alarming. This failure to fulfill our most basic obligation to students only exacerbates ongoing budget challenges at the state and local level; funds that could support important upgrades to technology in classrooms, expanded early learning opportunities, or many other valuable state and local initiatives are instead used to fill the special education gap.

We must stop wasting taxpayer dollars on new and ineffective programs and instead work toward meeting our commitment to support students with disabilities and ensure these students are prepared for success after high school. The committee strongly urges the Committee on the Budget to redirect any savings generated from eliminating unnecessary and wasteful education spending to IDEA Part B in order to significantly increase the federal government's contribution toward special education costs.

Continuing the Successful D.C. Opportunity Scholarship Program

The committee continues to support expanded school choice options that allow parents to select the best school for their child. The D.C. Opportunity Scholarship program, created almost a decade ago, has allowed thousands of students in the District of Columbia to attend a high-performing private school of their choice. If not for this critical program, more than 85 percent of students who receive scholarships would otherwise be forced to attend some of the district's lowest-performing schools.

In 2011 Congress enacted the *Scholarships for Opportunity and Results Act* to reauthorize and improve the D.C. Opportunity Scholarship program. Among its provisions, the bill increased the limits on scholarships to ensure students could access additional schools, especially high schools. Unfortunately, even though the president chooses to exercise private school choice for his children, the Obama administration's FY 2015 budget proposal would deny the same opportunities for low-income families in the nation's capital. The committee strongly supports

funding for the D.C. Opportunity Scholarship program to help families in the District of Columbia access quality education options for their children. The committee urges the Committee on the Budget to demonstrate in the budget support for this important educational choice for parents.

Supporting Impact Aid

The Obama administration's budget once again proposes to eliminate funding for the Impact Aid Payments for Federal Property program. This program provides funding to compensate school districts for the loss of property tax revenue due to the presence of federal lands that cannot be taxed. H.R. 5, the *Student Success Act*, recognizes the federal government's responsibility to compensate districts when federal land ownership restricts communities' ability to generate revenue to finance education. The legislation reauthorizes and strengthens all existing Impact Aid programs and improves the formula by which school district allotments are determined in the Payments for Federal Property program. It makes permanent language included in the FY 2013 *National Defense Authorization Act* to ensure these districts receive a fair share of funds for federal land within their boundaries. These funds are critical to enabling these districts to provide students with a quality education.

Expanding College Access and Promoting College Affordability

For almost 50 years, the federal government has supported students' ability to select the college or university that best suits their postsecondary education needs. The diversity of the more than 6,000 higher education institutions participating in federal student aid programs is vital to the strength of the nation's postsecondary system.

Colleges and universities now enroll a majority of non-traditional students (those beyond the traditional 18-to-22 year-old high school graduate), many of whom are workers eager to quickly gain the necessary knowledge and skills to excel in the workplace. Additionally, these students, along with their traditional college-aged counterparts, have become more cost-conscious as news stories continue to highlight the growing cost of college and the perils of excessive student loan debt.

In preparation for the reauthorization of the *Higher Education Act* (HEA), the committee held more than a dozen hearings examining a variety of higher education issues. The hearings will inform the committee's comprehensive reauthorization legislation, which will adhere to the following principles:

- Empowering students as consumers in higher education;
- Simplifying and improving student aid and loan programs;
- Increasing college accessibility, affordability, and completion;
- Encouraging institutions of higher education to reduce costs;
- Promoting innovation to improve access to and delivery of higher education; and
- Balancing the need for accountability with the burden of federal requirements.

Simplifying Federal Student Aid Programs

The committee supports efforts to simplify, streamline, and improve federal student aid programs. The committee championed H.R. 1911, the *Smarter Solutions for Students Act*, legislation to prevent Washington politicians from setting student loan interest rates and tie all federal student loans (except Perkins Loans) to a market-based rate. In its ongoing series of hearings, the committee has heard from numerous experts that additional efforts to streamline all federal loan and grant programs into one loan and one grant may help students and families more easily navigate the federal financial aid system. Many students, particularly first-generation and low-income, are bogged down with the complexity of the current system, which ultimately deters them from accessing the aid that will make college an affordable reality.

Simplifying and improving student loan repayment options will also help borrowers manage and repay their debt after graduation. Currently, there are nine repayment options for federal student loans, three of which are income-driven. The administration's FY 2015 budget request includes a number of reforms to dramatically expand the Pay As You Earn (PAYE) program, an income-driven repayment option for struggling borrowers. Though the committee remains concerned about loan forgiveness provisions in PAYE, the committee commends the administration for working to simplify repayment options for students and hopes that the proposal will lay the foundation for successful cooperation during reauthorization of the *Higher Education Act*.

While simplifying federal student aid seems to be a shared goal of federal, state, and local policymakers, the committee is concerned the administration's FY 2015 budget proposal may complicate the nation's financial assistance programs by creating new and unnecessary higher education programs, such as the new State Higher Education Performance Fund and the new College Opportunity and Graduation Bonus. Instead of taking a piecemeal approach to reforming student aid programs, the committee will continue its comprehensive examination of possible changes through the reauthorization of the *Higher Education Act*. The committee urges the Committee on the Budget to provide an adequate mandatory spending allocation that will support efforts to ensure the stability of student aid for future generations while streamlining multiple grant and loan programs and promoting simplification for students, families, and institutions.

Promoting College Accessibility and Affordability

The federal government plays an important role in ensuring students and families have access to the information necessary to choose the college or university that meets their unique needs. Unfortunately, the amount of information institutions of higher education are required to disclose to the public and report to the Department of Education has grown exponentially over the last decade, with limited evidence of its value. Additionally, current federal regulations require institutions of higher education to disclose information on a number of data points using different methodologies, creating a fractured and confusing display of information.

The committee believes the federal government should better coordinate efforts to streamline higher education data collection requirements, thereby reducing confusion for students and curbing compliance costs for institutions. Last year the House passed H.R. 1949, the *Improving*

Postsecondary Education Data for Students Act, which directs the Secretary of Education to convene an advisory committee to conduct a study on the information students and their families have, want, and need when researching their postsecondary education options. The committee intends to continue evaluating all available consumer information to highlight the most useful data points and eliminate data elements that are unnecessary, unhelpful, or overly burdensome.

The committee is deeply concerned about the college ratings system currently under development by the Department of Education. The rating system will attempt to compare colleges based access, affordability, and students outcomes. The administration will then push for legislation that will tie federal financial aid to these ratings by the 2018-2019 academic year. While the committee supports the goal of increased transparency, it does not believe it is the role of the federal government to impose a one-size-fits-all formula on our nation's higher education system. The rating system will unfairly judge our nation's diverse colleges and universities, restrict consumer choice, confuse families, and limit postsecondary options for low- and middle-income students.

The administration's FY 2015 budget proposes to expand the Perkins Loan program to reward colleges that keep tuition low and enroll high numbers of Pell-eligible students. Rising tuition and fees are a significant problem in the nation's higher education system; however, the committee believes tying student aid eligibility to federal cost controls will only limit choice and opportunity in postsecondary education. A different approach – centered on competition and transparency rather than using the heavy hand of the federal government – is needed to help reduce college costs. State and institutions also have a shared responsibility to help students access a quality education at an affordable price.

In recent years, the Department of Education has churned out several packages of so-called “program integrity” regulations with little regard for the true implications and costs for higher education institutions. Last year, the committee passed H.R. 2637, the *Supporting Academic Freedom through Regulatory Relief Act*, to repeal the three particularly troubling federal regulations: the credit hour, state authorization, and gainful employment regulations. Rather than continuing to push these burdensome and inflexible regulations, the committee urges the administration to work with Congress to promote state and institutional innovation, such as the use of competency-based education and performance-based funding.

Putting Pell Grants on a Path to Stability

The Pell Grant program is the foundation of our nation's commitment to help low-income students access higher education. However, the program remains on an unsustainable path. Even after enacting a number of short-term fixes through the *Budget Control Act* (BCA) and reducing student eligibility through the FY 2012 *Consolidated Appropriations Act*, the annual program costs for Pell Grants continue to grow. From FY 2006 to FY 2014, the Congressional Budget Office (CBO) noted discretionary program costs increased from \$12.8 billion to \$26.6 billion. From FY 2015 to FY 2024, the agency estimates discretionary program costs are expected to grow from \$26.9 billion to \$31.4 billion. When mandatory funding is included, expected program costs jump from \$31.8 billion in FY 2014 to \$40.2 billion in FY 2024.

Although a recent CBO estimate showed a temporary surplus in the program for FY 2015 because of revisions to previous estimates and one-time funding included in the BCA, the program is expected to experience a \$1 billion funding gap in FY 2016. This funding gap is predicted to grow in the coming years, even if Congress continues to provide historically-high appropriations for the Pell Grant program. Instead of making tough choices about the future of Pell Grants, the Obama administration's FY 2015 budget continues to exacerbate the problem. The committee urges the Committee on the Budget to continue its work to put the Pell Grant program back on the path to long-term stability, helping millions of low-income students pursue the dream of a postsecondary education.

Assessing the True Taxpayer Costs for Student Loans

The committee believes budget gimmicks have masked the true cost of federal student loan programs for decades, and commends the Committee on the Budget for its recent passage of H.R. 1872, the *Budget and Accounting Transparency Act*. This important legislation requires the federal government to use fair value accounting and scoring to more clearly illustrate taxpayer costs associated with federal student loan programs. Congress has seen how CBO estimates are affected by taking market risk into account. Not only did the alleged "savings" from eliminating the Federal Family Education Loan (FFEL) program decrease dramatically, but the purported savings garnered from the administration's FY 2012 budget proposal to convert FFEL loans to Direct Loans shrank by approximately \$550 million. In addition, the savings from the administration's budget proposals to expand the Perkins Loan program and bring it onto the government's books vanished entirely.

The committee agrees incorporating market risk, as was done in assessing the costs of the Troubled Asset Relief Program (TARP), is a more accurate and fiscally responsible way to account for the government's liabilities in programs such as the Federal Direct Loan program. The committee urges the Committee on the Budget to support language that will ensure market risk is incorporated into future budgetary estimates.

Improving Early Childhood Education Programs

The federal government currently administers 45 programs tied to early childhood care and development. In a January 2014 analysis, GAO noted these programs are housed in multiple agencies and amount to at least \$14.2 billion in taxpayer funds.

One of the largest early childhood education programs is Head Start, which provides grants directly to organizations, school districts, and other community-based entities to promote school readiness in low-income children from birth to age five. Though the federal government dedicates \$8 billion to the program annually, Head Start is not improving the kindergarten readiness of low-income children. The Department of Health and Human Services' (HHS) 2010 Head Start Impact Study showed the program had little to no benefit for improving cognitive, social-emotional, health, or parenting practices of its participants, and any benefits that may have accrued while a child is in the program had dissipated by the time he or she reached first grade. The Third Grade Follow-Up to the Head Start Impact Study released in December 2012 found similar results: the few benefits achieved by children enrolled in Head Start were no longer

present by the end of third grade. The committee believes the proliferation of overlapping programs and lack of sustained program results in the early childhood sector are a disservice to hardworking taxpayers and, more importantly, vulnerable children.

In the administration's FY 2015 budget proposal, the president again calls for the creation of new early childhood programs and the expansion of existing services for low- and moderate-income children under the age of five. The key piece of the proposal is \$75 billion in mandatory funds over 10 years for a universal preschool program that would provide funds to states to support access to high-quality preschool for all four-year-olds from low- and moderate-income families and encourage states to expand preschool services to families of all incomes. The proposal would also direct HHS to convert Head Start slots for four-year-olds into Early Head Start slots for children ages three and under. This would be a dramatic shift in the statutory purpose of Head Start, redirecting much of the program's focus to serving infants and toddlers.

The administration's budget proposal includes \$500 million, double the amount received in FY 2014, for a second round of Preschool Development Grants in the base budget and an additional \$250 million under the Opportunity, Growth, and Security Initiative. The Preschool Development Grants would go to states and local entities to help enhance existing programs to prepare for the adoption of the Preschool for All program. For the second year in a row, the budget proposal also includes additional early childhood proposals under HHS, including \$1.5 billion in funding for a second round of Early Head Start-Child Care partnerships.

Instead of creating new, unproven initiatives that will promote further fragmentation of the nation's early childhood system, the committee will focus on strengthening existing early education and care programs, such as Head Start and the Child Care and Development Block Grants. The committee's priorities include promoting parental choice through access to high-quality care and transparent consumer information; streamlining and simplifying the fragmented federal role in early childhood education and care; maintaining program integrity while ensuring program efficiency; serving the most at-risk children first; and supporting states' efforts to coordinate early childhood programs. The committee urges the Committee on the Budget to reject the president's approach to early childhood education and support our efforts to streamline and strengthen existing programs to better serve low-income children.

Enhancing Career and Technical Education

The Bureau of Labor Statistics (BLS) recently reported more than 3.5 million Americans between the ages of 16 and 24 are looking for jobs. The committee believes strengthening career and technical education programs funded through the *Carl D. Perkins Career and Technical Education Act (Perkins Act)* can help more of these young people gain an edge in the workforce.

The Obama administration's FY 2015 budget proposes reforms to the *Perkins Act*, such as linking more programs of study to in-demand industries, that the committee will consider as part of its efforts to reauthorize the law. However, the budget proposal would also redirect \$100 million from state grants to a new national competitive program and an additional \$150 million for school districts that are redesigning high schools to focus on transitioning students to postsecondary education and careers. Given limited federal resources, the committee urges the

Committee on the Budget to reject the administration's request for these new programs, and instead to work with us to strengthen the *Perkins Act* and prepare students for the 21st century workforce.

Race to the Top

The administration's budget request again expands the Race to the Top program, a slush fund operated at the sole discretion of the Secretary of Education to coerce states and school districts into implementing its preferred policies. Previous iterations of Race to the Top have resulted in well-documented implementation struggles for states and school districts. For example, a recent audit of the original Race to the Top State Grants by the Department of Education's Inspector General found that every state missed original implementation deadlines for nearly half the projects funded by the grant, and two states experienced delays in nearly 80 percent of their projects.

Despite these struggles, the administration's FY 2015 budget proposal includes yet another iteration of the program to support initiatives meant to increase education equity. Education equity is a shared goal, but the administration's proposal is likely to negatively affect a wide array of state and local policies. In addition to improperly expanding the federal government's role in education, the proposal will undercut efforts underway at the state and local levels to address equity challenges. Given limited federal resources and the unproven track record of national competitions, the committee urges the Committee on the Budget to reject the administration's request for a new round of Race to the Top, and instead maintain its commitment to long-standing education and financial assistance programs.

Ensuring Quality Child Nutrition

Programs under the *Child Nutrition Act* are designed to combat hunger and poor nutrition among low-income children and families. According to the Congressional Research Service (CRS), federally-supported nutrition programs reach more than 40 million children and two million lower-income expectant and new mothers daily. In 2010, Congress passed the *Healthy, Hunger-Free Kids Act*, which updated and extended these programs. However, the legislation also opened the door to federal micromanagement of school lunches, breakfasts, suppers, snacks, and other food sold on school campuses. The committee believes the regulatory agenda coming from the Department of Agriculture through the new school nutrition standards and competitive foods rules is overly burdensome, costly, and difficult to implement.

Recently GAO released a report highlighting the challenges elementary and secondary schools face implementing the new regulations. The report found student participation in the program decreased and departmental guidance has been confusing and too voluminous for schools. While the department has acknowledged the need for additional flexibility on grain and protein portion sizes, more must be done. During the recent appropriations process, Congress directed the secretary of agriculture to develop a waiver process for school districts struggling with the costs of implementing the nutrition requirements. The committee will work to reduce the cost and burden of new federal requirements as it begins the reauthorization of the *Child Nutrition Act*. The committee encourages the Committee on the Budget to provide a mandatory spending

allocation sufficient to properly reauthorize the federal school meal programs and reverse the costly regulations.

WORKFORCE PRIORITIES

Workers seeking job opportunities continue to face significant challenges. Though the overall unemployment rate has improved over the past year, the percentage of eligible people participating in the workforce has reached lows not seen since the Carter administration. More than 7 million Americans are confined to part-time work instead of full-time employment, and more than 10 million remain unemployed. It is clear the policies promoted by the Obama administration have failed America's families.

Instead of changing course, the Obama administration's FY 2015 budget proposal supports more of the same. The American people can no longer afford to invest in the president's failed agenda. The committee is promoting policies to help job seekers gain skills for a growing economy by streamlining job training programs. The committee is also continuing its work to maintain workplace democracy, protect retirement security, and ensure workers have safe and healthy working conditions. Finally, the committee will continue to closely examine the administration's regulatory proposals and conduct robust oversight on its implementation of federal programs.

The committee respectfully offers the following for consideration by the Committee on the Budget as it prepares its FY 2015 budget resolution:

Improving our Nation's Workforce Development System

Since 2011 the GAO has issued five reports highlighting challenges within the federal workforce investment system. The reports have focused on reviewing the large number of federally-administered job training programs that are duplicative and overlapping; difficulties the system has in matching workers with in-demand jobs; and poor data collection and reporting among federal, state, and local governments administering such programs.

These inefficiencies and lack of accountability within the federal workforce development system are not new. Since the *Workforce Investment Act* was last reauthorized in 1998, the committee has held numerous hearings and heard from dozens of witnesses echoing similar findings. But instead of reforming our nation's employment and training system, the administration's FY 2015 budget proposes adding new and duplicative programs, such as a \$3.7 billion New Career Pathways program, a \$4 billion Back to Work Partnerships program, a \$2 billion Bridge to Work program, a \$2.5 billion Summer Jobs Plus program, a \$6 billion Community College Job-Driven Training fund, and a \$15 million Sectors Strategies program.

While these new programs are well-intentioned, our nation is already investing billions of dollars through the *Workforce Investment Act* to do similar activities. In addition, when the government layers new programs on top of old, it creates administrative inefficiencies at the federal, state, and local levels, and creates confusion for job seekers struggling to access the services necessary to find and retain a job. In fact, President Obama acknowledged this directly during his 2014

State of the Union address when he called on Congress to “concentrate funding on proven programs that connect more ready-to-work Americans with ready-to-be-filled jobs.” Worse, the administration’s budget proposal ignores the important work conducted by GAO and repeats the proposal included in the president’s January 2014 State of the Union address that asks the vice president to conduct yet another study of our nation’s workforce development system. The time for study is over; the time to act is now.

More than a year ago, the House passed H.R. 803, the *Supporting Knowledge and Investing in Lifelong Skills (SKILLS) Act*, to create a more dynamic, effective, and accountable workforce development system. The committee urges the Committee on the Budget to reject the administration’s approach to job training and incorporate into its budget resolution the *SKILLS Act*. More money to pay for new workforce programs does not constitute reform; it merely doubles down on the failed policies of the past.

Protecting Workplace Democracy

The committee is deeply concerned the Obama administration continues to advance an activist agenda for its special interest supporters, while failing to recognize this agenda is detrimental to workers and employers. Since 2009 the administration’s policies concerning the relationship between labor and management have not only encroached on the rights of workers to choose whether to join a union, but also on the ability of businesses of all sizes to grow and hire. The committee will continue to examine closely policies proposed by the administration that would deprive workers of the ability to decide whether they are best served being represented by a union.

National Labor Relations Board

The committee is concerned by the activist agenda undertaken by National Labor Relations Board (NLRB). Over the last five years, the NLRB has restricted workers’ right to a secret ballot, expanded concerted activity, and made it more difficult for employees to challenge union representation. It also has changed the test for determining employee bargaining units to allow unions to gerrymander the workplace, reduced neutral employer protection from union attacks, and continued to pursue changes to representational election procedures that will significantly restrict employer free speech and employee free choice. Together, these actions have significantly altered labor-management relations in favor of unions. Undoubtedly, this trend will continue to the detriment of employees and employers. The committee will continue its work to protect employee and employer rights and will oppose the NLRB’s extreme and unprecedented actions by engaging in robust oversight and considering potential legislative options.

Office of Labor-Management Standards

The Department of Labor’s Office of Labor-Management Standards (OLMS) plays a critical role in holding union leadership accountable to those workers who choose to join a union. The committee is concerned that OLMS under the Obama administration has taken action to remove safeguards for workers that promote union transparency and accountability. OLMS has taken steps to redefine “advice” under the section 203 of the Labor-Management Reporting and

Disclosure Act. Since 1963, OLMS has continually exempted employer and labor consultant reporting if the consultant has no direct contact with employees and the employer is free to accept or reject the consultant's advice or materials. Now, OLMS's proposed changes could jeopardize the confidential client-lawyer relationship and employers' fundamental right to counsel. The committee will continue vigorously to promote union transparency and accountability on behalf of workers, conduct aggressive oversight of OLMS, and support measures that improve union transparency and accountability on behalf of workers.

Enhancing Retirement Security

The committee remains dedicated to ensuring American workers have access to voluntary, robust, portable, and secure retirement savings options. The committee believes the best way to achieve this goal is by reducing regulatory impediments for individual retirement savings and ensuring the defined benefit pension system is well-funded and sustainable. The committee will oppose policies that restrict access to financial advice or increase costs for workers and retirees participating in 401(k) plans. The committee will safeguard the defined benefit system by pursuing reforms that increase the ability of multiemployer pension plans to address plan underfunding and protect benefits without requiring taxpayer funds. In addition, the committee will continue to monitor the consequences of recent changes to the defined benefit pension funding rules and the finances of the Pension Benefit Guaranty Corporation (PBGC). Finally, the committee will examine questionable proposals included in the Obama administration's FY 2015 budget – specifically proposals mandating employers create new individual retirement accounts for their workers and providing the PBGC with the authority to determine insurance premiums assessed to defined benefit pension plans. The committee does not agree with these proposals and will consider other policies to safeguard retirement opportunities for workers.

Promoting Policies to Lower Health Care Costs

The committee strongly supports policies that make health care and insurance coverage more affordable for all Americans. However, the committee is alarmed the *Patient Protection and Affordable Care Act* (PPACA), President Obama's signature health care law, is leading to higher health care costs, reduced access, and serious consequences for the nation's economy and workforce.

Approximately 150 million Americans (56 percent of workers) are covered by an employer-provided health benefit plan. Originally, under PPACA's employer mandate, an employer with 50 or more employees would be required to offer government-approved health insurance coverage to its full-time employees or face new tax penalties starting in 2014. Through a series of unilateral actions by the Obama administration, the coverage requirements and implementation dates have been delayed. Now, beginning in 2016, employers with 50 or more full-time equivalent employees must offer affordable health insurance to 95 percent of their full-time employees or face the new tax penalties. Delaying the employer mandate further proves PPACA is a threat to our nation's workplaces. Whether the employer mandate is enforced now or in the future, it will destroy jobs and reduce the take-home pay of working families.

In addition, the committee understands the important role of self-insured health plans in our nation's health care system. In fact, approximately 61 percent of workers covered by an employer-provided benefit plan are in self-insured plans, representing an almost 10 percent increase over the past decade. In the wake of the PPACA, more employers are considering self-insurance as an option in order to maintain affordable, flexible health care coverage. The committee is concerned the Obama administration may be working on a regulatory proposal that would actually discourage participation in the self-insurance market. Workers and employers need more affordable health care options, not fewer.

Whether it is delaying the employer mandate or attempting to offer union health plans relief from the law, the administration is actively picking winners and losers through executive fiat. The committee will continue to hold the administration accountable for its failed policies and advocate commonsense, responsible health care solutions. All Americans deserve a permanent reprieve from this fatally flawed health care law. Ultimately, the committee believes PPACA should be scraped and replaced with responsible reforms the American people can support. The committee will continue to examine provisions of PPACA under the committee's jurisdiction and will consider other policies to lower the costs of health care and health insurance.

Ensuring Equal Employment Opportunity

The committee strongly supports policies that help ensure equal employment opportunity for all workers. To that end, the committee will continue its ongoing examination of the federal government's implementation and enforcement of the *Civil Rights Act of 1964*, the *Equal Pay Act*, and the many other civil rights laws designed to protect individuals from employment discrimination. The committee will continue to conduct oversight of new legally-questionable rules promulgated by the Department of Labor's Office of Federal Contract Compliance Programs (OFCCP) that cause federal contractors to spend more time and resources on new requirements.

The committee also will closely review OFCCP's attempts to expand its jurisdiction to include hospitals and health care providers it erroneously believes to be federal subcontractors. OFCCP has claimed jurisdiction over hospitals that have contractual arrangements with TRICARE and the Federal Employees' Health Benefit Program, and said it may have jurisdiction over Medicare providers. Now, in addition to the significant pressure health care providers already face to reduce costs and streamline administrative procedures, they must also comply with OFCCP requirements. The committee is reviewing current law and plans to consider steps to prevent OFCCP from expanding its jurisdiction to hospitals and health care providers that serve individuals in federal health plans.

The Equal Employment Opportunity Commission (EEOC) revised its guidance on employers' use of criminal background checks in employment decisions in April 2012. The guidance and EEOC's enforcement will likely continue interfering with employers' legitimate use of criminal background checks. EEOC may consider credit information guidance this year (now that the commission has full membership), which could affect certain industries that rely heavily on credit history checks prior to hiring individuals. The committee also is closely monitoring a trend

of courts sanctioning EEOC and ordering it to pay defendants' attorneys' fees for filing frivolous lawsuits and for misconduct during litigation.

The committee plans to examine closely OFCCP's and EEOC's policies and proposals as it continues to support nondiscrimination policies that protect workers and promote private-sector job growth.

Monitoring and Assessing the *Family and Medical Leave Act*

The committee will continue to evaluate regulatory proposals advanced by the Obama administration that could result in increased burdens for job creators, specifically those proposals that would extend requirements under the *Family and Medical Leave Act* beyond those originally determined by Congress. In addition, the committee is aware of and will oppose the administration's plans to expand federal spending on a proposal to create a so-called "State Paid Leave Fund." As it has in years past, the Obama administration's FY 2015 budget proposal includes millions of dollars in new spending at the Department of Labor to create a State Paid Leave Fund to support competitive grants to states that establish paid leave programs. Beyond this proposal's additional expense to taxpayers, there is no clear evidence showing how this fund would result in improved opportunities for job creation and business growth.

Updating the *Fair Labor Standards Act*

The *Fair Labor Standards Act of 1938* (FLSA) is the primary law governing the wages and pay requirements, child labor standards, and recordkeeping requirements for full- and part-time workers employed by businesses and government entities of every shape and size. The committee recognizes that the enforcement of the *FLSA* is critically important to workers and employers and is, therefore, vigilant in its oversight of the Department of Labor's implementation of the law.

The committee believes the *FLSA* should be updated to reflect the demands of the 21st century workforce and stands ready to consider reforms to modernize the law. However, the Obama administration's FY 2015 budget proposal demonstrates a continued interest in promoting compliance through aggressive enforcement, with little or no focus on assisting employers in understanding and abiding by their obligations under the law. Instead, the committee anticipates the department's efforts will burden employers with more paperwork and the threat of litigation. The committee will evaluate the Wage and Hour Division's enforcement activities and regulatory proposals with respect to the employment of independent contractors. The committee also will closely examine efforts to implement the recently finalized regulation on so-called "companionship services" under the *FLSA* and its impact on providers and, importantly, those individuals who rely on these critical services.

Reforming the *Federal Employees' Compensation Act*

The need to modernize the workers' compensation program for federal employees who are injured or become ill on the job is long overdue. The committee will continue its consideration of proposals by the Obama administration to reform the *Federal Employees' Compensation Act*

(FECA). Enacting proposed updates to FECA's benefit structure would result in savings to the program over the next 10 years, while at the same time providing care for injured employees and their families and promoting the process of returning employees to work. During the 112th Congress, the committee led a bipartisan effort to reform FECA. Although this effort led to the bipartisan approval of the *Federal Workers' Compensation Modernization and Improvement Act* in the House, the Senate unfortunately did not consider this or similar legislation. The committee intends to continue its work with the Department of Labor and the Senate to enact legislation to modernize the FECA program.

Enhancing Workplace Health and Safety

The committee recognizes ensuring safe and healthy working conditions is amongst its most important duties. The committee will continue to advocate policies that promote workplace safety, provide workers and employers with assistance in complying with federal safety laws and regulations, encourage proactive workplace safety programs, and ensure proper enforcement of workplace safety laws and regulations. The committee also will continue to monitor closely actions taken by federal workplace safety agencies to ensure they are appropriately enforcing federal laws and regulations to protect workers without causing unnecessary burdens to employers.

Occupational Safety and Health Administration

The committee is concerned that under the auspices of “clarification,” the Occupational Safety and Health Administration (OSHA) is seeking to rewrite many of its regulations and policies, thereby circumventing the statutorily-required rulemaking process. Through the use of non-regulatory guidance, letters of interpretation, and other administrative actions, OSHA has created a legal conundrum that endangers the integrity of its inspection and regulatory processes. In short, OSHA is changing long-standing policies and practices with little notice and without stakeholder input.

As such, the committee will continue to examine OSHA’s use of administrative actions to change its policies and will ensure OSHA proactively seeks out and solicits all stakeholders before launching new programs and initiatives. In addition, the committee will scrutinize closely OSHA’s regulatory actions concerning occupational exposure to crystalline silica.

Mine Safety and Health Administration

The committee will continue examining actions taken by the Mine Safety and Health Administration (MSHA) to help ensure the administration achieves the goal of zero mining fatalities in FY 2015. To that end, the committee intends to assess the extent to which MSHA is utilizing the tools Congress has provided the agency to improve and enhance miner safety. The committee also will scrutinize closely MSHA’s efforts to address concerns that have surfaced regarding the use of refuge chambers, as well as the agency’s efforts to complete rulemaking relating to respirable coal dust.

CONCLUSION

The Committee on Education and the Workforce remains concerned the Obama administration is continuing to advance proposals that will keep effective teachers out of classrooms, limit education innovation, hamper workforce development, and diminish job creation and economic growth. The committee is focused on promoting opportunities for students, workers, and retirees by reforming costly, outdated, and unnecessarily bureaucratic policies. The committee stands ready to work with the Committee on the Budget as it writes its budget for FY 2015.

Minority Views – Budget Views and Estimates for Fiscal Year 2015
Committee on Education and the Workforce
113th Congress, Second Session
March 24, 2014

The Education and the Workforce Committee Democrats urge the Committee on the Budget, in developing its FY 2015 budget resolution, to prioritize an agenda that fosters economic growth, grows and strengthens the middle class, and invests in our nation's long-term competitiveness.

K-12 Education. In today's global, information-driven economy, a strong K-12 education system is vital to maintaining U.S. standing and ensuring our children graduate with the knowledge and skills they need for college or high-paying careers. Committee Democrats remain committed to working on a bipartisan basis toward consensus-driven solutions to reauthorize the Elementary and Secondary Education Act (ESEA). Committee Republicans must abandon their highly partisan and ideologically driven reauthorization approach and work with Committee Democrats to develop a bipartisan ESEA reauthorization bill.

This Congress House Republicans passed a flawed, partisan bill to reauthorize ESEA that would do damage to students and schools. Despite our history of bipartisanship on K-12 education policy, Committee Republicans chose a highly partisan and ideologically-driven ESEA reauthorization approach that, if it became law, would lock in funding cuts and take the country back decades in education. When the Majority opted for partisanship over consensus-driven solutions, they ensured the bill would not be signed by the President, who has called for a bipartisan approach. This leaves the country with an outdated law instead of an updated education system we know our schools, communities, families and nation desperately need. The Obama Administration's waiver process has given states some needed flexibility and driven some reforms among the states. But that patchwork of policies is no substitute for a full ESEA reauthorization. Committee Democrats hope that in the second session of the 113th Congress, Committee Republicans change course and seek out a bipartisan reauthorization of ESEA to modernize the elementary and secondary education system.

Since 1965, the nation has seen marked progress not only in areas of equity and fairness but also in student achievement. Committee Democrats believe that ESEA reauthorization legislation should retain the law's critical focus on civil rights and equity while modernizing the education system. ESEA should set high standards and goals of college and career readiness. It should support a modern assessment system; maintain accountability for *all* students; provide states, districts, and schools with the flexibility to improve schools based on their student, school, and community needs; support a professional environment for teachers and school leaders and provide them with the information and resources necessary to succeed; ensure performance is transparent to parents and communities so that they can participate in their schools and support their success; and support consolidated funding streams for literacy, Science, Technology, Engineering and Mathematics (STEM), a well-rounded education, wrap-around services, and increased learning time. Additionally, ESEA reauthorization should not set arbitrary caps on funding critical investments in education. Nor should the reauthorization abandon a focus on ensuring states and localities maintain their fair share of funding.

To support such an effort, we must continue to focus on the core education programs, including Title I and Title II of ESEA. Additionally, Committee Democrats believe we must fund programs in the most efficient ways and provide districts with increased flexibility to support the needs of their students. Accordingly, we support consolidating funding streams around areas of critical need to create more efficient programs for schools and districts, increased flexibility in how funds are used while providing accountability to taxpayers regarding how funds are spent. This year, Committee Democrats remain committed to reauthorize ESEA, but only in a manner that continues to support equity in education to ensure that all students have the opportunity to succeed. Given the ongoing failure to produce a bipartisan ESEA reauthorization, Committee Democrats support the Department of Education's efforts to provide states with flexibility under No Child Left Behind.

Students with Disabilities. Funding for children with disabilities was negatively impacted under sequestration, with FY 2014 funding for special education more than \$100 million below pre-sequester, FY 2012 levels. Committee Democrats remain committed to meeting the developmental and educational needs of children with disabilities to empower each individual to pursue opportunities for independent living and full integration into society. To meet these needs, Committee Democrats will fight to fully restore sequester cuts, and continue to press for full funding of the Individuals with Disabilities Act (IDEA), which provides schools with resources and support so students with disabilities are held to high standards and gain access to general education curriculum.

Early Childhood. The FY 2014 and 2015 budget agreement recognizes that disadvantaged children are in great need of the proven benefits of quality preschool, child care, and voluntary home visitation – which President Obama and Committee Democrats have proposed to strengthen. The budget agreement authorizes federal appropriations in these areas to be adjusted upward, and the FY 2014 Omnibus did begin such an investment with new funding for a Preschool Development Fund and Early Head Start expansion and child care partnerships. Much more needs to be done, including significant increases for the preschool formula funding for 4-year olds specified in the President's FY 2014 and 2015 budgets, as well as for Head Start and the Child Care and Development Block Grant.

Research is clear on both the short- and long-term positive outcomes of quality preschool programs, including reduction of achievement gaps in elementary and secondary education and significant returns on investment. Yet, even though we know these programs work, most eligible, low-income children lack access to any early childhood program, much less high-quality and affordable ones. Committee Democrats are committed to improving access to high-quality early learning opportunities and hope Committee Republicans take meaningful action on this issue during the second session of the 113th Congress. The Strong Start for America's Children Act (SSACA), introduced by Committee Democrats and a Republican House member in November 2013, would make the President's "Preschool for All" proposal a reality. Although 118 House members, including several Republicans, have cosponsored the bill, Committee Republicans have yet to commit to consider this much-needed proposal.

Meanwhile, business, school, law enforcement, military, and economic leaders have expressed broad consensus that additional strategic investments in early childhood education are essential

to our country's economic growth and military readiness, and have joined the fight for increased federal investments, including endorsing SSACA. Early care and education is clearly a multi-generational strategy, supporting working parents' current child care needs and children's future educational and workforce skills. Despite this widespread consensus and movement in the Senate, the Committee has taken no action on this important policy issue so far this Congress.

Over the past year, our youngest students were significantly impacted under sequestration, including 57,000 low-income children losing Head Start and Early Head Start services.^[1] Another 7,100 Head Start children in six states were thrown out of their classrooms in just the first week of the federal government shutdown last October.^[2]

Although these services were eventually restored, such irresponsible Congressional actions set back the learning and development of these disadvantaged children just when they needed this support the most. These programs are still recovering. Committee Democrats believe strongly that additional strategic investments in early childhood education and child care are essential to these children and their families, our country's economic growth, and even military readiness. Committee Democrats are committed to improving access to high-quality early learning opportunities and we urge Committee Republicans to work with us during this Congress to protect and expand these opportunities.

Child Nutrition. The Committee plays a critical role in the fight against hunger and the childhood obesity epidemic. In the 111th Congress, Committee Democrats spearheaded efforts to address these issues through the enactment of the Healthy, Hunger-Free Kids Act (HHFKA). Democrats continue to believe that food standards are based on nutrition science, not politics.

In contrast to the Majority's mischaracterization of federal micromanaging of school food, recent federal rules are faithfully executing the will of the Congress and the people in setting reasonable, minimal health standards for foods sold to students in public schools, as authorized by the HHFKA. Children have a right access to nutritional meals, snacks and drinks, which research has shown, have a significant impact on their health, behavior and learning. These basic standards have been informed by scientists, experts and practitioners throughout the nation. Federal nutrition law prohibits the standards from being waived^[3], which is why Agriculture Secretary Tom Vilsack appropriately declined to implement a state waiver process that FY 2014 appropriations non-binding report language directed. Committee Republicans should demonstrate their support for students' health and education by joining Committee Democrats in commending this action.

The Committee should also exercise leadership and oppose efforts to infuse politics into what should be science-based nutrition decisions in the Special Supplemental Program for Women, Infants and Children (WIC) package.

^[1] National Head Start Association press release, "National Head Start Association Statement on Effects of Continued Government Shutdown," http://www.nhsa.org/shutdown_affects_november_grantees (October 2013).

^[2] National Head Start Association press release, "Philanthropists Keep Head Start Open During Government Shutdown," http://www.nhsa.org/statement_on_emergency_head_start_funding (October 2013).

^[3] National School Lunch Act, Section 1760 (1)(4)(A) and (J)

Child Safety. The safety of our children at school, on college campuses, or in athletic and other special programs should be the highest priority of this Committee, especially in light of what we have learned from the numerous Democratic-led investigations into child abuse and neglect, which in some instances led to the tragic death of children. Ensuring states and local communities are sufficiently protecting children from maltreatment by removing access to children by violent adults and providing children with safe alternative settings and reunification with supportive caregivers must be prioritized. Committee Democrats remain committed to budget and spending priorities that support federal, state and local capacities to prevent and treat child abuse and neglect, wherever it occurs.

The safety of our children should be of the highest priority for this Committee. Committee Republicans and Committee Democrats worked in a bipartisan manner to pass two child welfare bills in the House in 2013. One of these bills reauthorized the Missing Children’s Assistance Act, which was signed into law by President Obama in September, and the other was the Protecting Students from Sexual and Violent Predators Act, which the House passed in October.

In June 2013, the Department of Health and Human Services (HHS) completed several reports jointly requested by Committee Republicans and Committee Democrats on child abuse prevention and treatment, and in January 2014, the Government Accountability Office (GAO) published a report on gaps in state and local policies to protect children from abuse by school personnel. Yet, Committee Republicans have held no hearings on abusive seclusion and restraint practices in schools, child abuse in residential programs for teens, further prevention of sexual predators in schools and youth athletic programs, and the health risks for student athletes posed by concussions. Additionally, Committee Democrats reintroduced legislation this session to protect student athletes from concussions. Sports-related youth concussions are a growing concern, with recent research estimating 1.6 to 3.8 million injuries occurring each year. The Protecting Student Athletes from Concussions Act would, for the first time, set minimum safety standards for concussion management in public schools across the country with plans that educate students, parents and school personnel about how to recognize and respond to concussions.

Committee Democrats remain committed to ensuring a safe learning environment for every student through appropriate reporting requirements, thorough prevention efforts, and the budgetary priority and appropriations to support those actions. Increased access to school-based mental health services and enactment of common-sense gun violence prevention measures continue to be Democratic priorities to increase student and community safety. Committee Republicans should join this effort.

Higher Education. In the recession, states have slashed higher education funding, causing tuition to increase for millions of students and families. As costs have increased, more students have relied on student loans in order to pay for school. Today, seven in 10 college seniors graduating must take out student loan debt and those who borrow have an average loan debt of \$29,400.^[1] High debt levels have rippling impacts on our economy and borrowers’ lives.

^[1] The Institute for College Access and Success, “Student Debt and the Class of 2012.” December 2013.

Committee Democrats have fought to protect students' ability to obtain an affordable higher education. This year we will continue to fight for a robust Pell Grant program for years to come for the nearly nine million students who would otherwise need to borrow additional loan debt or drop out of college. We will also continue to push for affordable student loans for the millions more who must borrow increasingly burdensome levels of debt just to finance their education. The Federal Reserve Bank of New York's 2013 year-end report noted outstanding student loan balances reported on credit reports increased to \$1.08 trillion, a \$114 billion increase for 2013. About 11.5% of student loan balances are 90 days or more delinquent or in default.^[2] This makes student loans the most troubled type of consumer loan. Additionally, we will work to make sure students have the right information needed to make informed choices about the value of the college they will attend and the way they finance their education through improved consumer information and increased transparency in college financing.

Committee Democrats support efforts to help more students achieve affordable high-quality degrees, certificates and credentials needed to compete in today's marketplace. The increasing cost of higher education continues to be a chief concern for American families; in the past year alone, the average published charges at a four-year public college increased to over \$22,200 a year.^[3] With the Higher Education Act requiring reauthorization by the end of FY2015, Committee Democrats urge the Majority to work with Democrats to address the issues of college cost and affordability.

Jobs. With an unemployment rate of 6.7 percent and those with jobs facing stagnant wages, Committee Democrats will continue to press for legislation that will create new jobs, build career pathways for workers, rethink sector-based workforce development, and strengthen the middle class. In addition to direct job creation legislation like the Local Jobs for America Act, Committee Democrats strongly support investments included in the President's budget to strengthen our workforce and help get unemployed and underemployed Americans get back to work, including the increase in funding for re-employment services, apprenticeship programs, and job training programs such as competitive job training grants.

Reauthorization of the Workforce Investment Act (WIA) presents an opportunity to address some of the significant challenges of the 21st century economy, including how to educate and train America's diverse workforce with the skills required to compete in a global market. To this end, Committee Democrats have introduced the Workforce Investment Act of 2013 (H.R. 798) that updates the current workforce investment system by strengthening accountability measures, streamlining existing programs, and creating new initiatives for innovative practices. The Democratic alternative reflects a commitment to employment opportunities for all workers and a to the career advancement of our nation's most vulnerable and disadvantaged jobseekers.

Regrettably, the Republican proposal, H.R. 803, abandons the federal commitment to job training and shifts responsibility to the states without meaningful accountability. H.R. 803 fails to ensure equitable access to training services for disadvantaged workers and to adequately respond to the economic challenges Americans face. A sustainable growth strategy should aim

^[2] Federal Reserve Bank of New York, "Quarterly Report on Household Debt and Credit." February 2014.

^[3] College Board Advocacy and Policy Center, *available at*: <https://trends.collegeboard.org/college-pricing/figures-tables/average-published-undergraduate-charges-sector-2013-14>

to create new jobs while increasing the supply of highly qualified workers who can meet emerging industry demands. The Republican plan accomplishes neither goal. Congress should reauthorize the Workforce Investment Act with reforms to streamline and increase access to job training, promote innovation, and ensure accountability and transparency in the workforce system.

National Labor Relations Board (NLRB). Committee Democrats strongly support the proposed increase in funding for the NLRB which administers federal labor law for much of the private sector, including enforcing employees' rights to organize and collectively bargain. Workers deserve a voice on the job. Empowering them to bargain for better wages and working conditions is essential for maintaining a strong middle class and a strong democracy. Committee Democrats strongly support the NLRB's re-issued proposed election rules. The rules are a modest attempt to improve a process that has long been open to manipulation, delay and drawn out pre-election maneuvering by some unscrupulous employers. This rule removes some of the unfair obstacles to give workers a fair chance to vote on whether to form a union. Committee Democrats will remain vigilant in overseeing the effective and efficient operation of the NLRB and promoting and strengthening workers' rights.

Wages and Hours. Committee Democrats strongly support the increased funding included in the President's budget for the Department of Labor's Wage and Hour Division (WHD). This increased funding will promote greater compliance with this nation's worker protection laws, help combat worker misclassification and provide for robust enforcement of the Fair Labor Standards Act (FLSA) and the Family and Medical Leave Act (FMLA). This investment will ensure that workers receive appropriate wages, overtime pay, and the right to take job-protected leave for family and medical purposes. Committee Democrats remain committed to increasing the minimum wage and will press for passage of H.R. 1010, which would increase the minimum wage to \$10.10 in three steps, index future increases, and boost wages for tipped employees. Today, a full time minimum wage worker earns roughly only \$15,000 per year. This is unacceptable. No one who works hard and plays by the rules should live in poverty. House Republicans continue to block an up or down vote on raising the minimum wage, despite sustained support across all political affiliations and regions of the country. Committee Democrats strongly support President's Executive Order to increase the minimum wage to \$10.10 for workers on federal contracts as well as his recent commitment to strengthen overtime protections for millions of hard working Americans. Committee Democrats will continue to work with the President to ensure that these issues critical to working families get the much needed attention they deserve.

Mine Safety and Health. Committee Democrats support the increases provided in the President's request to ensure adequate resources for MSHA to meet its statutory mandate to inspect every underground mine four times per year and every surface mine at least twice per year. However, additional funding must be provided to retain funding for the state grants program that was eliminated from the President's budget request. These state grants were authorized in the 1977 Federal Mine Safety and Health Act and are necessary to provide hands-on safety training for all types of mining activity, state mine safety emergency response capability and federal state coordination efforts. MSHA has initiated rulemaking to eliminate black lung disease and fatalities caused by moving equipment. MSHA performs critical duties

that go beyond mandatory inspections, and urges that the budget and appropriations adequately reflect these needs.

Occupational Safety and Health. OSHA's mission is to assure to the extent possible that every working man and woman in the nation have safe and healthful working conditions. Committee Democrats support OSHA's request to provide modest increases in resources for enforcement, compliance assistance to employers and whistleblower programs. However, this budget merely restores OSHA's funding to its pre-sequester levels, and is not sufficient to allow OSHA to conduct an adequate number of inspections at high hazard workplaces, nor is it sufficient to enable OSHA to develop health and safety standards in a timely manner. OSHA is currently developing standards to prevent electrocutions, construction injuries, combustible dust fires and explosions, and to reduce occupational exposure to beryllium, silica, diacetyl and airborne transmissible diseases. OSHA funds 26 state OSHA plans up to 50% through matching funds, which should be increased each year to keep pace with inflation. OSHA's budget provides a necessary increase to reduce the backlog of nearly 2,500 whistleblower complaints, which languish an average of 404 days at the investigation stage.

National Institute for Occupational Safety and Health (NIOSH)/Centers for Disease Control. NIOSH performs critical scientific and technical research to support mine and workplace safety, implements the 9/11-World Trade Center medical monitoring and health care program, and provides scientific support for estimating occupational radiation exposures under the Energy Employees Occupational Illness Compensation Program Act. Committee Democrats are deeply concerned that the agency's successful Agriculture, Fishing and Forestry (AFF) program and the Education Resource Center programs were again eliminated in the budget request without a valid justification, and therefore support the restoration of funding in the FY 2015 budget. Committee Democrats are disappointed that the Centers for Disease Control budget reversed its past commitment to replace the Lake Lynn Experimental Mine, which prior to losing its lease in 2012, was the only mine safety research facility that could simulate full scale gas and coal dust explosions. This research is essential for the development of control technologies and regulations to prevent future mining disasters, such as the Upper Big Branch Mine explosion in 2010. Committee Democrats support funding to restore the three NIOSH activities that have been proposed for elimination.

Federal Mine Safety and Health Review Commission (FMSHRC). FMSHRC is an independent agency that provides administrative and appellate review of disputed mine safety enforcement cases and employee retaliation cases under the Federal Mine Safety and Health Act of 1977. Committee Democrats support FMSHRC's \$17.06 million request, which will allow Administrative Law Judges to continue to reduce the agency's backlog of contested mine safety cases and will enable the five-member Review Commission to reduce extensive delays at the appellate review level.

Federal Employees' Compensation Act. Committee Democrats oppose proposed benefit reductions to the Federal Employees' Compensation Act to the extent that federal and postal workers would be made economically worse off from work-related injuries than if they had not been injured in the first place. Efforts should be focused on ensuring taxpayers interests are fairly protected through program integrity measures recommended by the Government

Accountability Office, modernizing benefit structures, assisting injured workers in returning to work, and ensuring full due process.

DOL's Office of Administrative Law Judges/DOL Departmental Management. The Labor Department's Office of Administrative Law Judges (OALJ) hears and decides cases under the Black Lung Benefits Act, Longshore and Harbor Workers Act, whistleblower statutes, as well as a growing number of appeals of H-2A and H-2B temporary labor certifications. There are so few ALJ's that it takes 429 days just to assign a black lung case to an ALJ, and the average black lung case is expected to take 41 months to resolve in FY 2015. There is a growing backlog of cases and too few judges handling the case load. While Committee Democrats support the proposed \$28.6 million request for OALJ, which is a \$2.9 million increase over the previous year, substantially greater resources are needed to provide timely and fair decisions.

Guest Worker Programs. Committee Democrats are committed to protecting job opportunities for U.S. workers. Employment-based guest worker programs should be sensitive to U.S. unemployment rates. Committee Democrats will work to see that guest worker programs have meaningful labor market tests that ensure U.S. workers have access to all existing job opportunities. In addition, Committee Democrats are committed to ending abuse of foreign guest worker programs and eliminating the adverse effects such abuse has on the terms and conditions of U.S. worker employment.

Health Care. As a result of the Affordable Care Act (ACA), more than 5 million people have enrolled in a federal or state-based health insurance marketplace plan while millions more have secured coverage through Medicaid or their parents' health plan. The law's consumer protections are providing Americans with greater health care security by prohibiting lifetime and annual limits, banning insurance company practices such as charging women more or denying someone coverage because of a pre-existing condition. The ACA is also helping to strengthen employer-sponsored coverage for the more than 150 million workers and their families who get their health insurance through a job. The law provides Americans with greater freedom because they are no longer tied to their employer for their health care. This newfound freedom gives workers greater flexibility in the labor market: they are free to make career decisions, such as changing jobs or starting their own business, without worrying about how they will continue to get health insurance.

Retirement Security. Retirement security remains a critical concern. Over half of Americans do not believe they will have adequate income to retire. The shift from defined benefit pensions to 401(k) type savings accounts that do not guarantee a pension has further exacerbated workers' retirement insecurity. Over half of workers have less than \$32,000 in retirement savings. Committee Democrats support strong protections for workers' retirement funds, and urge the Committee to take additional steps to expand workers' access to adequate retirement income. Democrats urge Committee Republicans to work collaboratively to develop and put forth legislation to strengthen and expand employer-based retirement plans, ensure adequate funding for such plans, and improve the effectiveness of federal programs that guarantee delivery of promised retirement benefits.

Committee Democrats are also concerned that many participants in employer sponsored 401(k) plans who separate from their employer are being encouraged to roll over their funds into individual retirement accounts (IRA), even when that might not be the right option for them. Participants should have access to information to help them make informed choices.

Work and Family. Committee Democrats are committed to strengthening work and family leave protections so that they apply to all workers. Only half of all workers can take advantage of Family Medical Leave Act (FMLA). The rest are ineligible because of their part-time status or the nature of their work. Committee Democrats also believe workers must have access to paid leave so they do not have to choose between their job and paycheck or their families. Committee Democrats strongly support investments made within the President's budget to assist state efforts to expand paid leave. Family-friendly policies benefit both workers and employers.

Civil Rights. Committee Democrats strongly support the efforts of the Department of Labor's Office of Federal Contract Compliance Programs (OFCCP) to strengthen protections and job opportunities for veterans and persons with disabilities. Contracting with the federal government is a privilege, and companies who do business with the federal government should ensure that they are providing equal opportunities for employment as required by our civil rights laws. The additional funding included within the President's budget will help to strengthen efforts to ensure better opportunities for women and minorities and a more diverse workforce, which in turn increases the effectiveness of American businesses and the broader economy.

The Equal Employment Opportunity Commission (EEOC) plays a critical role in promoting equal opportunity in the workplace and enforcing federal laws prohibiting employment discrimination. Committee Democrats believe it is critical that the Commission have the ability to combat discrimination and retaliation in the workplace and protect workers on the job, particularly during these difficult economic times. We will continue to press for workplace nondiscrimination protections for all Americans and the restoration of civil rights protections eroded by the Courts.

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Mark Pocan

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FRED UPTON, MICHIGAN
CHAIRMAN

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RANKING MEMBER

ONE HUNDRED THIRTEENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
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WASHINGTON, DC 20515-6115
Majority (202) 225-2927
Minority (202) 225-3641

March 25, 2014

The Honorable Paul Ryan
Chairman
Committee on the Budget
309 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Ryan:

Pursuant to clause 4(f) of Rule X of the Rules of the House of Representatives and section 301(d) of the Congressional Budget Act of 1974, as amended, I am transmitting the views and estimates of the Committee on Energy and Commerce on the President's budget for fiscal year 2015.

As is the custom of the Committee, the Minority will transmit their views under separate cover.

Should you have any questions about this submission, please direct them to the Committee's General Counsel, Mr. Mike Bloomquist, at extension 5-2927.

Sincerely,

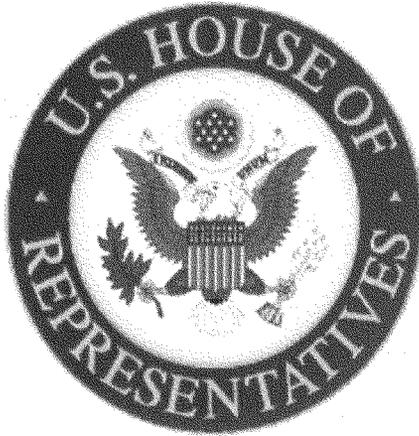


Fred Upton
Chairman

cc: The Honorable Henry A. Waxman, Ranking Member

Attachment

Views and Estimates on the President's Budget For Fiscal Year 2015



Submitted by:

The Honorable Fred Upton, Chairman
Committee on Energy and Commerce
March 25, 2014

Introduction

Clause 4(f) of Rule X of the Rules of the House of Representatives for the 113th Congress and section 301(d) of the Congressional Budget Act of 1974, as amended, require each standing committee of the House to submit to the Committee on the Budget (1) its views and estimates with respect to all matters to be set forth in the Concurrent Resolution on the Budget for the ensuing fiscal year (FY 2015) which are within its jurisdiction or functions, and (2) an estimate of the total amounts of new budget authority and budget outlays resulting therefrom, to be provided or authorized in all bills and resolutions within its jurisdiction which it intends to be effective during that fiscal year.

On March 4, 2014, President Obama submitted to Congress his proposed budget for fiscal year 2015 (the budget). The Committee on the Budget has requested that committees submit their Views and Estimates by March 25, 2014. The following represents the Committee on Energy and Commerce's views and estimates on the President's budget and its requests for additional budget authority beyond the requests contained therein.

Consumer Protection

Federal Trade Commission

The President's FY 2015 budget request proposes two changes to one source of the Federal Trade Commission's (FTC or Commission" funding. First, it proposes to increase the Hart-Scott-Rodino (HSR) premerger notification filing fees by indexing them to the annual percentage change in gross national product (GNP). While the Committee does not oppose a fee-based system to pay for the actual cost of government services used, the Committee would like demonstrated support that an increase is needed, and if so, what the best way of approximating the FTC's actual cost increases are. Linking a fee to the growth of GNP is unlikely to be an appropriate metric to approximate the actual cost of government resources because the number, size, types, and complexity of mergers will vary greatly from year to year. For example, the FTC's 2012 Hart-Scott-Rodino Annual Report (the most recent available) noted that transaction filings were down 1.4 percent from 2011, and second notice requests for merger investigations were down 10.9 percent. This indicates that predicting the need for increased resources on an annual basis is difficult and does not lend support for this potential expansion of fees. Given the continuing, difficult economic environment, unnecessarily raising fees on businesses could constitute a tax that hurts the economy and job creation.

Second, the President's budget proposes to create a new fee category for mergers valued over \$1 billion dollars. Again, there is no explanation to support this proposal or why mergers of this size should be subject to a higher fee. If there is credible data to support an increased fee, the Committee would be interested in reviewing it. Such a proposal could give rise to a complete restructuring of fees that could potentially provide a welcome reduction in the amount smaller companies pay. However, the Committee fears that raising the HSR fees merely would recover costs to support other FTC activities. The Committee does not support unjustified fee increases that discourage economic growth and job creation.

National Highway Traffic Safety Administration

In recent years, the President's budget has proposed to shift the funding of National Highway Traffic Safety Administration's (NHTSA) vehicle safety programs from general funds to the Transportation Trust Fund. This shift has been rejected soundly. The Committee insists that this funding mechanism would be inappropriate given the importance of these safety programs. Vehicle safety monies are used to fund the creation of vehicle safety standards, defect investigations, compliance and enforcement efforts, and other important vehicle safety programs. Given the uncertainty of the Trust Fund cash flows and shortfalls in recent years, the Committee believes that the funding of these important programs should continue to be considered separately.

Consumer Product Safety Commission

The President's FY 2015 budget includes funds to expand an existing pilot program of import surveillance. Beginning in FY 2015, the President requests \$5 million to expand the program to additional ports for a total of \$17.2 million. The outlying year requests are projected to more than double to \$36 million each over the following 5 years, chiefly for investment in technology acquisition for the risk assessment function. Beginning in FY 2016, a proposed user fee would offset the program cost by half in the first year and fully in the outlying years.

The import surveillance program is an important piece of the consumer product safety net, but coordination with industry to ensure the success of such a program is vital. Questions remain about the risk assessment methodology, whether the information that will be required on the Certificates of Conformity (the Certificates) inform the mission of risk assessment, whether the existing Customs and Border Protection (CBP) database – the Automated Commercial Environment (ACE) system – is interoperable with the format or type of information required on the Certificates, whether the existing CBP database infrastructure can handle the influx of information, and how the Consumer Product Safety Commission (CPSC) intends to make its systems interoperable with ACE such that it can receive the information collected. A pilot program, by definition, is a trial period used to identify programmatic successes and issues. Pilot programs should be followed by review and resolution of outstanding issues. Overall, the Committee is concerned that initiating implementation of the pilot-scale program as a full-scale program with so many programmatic issues unresolved is untimely and, ultimately, an unnecessary and a waste of resources, which will impair the CPSC in its consumer protection mission.

In addition to the operation and functionality of the surveillance program, the Committee is concerned with the introduction of a user fee beginning in FY 2016. In concept, the Committee does not object to user fees. The Committee does object, however, to a fee-based program that is not transparent to those paying to fund it, where the fees are not tied to the costs incurred by the agency administering it, and for which there are no restrictions on how the fees will be spent. The Committee also objects to user fees that are estimated without a plan for implementation or a concrete basis for estimating the program's costs. From a technical perspective, it remains unclear how the CPSC intends to enforce the user fee consistent with the

scope of the products in its jurisdiction as products are currently classified under the Harmonized Tariff System, which does not clearly delineate between products that fall within the CPSC's jurisdiction and those that do not. Finally, the Committee opposes delegating to a regulator the authority to establish user fees by rule, which are traditionally established by statute after consultation with both the regulator and the regulated community.

Missing entirely from the CPSC's budget request is any emphasis on the reduction of burdens associated with third party testing. Congress passed H.R. 2715 in August 2011 with a clear emphasis on reducing third party testing burdens by requiring the Commission to seek comments on ways to do so within 60 days. Repeated requests for comment, coupled with the recent announcement of one stakeholder workshop, but no action to actually reduce costs in over 31 months, does not reflect the urgency of Congress' intent.

International Trade and Investment Administration, Department of Commerce

The President's FY 2015 budget proposes to change the name of the International Trade Administration to the International Trade and Investment Administration. We support the change. However, the budget requests an additional \$22 million. This follows an increase in FY 2014 of \$25 million. It is not clear how the money will be directed for export promotion or that there will be any incremental increase in exports directly attributable to the increased expenditure. Without a supportive cost-benefit analysis, the Committee cannot support the additional funding.

Energy

Department of Energy

Overview. The President's proposed FY 2015 budget request for the Department of Energy (DOE or Department) was \$27.9 billion, a 2.6 percent increase (\$715.6 million) over FY 2014 enacted levels. While the Committee supports many of the Department's national security, defense and civilian programs, and environmental cleanup activities, the Committee continues to believe such an overall increase in requested funding raises questions in view of the Nation's current fiscal and employment outlook.

Energy Efficiency and Renewable Energy. The FY 2015 budget request for the Office of Energy Efficiency and Renewable Energy (EERE) is \$2.1 billion, an increase of 22 percent over FY 2014 funding levels. The Committee supports the responsible development and deployment of renewable and alternative energy sources. However, the Committee does not support such significant funding increases within this program, particularly given current fiscal realities. The Committee notes that the FY 2015 budget includes substantial increased funding for the expedited commercialization of unproven and costly technologies that put taxpayer dollars at risk. The FY 2015 budget for EERE also seeks funding to establish stricter energy efficiency standards for appliances, which reduce consumer choice and increase product price, with minimal energy savings or environmental benefits.

Electricity Delivery and Energy Reliability. The FY 2015 budget request for the Office of Electricity Delivery and Energy Reliability (OE) is \$180 million, an increase of 22 percent over FY 2014 funding levels. The Committee supports the Department's efforts to improve grid resiliency and redundancy, including improved protection against cyber threats. The Committee has concerns, however, with increased funding for smart grid and energy storage programs (67 percent and 25 percent respectively) that have received adequate funding in previous years.

Nuclear Energy. The FY 2015 budget requested for the Office of Nuclear Energy was \$863 million, or \$25 million less than FY 2014 funding. The Committee continues to take issue with the Administration's failure to proceed with Yucca Mountain program as mandated under the Nuclear Waste Policy Act. DOE alone has expended nearly \$15 billion on the civilian nuclear waste program since 1983, including funds to support the Yucca Mountain application, complete the Nuclear Regulatory Commission's (NRC) complex pre-licensing proceeding, and comply with the NRC's strict licensing requirements. As a result of the Administration's effort to terminate the Yucca Mountain program, the Nation currently has no clear pathway to manage the growing amount of radioactive waste located at nuclear power plants throughout the Nation, nor to address growing associated taxpayer liabilities.

The Committee reiterates that the Administration's actions relating to the Yucca Mountain program will set back the U.S. nuclear waste management and disposal program by decades, potentially undermine the expansion of nuclear power in the United States, waste billions of dollars in stranded costs and past taxpayer investment, increase additional taxpayer liabilities, and raise national security, environmental cleanup, and other issues.

Fossil Energy. The President requested \$711 million for the Office of Fossil Energy in the FY 2015 budget request, or \$68 million less than FY 2014 funding. In the area of fossil energy research and development, the FY 2015 budget request reduces the effective program level from \$562 million in 2014 to \$475.5 million in 2015, including reducing the budget for carbon capture and storage technologies.

Fossil fuels constitute 80 percent of the Nation's energy consumption and are critical to meeting our current and future energy needs and to powering a growing economy. Continued exploration and development of our Nation's fossil fuel resources depends on technology that minimizes environmental impacts and maximizes efficiency. The U.S. economy requires reliable, affordable energy in all its forms, yet the President's FY 2015 budget failed to recognize the critical importance that oil, natural gas, and coal have to our national energy portfolio, and their fundamental role in ensuring our economic growth and global competitiveness.

Energy Information Administration. The President requested \$122.5 million for the Energy Information Administration in the FY 2015 budget request, an increase of \$5.5 million over the FY 2014 enacted level. We support this requested funding level. EIA provides critical information and continually has shown proper management of its appropriated funds. This 5 percent increase over the prior year's funding level will allow for EIA to continue to meet the growing demand for timely, independent, and relevant data about energy in a time of rapid transformation and abundance.

Nuclear Regulatory Commission

Overview. The NRC's proposed FY 2015 budget is \$1.059 billion, a \$3.6 million increase above its FY 2014 funding levels. NRC recovers approximately 90 percent of its budget from fees assessed to NRC licensees or applicants, and estimates that \$935 million will be recovered from NRC licensees, an increase of \$4.6 million.

High-Level Waste Repository Program. The FY 2015 NRC budget fails to request funding to continue the review of the license application for authorization to construct a repository at Yucca Mountain. On August 13, 2013, the District of Columbia Circuit Court issued a writ of mandamus upholding the NRC's legal mandate to review the application and issue a final decision and compelling the agency to resume its review. The NRC repeatedly has indicated that it lacks the funds necessary to complete the process and reach a final decision. For the reasons stated above, the Committee strongly object to the NRC's failure to request the funds necessary to execute its responsibility under the Nuclear Waste Policy Act as upheld by the courts.

Operating and New Reactors. The NRC's budget request for Operating Reactors was \$577 million, and \$238 million for New Reactors. The Committee notes that the NRC's seems unable to reach decisions on a range of licensing issues in a timely fashion including new reactor design certifications, license extensions, and power uprates. The Committee encourages the NRC to improve efficiency and schedule discipline in an effort to reign in costs.

Environment

Environmental Protection Agency

The President's FY 2015 budget request for the Environmental Protection Agency (EPA or Agency) is \$7.89 billion, which is almost \$310 million below the FY 2014 enacted budget, but still approximately \$390 million increase over the amount appropriated for FY 2008. The Committee does not believe that funding levels in excess of amounts appropriated for FY 2008 are necessary, at least for programs within the jurisdiction of the Committee.

During consideration of the FY 2015 budget, the Committee highlighted concerns with EPA's overall spending, management, and recently finalized or pending regulations that propose to cumulatively impose billions of dollars in new compliance costs. Many of EPA's actions evince an ambition to impose overreaching Federal regulations affecting individuals, families, and communities, regardless of the accomplishments of States, local governments, or private entities. It is more important than ever that EPA focus on its core responsibilities to carry out the statutes it is charged with implementing, and that the Agency respect the role of States and localities in environmental regulation.

Agency Management Overview. Despite the Committee's concerns about the Agency's management and the costs of its programs, the Agency appears to be continuing to develop new regulations that have the potential to significantly harm the U.S. economy and jobs. The real cost of the EPA is not so much in annually appropriated dollars, but in the economic burden

imposed on regulated America, including American workers and consumers. The Agency's indifference to the real-life economic concerns of American citizens and taxpayers continues unabated as the Agency's expensive regulatory agenda shows no signs of letting up. For example, EPA's highly burdensome proposal to regulate re-usable coal combustion by-products as "hazardous" under Subtitle C of the Resource Conservation and Recovery Act is apparently still under consideration. EPA also continues to work on a suite of other multi-billion dollar regulations, ranging from the Agency's expansive power sector rules, to other rules affecting the energy, manufacturing, industrial, and other key sectors of the economy. Despite this Committee's calls for restraint, our constituents continue to identify EPA as the largest government threat to their businesses, jobs opportunities, and their way of life.

Specific Spending Programs

Global Warming and Clean Air Act Programs. For FY 2015, the President requested \$1.031 billion for the development and implementation of greenhouse gas (GHG) and Clean Air Act (CAA) standards and programs. This includes \$234.7 million to address climate change, which represented increased spending of approximately \$45 million over levels enacted in FY 2014. The Committee continues to have significant concerns about the cumulative cost and job implications of EPA's development and implementation of its growing set of GHG regulations, as well as a number of other recent or pending major rulemakings under the CAA. Specifically, there are concerns about the reliability and affordability of electricity as an unprecedented number of coal-fired power plants are scheduled to shut down by 2016 in order to comply with EPA's Utility MACT rule. Further, there are concerns about how EPA plans to use appropriated funds to finalize GHG standards for new power plants, and to develop GHG emissions standards for various diverse source categories, including existing power plants as well as other sources. An additional concern is that these proposed or pending standards already have introduced regulatory uncertainty into the economy and have the potential to undermine economic growth, eliminate jobs in the United States, and encourage relocation of companies overseas. The manufacturing and industrial sectors, particularly energy intensive and trade exposed industries, face severe international competitiveness challenges from EPA's GHG and other CAA regulations.

Streamlining Environmental Reporting Systems and Federal-State Cooperation. The Committee is puzzled and concerned by the Administration's apparent inference that a discrete appropriation to implement the E-manifest program is linked to a diminished Administration commitment to the Association of State and Territorial Solid Waste Management Officials grant, which the Administration itself states "was in prior years an effective mechanism to seek the input of states on rulemakings, set program priorities, promote program advances such as SMM, share knowledge with and among states on RCRA implementing issues, develop mutually agreeable guidance and policies, and support the states in RCRA implementation."

Users of the e-manifest program rightfully expect that the money they pay to support the program will be used just for that purpose. Likewise, the American people expect the Administration to make every effort to cooperate with the States in a Federal-State partnership to protect the environment. Accordingly, the Committee does not agree with the Administration's

resistance to targeting user-fee money to the purpose for which it is paid, nor with the Administration's diminished commitment to cooperate with the States, much less the linkage of the two.

Protecting America's Waters/Drinking Water Grants. The President requested \$757 million for the Drinking Water State Revolving Loan Fund (DWSRF) grants for FY 2015, pursuant to section 1452(m) of the Safe Drinking Water Act (SDWA).

The Committee appreciates that for FY 2015, the President no longer is suggesting that an automatic percentage of DWSRF funds be mandated for projects, or portions of projects, that include "green infrastructure." Community water system professionals have the judgment to weigh efficiency improvements against other cost-effective and urgent programmatic options for meeting the needs of their water customers. The Committee, though, is weighing this change against the one proposed to allow 30 percent of the State allocation to be used for debt forgiveness. While this tradeoff is well-intentioned, the Committee is interested in knowing how this need compares to other needs of the DWSRF.

The Committee notes the President's budget contains a Sustainable Water Infrastructure Policy to "develop sustainable systems that employ effective utility management practices to build and maintain the level of technical, financial, and managerial capacity necessary to ensure long-term sustainability." The Committee notes that the Safe Drinking Water Act's funding is meant to assure compliance with the public health-based mandates of the law, not merely build infrastructure. While the Committee appreciates the desire to provide technical assistance to aid drinking water system effectively, the Committee is concerned that this program could divert precious resources away from compliance and towards construction planning in certain communities across the country.

Finally, the President's budget requests funding to conducting "extensive training, outreach on the recently completed electronic deployment tool, the Surveillance and Response System" and continue to support the Water Alliance for Threat Reduction, cybersecurity work under Executive Order (EO) 13636. The Committee generally supports homeland protection efforts and seeks greater clarification on these matters.

Underground Storage Tanks. The President's 2015 budget proposed spending \$98 million on leaking underground storage tanks. Though Congress, at the urging of the President's FY 2013 budget request, extended the LUST Trust Fund financing tax through September 30, 2016, the FY 2015 budget seeks to achieve 8,600 cleanups, a decrease relative to the FY 2013 target. In view of the fact that the President's request dwarfs the tax revenue routinely generated for LUST activities, and interest alone on the LUST Trust Fund balance is substantial on its own, the Committee is hopeful that Environmental Protection Agency can either out-perform the lower expectations of the Administration or not seek extension of this tax in the future – allowing the Trust Fund to become self-sustaining.

Health Care

Health Care Law Implementation

The Committee remains very concerned about the damaging impact of the Patient Protection and Affordable Care Act (PPACA) on the American people. Included in this concern is the mandatory spending that circumvents the annual appropriations process by providing the Secretary direct access to Treasury funds. For example, the President's FY 2015 budget described an appropriation of "such sums as necessary" for State grants to facilitate the purchase of qualified health plans in the exchanges. As confirmed by Secretary Sebelius in testimony before the Subcommittee on Health, there is no monetary limitation to this mandatory appropriation, and the Secretary has the discretion to determine the size of the appropriation.

In isolation, this open-ended authority to issue grants is problematic. Additional concern is warranted given the size of grants awarded for the establishment of State-exchanges with massive operational and technical problems. Maryland, Massachusetts, and Oregon, among other States, have used significant Federal resources for expenditures on exchanges. Consumers in these States have had major problems using or accessing these exchanges. In the wake of plan cancellations caused by PPACA, this has left too many consumers with limited health coverage options.

This exchange spending also is supporting an edifice that will help enforce requirements that drive up the cost of health coverage for the average American. Estimates show some populations will face a premium increase of 400 percent because of PPACA's requirements.¹ A study by actuarial firm Oliver Wyman suggests premiums in the individual market will increase an average of 40 percent.²

These facts are further evidence of the glaring fiscal unsustainability of Obamacare.

Medicare

The Medicare program was created in 1965 as the health care safety net for seniors aged 65 and older. Since its creation, Americans looking forward to enjoying retirement have come to expect that the program will be there for them.

According to the Congressional Budget Office (CBO), Medicare outlays are expected to roughly double in the next decade. Outlays for Medicare were projected to be \$597 billion in 2014, according to CBO, and will increase annually until reaching \$1.064 trillion in 2023—or nearly \$8 trillion in spending over a decade.³

1 Energy and Commerce Committee Majority Staff, "The Looming Premium Rate Shock," May 2013, <http://energycommerce.house.gov/sites/republicans.energycommerce.house.gov/files/analysis/insurancepremiums/FinalReport.pdf>.

2 The Price of Obamacare's Broken Promises- Young Adults and Middle Class Families Set to Endure Higher Premiums and Unaffordable Coverage. Majority Staff Report. House Committee on Energy & Commerce. March 2013, <http://energycommerce.house.gov/sites/republicans.energycommerce.house.gov/files/analysis/20130305PremiumReport.pdf>.

3 See the Congressional Budget Office's *Long-Term Budget Outlook*, 2013, available online here: <http://www.cbo.gov/sites/default/files/cbofiles/attachments/44172-Baseline2.pdf>. Additionally, note that the President's FY2015 Budget expects that in FY 2015, gross current law spending on Medicare benefits will total \$605.9 billion, see HHS's FY2015 *Budget in Brief*, available online here: <http://www.hhs.gov/budget/fy2015/fy-2015-budget-in-brief.pdf>.

The Administration continues to disregard the unsustainable path of the Medicare program. According to the Department of Health and Human Services' (HHS) estimates, which have not yet been independently reviewed by CBO, the President's FY 2015 budget includes policies that would reduce Medicare outlays over the budget window by \$407.1 billion. However, by HHS's own estimate, only about \$68.1 billion of these changes are structural reforms, or roughly 16 percent of the proposed total changes. Many of the non-structural proposed policies are across-the-board provider reimbursement reductions or problematic drug pricing policies.

Every day in this country, approximately 10,000 baby boomers age into Medicare, helping accelerate the growth in the program's cost to taxpayers. The number of Americans paying into the program, however, is at an all-time low. In 1965, there were, on average, 4.6 taxpayers per beneficiary; today, that number is down to 2.7. This decline has contributed to Medicare paying out more in claims than it receives through workers payroll taxes each month.

As a result of the structural pressures Medicare faces, the program pays out more from the Hospital Insurance Trust Fund than it takes in—a trend that CBO projects will continue every year in the future until the trust fund is eventually exhausted.⁴

Many Americans are worried about the future of Medicare. An August 2012 survey of voters aged 50 and up found a high level of anxiety related to this issue and a desire for candidates to better explain their plans to save the Medicare program.

The Committee will continue working to raise awareness of the unsustainability of the program and its impact on every American. CBO has warned that, over the long-term, Medicare is one of the largest structural drivers of our deficit and one of our greatest budgetary threats, as an increasing share of the program is funded directly from general revenue. The Committee notes that PPACA reduced Medicare outlays by over \$716 billion, but spent the money on new government programs not for seniors. According to the Actuary of the Medicare program, the across-the-board cuts to providers in the law could cause up to 15 percent of hospitals to close by 2019.

PPACA's cuts to Medicare also include more than \$300 billion in reductions to the Medicare Advantage program. These changes will result in many seniors losing the plan they have or losing their current doctor. Many worry that the nature of these reductions may make it harder in the future to adopt bipartisan structural reforms that would save the program for current and future seniors.

Medicaid

The Medicaid program is a shared responsibility between Federal and State governments to provide medical assistance to low-income individuals, including children, the aged blind, and/or disabled, and people who meet certain eligibility criteria. Others receive Medicaid through waivers and amended State plans with higher income eligibility limits. According to

⁴ The HI Trust Fund could be exhausted as soon as 2017 according to the Office of the Actuary for the Medicare program. Legal analysis by the Congressional Research Service has confirmed the program would not be able to pay its bills when the Trust Fund becomes insolvent, absent Congressional intervention.

HHS, “in FY 2012, more than 1 in 5 individuals were enrolled in Medicaid for at least 1 month during the year, and in FY 2014, an estimated 65 million people on average will receive health care coverage through Medicaid.”⁵

According to CBO, the Federal share of Medicaid outlays are expected to roughly double over the coming decade, increasing from \$265 billion in 2013, to \$554 billion in 2023.⁶ As with Medicare, the Administration continues to disregard the unsustainable path of the Medicaid program. Over the next 10 years, Medicaid will cost Federal taxpayers \$4.2 trillion dollars according to CBO.⁷

The Committee remains concerned with the dramatic expansion of the program due to PPACA, given the program’s need for serious reforms to ensure the program is more accountable to taxpayers and fairer for the patients who depend on it. In its FY 2015 budget, the Administration has failed to present meaningful cost-saving measures to ensure the program’s sustainability and improve the level of access to quality care for Medicaid’s enrollees. The President’s FY 2015 budget proposed policies saving less than \$6 billion over a decade—and many of these policies do not enjoy bipartisan support.

The Committee remains concerned that States expanding Medicaid under Obamacare are agreeing to expand the program without full details from the Administration regarding their future budget proposals for Medicaid, which may reduce costs for the Federal government by shifting costs to States. Moreover, the Committee remains deeply concerned that under PPACA’s Medicaid expansion, the Federal government is committing to fund a larger percentage of the cost of coverage for able bodied adults above poverty than it is for the aged, disabled, and truly indigent—which has been the historical focus of the program. At a time when Medicaid spending already consumes roughly one in four State dollars, the Committee remains concerned that the fiscal pressure faced by States and administrative flexibility necessary for those States to sustain responsible Medicaid programs are not properly addressed in the President’s FY 2015 budget.

Food and Drug Administration

The President’s FY 2015 budget request calls for \$4.7 billion for the Food and Drug Administration (FDA). This amount constitutes a \$358 million (8 percent) increase over the total FDA budget for FY 2014. The President’s budget includes \$335 million in new user fees and \$23 million in new budget authority.

The President’s FY 2015 budget request includes a total program level of \$1.5 billion for food safety activities—a \$263 million increase from FY 2014. This total would include \$229 million from new user fees related to food imports, facility registration and inspection. These new user fees on food facilities are not supported by the Committee because they will increase food costs for consumers and several of the activities they would fund would have a questionable

⁵ See HHS’s FY2015 *Budget in Brief*, available online here: <http://www.hhs.gov/budget/fy2015/fy-2015-budget-in-brief.pdf>

⁶ See the Congressional Budget Office’s *Long-Term Budget Outlook*, 2013, available online here: <http://www.cbo.gov/sites/default/files/cbofiles/attachments/44172-Baseline2.pdf>

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impact on enhancing food safety.

The FY 2015 budget request includes a total program level of \$2.6 billion for medical product related approval and oversight activities—a \$61 million increase from FY 2014, mostly from user fee increases. The budget request specifically includes \$25 million to expand inspection and enforcement activities related to compounding facilities under the recently enacted Drug Quality and Security Act.

The FY 2015 budget request includes \$566 million in user fees for the Center for Tobacco Products, an increase of \$32 million over FY 2014. The Committee has significant questions about what these user fees have used to fund to date.

Finally, the FY 2015 budget request again calls for reducing the market exclusivity of biosimilar products from 12 years to 7 years and for prohibiting reverse settlements between brand and generic drug manufacturers. The Committee has been opposed to these proposals due to the adverse impact they would have on innovation and patient access.

The Prevention and Public Health Fund

The Prevention and Public Health Fund was created by PPACA and eventually allows for \$2 billion annual advanced appropriations to the HHS Secretary. The Committee continues to be concerned about this fund that provides the Secretary with the ability to finance programs beyond levels specified by Congress and with limited oversight. Since its inception, the Secretary has spent funds on dubious activities, such as dog neutering campaigns and programs like pickleball.

Communications and Technology

Federal Trade Commission

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Consumer Product Safety Commission

The President's FY 2015 budget includes funds to expand an existing pilot program of import surveillance. Beginning in FY 2015, the President requests \$5 million to expand the program to additional ports for a total of \$17.2 million. The outlying year requests are projected to more than double to \$36 million each over the following 5 years, chiefly for investment in technology acquisition for the risk assessment function. Beginning in FY 2016, a proposed user fee would offset the program cost by half in the first year and fully in the outlying years.

The import surveillance program is an important piece of the consumer product safety net, but coordination with industry to ensure the success of such a program is vital. Questions remain about the risk assessment methodology, whether the information that will be required on the Certificates of Conformity (the Certificates) inform the mission of risk assessment, whether the existing Customs and Border Protection (CBP) database – the Automated Commercial Environment (ACE) system – is interoperable with the format or type of information required on the Certificates, whether the existing CBP database infrastructure can handle the influx of information, and how the Consumer Product Safety Commission (CPSC) intends to make its systems interoperable with ACE such that it can receive the information collected. A pilot program, by definition, is a trial period used to identify programmatic successes and issues. Pilot programs should be followed by review and resolution of outstanding issues. Overall, the Committee is concerned that initiating implementation of the pilot-scale program as a full-scale program with so many programmatic issues unresolved is untimely and, ultimately, an unnecessary and a waste of resources, which will impair the CPSC in its consumer protection mission.

In addition to the operation and functionality of the surveillance program, the Committee is concerned with the introduction of a user fee beginning in FY 2016. In concept, the Committee does not object to user fees. The Committee does object, however, to a fee-based program that is not transparent to those paying to fund it, where the fees are not tied to the costs incurred by the agency administering it, and for which there are no restrictions on how the fees will be spent. The Committee also objects to user fees that are estimated without a plan for implementation or a concrete basis for estimating the program's costs. From a technical perspective, it remains unclear how the CPSC intends to enforce the user fee consistent with the scope of the products in its jurisdiction as products are currently classified under the Harmonized Tariff System, which does not clearly delineate between products that fall within the CPSC's jurisdiction and those that do not. Finally, the Committee opposes delegating to a regulator the authority to establish user fees by rule, which are traditionally established by statute after consultation with both the regulator and the regulated community.

Missing entirely from the CPSC's budget request is any emphasis on the reduction of burdens associated with third party testing. Congress passed H.R. 2715 in August 2011 with a clear emphasis on reducing third party testing burdens by requiring the Commission to seek comments on ways to do so within 60 days. Repeated requests for comment, coupled with the recent announcement of one stakeholder workshop, but no action to actually reduce costs in over 31 months, does not reflect the urgency of Congress' intent.

International Trade and Investment Administration, Department of Commerce

The President's FY 2015 budget proposes to change the name of the International Trade Administration to the International Trade and Investment Administration. We support the change. However, the budget requests an additional \$22 million. This follows an increase in FY 2014 of \$25 million. It is not clear how the money will be directed for export promotion or that there will be any incremental increase in exports directly attributable to the increased expenditure. Without a supportive cost-benefit analysis, the Committee cannot support the additional funding.

FRED UPTON, MICHIGAN
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

ONE HUNDRED THIRTEENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115
Majority (202) 225-2927
Minority (202) 225-3641

March 25, 2014

The Honorable Paul Ryan
Chairman
Committee on the Budget
U.S. House of Representatives
207 Cannon House Office Building
Washington, D.C. 20515

The Honorable Chris Van Hollen
Ranking Member
Committee on the Budget
U.S. House of Representatives
B-71 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Ryan and Ranking Member Van Hollen:

Pursuant to clause 4(f) of Rule X of the rules of the House of Representatives, and section 301(d) of the Congressional Budget Act of 1974, as amended, the Committee on Energy and Commerce is submitting views and estimates on President Obama's anticipated fiscal year 2015 budget. It is the custom of this Committee for the majority and minority to transmit separate views and estimates. Attached are the views and estimates of the minority.

Please let me know if you have any questions about this submission.

Sincerely,



Henry A. Waxman
Ranking Member

Attachment

cc: The Honorable Fred Upton
Chairman



**Views and Estimates on President's Fiscal Year 2015 Budget
Committee on Energy and Commerce
Minority Views**

Each standing Committee of the House is required by the Congressional Budget Act of 1974 and Rule X, clause 4(f) of the Rules of the House to submit to the Committee on the Budget its views and estimates on the budget with respect to matters within its jurisdiction or functions. The following discussion is not exhaustive, but highlights views on issues addressed in the President's fiscal year 2015 budget that are within the Committee's jurisdiction.

Commerce, Manufacturing, and Trade

Consumer Product Safety Commission

The Administration's FY 2015 budget requests \$123 million for the Consumer Product Safety Commission (CPSC), including support for 567 full-time equivalent (FTE) staff, to assess the safety of more than 15,000 types of consumer products. This proposed increase of \$5 million and 19 FTEs from FY 2014 would provide CPSC with the start-up resources necessary to initiate the expansion of its import surveillance pilot program to a full-scale, national program, which is a five-year process. An overwhelming percentage of toys and apparel, and a significant majority of electrical products, are manufactured in other countries. The President is to be commended for supporting CPSC's proposal to expand this program, which will enhance the agency's ability to keep dangerous products from entering the U.S. marketplace, as well as for his continuing support of CPSC as it identifies and responds to product hazards, develops and enforces safety standards, and engages in outreach and education to improve prevention and compliance.

CPSC has also requested that Congress authorize a new fee on importers of consumer products, which would require rulemaking and annual appropriations language. This user fee, which would begin in FY 2016, is intended to eventually offset the entire cost of the agency's import surveillance program. Congress should consider the merits of this proposal, including the extent to which such a funding mechanism may assist CPSC in identifying and addressing hazardous consumer product imports by establishing a greater presence at U.S. ports and the ability to electronically monitor all entry lines for imported consumer products.

Federal Trade Commission

The Administration's FY 2015 budget requests \$293 million for the Federal Trade Commission (FTC), supporting a staff of 1,176 FTEs. This would maintain the same level of FTEs from FY 2014 while decreasing funding by \$5 million, a reduction reflecting the expected completion of programs related to the relocation of space and staff and certain technology upgrades. The FTC is a highly efficient agency that continues to carry out its twin missions of protecting consumers and maintaining competition with less

funding and fewer FTEs than the agency had in the 1970s, despite ever-increasing demands. The resources proposed to be appropriated are adequate for the FTC to continue its enforcement, research, and education efforts at current levels. However, if the FTC is to ensure vigorous competition, consumer choice, and fair and transparent business practices in the coming years, the agency must have the ability to apply its existing authorities in new ways and, if necessary, readily assume a role monitoring markets, technologies, or conduct with which it is previously unfamiliar. These efforts will be most effective if Congress appropriates additional funding to the FTC for enforcement, particularly for use against unfair or deceptive practices related to the protection of consumer data privacy and security.

National Highway Traffic Safety Administration

The Administration's FY 2015 budget requests \$274 million for the operations and research activities of the National Highway Traffic Safety Administration (NHTSA), supporting a staff of 540 FTEs responsible for conducting compliance testing and enforcement of vehicle safety standards, as well as undertaking research, development, and rulemaking to address emerging vehicle safety and highway safety issues. This represents an increase of \$16 million and 21 FTEs over the enacted level for FY 2014. NHTSA, which has long been underfunded, is responsible for addressing 95% of all transportation-related deaths with only 1% of the Department of Transportation budget. Accounting for inflation, the agency's enacted FY 2014 operations and research funding is lower than FY 2002 levels.

The proposed FY 2015 increase in funding and staffing levels would direct an additional \$1 million to NHTSA's vehicle safety compliance programs, which work to develop new or amended Federal Motor Vehicle Safety Standards and ensure that passenger vehicles comply with existing standards. This increase would also enable NHTSA to expand initiatives addressing several priority areas, including auto crashes involving pedestrians and cyclists, the increased presence of electronics and software in vehicles, active safety technology such as forward collision avoidance and mitigation (FCAM), and the development of automated driving technologies. However, this requested FY 2015 increase does not dedicate additional resources to NHTSA's safety defects investigation programs, in which staffing remains at FY 2002 levels and funding has failed to even keep up with inflation. Congress should consider whether NHTSA has the tools it needs in this area to effectively keep drivers safe, particularly as it investigates especially high-impact passenger vehicle safety defects.

In addition, the proposed FY 2015 budget reflects the Department of Transportation's reclassification of all NHTSA programs, including operations and research programs, as spending supported by the Highway Trust Fund. The Committee should review this change in greater detail and work to ensure the long-term sustainability of federal funding for vehicle safety and highway safety initiatives.

International Trade and Investment Administration

The Administration's FY 2015 budget requests \$507 million for the International Trade and Investment Administration (ITIA), taking into account \$9.4 million in offsetting receipts from fee collections. This funding, which would support the work of 1,798 FTEs, represents an increase of \$37 million and 41 FTEs from the enacted FY 2014 levels. This proposed increase would support several agency priorities, including: (1) the continued implementation of SelectUSA, a program to encourage foreign direct investment in the United States; (2) the enhancement of trade enforcement capabilities to reduce or eliminate unfair trade practices among foreign trading partners; and (3) the placement of Foreign Commercial Service Officers in critical international growth markets. The President is to be commended for his support of export promotion, particularly through efforts to help small and medium-sized American firms establish an export business or expand the market for their products abroad.

Consumer Financial Protection Bureau

Pursuant to Section 1017 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (codified at 12 U.S.C. § 5497), funding for the Consumer Financial Protection Bureau (CFPB) for FY 2015 will come from the operating budget of the Federal Reserve. Measures that would curtail CFPB's budgetary independence should be strongly opposed.

Communications and Technology

The Administration's FY 2015 budget includes several proposals relating to the use of the electromagnetic spectrum:

- (1) Spectrum License User Free – To permit the FCC to impose license fees on un-auctioned spectrum license holders.
- (2) Repurpose 1675-1680 Megahertz using Auction or Fee Authority – To reallocate the spectrum frequencies between 1675-1680 megahertz for wireless broadband use by 2017.
- (3) Domestic Satellite Service Spectrum License Auctions – To require the auction of spectrum licenses for predominately domestic satellite services such as Direct Broadcast Satellite and Satellite Digital Audio Radio Services.

The FY 2015 budget proposes to increase the Federal Communication Commission's (FCC) budget by \$35 million above FY 2014 spending levels. That includes requests for additional staff and resources to address the information technology (IT) needs of the Commission. Given the ever-changing nature of the communications and technology sector, the FCC must modernize and update its IT operations. The Commission should strive to have an open, unified platform with enhanced communications and security capabilities necessary to support the critical, yet diverse priorities of the agency.

Additionally, the FY 2015 budget proposes spending \$500,000 to create a specialized Do Not Call Registry for public safety answering points as required by Section 6507 of the *Middle Class Tax Relief and Job Creation Act of 2012* (the Act) and \$106 million in auction-related expenditures to support the implementation of broadcast incentive auctions as authorized by the Act. To ensure the success of this highly complex, historic auction, the FCC must have sufficient resources to engage all stakeholders, construct a highly sophisticated auction system capable of handling the intricacies of the auction, and employ world-class experts in designing and conducting the auction.

Furthermore, the FY 2015 budget for National Telecommunications and Information Administration (NTIA) includes the establishment of an Internet Policy Center to ensure timely analysis and development of recommendations on information policy issues, as well as funding for the planned Center for Advanced Communications charged with developing approaches to expand spectrum sharing and management. The President is to be commended for including these innovative and important proposals in the FY 2015 budget. If implemented correctly, these measures will help foster a policy environment that continues to nurture and support our nation's broadband economy while furthering the President's stated goals of making 500 megahertz of spectrum available for commercial purposes by 2020.

Energy and Environment

Environmental Protection Agency

The President has requested \$7.9 billion for the Environmental Protection Agency (EPA) in the FY 2015 budget. The President's budget proposes realigning resources to focus on the pressing issues of climate change, chemical safety and toxics, and clean water.

The President is to be commended for proposing to increase funding for climate change and air quality to \$1.03 billion, a \$41 million increase compared to FY 2014 enacted levels. These funds will allow the EPA to implement the President's Climate Action Plan, setting carbon dioxide (CO₂) standards for power plants and addressing hydrofluorocarbons (HFCs) and methane, all of which contribute to climate change. The President's budget also provides additional support for the states to help them implement the Clean Air Act and cut greenhouse gas emissions.

In FY 2015, Heavy Duty Vehicle GHG Phase 2 standards will require upgrades to the National Vehicle Fuel Emissions Laboratory (NVFEL) which is responsible for ensuring vehicles meet national MPG and emissions standards. The EPA also is implementing a range of activities in support of the President's call to cut energy waste in homes, businesses, and factories, including Energy Star's efforts to increase energy efficiency in multifamily housing.

Funding of \$2.0 million will provide technical assistance and support tools for climate change adaptation planning. This includes technical assistance for water utilities at greatest risk from storm surges. Research and development efforts will focus on decision support tools for at-risk communities and tribes to help them build resiliency to the effects of climate change.

The budget request includes \$1.2 billion for the Hazardous Substance Superfund Account. Although this is the lowest amount requested in more than ten years, it would be an increase over the enacted amounts for FY 2014 and FY 2013. This amount will allow the initiation of new cleanup actions under Superfund for the first time in three years.

A significant portion of EPA's annual funding is used to support state environmental protection efforts. The President requested increases for some of these grant programs, including the State, Local, and Tribal Air Quality Management Categorical Grants. Unfortunately, the President's FY 2015 budget request includes significant cuts to other such programs. For example, the President has requested \$757 million to distribute to states through the Drinking Water State Revolving Fund program, more than a 16% decrease from the FY 2014 enacted levels. EPA's most recent survey of drinking water infrastructure needs, released in June, showed \$384 billion in drinking water infrastructure repairs needed over the next 20 years. That amount is a significant increase from the previous survey, demonstrating that investment in infrastructure is not keeping pace.

Department of Energy

The President is to be commended for including \$2.3 billion in the FY 2015 budget to support Department of Energy (DOE) research, development, demonstration, and deployment of renewable energy and energy efficiency technologies that reduce carbon pollution. The budget increases for advanced manufacturing, building, and vehicle efficiency, as well as for solar, wind, geothermal, and biomass energy, will spur the nation's movement toward a clean energy economy. The budget increases for weatherization assistance will also reduce energy expenses for low-income households.

The requested \$180 million for electricity delivery and energy reliability will drive electricity grid modernization and resiliency, including improvements in clean energy transmission, smart grids, energy storage, and grid infrastructure security.

The President's proposed Opportunity, Growth, and Security Initiative will also provide key investments in energy infrastructure and innovation to accelerate the development and deployment of high-impact clean energy technologies, and provide \$200 million in performance-based awards through the Race to the Top Initiative to help states cut energy waste and modernize the grid.

The President is to be commended for requesting \$4.7 million to reduce methane emissions from natural gas systems. This investment will help cut carbon pollution while

minimizing waste of a valuable and finite resource. While the President has requested \$15 million to reduce the impact of shale gas development, DOE also should fund projects to reduce the impact of oil production in the Bakken and Eagle Ford shale formations, such as widespread flaring of natural gas.

Health

The President's FY 2015 budget includes a number of proposals that will improve payment for and delivery of services in the Medicare, Medicaid, and Children's Health Insurance (CHIP) programs. These policies will improve the quality of care, access to care, and further the development of new models of patient-centered care. The President should be commended for requesting additional investment in the private insurance marketplace to ensure the coverage gains made through the Affordable Care Act continue, and consumers are well-served. Finally, the budget also demonstrates an ongoing commitment to public health.

Major Medicare Fee-for-Service Savings Proposals

The President's FY 2015 budget includes a number of proposals to better target payments to post-acute care providers; by and large, these proposed reductions are in alignment with recommendations from the Medicare Payment Advisory Commission (MedPAC), which calls for even deeper cuts including a rebasing and complete elimination of the market basket update for home health and payment update freeze in inpatient rehabilitation facilities and long-term care hospitals.¹ Moving post-acute provider payments to a bundled system is a reform that has long been discussed. The FY 2015 budget may have an aggressive timeline, but could result in improved efficiency and care management.

Building on Government Accountability Office (GAO) work relating to physician self-referral, the President's budget proposes to encourage more appropriate use of ancillary services by prohibiting self-referrals for radiation therapy, therapy services, advanced imaging, and anatomic pathology services unless certain accountability standards are met (\$6 billion in savings over 10 years). GAO, in a series of reports released from fall 2012 through summer 2013, found that physician self-referral for in-office ancillary services resulted in overutilization and the rapid growth of services of questionable necessity. The President is to be commended for moving forward in addressing this matter that has been of bipartisan interest in the Congress.

Medicare Advantage Proposals

The President's FY 2015 budget proposes two legislative changes that would improve the accuracy of Medicare Advantage payments. Building on recommendations from GAO, beginning in 2016, the budget proposes to annually increase the minimum

¹ Medicare Payment Advisory Commission, *Report to the Congress: Medicare Payment Policy*, (Mar. 2013) (online at www.medpac.gov/documents/Mar13_EntireReport.pdf).

adjustment for coding intensity from 0.25 percentage points to 0.67 percentage points until 2020 (\$31 billion in savings over 10 years).² As identified by the MedPAC, a second proposal would align employer group plan payments with average Medicare Advantage bids in each market (\$3.7 billion in savings over 10 years). The budget also seeks authority to establish a budget-neutral quality bonus payment program for Part D plans so that plans with four or more stars could have a greater portion of their bid subsidized by Medicare; higher subsidies could entice beneficiaries toward those higher-performing plans. All of these proposals will improve payment accuracy and quality in the Medicare Advantage program, and should receive serious consideration from Congress.

Medicare and Medicaid Savings Related to Outpatient Prescription Drugs

The President's FY 2015 budget includes a number of proposals to ensure that federal health programs are getting a good deal on outpatient prescription medicines. These are important proposals that will reduce unnecessary federal expenditures. The budget again proposes to require drug manufacturers to pay a rebate for Medicare Part D drugs (\$117.3 billion over 10 years), accelerate manufacturer discounts for brand name drugs in the Part D coverage gap (\$7.9 billion in savings over 10 years), modify reimbursement for Part B drugs (\$6.8 billion over 10 years), and encourage the use of generic drugs by low-income beneficiaries (\$8.5 billion in savings over 10 years). For Medicaid, the budget proposes to lower Medicaid drug costs by strengthening the Medicaid drug rebate program and improving the calculation of the federal upper limits for generic drug prices (\$8.6 billion over 10 years). The budget also proposes to address Medicaid drug program integrity issues by improving reporting and enforcement in the rebate program, tracking high prescribers and utilizers of drugs in Medicaid (\$540 million in savings over 10 years), and increasing the transparency of Medicaid drug pricing data. Driving a better bargain on prescription medicines paid for under these federal programs is an important principle that should be pursued this year in Congress.

Proposals Affecting Beneficiary Expenses

The President's budget includes a number of proposals that would increase costs on beneficiaries. Extreme caution should be taken in pursuing these proposals as the Medicare population is older and poorer (with 47% of beneficiaries at or below 200% of the federal poverty level) as well as sicker (with 40% having three or more chronic conditions) than the general population. The President's budget proposes to further increase Part B and Part D premiums beginning in 2018, increase the Part B deductible for new enrollees, impose a new surcharge on the Part B premium for beneficiaries with certain Medigap policies, and institute a \$100 co-payment per home health episode starting in 2017.

² Government Accountability Office, *Substantial Excess Payments Underscore Need for CMS to Improve Accuracy of Risk Score Adjustments* (Mar. 2013) (online at www.gao.gov/assets/660/651712.pdf).

Increasing out-of-pocket costs on beneficiaries could increase spending long-term, if beneficiaries forgo necessary services and as a result use more high-cost, acute care services in the future. Such policies may disproportionately affect lower- and middle-income beneficiaries who are not poor enough for Medicaid, nor have access to employer-sponsored retiree health care.³

New Medicaid Policies to Note

The President's budget includes a number of new proposals that will improve Medicaid beneficiaries' access to care. The FY 2015 budget permanently extends the option for states to use Express Lane Eligibility (ELE) to simplify enrollment of children in Medicaid and CHIP (\$1.1 billion cost over 10 years). ELE allows states to rely on eligibility findings of other assistance programs to determine Medicaid and CHIP eligibility for children or adults, providing administrative efficiencies and preventing families from having to provide the same information to multiple agencies. A recent evaluation of ELE found that automatic processing of ELE led to substantial administrative savings—on average \$1 million per year in the four states using automatic ELE processes. This is a common-sense idea that reduces bureaucracy and improves access to coverage and should be made permanent this year.

The budget also extends the Medicaid primary care payment increase for an additional year (\$5.4 billion cost over 10 years) and expands the availability of the payment increase to mid-level providers like physician assistants and nurse practitioners. These bonus payments increase the low Medicaid payment rates of services furnished by certain primary care physicians and other practitioners to Medicare levels, which in turn expands beneficiaries' access to care. While the President's budget proposes only a one-year extension, the benefit of enhanced access to primary care is undisputed, and Congress should consider making this payment increase permanent.

The FY 2015 budget also proposes to give states additional tools to manage mental health service delivery for children, including allowing children in psychiatric residential treatment facilities to access home and community based waiver services (\$1.9 billion cost over 10 years). This proposal builds upon a five-year demonstration that showed improved overall outcomes in mental health and social support, and significant cost savings, when children received services in the community.

Existing Medicaid Proposals

The FY 2015 budget retains a proposal to rebase Disproportionate Share Hospital (DSH) allotments for 2024 (\$3.3 billion over 10 years). Given that the existing reductions to DSH allotments are just beginning, caution should be taken with any additional extension of reductions in funding that help offset uncompensated care costs.

³ Kaiser Family Foundation, *Medigap Reform: Setting the Context for Understanding Recent Proposals* (Jan. 2013) (online at kff.org/medicare/issue-brief/medigap-reform-setting-the-context/).

The FY 2015 budget proposes to extend both the Transitional Medical Assistance (TMA) program (\$1.6 billion cost over 10 years) and the Qualified Individual (QI) programs (\$960 million cost over 10 years) through the end of the 2015 calendar year. Both of these programs are extended on a year-to-year basis, but given the critical assistance they provide to low-income families and seniors, and the fact that the uncertainty in the annual process is disruptive to states and beneficiaries, Congress should consider making these programs permanent.

Children's Health Insurance Program (CHIP)

The President's FY 2015 budget includes two new proposals in CHIP. The first would permanently extend the option for states to use Express Lane Eligibility (ELE) to enroll children in CHIP (as with Medicaid). This costs a total of \$1.1 billion over 10 years to extend the option in both Medicaid and CHIP. The second proposal would extend the CHIP Performance Bonus Fund for an additional year (\$485 million cost over 10 years). This fund provides incentive payments to states who adopt program simplifications and also exceed performance benchmarks for enrollment of the lowest income children. Twenty-three states received a total of \$307 million in bonus payments in December of 2013 through this program. Both programs have support from states and beneficiary groups and have contributed to coverage gains among children; the President's proposals should be enacted.

Program Integrity

To support the prevention of improper payments and fraud, the President's budget includes \$403 million in new mandatory and discretionary investments in CMS's Health Care Fraud and Abuse Control program integrity activities for FY 2015 (8% increase from FY14, including \$25 million in funds for program integrity activities for the Health Insurance Marketplaces). These investments in anti-fraud activities should be supported as they promote fiscal integrity and proper program management.

Affordable Care Act (ACA) Implementation and CMS Program Management

The President's FY 2015 budget requests additional administrative funding to ensure proper program management for critical health care programs. Of the \$4.2 billion request for CMS program management (an increase of \$227 million over FY 2014), \$629 million of this request is for the operations of the Health Insurance Marketplaces. More than five million Americans have already enrolled in Qualified Health Plans through these marketplaces, with enrollment projected to increase to 13 million in 2015. Marketplaces also facilitate millions of Medicaid and CHIP enrollments and the additional investment in the marketplace operations is essential to ensure smooth operation of coverage, enrollment, and oversight and should be supported by Congress.

Within the Program Operations account, the budget includes \$307 million for CMS activities to support the Marketplace operations in FY 2015. It also includes \$71

million for consumer support in the Marketplaces such as independent review of insurer benefit decisions. The budget requests \$14.7 million to ensure compliance with the private insurance provisions of the ACA including the Medical Loss Ratio requirements and Rate Review activities. Congress should expeditiously support this level of funding to ensure that the millions of Americans who now have health security as a result of the ACA continue to receive value for their premium dollar and enjoy uninterrupted insurance coverage.

Public Health Programs

Food and Drug Administration (FDA)

The President's budget recognizes the importance of the FDA and its many critical public health missions. In overseeing the safety of our drugs, medical devices, and food, and regulating tobacco products, the FDA plays a vital role that touches the lives of Americans every day. The President's budget acknowledges the fundamental importance of the FDA and appropriately provides an 8% increase in its budget. Specifically, the President's budget includes \$229 million in proposed user fees to help support the FDA's implementation of the Food Safety Modernization Act of 2011, and \$25 million to support the expansion of FDA oversight of pharmacy drug compounding, as authorized through the Drug Quality and Security Act of 2013. We commend the President for acknowledging the critical need for greater resources for these vital purposes.

National Institutes of Health (NIH)

The President's budget proposes funding NIH at a program level of \$30.4 billion, or \$211 million above the enacted level for FY 2014. This would allow for 34,197 research project grants, of which 9,326 would be new and competing awards. NIH research is critical in supporting American innovation efforts. For instance, NIH-supported advances have contributed to the development of as much as 20% of the drugs approved by the FDA. Drugs resulting from NIH-sponsored work have also been shown to have a larger impact on public health than drugs developed without such support.

The President should be commended for his continued support of the Brain Research through Advancing Innovative Neurotechnologies (BRAIN) Initiative, which will improve our understanding of complex brain functions and their links to behavior and disease, and for the President's emphasis on research that will translate basic discoveries into new diagnostics and therapeutics. Recognition should be given to the President's commitment to NIH's critical research in this difficult budgetary climate and his Opportunity, Growth, and Security Initiative, which among other things would provide \$970 million in additional support for biomedical research at NIH.

Centers for Disease Control and Prevention (CDC)

The President's budget proposes \$11.1 billion to support various public health programs at CDC, an increase of \$311 million above the enacted program level for FY

2014. This increase is primarily due to fund transfers and mandatory spending. CDC is the nation's lead public health agency – charged with monitoring, investigating, and resolving public health problems in the U.S. and abroad, and supporting activities to prevent such problems from occurring in the first place.

Among other initiatives, the President's budget prioritizes support of enhanced surveillance and laboratory capacity to detect antimicrobial threats; expanded efforts to assist foreign partners in preventing, detecting, and responding quickly to infectious disease threats; and raising awareness of the health effects of tobacco use through a national mass-media campaign (complementing a recently-launched FDA ad campaign that targets youth).

We commend the President for these proposals but note the overall increase in the agency's proposed budget is attributable in large part to transfers from other resources (e.g., the Prevention and Public Health Fund and Public Health Service Evaluation transfers). CDC's discretionary budget authority is approximately \$407 million below the FY 2014-comparable budget authority level, which is concerning.

Health Resources and Services Administration (HRSA)

HRSA is the principal agency dedicated to ensuring that underserved Americans have increased access to basic health care. The President's budget continues to recognize the importance of HRSA-supported programs, and its work in conjunction with ACA insurance reform and coverage expansions, to ensure meaningful access to health care for our most vulnerable populations.

The President's budget includes a three-year extension of ACA mandatory funding for health centers to support the delivery of cost-effective and high-quality primary care services. Because of their current patient demographics and statutory mandate to locate in underserved areas or to serve underserved populations, health centers are well-positioned to become the health care homes for millions of newly-insured Americans. The budget also expands and continues ACA mandatory funding for the National Health Service Corps (NHSC) through FY 2020, supporting primary care clinicians who agree to practice in rural and other underserved areas. The President should be commended for supporting investments in needed primary care capacity for the millions of Americans gaining affordable insurance coverage through the ACA.

As part of a workforce initiative that includes the extension of enhanced Medicaid reimbursement for primary care providers and support for NHSC, the President also proposes funding for a new Targeted Support for Graduate Medical Education program that will support residency programs administered by teaching hospitals, children's hospitals, and community-based consortia – with a focus on ambulatory and preventive care. We applaud the President's attention to workforce policies to improve the supply and geographic distribution of primary care providers and other high-need specialists; however, we believe greater consideration should be given to the financing of this

initiative and impact of the proposed consolidation of graduate medical education funding on children's hospitals and community-based consortia.

Mental Health and Prescription Drug Overdose

The President's budget includes \$130 million to continue support for a package of proposals to promote early identification of mental illness and improve access to mental health services among students and young adults through the President's "Now is the Time" initiative, administrated by the Substance Abuse and Mental Health Services Administration (SAMHSA). The budget also invests \$26 million for new interventions to address prescription drug misuse, abuse, and overdose at CDC through the expansion of the existing State Core Violence and Injury Prevention Program and support for state substance abuse authorities in developing comprehensive prevention approaches through SAMHSA. Congress should support both of these proposals.

Other Public Health Initiatives

The President's budget proposes the extension of mandatory support for four proven/evidence-based public health programs that expire at the end of FY 2014: the Maternal, Infant, and Early Childhood Home Visiting Program (MIECHV); the Special Diabetes Program; the Health Professions Opportunity Grants program; and the Personal Responsibility Education Program (PREP). Congress should support the extension of these programs and also continue support for the Family-to-Family Information Center program, which expired at the end of FY 2013 and supports non-profit, family-staffed resources to help families of children and youth with special health care needs and the professionals who serve them.

JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

MAXINE WATERS, CA, RANKING MEMBER

March 25, 2014

HAND-DELIVERED

The Honorable Paul Ryan
Chairman, House Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515

Dear Chairman Ryan:

Enclosed herewith please find the Budget Views and Estimates of the Committee on Financial Services on matters to be set forth in the concurrent resolution on the budget for fiscal year 2015, which was adopted by the Committee on March 14, 2014, together with minority views.

Should your staff have any questions or need additional information, please contact Travis Norton on my staff at (202) 225.7502.

Sincerely,



JEB HENSARLING
Chairman

cc: The Honorable Maxine Waters, Ranking Member, Committee on Financial Services

Views and Estimates of the Committee on Financial Services on Matters to be Set Forth in the Concurrent Resolution on the Budget for Fiscal Year 2015

Pursuant to clause 4(f) of the Rules of the House of Representatives, section 301 (d) of the Congressional Budget Act of 1974, and section 708(b) of the concurrent resolution on the budget for fiscal year 2014 (H. Con. Res. 25, 113th Cong.), as deemed in effect by section 113 of the Bipartisan Budget Act of 2013 (Pub. L. No. 113-67), the Committee on Financial Services transmits the following views and estimates on matters within its jurisdiction or functions to be set forth in the concurrent resolution on the budget for fiscal year 2015.

OUR NATION'S FISCAL CHALLENGE

Forty-seven million Americans today live in poverty. That is one in six Americans and one in four children. In fact, our nation's poverty rate is the highest in a generation, and under President Obama nearly 7 million more Americans have fallen into poverty. Since President Obama took office, median household income has declined by nearly \$4,000, the percentage of Americans working has dropped to a 36-year low, average family health care premiums have increased by more than \$3,600, and \$6.6 trillion has been added to our national debt – more debt than was created in America's first 200 years.

Clearly, President Obama's policies have failed to produce the economy he promised. In fact, the Congressional Budget Office (CBO) sees the economy slowing down over the next 10 years, despite enactment of the President's \$1 trillion "stimulus," four successive years of trillion dollar deficits, and nearly \$7 trillion in new debt. Americans deserve better. They deserve a healthy economy, but we cannot have a truly healthy economy until Washington passes a budget that puts America on a sustainable fiscal path.

However, as the CBO has warned Congress and the President in report after report, America is not on a sustainable fiscal path but rather on the road to national bankruptcy. At \$17.3 trillion, America's national debt equals 74 percent of Gross Domestic Product – the highest level since the end of World War II. Without changes to existing laws, CBO projects our national debt will grow larger every year and within just 10 years rise to 79 percent of GDP. The inevitable consequences of "[s]uch large and growing federal debt," the CBO warns in its latest budget outlook, include restrained economic growth, lower wages for working Americans and the risk of a grave fiscal crisis.

The results of such a crisis would be catastrophic. Investors would lose confidence in the United States. Government would be unable to borrow money or only at astronomical interest rates. The only way out would be untenable tax hikes that cripple our economy and harsh spending cuts that inflict unyielding pain on all Americans, but most especially on those with low and moderate incomes. Taking action today to reduce our deficit and

debt will strengthen our economy and protect the long-term viability of government programs for those who need them most.

Failure to address our spending-driven debt crisis will result in a profound decline in Americans' standard of living. One need look no further than the bankrupt nation of Greece to see what the future might hold for America: massive unemployment, particularly among the young; a fraying social safety net; and prolonged period of negative economic growth.

Yet, President Obama has failed to heed these repeated warnings. His Fiscal Year 2015 budget never balances. It lays waste to the spending caps that Congress and the President agreed to just a few months ago. It imposes \$1.8 trillion in tax increases and leaves Americans \$8.3 trillion deeper in debt by the end of its budget window.

America needs a different direction – one that takes us off the road toward a debt crisis and instead puts our nation on the road toward fiscal sanity. A budget that increases taxes, spending and debt will only make life harder for Americans who are already struggling in this weak economy.

Instead, we must act wisely – and urgently – to get Washington spending under control. Partisans in Washington can argue over policies and the merits of specific federal programs, but arithmetic cannot be ignored: over the next 10 years revenues are expected to grow at roughly the same pace as the economy, but “spending is expected to grow more rapidly,” reports the CBO. In short, government must stop spending money it doesn't have.

Not long before he began his run for the White House, then-Senator Barack Obama said: “Leadership means that ‘the buck stops here.’ Instead, Washington is shifting the burden of bad choices today onto the backs of our children and grandchildren. America has a debt and a failure of leadership. Americans deserve better.” Indeed they do. But by his actions and, in the case of his Fiscal Year 2015 budget, inaction, President Obama has demonstrated yet again either an inability or an unwillingness to offer responsible leadership. He has failed yet again to grasp the seriousness of our debt and make government live within its means, just as the American people must do.

The President's FY 2015 budget is a clear sign he has given up on seriously addressing the fiscal challenges that threaten our economy, our national security and our children's future. Spending discipline in Washington is essential if we are to put this nation's finances in order, grow our economy today and leave a stronger, more prosperous America for future generations.

SECURITIES AND EXCHANGE COMMISSION

The Securities and Exchange Commission's (SEC) three-part mission is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. In its budget for FY 2015, the Administration has requested \$1.7 billion for the SEC, which would be a 26 percent increase or \$350 million over the SEC's FY 2014 spending authority. The \$1.7 billion budget request would support 5,183 positions and 4,688 full-time employees and would permit the SEC to fill an additional 639 positions. The FY 2015 budget also seeks more than \$9.2 million for the SEC's Office of Inspector General (OIG).

Section 991 of the Dodd-Frank Act authorizes the SEC to receive \$2.25 billion for FY 2015 and on October 18, 2013, SEC Chair White in a letter to the Office of Management and Budget requested \$1.950 billion for FY 2015, to support 5,560 positions and 5,320 full-time employees.

Since 2004, the SEC's budget has increased by more than \$539 million; however, the increased budget has not necessarily been reflected in an increase in the level of the SEC's performance. While the Administration claims that the SEC's funding is deficit-neutral, the SEC's funding ultimately is borne by investors and for every dollar spent to fund the SEC one less dollar is spent on capital formation.

In the run-up to the financial crisis and its aftermath, the SEC repeatedly failed to fulfill any part of its mission: the SEC failed to adequately supervise the nation's largest investment banks, which resulted in the bail-out of Bear Stearns and the collapse of Lehman Brothers and fed the ensuing financial panic; the SEC failed to supervise the credit rating agencies that bestowed AAA ratings on securities that later proved to be no better than junk; the SEC failed to examine the Reserve Primary Fund, a large money market fund that broke-the-buck in September 2008; the SEC failed to ensure that issuers made adequate disclosures to investors about securities cobbled together from poorly underwritten mortgages that were bound to fail; and the SEC was missing in action as Bernard Madoff and Allen Stanford perpetrated the two largest Ponzi schemes in U.S. history. These failures have taken place despite significant increases in funding at the SEC, which has seen its budget increase almost 66 percent since 2004.

In an attempt to address management dysfunction at the SEC, Section 967 of the Dodd-Frank Act mandated that the SEC hire "an independent consultant ... to examine the internal operations, structure, funding, and the need for comprehensive reform of the SEC." The SEC retained the Boston Consulting Group (BCG), which recommended that the SEC immediately overhaul its structure and management to optimize the use of its resources in light of the mandates placed upon it by the Dodd-Frank Act. The BCG found that the SEC had a needlessly complex organizational structure, characterized by multiple reporting lines, fragmented authority, and duplicative and overlapping responsibilities. While some

reforms have been made, there remain 22 division and office heads reporting directly to the SEC Chairman.

Additionally, the SEC has failed to adopt several key reforms proposed by BCG, including combining the Office of Compliance, Inspections, and Examinations into the Division of Trading and Markets and the Division of Investment Management, and combining the Office of Public Affairs, Office of Investor Education and Advocacy, and Office of Legislative and Intergovernmental Affairs into a new Office of External Relations.

The Committee supports the SEC's effort to expand the agency's information technology (IT) systems to better fulfill its mission, particularly the Market Information Data Analytics System or MIDAS, which allows Commission staff to better understand and analyze equity market events and individual order books for a particular security.

While the SEC is making full use of the Reserve Fund created by Section 991 of the Dodd-Frank Act to enhance its IT systems, the Committee remains troubled that more than five years after the Madoff Ponzi Scheme, the SEC has still not integrated the systems that would allow SEC staff to see all broker-dealer FOCUS reports and investment adviser FORM ADV in one consolidated system.

The SEC must also establish stronger controls to prevent waste, fraud and abuse. For example, in November 2012, the SEC's Office of Inspector General (OIG) reported that at the Division on Trading and Markets' automation review policy program (ARP) lab, "staff spent over \$1 million on computer equipment and software with little oversight or planning and that a significant portion of the equipment and software purchased was unneeded or never used in the program." The SEC cannot claim that previous funding levels "fall short of what we need to fulfill our responsibilities to investors and our markets" and simultaneously waste these valuable resources because of poor internal controls to track the purchase of IT products.

The Committee also supports the SEC's previous pledge to "devote significant attention to development and consideration of possible rule changes designed to facilitate access to capital for smaller companies while at the same time protecting investors." While the SEC must expeditiously complete the rules to implement Titles III and IV of the "Jumpstart Our Business Startups" or "JOBS" Act (P.L. 112-106), the Committee believes the SEC could be doing more to support capital formation apart from the JOBS Act by implementing a majority of the recommendations made by the SEC's Government-Business Forum on Small Business and its Advisory Committee on Small and Emerging Companies.

The Committee supports the SEC's consideration of the recommendations put forward by both the Government Accountability Office (GAO) and the SEC's OIG to improve economic analysis in SEC rulemakings. The Committee supports the SEC's goal to

hire more economists, trading specialists, and other experts with knowledge of the marketplace and both investment and trading practices, which would better equip the agency to fulfill its statutory mission and become a more effective regulator.

GOVERNMENT SPONSORED ENTERPRISES

The Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac were placed into the conservatorship of the Federal Housing Finance Agency (FHFA) in September 2008. To date, Fannie Mae has drawn more than \$116 billion and Freddie Mac has drawn \$71 billion in taxpayer funds, for a total of \$187.485 billion as of year-end 2013, making the conservatorship of the GSEs the costliest of all the taxpayer bail-outs carried out since the financial crisis. Unlike a loan to be repaid, Fannie and Freddie's bailout came in the form of each GSE selling one million shares of Senior Preferred Stock to the Department of Treasury with an initial value of \$1 billion, shares which Treasury still owns. Under the terms of the bailout, the value of those shares automatically increased by an amount equal to the bailout. Thus, Treasury – and, therefore, taxpayers – currently own \$189.485 billion worth of shares of GSE Senior Preferred Stock. Although the GSEs are required to pay dividends on those shares to Treasury when they show quarterly profits, those dividend payments cannot be used to reduce or redeem the one million shares of Senior Preferred Stock still owned by taxpayers.

After Fannie Mae and Freddie Mac were placed in conservatorship, CBO concluded that they should be included in the federal budget to reflect their cost to the taxpayer. But the President's FY 2015 budget continues to treat Fannie Mae and Freddie Mac as off-budget private entities rather than government agencies whose activities are backed and paid for by taxpayers. As a result, the sizeable losses experienced by the GSEs and the GSEs' ongoing risk to taxpayers, are not properly accounted for on the government's financial statements. The Committee strongly recommends that the Office of Management and Budget be directed by statute to move Fannie Mae and Freddie Mac "on budget," and to account for losses sustained since they were placed in conservatorship in the same way that the CBO calculates their losses. The Committee also recommends subjecting the GSEs to the statutory debt limit. To allow time to implement these changes, the Committee recommends an effective date of 90 days after the enactment of any such changes.

After five years without the Administration demonstrating any leadership in proffering a reform plan, the Committee is gravely concerned with the lack of progress in resolving the GSEs' conservatorship, addressing their unworkable hybrid status, and eliminating their government charters. Thus, the Committee recommends in the strongest manner enactment of H.R. 2767, the Protecting American Taxpayers and Homeowners Act of 2013 (PATH), to resolve these lingering questions, protect taxpayers from future bailouts, and achieve long-term budget savings. PATH would require the FHFA to repeal the charters of Fannie Mae and Freddie Mac and end the operations of those firms five to seven

years after enactment and cease their ability to guarantee new mortgages. PATH would also place certain restrictions on the operations of the GSEs, as well as those of the Federal Housing Administration (FHA), and enact other changes to the existing statutory framework for regulating mortgage lending and securitization. CBO has estimated that by winding down Fannie Mae and Freddie Mac, and thereby reducing federal subsidies for mortgages guaranteed by the GSEs under current law, PATH would decrease direct spending by \$6.6 billion over the 2014-2023 period. CBO has further estimated that those changes, coupled with the other provisions of PATH, would reduce federal deficits by \$5.7 billion over the next decade.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)

Two years ago, GAO reported to Congress that 20 different federal government entities administer 160 programs, tax expenditures, and other tools that support homeownership and rental housing.¹ The President's FY 2015 budget proposes to fund HUD at \$46.664 billion, representing a 2.7 percent increase over 2014 enacted levels. Unfortunately, the President's budget does nothing to address the proliferation of federal housing programs and initiatives that, over time, have failed to achieve meaningful results in changing lives or transforming troubled communities. The sheer number of programs or the amount of taxpayer money expended on housing is no substitute for a coherent and holistic strategy to address long-term systemic poverty, promote self-sufficiency, or encourage economic growth and opportunity.

The Committee is concerned that despite tens of billions of dollars in annual appropriations, HUD remains overly bureaucratic, lacks prioritization to define the agency's mission, and fails to deliver measurable results. The sprawling agency retains 8,073 full-time employees across several departments. Yet nearly 80 percent of HUD's budget remains dedicated to administering its three core rental assistance programs—Tenant-Based Section 8, Project-Based Section 8 and Public Housing—the funding of which is distributed according to pre-determined formulae. The remaining 20 percent of its budget is dedicated to every other HUD-administered program – the bulk of which is consumed by the Community Development Block Grant (CDBG), HOME Investment Partnership Program, and the McKinney-Vento Homeless Assistance Act, all of which are also largely administered by formulae. The Committee questions whether HUD's massive workforce is properly scaled to the types of programs it is charged with administering.

HUD's lack of prioritization also remains a concern for the Committee. Missing from the Administration's FY 2015 budget proposal is a clearly articulated vision of how to transform HUD from its bureaucratic morass into a modern agency, such as by reforming the existing 160 housing programs identified by GAO to consolidate resources and

¹ U.S. Government Accountability Office, GAO-12-342SP, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue* pp. 186-194 (February 2012).

maximize results. The Committee sees a clear link between this lack of prioritization and HUD's failure to deliver measurable results. For example, instead of consolidating programs and efforts to address root housing and poverty issues, the Administration has devoted time and scarce resources to a seemingly endless string of new and untested proposals. For example, since 2009, some of the initiatives HUD has proposed include: Making Home Affordable, Home Affordable Modification Program, Federal Housing Administration Refinance Program, Emergency Homeowners Loan Program, Choice Neighborhoods, Promise Zones, Project Rebuild, Integrated Planning and Investment Grants, Sustainable Housing and Communities initiative and office rebranded as the Office of Economic Resilience, to name a few. For those concepts that were actually authorized or received appropriated funding, not one has met the goals originally established for it by the Administration.

FEDERAL HOUSING ADMINISTRATION

The Committee remains gravely concerned about the expanded mission and insufficient finances of the Federal Housing Administration (FHA) and is committed to protecting taxpayers from losses sustained by the FHA. Currently, the FHA is the largest government insurer of mortgages in the world, with a mortgage portfolio of 7.8 million loans and an outstanding portfolio of insurance-in-force exceeding \$1 trillion.

The FHA's financial position has steadily deteriorated in recent years as a result of an unsustainable expansion of its mission and market share. Currently, FHA's overall share of the mortgage insurance market, measured in a variety of ways, ranges in estimates from 50.5 percent to 23 percent, depending on the data examined. The result of this mission creep has been financially ruinous for the FHA, leaving it fiscally weaker than at any point since its creation. On September 27, 2013, for the first time in its 80-year history, FHA required a \$1.68 billion mandatory appropriation in taxpayer funds from the U.S. Treasury in order to balance its books and meet its statutory requirements. This shortfall was almost twice the FHA's initial projections in its FY 2014 budget proposal.

Additionally, in December 2013, an independent actuarial review showed that the FHA Mutual Mortgage Insurance Fund's (MMIF) capital reserve ratio had improved from a negative 1.44 percent from the previous year to negative 0.11 percent for FY 2013. This marks the fifth consecutive year that the FHA's reserve ratio remains far below its legally-mandated threshold of 2 percent. The independent review also stated that FHA's economic value improved from a negative \$16.3 billion to negative \$1.3 billion, which is the projected amount the FHA would lose if it stopped insuring new mortgages and covered its outstanding losses.

While the President's FY 2015 budget proposal does not foresee a drawdown from Treasury at the end of this fiscal year, the Committee remains concerned that the FHA has

failed to make full use of its existing authorities to protect the health of the MMIF. To its credit, the FHA increased annual premiums six times since October 2010. However, the Committee is concerned that the FHA will choose to increase its market share, at the expense of the private market, in order to improve its fiscal position rather than developing and implementing a comprehensive strategy for managing its risk and protecting taxpayers.

Notwithstanding the improvement in its finances from 2012 to 2013, the FHA continues to be technically insolvent and poses a threat to taxpayers. GAO continues to list the FHA as a program at “high risk” for waste, fraud and abuse, highlighting congressional concerns about the agency’s management challenges and troubled finances. The GAO’s designation of the FHA as a high-risk agency, coupled with the historic \$1.68 billion U.S. Treasury drawdown, underscores the significant risk that the FHA poses to American taxpayers and the urgent need to enact meaningful FHA reforms.

The Committee also believes that the FHA must explore additional measures to strengthen its credit policies. Moreover, the Committee is concerned that the FHA lacks the capacity to properly oversee its single-family loan insurance portfolio and therefore supports the Administration’s proposal to charge additional administrative fees. The Committee encourages HUD to follow the example of the Rural Housing Service’s FY 2015 proposal to implement an administrative fee or “guarantee underwriting fee” to pay for building and investing in technological infrastructure and covering administrative costs. The Committee looks forward to reviewing FHA’s proposal to change its underwriting criteria to ensure that qualified borrowers are able to access and sustain mortgages insured by the FHA.

The Committee also strongly recommends a return to the FHA’s traditional role in the mortgage insurance market, a view that the Administration purports to share. Three years ago, the Administration released a report entitled “Reforming America’s Housing Finance Market: A Report to Congress,” where the Administration stated that “FHA should return to its pre-crisis role as a targeted provider of mortgage credit access for low- and moderate-income Americans and first-time homebuyers.” Unfortunately, since then the Administration has failed to provide any comprehensive reform proposals to return FHA to its traditional role.

Title II of H.R. 2767, the Protecting American Taxpayers and Homeowners Act of 2013 (PATH), includes reforms designed to place the FHA on a more sustainable fiscal course and return it to its historical mission of serving first-time, low- and moderate-income homebuyers. PATH would allow FHA to operate quasi-independently from the political considerations of its parent agency—HUD—and preserve the agency’s counter-cyclical role when the private markets retreat from funding housing. The Committee

believes these enhancements would preserve FHA's unique market role, while also encouraging and facilitating more robust private sector participation.

The Committee is also concerned about the health of FHA's Home Equity Conversion Mortgage (HECM) program, also known as reverse mortgages. Established as a pilot program in 1989, the program gained permanent status in 1998 and has grown steadily. In FY 2014, FHA transferred almost \$6 billion, which included the \$1.68 billion mandatory appropriation, to bail out the HECM program. Given the uncertainty regarding home price appreciation and the HECM program's elevated default rate, the Committee will continue its oversight of the program and push for reforms outlined in the PATH Act that protect taxpayers and encourage greater private sector participation.

SECTION 8 VOUCHER PROGRAM

For FY 2015, the Administration requested an increase in funding for the Section 8 housing choice voucher program to \$20.045 billion, up from \$19.177 billion enacted in FY 2014. The growth of this program is on an unsustainable trajectory, and absent substantial reform, will consume an ever-increasing percentage of HUD's entire budget despite serving the same number of families. While changes to the voucher funding formula over the last decade have increased voucher usage and efficiency, comprehensive reform is still needed. In 2007, the OMB reported that HUD *"does not track long-term performance outcome measures because the agency lacks a reporting mechanism to capture how program funds are used."* The OMB also found that the program's effectiveness remained unknown. The Committee believes that the public is better served not by expanding Section 8 but by reforming the program to target need so that public housing authorities can serve more people within existing funding levels. Currently, the average tenancy turnover of Section 8 vouchers by non-elderly and disabled families is 10 years. Reforms to Section 8 and other assisted housing programs must address the small percentage of individuals and families who remain on assistance over a much longer period of time in order to discourage inter-generational dependence on assisted housing. The Committee believes that Section 8 recipients who are neither elderly nor disabled should be encouraged to move toward self-sufficiency so that assistance can be provided to those applicants who have patiently waited for assistance, in some cases for almost ten years.

PROJECT-BASED SECTION 8

In its FY 2015 budget submission, the Administration proposes to shift funding for Project-Based Section 8 contract renewals from a fiscal year to a calendar year cycle. While this may be consistent with HUD's other affordable rental programs, the Committee is concerned that changes to the contract renewal process for project-based vouchers will push renewal costs into later years. As part of its examination of the Project-Based Section 8 program, the Committee will work with the Administration to encourage the

development of new ways to encourage the conversion of public housing units to long-term, Project-Based Section 8 contracts, with a goal of providing opportunities for private sector investment in capital improvements.

PUBLIC HOUSING

In its FY 2015 budget submission, the Administration requested \$6.525 billion for the Public Housing Operating Fund and the Public Housing Capital Fund, which the Administration proposes to combine for any eligible expense under both programs. Because the funds needed to maintain existing public housing stock outpace appropriations, the Committee will encourage the Administration to propose alternative means of financing the development of affordable housing as part of a comprehensive housing strategy. In the 112th Congress, the Committee began work on a series of reforms to help increase the efficiency of public housing administration. These reforms included an adjustment for inflation to the minimum rent contribution, updates to income calculation deductions, and new flexibility for housing authorities to best deploy their capital and operating funds for public housing. The Committee will continue to explore these and other reforms in the 113th Congress.

In its FY 2015 budget request, the Administration is requesting \$400 million for the Choice Neighborhoods program. This program is similar to the efforts of the HOPE VI program that was designed to demolish and rehabilitate public housing units. The Committee has long been critical of the mission and effectiveness of the HOPE VI program, funding for which has been zeroed out repeatedly in prior Administration budgets. The Committee remains skeptical of the Administration's dedication of scarce resources to expand the scope and cost of the program under a new Choice Neighborhoods banner, which is currently unauthorized. This initiative is not new; however, it is an example of the Administration's failure to conduct a comprehensive review of existing housing programs and develop an integrated plan to streamline programs and articulate a clearer vision for HUD.

RENTAL ASSISTANCE DEMONSTRATION

Over the past two decades, the federal government has invested tens of billions of dollars in the development and maintenance of public and multifamily housing units even though HUD reports that public housing stock has shrunk at a rate of 10,000 units per year over the last 12 years. The Committee recognizes that this trend is not sustainable and that new, innovative approaches are necessary to change the public housing paradigm. To make more capital available to maintain and rehabilitate public housing, the Committee supports the concept of the Rental Assistance Demonstration (RAD) program.

Funded as a 60,000-unit demonstration in the 112th Congress, RAD seeks to make financing options that are currently available to voucher-assisted property owners and managers similarly available to Public Housing Authorities (PHAs) to maintain public housing stock. The Committee supports the Administration's proposal to lift the 60,000-unit cap and allow more eligible PHAs to convert public housing units to long-term Project-Based Section 8 contracts, thereby permitting PHAs access to private capital to pay for maintenance and rehabilitation of public housing stock. The Committee believes that RAD would permit PHAs to partner with local developers, property owners, and nonprofit organizations to preserve affordable housing units that would otherwise fall into disrepair, become uninhabitable, and eventually leave the affordable housing stock forever. When implemented properly, RAD could streamline HUD's rental assistance programs, increase resident choice, and improve resident mobility.

NATIONAL HOUSING TRUST FUND

Created by the Housing and Economic Recovery Act of 2008 (HERA), the National Housing Trust Fund was originally to be funded through revenue taken from Fannie Mae and Freddie Mac. Given the GSEs' current status in conservatorship, the Administration has suspended the use of Fannie Mae and Freddie Mac as the funding source for the National Housing Trust Fund. The Administration has instead requested \$1 billion in mandatory funding in its FY 2015 budget proposal. The Committee agrees with the Administration's assessment that the Trust Fund is similar in its core requirements to other government housing programs, such as the HOME program. The Committee rejects the need to create a duplicative new federal bureaucracy to administer essentially the same program that could be achieved with several of the existing 160 housing programs identified by the GAO.

NATIVE AMERICAN HOUSING

HUD provides the bulk of its funding for housing on Indian tribal lands through its Indian Housing Block Grant (IHBG) program. In its FY 2015 budget submission, the Administration is requesting \$650 million for IHBG, which is the single largest source of federal funding for housing on Indian tribal lands. That request is equal to the amount appropriated for IHBG in FY 2014.

IHBG was authorized through Title I of the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA), which consolidated several federal housing assistance programs for Native Americans into a needs-based formula block grant. IHBG recipients have the flexibility to use funding in a variety of ways to develop, operate, maintain, or support affordable housing for rental or homeownership based on the distinct housing needs of the Native American people they serve, including rehabilitating existing

housing, constructing new units, operating home loan programs, or providing rental assistance.

Given the level of federal funding for IHBG, the Committee continues to be concerned about bureaucratic and administrative problems that have impeded funds from reaching their intended beneficiaries. The program has an obligated unexpended balance of \$772.5 million, which represents a 21 percent decrease from the previous year's unobligated balance of \$979.7 million. While the Committee acknowledges that housing development, like other forms of capital development, can be a multi-year process and that recipients should be allowed a reasonable time in which to plan for and expend their funding, the program's slow spend-out rate means that unexpended balances exceed the program's annual appropriation.

The Committee intends on using the reauthorization of NAHASDA to explore the sources and causes of these unexpended balances to ensure that the program operates efficiently. During the last year, the Committee worked with HUD and stakeholders to understand the challenges in developing affordable housing in tribal communities, including statutory impediments, HUD internal administration, and the myriad of intra-tribal organizations. The Committee supports the Administration's FY 2015 budget proposal to withhold funding from any grantee that, on January 1, 2015, has a total undisbursed balance greater than three times the funding allocation it would otherwise receive in 2015, where there is no legitimate reason to strategically hold its allocation. Additionally, the Committee supports the designation of an ombudsman at HUD for grantees affected by this proposal to ensure that any impediments to their successful deployment of funds awarded under NAHASDA are addressed.

RURAL HOUSING

Since the 1930s, the Rural Housing Service (RHS), and its predecessor agencies under the Department of Agriculture (USDA), has sought to address the homeownership and rental challenges in remote areas where private capital plays a diminished role in the housing finance market. RHS also offers a subsidized direct loan for the purchase of single family housing to low- and very-low income borrowers unable to qualify for credit elsewhere. However, in recent years multiple GAO reports have highlighted the overlap of RHS, FHA, and Veterans Affairs homeownership and rental programs.

The Administration's FY 2015 budget requests \$1.6 billion to fund the RHS. The Administration proposes to create 166,000 direct and guarantee income-targeted loans for low- and very-low income families, as well as to significantly reduce RHS' role in its direct lending program by 40 percent. This proposed change raises serious questions as to whether today's RHS is functionally distinguishable from FHA single- and multifamily programs that serve the same market.

Furthermore, other questions have been raised about RHS' effectiveness and current mission. It has failed to make any adjustments to reform its management structure or ability to collaborate with other federal agencies to reduce costs and maximize taxpayer investments. GAO found that RHS *"relies on more in-house staff to oversee its single-family and multifamily loan portfolio of about \$93 billion than HUD relies on to manage its single-family and multifamily loan portfolio of more than \$1 trillion."* Moreover, an August 2012 GAO report noted that RHS' *"largely decentralized field structure...ha[d] not kept pace with its shift towards guaranteed lending."*

The Committee understands that the USDA has a myriad of objectives and programs ranging from food safety to livestock management best practices. When the Farmers Home Administration (FmHA) was reorganized in 1995 as the Rural Housing Service, there was a belief that the umbrella sub-agency—Rural Development—would transform the housing entity into a nimble and responsive agency. However, the Committee is concerned about the Administration's lack of commitment to that objective. For example, a December 5, 2013 memorandum by USDA entitled the "Rural Development's Mission, Areas of Focus, and 2014 Area Goals," failed to mention either "housing" or the "Rural Housing Service."

Additionally, two years ago, the Administration created the Rental Policy Working Group to coordinate housing programs and maximize efficiencies that ultimately save taxpayer funds and focus on improved delivery service to low- and very-low income families. Neither RHS nor HUD has reported to Congress on its progress nor does the budget reflect any cost savings from this effort. More disturbing, however, is the GAO finding that in FY 2009, the FHA *"insured over eight times as many single-family loans in economically distressed rural communities as RHS guaranteed. And, many RHS loan guarantees financed properties near urban areas—56 percent of single-family guarantees made in 2009 were in metropolitan counties."* GAO concluded that *"consolidation or greater coordination of RHS and FHA's single-family loan programs that serve similar markets and provide similar products may offer opportunities for savings in the long term."*

NATIONAL FLOOD INSURANCE PROGRAM

According to the GAO, the National Flood Insurance Program (NFIP) must be fundamentally reformed to stabilize its long-term finances. As of February 28, 2014, the NFIP owed taxpayers \$24 billion, with the authority to borrow an additional \$6.425 billion, for a total taxpayer exposure of \$30.425 billion, a debt which CBO, GAO and other independent authorities believe the NFIP will never be able to repay.

The Committee worked effectively in a bipartisan manner to enact comprehensive reforms to the NFIP in 2012 as part of the Biggert-Waters Flood Insurance Reform Act. The Act included a number of important reforms designed to make the program more

actuarially sound, for example by phasing out subsidized rates, increasing premiums, and streamlining and strengthening flood mitigation efforts to reduce the number of repetitive losses which act as a drain on the NFIP. Like the Administration, the Committee supports a phased transition to actuarially sound flood insurance rates, as provided for by the Biggert-Waters Act, in order to enable policyholders and communities to adjust to risk-based premiums.

The Committee notes that the Biggert-Waters Act contains many provisions that would allow the flood insurance program to reform its premium structure so that it can collect the premiums it needs to pay out claims. The Committee also acknowledges that for some individuals, businesses and communities that have grown accustomed to NFIP subsidies, the onset of actuarial rates might create unforeseen hardship. However, by asking that owners of subsidized properties pay actuarial rates that reflect their full risk, the Biggert-Waters Act would make these properties pay their fair share, thereby increasing the amount of funding to the flood insurance fund. Given the NFIP's unsustainable finances and the unacceptable demands the program places on taxpayers, Congress must consider additional reforms to promote greater private sector participation in the short-term and privatization of the program in the long-term.

TERRORISM RISK INSURANCE

Congress passed the Terrorism Risk Insurance Act of 2002 (P.L. 107-297), popularly known as TRIA. TRIA established the Terrorism Risk Insurance Program, which is administered by the Treasury Department and was designed as a temporary, transitional program to make terrorism insurance coverage more widely available. Under the program, the federal government and the insurance industry share the risk of loss from terrorist attacks that meet certain statutory criteria. Last reauthorized in 2007, the Terrorism Risk Insurance Program is set to expire on December 31, 2014. The Committee agrees with the Administration's assessment in the FY 2015 budget submission that any reauthorization of TRIA must include programmatic reforms to limit taxpayer exposure and achieve cost neutrality for the program. The Committee takes the Administration at its word when it states: "The Administration will work with Congress to identify appropriate adjustments to program terms to achieve budget neutrality and, over the longer term, full transition of the program to the private sector."

CONSUMER FINANCIAL PROTECTION BUREAU

The Consumer Financial Protection Bureau (CFPB) is a federal agency created by the Dodd-Frank Act to regulate providers of credit and other consumer financial products and services. The Dodd-Frank Act confers upon the CFPB Director a broad mandate that includes consumer protection functions transferred from seven different Federal agencies, and the authority to write rules, supervise compliance, and enforce all consumer protection

laws and regulations other than those governing investment products regulated by the Securities and Exchange Commission or the Commodity Futures Trading Commission. The Bureau has a dedicated Office to protect military men and women. The Committee commends the Bureau and its Office of Service Member Affairs to the extent it has quickly and effectively identified concerns and complaints of military members and their families and engaged in legal action and education to protect those Americans who protect this country.

The Dodd-Frank Act housed the CFPB within the Federal Reserve System (Fed) as an “independent bureau,” but the Act makes clear that the CFPB is to be autonomous of the Fed in carrying out its mission. The CFPB Director determines the agency’s budget, which is drawn from the Fed’s combined earnings. Every dollar not drawn from the Fed by the CFPB would otherwise be available for remittance by the Fed to the Treasury for purposes of federal deficit reduction. The CFPB’s annual budget authority is set by statutory formula. For Fiscal Year 2013, it was \$597.6 million. The CFPB’s budget authority for Fiscal Year 2014, as adjusted by an annual inflation indicator, is \$608.3 million. If, in any given fiscal year, the CFPB obligates fewer funds than it draws from the Fed, these funds do not expire and remit back to the Fed; rather, the CFPB brings forward its unobligated funds to expand its budgetary resources in future fiscal years. In Fiscal Year 2013, for instance, the CFPB brought forward an unobligated balance of \$100 million. In practice, this arrangement enables the CFPB to accumulate large sums to spend on projects of dubious value, including, for instance, at least \$145.1 million to renovate a headquarters building it does not own and average annual compensation of \$167,891 per employee.²

The CFPB’s budgetary process, as designed by the Dodd-Frank Act, shields the CFPB from the appropriations process and undermines congressional oversight. To promote greater transparency and accountability in CFPB budgeting, on February 27, 2014, the House passed H.R. 3193, which among other reforms subjects the CFPB’s funding to the Congressional appropriations process and places CFPB employees on the General Services (GS) pay scale.

In its Fiscal Year 2015 budget document, the Administration anticipates the CFPB will incur \$570 million in total new obligations for Fiscal Year 2014, including an unspecified \$215 million for “Other services from non-Federal sources,” and \$583 million in total new obligations for Fiscal Year 2015. The Committee views these funding levels as excessive. H.R. 3193 reduces direct spending by \$6.1 billion and authorizes annual appropriations for the CFPB of \$300 million for Fiscal Years 2014 and 2015.

² See, e.g., “CFO update for the fourth quarter of fiscal year 2013,” available at http://files.consumerfinance.gov/f/201312_cfpb_cfo-q4-update.pdf; “Strategic Plan, Budget, and Performance Report,” pp. 15-16 (Mar. 2014), available at <http://www.consumerfinance.gov/strategic-plan-budget-and-performance-plan-and-report/>.

ORDERLY LIQUIDATION AUTHORITY

The 2008 economic crisis exposed the U.S. financial system's vulnerability to financial firms that government officials and financial market participants believed had become "too big to fail," in large part because the creditors of these large, complex financial institutions believed themselves to be the beneficiaries of an implicit government guarantee that would protect them against losses if these firms failed. In turn, these large financial institutions exploited their creditors' "too big to fail" government guarantee to take advantage of lower borrowing costs, which permitted them to grow even larger at the expense of smaller institutions. In the midst of the crisis, some government officials believed that the failure of these "too big to fail" firms could bankrupt their creditors and counterparties, leading to cascading failures across the financial system.

In hopes of mitigating the perceived consequences of allowing large, complex financial institutions to fail, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203), which established an Orderly Liquidation Authority that granted the Federal Deposit Insurance Corporation (FDIC) the authority to resolve non-bank financial institutions whose failure government officials believe might pose a threat to the financial stability of the United States. Title II of the Dodd-Frank Act authorizes the FDIC to serve as the failing institution's receiver, with a mandate to liquidate the institution. This authority is intended as an alternative to bankruptcy for large non-bank financial institutions, vesting federal receivership powers in the FDIC similar to the FDIC's existing powers to take over insured depository institutions.

Even though the authors of the Dodd-Frank Act purported to end bailouts of "too big to fail" firms, Title II nonetheless grants the FDIC the authority to borrow from the Treasury to capitalize an "orderly liquidation fund," which the FDIC can use to pay off the creditors of the failed firm in order to keep these creditors from running on the failing institution, if government officials believe that such payments are necessary to contain systemic contagion. The Orderly Liquidation Authority thus perpetuates the government guarantee enjoyed by these creditors, which helped create the "too big to fail" problem in the first place. Although the proponents of the Orderly Liquidation Authority point to provisions in Title II which permit the FDIC to recoup costs from large financial institutions through post hoc assessments, the Congressional Budget Office has previously estimated that repealing Title II would achieve savings of \$3.383 billion in FY 2012-13, \$13.585 billion in FY 2012-17, and \$22 billion in FY 2012-22.

FEDERAL RESERVE SYSTEM

In its FY 2015 Budget, the Administration projected that "Deposits of Earnings by the Federal Reserve System" would generate \$225 billion during the 2015-2019 period and \$462 billion from 2015-2024. The Committee believes this estimate is overly optimistic

given recent papers published by the staff of the Division of Research & Statistics and the Division of Monetary Affairs at the Federal Reserve Board of Governors in January 2013 and September 2013, which project that an increase in interest rates and the unwinding of the Fed's \$4 trillion portfolio of assets could lead to capital losses ranging from \$20 billion to \$40 billion by 2020. Should annual losses on its portfolio and interest paid on excess reserves maintained by depository institutions at the Federal Reserve exceed the annual revenue generated from open market operations, the Fed will also cease remitting profits back to the U.S. Treasury, which totaled approximately \$ 77.7 billion in 2013. According to the Fed staff's projections, remittances to the Treasury will drop off after 2017 and not pick up again until 2021, depending on the cumulative size of the Fed's portfolio of assets and the rate at which interest rates rise in the future.

At present, the Committee believes the Administration's FY 2015 remittance projection is overstated by at least \$38 billion from 2015-2019 and at least \$152 billion from 2015-2024. If the Fed's exit from several rounds of quantitative easing is more disorderly than projected, the costs to the Fed will be far higher and remittances to the Treasury far lower. Further, the fiscal impact of lower remittances by the Fed would be compounded by increased borrowing costs. Indeed, the Congressional Budget Office estimated on March 27, 2013 that an interest rate environment like the one the U.S. experienced during the Great Inflation of the 1980s would result in an additional \$6.3 trillion in interest payments on federal debt.

OFFICE OF FINANCIAL RESEARCH

The Office of Financial Research (OFR) is an office created by the Dodd-Frank Act and housed within the Treasury Department to support the Financial Stability Oversight Council (FSOC) in fulfilling its duties of identifying and responding to risks and emerging threats to the financial stability of the United States. The Dodd-Frank Act charges the OFR with supporting the FSOC and its member agencies in the following ways: collecting information for the FSOC and its member agencies; standardizing the types and formats of data reported and collected; performing applied and long-term research; developing tools for risk measurement and monitoring; making the results of its activities available to financial regulatory agencies; and assisting the FSOC's member agencies in determining the types and formats of data that the Dodd-Frank Act authorizes them to collect. The OFR can compel financial companies to provide a broad range of data. For example, the OFR must collect "financial transaction data and position data" from financial companies — that is, real-time data about financial transactions, positions, and financial contracts.

The Government Accountability Office (GAO) raised concerns about OFR's lack of transparency and its inability to appropriately gauge its effectiveness in an audit of the OFR and the FSOC released in September 2012 titled, "New Council and Research Office Should Strengthen the Accountability and Transparency of Their Decisions." Additionally,

a report released by the OFR on September 30, 2013 titled “Asset Management and Financial Stability” has drawn substantial criticism from Members of Congress of both parties as well as Commissioners from the Securities and Exchange Commission and industry representatives due to concerns about the accuracy, methodology and conclusions of the report. Of particular concern was that the OFR’s flawed analysis of the asset management industry would be used by the FSOC in designating non-bank financial institutions for enhanced prudential regulation by the Federal Reserve Board pursuant to Section 113 of the Dodd-Frank Act.

The OFR is funded outside of the appropriations process through assessments levied on large financial companies. According to the OFR’s 2013 Annual Report, the OFR’s FY 2014 estimated budget is \$86 million. The President’s Budget for FY 2015 lists the estimated budget for the OFR at \$92 million. The President’s Budget for FY 2015 also notes that the OFR estimates significant unobligated balances of \$78 million for FY 2014 and \$81 million for FY 2015. The Committee remains concerned about (1) the OFR’s broad powers; (2) the OFR’s unlimited authority to collect financial data and whether it has adequate procedures in place for safeguarding that data; (3) the Treasury Department’s influence on the OFR; and (4) Congress’s limited oversight of the OFR. The Committee will continue to closely monitor the activities of the OFR and intends to examine whether the OFR’s funding should be subject to the Congressional appropriations process to promote greater accountability and transparency. The Committee commends the addition of language in the Consolidated Appropriations Act, 2014 (P.L. 113-76) mandating new quarterly reporting requirements for the OFR on its spending and fulfillment of its mission and providing Congress with the authority to request testimony on these reports.

EXPORT-IMPORT BANK

The Export-Import Bank is an independent agency that provides export financing through its loan, guarantee, and insurance programs. While the Export-Import Bank has historically offset the costs of its operations with the fees it collects, the Committee notes with concern the results of recent stress tests of the Bank’s portfolio conducted by the Bank and reviewed by the Government Accountability Office. The tests show the Bank could exhaust its capital reserves in a stressed environment, potentially placing taxpayer dollars at risk for future bail-outs. Also of concern is whether the dramatic growth of the Export-Import Bank in recent years could undermine the Bank’s fiscal soundness, and whether the Bank’s current capital standards adequately protect against potential losses, particularly in light of the Export-Import Bank Inspector General’s observation in a 2012 report “that Export-Import Bank’s current risk management framework and governance structure are not commensurate with the size, scope, and strategic ambitions of the institution.”

MULTILATERAL DEVELOPMENT BANKS

Multilateral development banks (MDBs) provide concessional lending and grants to the world's poorest countries and provide non-concessional lending to middle-income and poorer credit-worthy countries. In the past, the U.S. has provided funding to MDBs through pledges made by Treasury on behalf of the U.S. to international organizations, and Congress has considered these pledges and partially funded them through the appropriations process. The Committee notes that the Administration has significantly over-committed the United States in pledges to the multilateral development banks, resulting in more than \$1.5 billion in payments past due to these institutions since 2005.³ The Committee recommends the Administration set a good example for recipient countries of multilateral development assistance by exercising discipline and not making commitments that it cannot honor. The Committee urges Treasury to advocate that governments receiving assistance from the multilateral development institutions do not engage in human rights abuses and corrupt activities.

INTERNATIONAL MONETARY FUND

The International Monetary Fund (IMF) provides loans to countries that cannot meet their international payments and are unable to find sufficient financing to meet their obligations. The IMF also provides global oversight of the international monetary system and provides technical assistance to low- and middle-income countries. The United States played a significant role in creating the IMF and, as its largest shareholder, has veto power over major IMF decisions. The Committee will review the policies of the IMF with an eye toward ensuring effective use of resources and appropriate alignment with U.S. interests in promoting economic growth and stability.

The Committee will consider whether a lack of transparency in the IMF's governance structure prevents the public from having an appropriate degree of input into fundamental changes in IMF policies, such as the IMF's "exceptional access framework," a rule that prevents the IMF from making loans to countries with unsustainable debts. The Committee notes that it was only from leaked board documents that the public learned how IMF staff "silently" changed⁴ the exceptional access policy in order to approve a controversial loan for Greece, which the Brazilian representative to the IMF noted with concern "amounted to a bailout of Greece's private sector bondholders, mainly European financial institutions," prompting the Argentine IMF representative to conclude that "it is very likely that Greece might end up worse off after implementing this program."⁵

The Committee will therefore consider whether the Administration's request to transfer resources from the New Arrangements to Borrow (NAB) to quota subscription is

³ Department of the Treasury, FY 2015 Budget Request, Justification for Appropriations, p. 6.

⁴ Remarks attributed to the Swiss Executive Director to the IMF, "IMF Document Excerpts: Disagreements Revealed," *Wall Street Journal*, October 7, 2013, available at <http://on.wsj.com/15SqhGt>.

⁵"IMF Document Excerpts: Disagreements Revealed," *Wall Street Journal*, October 7, 2013, available at <http://on.wsj.com/15SqhGt>.

still needed, in light of reforms that do not go far enough to reduce the influence of European nations on the Executive Board. During consideration of any such request, the Committee will assess the purpose of the transfer and potential risks the transfer might pose, as well as possible consequences for the stability of the international financial system and U.S. economic interests if the pending quota package is not approved.

Minority Views

The following represent the views of the Democratic Members of the Committee on the following issues consistent with the Concurrent Resolution on the Budget for Fiscal Year 2015.

March 14, 2014

Forty-seven million Americans today live in poverty. That number is simply too high. However, it is important not to confuse the continued existence of poverty with the notion that we have not made large strides over the past 50 years to alleviate it. The social safety net has proven to be a crucial tool in lowering poverty rates for many years. While all policymakers want to increase economic growth overall, it is dangerous to pretend that without effective, targeted and proven investments aimed at lower-income individuals and communities, economic growth alone will solve this persistent problem. As the American economy continues to produce jobs, 8.5 million in the past 47 months, we should continue to pursue policies that will accelerate that growth. However, we also have a responsibility not to abandon strategies and programs that have been helping millions of Americans for generations. According to studies, without the social safety net, the poverty rate in 2011 would have been nearly twice as high – 29 percent compared to 16.1 percent – as without these programs. For young people under 18, the disparity would have been 29.9 percent living in poverty, as compared to 18.2 percent. Pretending that simply cutting these programs, in some cases dramatically, will somehow magically lift people out of poverty is not historical, sensible or fair.

Of course, our willingness to make public investments happens in the context of the overall budget and budget deficit. It is important to view the current budget deficit in context. The budget President Obama inherited in 2009 reached an alarming annual deficit of \$1.4 trillion that fiscal year. Since that time, the deficit has fallen rapidly and steadily. The Congressional Budget Office (CBO) projects that the deficit will shrink to \$514 billion in fiscal year 2014 without any policy changes – or roughly 3 percent of GDP – which is the average size of the deficit over the past 40 years. Moreover, CBO projects the deficit to decrease further in fiscal year 2015 to \$478 billion, down to 2.6 percent of GDP. The budget proposed by President Obama would go even further -- projected to reduce the deficit to 1.6 percent of GDP by the year 2024. This includes a series of substantial investments in job training, research and development, education, the expansion of the earned income tax credit and other initiatives that will help grow the economy, put people back to work and expand opportunities. It is an important priority to continue to reduce the budget deficit to a manageable level. However, the deficit is not an excuse for policymakers to abandon programs that for decades have successfully reduced poverty and expanded opportunities for the middle class and others. It is also not an excuse for policymakers to stop exploring additional ways to do so. Despite progress in some areas, there remain fundamental inequities in our economy. Dramatic disparities persist along many parts of the U.S. population. Poverty rates for African-Americans and Latinos are disproportionately and cripplingly high. Many rural communities suffer from poverty rates far higher than the national average.

The Committee on Financial Services has authority and jurisdiction over many programs that are part of our national efforts to see that economic opportunity is available to all

Americans. Those programs, and our budget recommendations, are highlighted in detail in these views. We fundamentally disagree that the goals of economic growth and helping everyone in our society, including the most vulnerable, are at odds with one another. The President's budget for fiscal year 2015 sets an important, balanced direction as we try to meet both of these goals. This committee has the capacity, and the duty, to continue pursuing budget policies that ensure economic growth, reduce economic inequality and expand opportunity for every American.

END THE SEQUESTER FOR FY 2015 AND BEYOND

The Majority passed Views and Estimates for FY 2015, but nowhere in its document does it mention the stranglehold of the budgetary "sequester." Although the Bipartisan Budget Act of 2013 largely mitigated the most devastating effects of the sequester in FY 2014 and FY 2015, it only replaced half of the discretionary cuts for 2014, just one-fifth of the scheduled cuts for FY 2015 and none of the cuts in future years. Democrats do not believe that the American people should be held hostage to an extreme ideology that jeopardizes hundreds of thousands of jobs, slows U.S. economic growth and ignores vital investments in our future. If the sequester is not ended once and for all, the Federal Government will be forced to make cuts vital services to children, seniors, people with mental illnesses, and our armed forces.

The negative effects of the sequester can be avoided in FY 2015, in part, by adopting the Administration's Opportunity, Growth and Security Initiative, a balanced plan that includes targeted spending cuts and revenue increases, such as closing unnecessary tax loopholes. We urge Congress to act now to consider this approach to reduce the level of US debt without impairing our country's job growth and recovery from the recession.

SECURITIES AND EXCHANGE COMMISSION (SEC)

Democrats continue to be concerned that the SEC has been constrained financially for the last four years even as U.S. and world capital markets have grown at an ever accelerating rate. As a result, the SEC has been unable to make investments in human capital and technology necessary to keep pace. We believe that Congress needs to fully fund the SEC at \$1.7 billion in FY 2015 to bolster the strength and stability of our markets as well as carry out its role of protecting investors, including Americans saving for retirement.

The SEC's important responsibilities to oversee the markets are broad and complex, and need sufficient funding to be successfully executed. Today, the Commission oversees more than 11,000 investment advisers, almost 10,000 mutual funds, 4,450 broker-dealers, 450 transfer agents, as well as the Public Company Accounting Oversight Board, the Financial Industry Regulatory Authority, the Municipal Securities Rulemaking Board, the Securities Investor Protection Corporation and the Financial Accounting Standards Board. The SEC also reviews the disclosures and financial statements of nearly 9,000 public companies. We further note that the resources available to the SEC to examine investment advisors generally have severely lagged the number and sophistication of these advisors, also necessitating additional resources. These areas and others continue to need adequate

investment for the SEC to catch up to the markets and ensure fair, orderly and efficient markets that facilitate capital formation.

Moreover, the SEC has been implementing key provisions of both the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and the Jumpstart Our Business Startups Act (JOBS Act), which when combined have added 100 new rulemaking responsibilities for the Commission. The Dodd-Frank Act addressed areas that were part of the 2008 financial crisis, or that were yawning gaps in the Commission's coverage of the markets and market participants. For example, the SEC now has responsibility for regulating and overseeing a major portion of the market for credit default swaps, which destabilized the markets during the crisis, more than 2,500 hedge fund and other private fund advisers, 1,000 municipal advisers, as well as enforcing new executive compensation disclosures, and protecting whistleblowers. Congress passed the JOBS Act to reduce regulatory burdens on smaller businesses when raising capital, but also provided sufficient authority for the Commission to protect investors against fraud. It is critical that the SEC be able to hire personnel with the necessary expertise, and invest in IT systems to adequately examine and oversee these important measures.

On a general level, freezing or cutting back the SEC's budget will mean it will not be able to make additional hires to bolster economic analysis and enforcement. The SEC's experience enforcing the rule of law resulted last year in \$3.4 billion in disgorgement and civil penalties, as well as a new emphasis on obtaining admissions of guilt. Similarly, after the courts placed new burdens on the agency for economic analysis, the Commission adopted internal guidance based on the cost-benefit analysis principles outlined in Executive Order 12866. The SEC has complied with this guidance, which GAO describes as "the basic elements of good regulatory economic analysis," when proposing several new regulations, including those for cross-border derivatives and crowdfunding. However, if Congress fails to provide the Commission with sufficient funding, it will not be able to hire additional economists and enforcement staff, which will cripple its ability to adopt or revise rules, and ensure that our markets abide by the rule of law.

We also want to note that the SEC's budget is paid for entirely by a fee levied on securities transactions and will in no way increase the government debt.

CONSUMER FINANCIAL PROTECTION BUREAU

Attacks on the Consumer Financial Protection Bureau (CFPB) continue despite the fact that this agency has proven itself to be an effective and independent advocate for millions of Americans. The CFPB has successfully recovered \$3 billion for more than nine million consumers and service members from credit card companies and debt relief services and other illegal activities that have long plagued consumers. Since opening its doors in 2011 the Bureau has already made important progress in issuing key rules that protect against irresponsible mortgage lending and protect homeowners facing foreclosure.

Regardless of the agency's successes, critics continue their attempts to stymie the agency's effectiveness by taking up legislation to make it easier for Congress to eliminate its budget, and adding costly bureaucratic layers to the agency's structure. Such measures are disingenuously taken up under the auspices of promoting Congressional oversight, even

though the CFPB is, by statute, held accountable to Congress, other regulators, and the public in ways other financial regulators are not. Despite claims to support consumer protection, the Majority's budget views tout that the most recent, so called, accountability measure, H.R. 3193, would save taxpayers \$6.1 billion dollars. Of course what is not stated is that these savings can only be realized as long as the Agency's operations are fully defunded for the period from 2015 to 2024.

The CFPB has made unprecedented efforts to be transparent by sharing a wealth of information on its website, and has requirements regarding input from small institutions and businesses that other financial regulators do not have. It is also subject to a GAO audit of its financial statements and an independent performance audit, and must supply semi-annual reports to Congress. Furthermore, representatives of the CFPB have testified in front of Congress 46 times to date.

The CFPB also has a dedicated Office to protect military men and women. The Committee commends the CFPB and its Office of Service Member Affairs for fast and effective work identifying abuses of military members and their families and in legal action and education to protect those Americans who protect this country.

The CFPB should continue to be fully funded so that it may thoroughly pursue its essential work on behalf of American consumers, protecting them as they navigate the financial marketplace, and ensuring continued access to credit for creditworthy borrowers.

GOVERNMENT SPONSORED ENTERPRISES

While the Majority asserts that the Government Sponsored Enterprises' (GSEs') losses are not reflected in the Administration's budget or in the U.S. Government's consolidated financial statement, this is misleading for several reasons and distracting to the need for comprehensive housing finance reform. While the Administration's budget request does not reflect the GSEs gross liabilities and assets, the budget does reflect all expected Treasury purchases of senior preferred stock in the GSEs, which represents the exposure to the taxpayers, in addition to projected dividend payments. In fact, the FY 2015 Budget projects that the GSEs will not need additional draws from the Treasury, but instead will remain profitable for the next ten years, paying in total \$367 billion, which is \$179 billion more than they borrowed. In addition, the US Government's consolidated financial statements include a contingent liability for the projected total costs of Treasury's preferred stock purchase. Such misleading discussion of the GSEs' proper budget treatment serves to distract from the more important need for comprehensive housing finance reform.

Contrary to the inaccurate description of PATH in the Majority Views, economists, housing advocates and industry all agree, the PATH Act is a bad bill. It ends the affordable 30-year fixed rate mortgage, making it a product only available to a tiny subset of lower-income FHA borrowers, or to the richest households getting jumbo loans. The bill removes key protections for investors but expects them to bear all mortgage credit risk. PATH is bad for community banks and credit unions by severely cutting their access to the capital markets and undermining FHA. The bill harms consumers by repealing existing predatory lending provisions. The bill abolishes the Affordable Housing Trust Fund, hurting renters, eliminating the GSEs' role in multi-family housing and making the FHA multi-family

program an administrative nightmare. PATH is bad for taxpayers, codifying an implicit guarantee on our housing market that will require a future bailout. In sum, the PATH to Nowhere Act would be a disaster for the American housing market, which drives nearly 20 percent of our nation's GDP.

Democrats believe that a robust mortgage market is required for a healthy, growing middle-class and broad economic growth. The secondary market plays a significant role in ensuring the health of the market, and efforts to reform the market should: maintain the affordable 30-year fixed-rate mortgage; protect taxpayers by fully paying for an explicit government guarantee; provide stability, liquidity and prevent disruptions to the U.S. housing market during a transition to a new finance system; support affordable rental housing and the multi-family market; and ensure that all financial institutions can equally participate in the market. Congress should reject all efforts to reform our housing finance markets that do not meet these key principles.

SUPPORTING SMALL BUSINESS INVESTMENTS

Democrats support increases for the successful State Small Business Credit Initiative, which Congress created in passing the Small Business Jobs Act of 2010. The Treasury has already allocated \$1.5 billion to support state programs that leverage private capital and support lending to small businesses and manufacturers. Treasury estimates that the first \$271 million of federal funds alone supported lending and investments of \$1.9 billion to more than 4600 small businesses, saving or creating more than 53,000 jobs. In fact, the initial \$1.5 billion in funding is expected to result in as much as \$15 billion in new lending to small businesses in participating states. Small businesses are the backbone of the American economy and Congress should bolster such efforts to increase jobs and promote economic growth by providing a new authorization of \$1.5 billion.

VETERANS AFFAIRS SUPPORTIVE HOUSING (VASH) PROGRAM

The Administration's request of \$75 million for Veterans Affairs Supportive Housing (VASH) vouchers is on par with the enacted amounts for FY2013 and FY2014. The Budget also allows HUD to allocate HUD-VASH funding to eligible, high capacity Native American Housing Block Grant recipients to specifically address needs of Native American homeless veterans on tribal lands. The HUD-VASH program has served an estimated 58,155 homeless veterans nationwide since 2008. HUD-VASH combines tenant-based voucher assistance for homeless veterans with case management and clinical services provided by the Department of Veterans Affairs (VA) at its medical centers in local communities. Public Housing Authorities (PHAs) awarded HUD-VASH vouchers develop partnerships with VA medical centers to help homeless veterans find permanent supportive housing.

HUD estimates that on any single night in 2013, there were 57,849 veterans without homes. The allocation of these vouchers is important to achieving the Administration's goal of ending homelessness among veterans.

HOUSING FOR THE ELDERLY AND DISABLED

The Section 202 Supportive Housing for the Elderly and Section 811 Supportive Housing for Persons with Disabilities programs are vital tools for providing new, and affordable, supportive housing for the elderly and persons with disabilities. Moreover, the Section 202 program is the only HUD program that currently provides housing exclusively for elderly households. The 2011 enactment of the Section 202 Supportive Housing for the Elderly Act (P.L. 111-372) streamlined HUD's administration of the Section 202 program and provided owners with additional tools to facilitate the preservation and rehabilitation of older Section 202 properties. The Frank Melville Supportive Housing Investment Act (P.L. 111-374), enacted in the same year, made similar reforms to the Section 811, Supportive Housing for Persons with Disabilities Program and authorized a new rental assistance-only demonstration program. In February 2013, HUD awarded approximately \$97.8 million to carry out the demonstration, which is expected to produce approximately 3,530 new units of affordable, supportive housing for persons with disabilities.

RENTAL ASSISTANCE FOR VULNERABLE POPULATIONS

The Majority's Budget Views and Estimates state that 80 percent of HUD's FY 2015 budget will go towards renewing rental assistance for approximately 5.4 million residents in subsidized housing. We also note that according to a December 9, 2013 study by the Joint Center for Housing Studies at Harvard University, the recent economic crisis has raised barriers to homeownership and pushed the number of households paying excessive shares of income for housing to record levels. The Report concludes that the government's assistance efforts have failed to keep pace with this growing need, undermining the goal of promoting affordable housing for all. Federal rental assistance programs must be fully funded to continue to serve families who might otherwise face homelessness, many of whom are veterans, elderly, or persons with disabilities.

FEDERAL HOUSING ADMINISTRATION

We note that the Administration estimates that the FHA will end FY 2014 with a capital reserve balance of \$7.8 billion and will not need a mandatory appropriation from the U.S. Treasury. The FHA has taken a number of extraordinary steps – including multiple premium increases, increases in down payment requirements for certain borrowers, eliminating the approval of loan correspondents, raising lender network requirements, re-examining reverse mortgage policies, and establishing the Office of Risk Management – to strengthen the Mutual Mortgage Insurance Fund. Additionally, FHA ended a policy whereby borrowers were permitted to stop paying annual insurance premiums when their loans amortized to a certain percentage of the original principal balance. FHA also now requires manual underwriting for loans with credit scores below 620 and debt-to-income ratios greater than 43 percent in order to ensure that such borrowers possess compensating factors that accord with FHA underwriting guidelines.

FHA continues to serve first-time homebuyers and lower income families who have the dream of homeownership. Furthermore, we note that contrary to the Majority View's characterization that FHA has expanded its mission, FHA's market share, which reached its peak at 30 percent in 2009, continues to decline steadily. Finally, it is important to note

that it is the FHA's book of business in the years leading up to mid-2009 that experienced the worst delinquencies. Additionally, throughout the worst of the housing crisis, and in the years after, FHA's Multi-family portfolio remains strong.

COMMUNITY AND ECONOMIC DEVELOPMENT

The Administration's budget requests \$2.8 billion for the Community Development Block Grant (CDBG) program, which is a 7.6 percent decrease from last year's funding level of \$3 billion. Despite the increasing demand on state and local governments, funding for this program has been steadily decreasing since the program reached a high of \$4.36 billion in FY 2003. We note that CDBG has a long and successful track record of helping hundreds of urban counties and cities meet locally identified needs. CDBG-related funding over the past decade is estimated to have sustained 400,000 jobs in local economies across the country. In 2012 alone, nearly 21,800 permanent jobs were created or retained using CDBG funds and more than 32.5 million people benefited from CDBG funded public facilities activities.

SECTION 8 HOUSING CHOICE VOUCHER PROGRAM

The Section 8 Housing Choice Voucher provides assistance to about 2 million low-income households each year. The voucher program enables over 1 million elderly or disabled individuals to afford to live independently, and also serves as a critical lifeline for families experiencing temporary financial hardship. In fact, 88 percent of voucher recipients are elderly, disabled, working (or had recently worked), or likely to be subject to a work requirement under the Temporary Assistance for Needy Families (TANF) program. In the aftermath of the financial crisis, many families are still struggling to get back on their feet again and the need for this program is great. Additionally, public housing authorities are still recovering from the harmful and arbitrary cuts resulting from sequestration. Due to drastic cuts in funding, public housing authorities stopped issuing vouchers by the thousands. These families were immediately at risk for becoming homeless. Today, there are still too many families that are in need of housing assistance, but do not benefit from the voucher program solely due to funding limitations

We also note that the majority's claim that the program's effectiveness "remains unknown" is contradicted by the Center on Budget and Policy Priorities (CBPP). According to the CBPP's research, vouchers sharply reduce homelessness and housing instability, which in turn stem the effects of a plethora of developmental, health and educational problems for children.

PUBLIC HOUSING

The Public Housing Operating Fund and the Public Housing Capital Fund are two funding streams that help Public Housing Authorities (PHAs) make up the difference between what PHAs receive in rent from tenants and the costs to operate and maintain public housing. Public housing provides affordable housing to over 1 million low-income households. The overwhelming majority of these families are elderly, disabled, and families with children.

For a number of years, the amount of appropriations provided by Congress for these programs was insufficient to fund PHAs at 100% of eligibility, which is determined by formulae. In fact, funding for these programs has been steadily declining over the past decade. This has led to a backlog of capital needs among PHAs and a decline in the public housing stock. HUD's 2011 Capital Needs Assessment found that the backlog of capital needs in public housing stood at about \$20.7 billion and that annual needs were accruing at a rate of \$3.4 billion per year. Lack of sufficient funding has forced PHAs to put off modest repairs and defer energy efficiency improvements, which can end up costing more federal dollars in the long run. In turn, low-income households living in public housing units are vulnerable to deteriorating living conditions and possible displacement.

Even full restoration of funding to pre-sequester levels would merely stem the growth of the backlog of public housing capital needs. Additional measures are needed to repair and maintain the existing public housing stock. We look forward to working with the Majority on possible reforms to increase the efficiency of the administration of public housing. However, we maintain that the outstanding needs that exist cannot be fully addressed by administrative reforms. We continue to advocate for funding levels that adequately meet the needs of the PHAs.

NATIVE AMERICAN HOUSING

Native Americans living on reservations experience some of the poorest housing conditions in the United States. They also face unique barriers to home ownership because of the legal status of tribal lands and the resulting implications their status has for mortgage lending. The Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) is critical to helping Native Americans meet their need for affordable housing.

Despite the balance of unexpended Native American Housing Block Grant (NAHBG) funds, most tribes spend their money quickly. Only a small number of tribes are responsible for most of the unexpended funds. In fact, HUD reports that, as of January 2013, nearly 94 percent of all NAHBG funds allocated between the program's inception in FY1998 and FY20011 have been disbursed. HUD is also working with tribes that have large balances of unexpended funds to help them spend their funds in a more timely fashion by, among other things, providing additional technical assistance.

It is also important to note that smaller tribes, which typically receive smaller allocations of funding on a yearly basis, need the flexibility of being able to build up unexpended funds in order to allow them to save enough funds to finance major development projects. The Navajo Nation, which has accounted for about half of the unexpended funds, has had some recent changes within their leadership, and has made progress on their goal to spend down their balance within the next five years.

In sum, there are a number of coinciding explanations for the unexpended balances that exist, but lack of serious need for these funds among Native American tribes is not one of them. We agree that we should be looking to implement reforms that will help these funds meet the affordable housing needs of tribes as efficiently as possible, but we caution against measures that will undermine the clear need for housing assistance among tribes.

RURAL HOUSING

Through its Rural Housing Service (RHS), the USDA has financed over 2 million units of home ownership housing and over 500,000 units of rural rental housing along with thousands of units occupied by low-income families and the elderly that have been repaired, and rental housing for farm workers. With a network of nearly 500 field offices located in small town and farming communities, the USDA has been able to cater to the unique needs of local communities. These field offices are important resources for families seeking affordable housing, local government officials seeking financing for community facilities, and businesses seeking capital.

The proposal to transfer RHS to HUD was addressed in a 2011 hearing held by the Subcommittee on Housing and Insurance within the House Financial Services Committee. The proposal was rigorously opposed by RHS, the Rural Housing Coalition and the Housing Assistance Council. There are significant questions about HUD's ability to adequately serve rural area housing and development needs, since it does not have a comparable network of field offices that RHS has. As a result, the focus on rural housing could be diminished by shifting this mission to HUD. HUD has noted that without legislative changes, any efforts to merge the programs likely would result in a more cumbersome delivery system. The USDA has also noted that such a merger could be detrimental and result in rural areas losing a federal voice. We echo these concerns and continue to oppose this proposal to merge RHS into HUD.

HOME INVESTMENT PARTNERSHIP PROGRAM

The HOME program is the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households. Much like the CDBG program, the HOME program is unique in that it vests significant control to local and state governments rather than imposing a one-size fits all, Washington approach. This has resulted in a remarkable record of success. The HOME program consistently creates or preserves approximately 17,870 jobs for every \$1 billion in funding.

Among HUD programs, formula grants under the HOME program have experienced the steepest decline (46%) in funding since 2002. We note that despite an 18 month Congressional investigation into the management and oversight of the HOME program in 2011, including extensive document production, no material findings of mismanagement resulted.

FAIR HOUSING

The Administration requested approximately \$45.6 million in Fair Housing Initiatives Program (FHIP) funds, including \$1.8 million for the national Fair Housing Training Academy, which provides fair housing and civil rights training for housing industry professionals. FHIP is critical to building and sustaining inclusive communities. It is the only grant program within the federal government with a primary purpose of supporting

private efforts to educate the public about fair housing rights and conduct private enforcement of the Fair Housing Act. The Administration also requested approximately \$23.3 million in Fair Housing Assistance Program (FHAP) funds. FHAP is a critical component of HUD's effort to ensure the public's right to housing free from discrimination. FHAP multiplies HUD's enforcement capabilities, allowing the Department to protect fair housing rights in an efficient and effective manner.

HOUSING COUNSELING

The Administration requested \$60 million for the HUD Housing Counseling program, which is a \$15 million increase over FY 2014 enacted levels. Previously, we noted that the Office of Housing Counseling, which was established by the Dodd-Frank Wall Street Reform and Consumer Protection Act, covers more than simply foreclosure mitigation and avoiding predatory lending. The Office of Housing Counseling also includes informing households about their housing choices in the areas of purchasing or refinancing a home; rental housing options; reverse mortgages for seniors; loss mitigation; preventing evictions and homelessness; and moving from homelessness to a more stable housing situation.

The Administration also requests \$50 million for the Neighborhood Reinvestment Corporation's National Foreclosure Mitigation Counseling program, which is a \$24 million decrease from the FY2013 funding level. This major decrease in funding comes at a time when foreclosure rates are still at crisis levels.

Finally, the Administration's budget includes a new demonstration project for the Homeowners Armed with Knowledge program, which will seek to improve the availability and sustainability of homeownership for first time home buyers through counseling. While time is needed to explore the details of this proposal, we are encouraged by the focus given to this important issue.

NEIGHBORHOOD STABILIZATION PROGRAM AND PROJECT REBUILD

We note that the \$1 billion authorized by the Wall Street Reform and Consumer Protection Act for the Neighborhood Stabilization Program (NSP) is critical to helping state and local governments revitalize neighborhoods impacted by the collapse of the housing market and economic crisis. The Committee believes that incentivizing states to enact legislation that will bolster the efficacy of existing land banks and other public land disposition entities would strengthen the outcomes of the program.

We note that Project Rebuild is an essential component of President Obama's American Jobs Act. It would create jobs, stabilize communities, and bolster the housing market. Project Rebuild represents the next phase of the Neighborhood Stabilization Program (NSP). It would invest \$15 billion to rehabilitate hundreds of thousands of distressed properties in communities across the country. In addition to rehabilitating residential properties, like NSP, Project Rebuild also would include abandoned and foreclosed commercial properties. We further note that the Majority Views unjustifiably states that Project Rebuild is a new and untested proposal. Due to the success of NSP, we already

know that Project Rebuild will work. Estimates project that Project Rebuild will support approximately 191,000 jobs.

NATIONAL HOUSING TRUST FUND

The National Housing Trust Fund was designed to provide a permanent source of funding for the development, rehabilitation, and preservation of affordable rental housing for extremely low- and very low-income residents. Unlike other federal housing programs, such as the HOME Investment Partnership, 90 percent of funding must be used primarily for the production of affordable rental housing and 75 percent must be used exclusively for the benefit of extremely low-income households.

The need for a National Housing Trust Fund continues to be great. In February 2013, the National Low Income Housing Coalition (NLIHC), relying on data from the 2011 American Community Survey found that there were only 57 affordable and available units for every 100 very low-income renters, and just 30 such units for every 100 extremely low-income families. The Administration has estimated that a fully capitalized Housing Trust Fund would generate approximately 16,000 affordable housing units and help to offset the harmful effects of budget cuts to other affordable housing programs. In March 2013, another NLIHC report entitled "Out of Reach 2013" found that the need for affordable housing among extremely low-income (ELI) households grows each year. In 2010, the need for affordable housing available to ELI households was at 6.8 million, and in 2011, that number rose to 7.1 million.

NATIONAL FLOOD INSURANCE PROGRAM

We note that the House passed bi-partisan legislation to reform certain changes made to the National Flood Insurance Program (NFIP) as a result of the Biggert-Waters Flood Insurance Reform Act of 2012. We note that this legislation included a number of important reforms to ensure the affordability of flood insurance. Although the changes enacted in the Biggert-Waters Act were designed to make the program more actuarially sound by, for example phasing out subsidized rates and increasing premiums, the improper implementation of these reforms by the Federal Emergency Management Administration (FEMA) led to unintended consequences that stalled the real estate market, forced families out of their homes, and left thousands with skyrocketing premiums.

The Committee notes that on March 4, 2014 the U.S. House of Representatives passed, under suspension of the rules, H.R. 3370, the Homeowner Flood Insurance Affordability Act of 2014, by a vote of 306 to 91. This legislation is critical to addressing affordability issues facing thousands of homeowners across our country. Due to FEMA's improper implementation of the Biggert-Waters Act, families were suffering from unintended consequences. The legislation provides relief to families that experienced dramatic increases in flood insurance premiums, communities that experienced depressed home prices, and homeowners left with the inability to buy or sell their home. The Committee will continue to monitor FEMA's implementation of H.R. 3370 and the NFIP to ensure the continued availability and affordability of flood insurance.

TERRORISM RISK INSURANCE

Unless Congress takes immediate action, the Terrorism Risk Insurance Act, known as TRIA, will expire, jeopardizing hundreds of thousands of jobs, halting development and slowing US economic growth. If TRIA is not reauthorized, terrorism insurance, which most commercial lenders require, will be unavailable or unaffordable.

Without the required coverage, real estate development will stall, causing thousands of jobs to be lost. Recent history suggests this is not mere speculation but fact. Following the tragic attacks of September 11, 2001, insurers excluded terrorism coverage or offered it at prohibitively high costs. The lack of availability of this coverage stalled economic activity, including lending for new construction and contributed to massive job losses. According to a study by the Real Estate Roundtable, in the 14 months between the 2001 attacks and the enactment of TRIA, over \$15 billion in real estate-related transactions were stalled or canceled because of a lack of terrorism risk insurance. The White House Council of Economic Advisors also found there was an immediate and direct loss of 300,000 jobs in that same period from deferred construction.

The Committee urges Congress to act now and reauthorize this important program, quickly, cleanly, and for the long-term, so that working-class families continue to have jobs available and our economy continues to grow.”

ORDERLY LIQUIDATION AUTHORITY

The Majority recommends the repeal of the regulators’ authority to shut down a failing systemically significant financial firm when that failure would threaten the financial stability of the US. The Majority erroneously concludes that this resolution authority enshrines too-big-to-fail, when in fact Dodd-Frank provides all the tools necessary to end it. Working with financial institutions, regulators have already taken steps towards establishing resolution plans in advance of another crisis. Republicans claim that repealing the Orderly Liquidation Authority would achieve savings of \$3.4 billion in FY 2012-13, \$13.6 billion in FY 2012-17, and \$22 billion in FY 2012-22, but this is entirely a budget gimmick which ignores that any cost of liquidation would be recovered from megabanks on behalf of taxpayers. The last financial crisis cost the United States an estimated \$12 trillion in economic growth. Repealing the Orderly Liquidation Authority exposes the economy to additional uncertainty and instability, inviting a crisis whose cost would likely be an order of magnitude much greater than any claimed savings.

OFFICES OF MINORITY AND WOMEN INCLUSION

Most of the federal financial agencies were required under Section 342 of the Dodd-Frank Act to establish Offices of Minority and Women Inclusion (OMWIs) which, among other things, are responsible for developing standards for equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management within each of the agencies in which they are located. The population in our country is becoming increasingly more racially and ethnically diverse. For this reason, it is a critically

important that the agencies have designated well-trained staff in and sufficient resources for the OMWIs to ensure that our financial agencies are able to attract, retain, and promote an inclusive and diverse workforce. Equal employment opportunity is no longer vital just because it is the right thing to do but it is necessary for these agencies to be positioned to understand the financial needs of and implement regulations and guidance for traditionally underserved communities and populations. We urge these regulatory agencies to allocate adequate resources to devising and implementing new and creative ways to recruit and retain a diverse workforce. Doing so will help combat the challenges identified in past years and foster a diverse and inclusive workforce.

FEDERAL RESERVE SYSTEM

The actions undertaken by the Federal Reserve have played an essential role in stabilizing the financial system in the wake of the worst financial crisis since the Great Depression and addressing the anemic growth and ongoing unemployment crisis that continues to plague millions of Americans.

The Majority's budget views fail to acknowledge the Federal Reserve's laudable and sustained attention to putting our economy on more stable footing, choosing instead to focus on whether the Federal Reserve will cease remitting profits back to the U.S. Treasury. In doing so, the Majority presents a misleading picture of projected future deposits of earnings from the Federal Reserve, citing only the worst case scenarios conducted by Fed researchers. The Majority views do not discuss the median expected outcome, nor do the views include a balanced discussion of the risks associated with reporting numbers that may paint a more positive outlook.

Furthermore, the majority's views miss the larger point, specifically, that deposits from the earnings of the Federal Reserve System are ancillary to the conduct of monetary policy. The Federal Open Market Committee (FOMC) should continue to set policy based on whether macroeconomic conditions require it to act in a manner consistent with its statutory mandate "to promote effectively the goals of maximum employment, stable prices and moderate long-term interest rates." The Federal Reserve should continue its focus on how best to meet its statutory objectives, rather than basing decisions on whether policy would maximize income for the Treasury.

FINANCIAL STABILITY OVERSIGHT COUNCIL & OFFICE OF FINANCIAL RESEARCH

The Office of Financial Research (OFR) is an office created by the Dodd-Frank Wall Street Reform and Consumer Protection Act and housed within the Treasury Department. Its primary function is to support the Financial Stability Oversight Council (FSOC) in fulfilling its duties of identifying and responding to risks and emerging threats to the financial stability of the United States. The budgets of the OFR and the FSOC do not affect the deficit because they are offset by a fee on systemically significant financial institutions.

While the Government Accountability Office (GAO) raised concerns about OFR's operational progress and the effectiveness of its tools and metrics, the OFR continues to

grow its organization and build on GAO's recommendations. In its 2013 report, OFR discusses its efforts to develop new analytical tools and refine existing ones to assess and monitor threats to financial stability. For example, the OFR's Financial Stability Monitor provides a snapshot or "heatmap" of several financial stability indicators.

The FSOC and OFR are central to the overarching objectives of the Dodd-Frank Act, and they must be given the opportunity to refine their research, rulemaking, and deliberative process. In the years leading up to the financial crisis of 2008, the regulatory and supervisory framework did not keep up with the changes in size, complexity, interconnectedness and globalization that created the growing risks to financial stability. The FSOC and OFR are important to ensure regulators are working together to monitor systemic risk. Similar councils are being formed in Europe, and if given time, they should all work effectively together to ensure the global financial system is not threatened as it was in 2008.

EXPORT-IMPORT BANK

The Export-Import Bank of the United States (Ex-Im Bank) is the official export credit agency of the United States. The mission of Ex-Im Bank is to enable U.S. companies – large and small – to turn export opportunities into real sales that help maintain and create U.S. jobs that contribute to a stronger national economy. In FY 2013 Ex-Im Bank supported an estimated \$37.4 billion in U.S. export sales and approximately 205,000 jobs across the country. Last year, 89 percent of the banks' total 3,842 transactions increased growth opportunities for small businesses. Further, one in five authorizations went to support minority- or woman-owned businesses.

Since FY 2008, Ex-Im Bank has operated on a self-sustaining financial basis, which means that the Bank is able to cover its own administrative, program and reserve expenses entirely through fees it charges for its services. In addition to offsetting the costs of its own operating expenses through the fees it collects, the Bank also generates excess funds that it sends each year to the Treasury. Last year after covering operating expenses and loan loss reserves, the Bank contributed \$1.1 billion to the U.S. Treasury for the purpose of reducing the federal deficit. Ex-Im Bank's current default rate is extremely low, at 0.3% as of December 2013, and in the last three fiscal years, Ex-Im Bank has recovered more than it paid in claims.

Ex-Im Bank plays an increasingly important role in keeping U.S. businesses and their workers competitive as exports continue to comprise a growing share of the global economy, and changes included in the bipartisan 2012 reauthorization have made the bank even stronger. Moreover, in response to recommendations by the Bank's Inspector General, Ex-Im Bank has conducted stress tests of its portfolio and publishes the results of these scenarios in its quarterly default rate reports. Further, Ex-Im Bank's annual report shows that it has reserves adequate to cover likely losses even in the most extreme stress scenarios. To ensure American remains competitive in the global marketplace, Congress should swiftly move to reauthorize the Bank's charter which expires on September 30, 2014.

MULTILATERAL DEVELOPMENT BANKS

The multilateral development banks (MDBs), including the World Bank and the regional development banks, play a leading role in efforts to promote growth and alleviate poverty around the globe. We believe it is in the interest of the U.S. that the MDBs remain strong, credible and effective, and we support funding all U.S. commitments to these institutions, including paying U.S. arrears. Continued U.S. support will ensure our ability to influence and lead policy directions at the MDBs as well as prioritize global humanitarian initiatives in areas we deem critical, including consolidating new democracies, reducing poverty, and improving governance.

We support the principle that transparency and democratic participation in development decisions contributes to project quality and improved development outcomes. We support independent and effective accountability mechanisms at each of the development banks, and are particularly concerned that the Inter-American Development Bank does not currently have a credible, independent mechanism in place.

INTERNATIONAL DEVELOPMENT ASSOCIATION

The World Bank's International Development Association (IDA) is the premier provider of multilateral development assistance for the world's poorest countries. We support IDA's contribution to the vitality of international development efforts, as well as the important role IDA plays in disaster reconstruction and recovery, famine relief, counter-cyclical lending during crises and in post-conflict countries.

IDA's strong leveraging of other donor contributions, coupled with internal World Bank resources, make it an effective organization in which to invest limited U.S. development resources. Every \$1 contribution from the U.S. leverages almost \$12 in contributions from other donors and internal World Bank resources. U.S. contributions to the landmark 2005 debt relief effort, the Multilateral Debt Relief Initiative, are also channeled through our annual contributions to IDA.

We strongly support meeting current U.S. commitments to IDA, as well as funding to clear U.S. arrears. Treasury and the World Bank should be mindful that Democratic support for the past two IDA replenishments was based in large part on the Bank's stated commitment to suspend the Employing Workers Indicator of its annual "Doing Business" report and to develop a Worker Protection Indicator. Given the lack of progress in developing a Worker Protection Indicator, the Committee now believes the Employing Workers Indicator should be permanently eliminated from the Report.

INTERNATIONAL MONETARY FUND

In December 2010, the International Monetary Fund (IMF) Board of Governors agreed to double the current IMF quota to ensure the IMF has adequate resources relative to its role in the global economy and implement IMF Board governance reforms that give poor countries a greater voice at the IMF. Congressional approval would not increase total U.S. obligations to the IMF; rather the U.S. would transfer a portion of its existing commitment from one IMF lending window, the New Arrangements to Borrow (NAB), to the quota, or

general fund. U.S. Congressional approval is critical in that failure to approve the U.S. portion of the quota deal prevents the entire package from moving forward.

Expanding the size of the IMF will ensure the IMF has adequate resources to play its central role in helping to resolve and prevent the spread of international economic and financial crises, and we strongly support U.S. approval of the quota package. It is worth noting that this quota package will restore the primary role of quotas in IMF financing, where the U.S. has the largest say. This includes the power to veto decisions that require the support of members holding 85 percent of the voting power, as well as the U.S. retaining its seat on the 24-member IMF Executive Board.

Failure to act will force the IMF to rely increasingly on bilateral resources borrowed from other countries such as China, which then increases the influence of these countries in ways that may not be shared by the U.S.

HAITI

We continue to be concerned about the dire situation facing the people of Haiti. We strongly support the Inter-American Development Bank's annual transfer of net income to the Haiti grant facility. We support efforts aimed at helping Haiti remain free of multilateral debt as well as build a capacity to manage future bilateral debt, including institutional capacity and debt management systems. We urge the Administration to work with our multilateral partners to assure that aid is better coordinated and prioritized in Haiti, with strengthened systems of accountability and oversight. We support the efforts of the World Bank and the Inter-American Development Bank to balance reconstruction needs with long-term economic development. In addition to reconstruction work focusing on housing and access to electricity, we urge the multilateral development institutions to support government efforts to reconstruct critical infrastructure, promote inclusive growth, build human capital and strengthen governance and accountability.

Views & Estimates - Committee on Financial Services re: Budget for FY 2015

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March 24, 2014

The Honorable Paul Ryan, Chairman
The Honorable Chris Van Hollen, Ranking Member
Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515

Dear Chairman Ryan and Ranking Member Van Hollen:

I am writing to share the views and estimates of the Committee on Foreign Affairs regarding the budget for Fiscal Year 2015 (FY2015). Consistent with past practice of the Committee, in addition to the Majority views below, the Minority has prepared separate views and estimates that are included in this transmittal. Though the President submitted his budget request on March 4th – a full month after the statutory deadline – the continued failure by the Administration to provide country and project level funding allocations for Fiscal Year 2014 (FY2014) has complicated the compilation of views and estimates.

It is recommended that the Concurrent Resolution on the Budget for FY2015 assume not less than \$50,127,000,000 in total budget authority for Function 150 International Affairs, Function 970 Civilian Activities, and Function 300 International Commissions discretionary programs. This is equal to the President's request and \$631,000,000 (1.3 percent) *below* the FY2014 enacted level, \$1,892,000,000 (3.8 percent) *below* the FY2013 actual level, and \$4,365,000,000 (8.7 percent) *below* the FY2012 actual level. It also is recommended that the resolution support an accelerated shift of funding for Function 970 Civilian Activities – which includes "Overseas Contingency Operations" funds for State Department and USAID activities in the frontline states – to the Function 150 base budget in a manner that is consistent with other non-civilian Function 970 activities.

The International Affairs budget historically has accounted for just 1.5 percent of the total U.S. budget. However, especially given the fiscal challenges that face this nation, not even the smallest components of the budget should be exempt from scrutiny. While the President's total aggregated request for the International Affairs budget demonstrates restraint, the Committee

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remains concerned about a number of misplaced priorities and lack of strategic planning contained therein. In some areas, the request is insincere. This document outlines a number of recommended programmatic allocations and reforms to better guide U.S. investments in diplomacy, democracy, security, human rights, and market-based economic growth in a manner that advances U.S. interests.

FUNDING PRIORITIES

Embassy Security. Since the September 2012 Benghazi terrorist attacks, Congress has provided substantial additional resources to address global diplomatic security needs. In its FY2015 budget, the Administration seeks funding to continue initiatives launched under the Increased Security Proposal and to meet the Benghazi Accountability Review Board (ARB) recommendations, including \$3,100,000,000 in Worldwide Security Protection (WSP) funds for security equipment and training and \$1,500,000,000 in Worldwide Security Upgrades (WSU) funds to upgrade and maintain diplomatic facilities. The FY2015 request for Diplomatic Security is \$500,000,000 (1 percent) above the FY2014 level.

Recognizing the continued threat from al-Qaeda and affiliated terrorist groups that U.S. civilian personnel face overseas, the Committee recommends meeting the full request for the Capital Security Cost Sharing program, hiring additional Diplomatic Security personnel, and deploying Marine Security Guards at high-threat posts. However, increased spending is only part of the equation. Holding people accountable for their decisions about security is equally important. To date, the State Department has failed to create a culture of accountability as called for in the Committee Majority Report entitled, "*Benghazi Investigation: Where is the State Department Accountability?*". Moreover, the Department still lacks a single, comprehensive method for determining whether the benefits of maintaining certain posts outweigh the corresponding costs.

Nonproliferation, Antiterrorism, Demining and Related Programs. The FY2015 budget request includes \$605,400,000 for the Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR) account, representing a \$94,600,000 (14 percent) decrease from the FY2014 estimated level. Although proposed funding for antiterrorism-related programs within NADR would be roughly \$73,000,000 above the FY2013 level, the total proposed allocation of \$212,000,000 remains insufficient. Over the past few years, the threat posed by al-Qaeda and its affiliates has expanded and evolved to a degree that many experts did not expect, particularly those within the Administration who assessed that the organization was near collapse in 2011. Al-Qaeda and its affiliates' current strength is now one of the most significant threats to U.S. national security. Funding for antiterrorism activities should reflect the magnitude of this threat.

Within the State Department's antiterrorism programs, the vast majority funding – roughly \$166,000,000 – is dedicated to the training of local police forces to help build capacity “to detect, deter and apprehend terrorists.” The role of law enforcement in counterterrorism is

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critical, but it is largely reactive. To counter terrorist ideology, which supports and inspires violent extremism in the first place, State Department antiterrorism activities also include the critical mission of Countering Violent Extremism (CVE). While it is true that much of the State Department's activities in Africa, the Near East and Asia contribute indirectly to CVE, State continues to request only minimal levels of funding specifically for that activity. State's FY2015 request for less than \$2,000,000 for CVE activities is wholly insufficient.

Humanitarian Assistance. The decrease between the President's FY2015 request and the FY2014 enacted level largely can be attributed to cuts to emergency assistance accounts that traditionally have enjoyed Congressional support, including a \$1,011,626,000 (33.1 percent) cut for Migration and Refugees Assistance (MRA) and a \$501,000,000 (27.8 percent) cut for International Disaster Assistance (IDA). Thus continues the long-standing but ill-advised practice of gutting humanitarian accounts in order to keep top-line figures artificially low, anticipating that Congress ultimately will be called upon to increase funding. The Administration should not "game" such critical assistance.

The provision of life-saving assistance to people in crisis is not just a core value of the American people, it is an important element of America's soft power. In April, the world will commemorate the 20th anniversary of the Rwandan genocide, which left up to one million people dead, forced 1.4 million people to flee to the Democratic Republic of Congo, and ultimately ignited a seven-nation war that continues to fester in eastern Congo today. April also will mark the third anniversary of the conflict in Syria, which already has displaced 6.5 million people inside Syria, forced an additional 2.6 million people to flee to neighboring countries, and threatens to further destabilize a strategically important yet highly volatile region. From Syria to South Sudan – from Haiti to the Philippines – the demands upon MRA and IDA are unlikely to abate over the coming fiscal year. The failure to meet those needs will undermine U.S. national security interests and render moot substantial U.S. investments in peace, security, and economic growth intended to mitigate the need for humanitarian assistance in the first place. The Committee therefore recommends maintaining funding for MRA and IDA at FY2014 levels.

Democracy Assistance. The FY2015 request once again zeros-out funding for the Democracy Fund, which was \$130,500,000 in FY2014. These funds support the Bureau of Democracy, Human Rights and Labor at the Department of State and the Bureau of Democracy, Conflict, and Humanitarian Assistance at USAID. In addition, funding for the National Endowment for Democracy is reduced from \$133,000,000 in FY2014 to \$103,000,000 in FY2015. Similar to the proposed cuts to humanitarian assistance, the Administration's request to cut funding for democracy promotion during a time of transition in the Middle East, Eastern Europe, and Latin America is ill-advised. The Committee recommends funding these programs at a level comparable to FY2014.

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Electrify Africa. A principal goal of U.S. foreign assistance should be to get the United States *out* of the business of foreign assistance. To succeed, developing nations must unlock their own growth potential. A key constraint to economic growth in many developing countries, particularly in Africa, is the lack of reliable access to power. Simply put, businesses have been deterred from taking advantage of U.S. trade preference programs and investing in Africa's emerging markets because relying upon gas or diesel-run generators to turn on a light switch – let alone run a factory – is not an effective business model. There is a growing body of evidence that suggest strategic, targeted investments in power generation in Africa now will help spur direct private investment and increased trade, create opportunities for American businesses in emerging markets, grow jobs both in Africa and here at home, and ultimately get major recipients of development assistance on a glide path toward graduation from aid.

Promoting energy in development is a stated priority of the Administration, specifically through the President's "Power Africa" initiative. Yet, that commitment is not apparent in the budget request. The only specific reference to funding for energy development is \$11,800,000 under the heading "Energy Resources." Meanwhile, the Administration wants to dedicate more than ten times that amount (\$149,000,000) for Oceans and International Environmental and Scientific Affairs (OES) to address climate change.

The House Foreign Affairs Committee recently passed, on a bipartisan basis, H.R. 2548, the Electrify Africa Act of 2013, which provides a legislative framework for promoting investment in the energy sector in Africa. It is notable that Electrify Africa has more ambitious goals and stricter measurements than the Administration's Power Africa initiative, and has in fact received a net-negative score of \$86,000,000 by the Congressional Budget Office. Electrify Africa is a key component of the strategy to promote self-reliance, whereby countries earn enough money to provide services to their own citizens rather than relying upon foreign aid. The Committee therefore recommends prioritization of funding for Electrify Africa under the Development Assistance (DA) and Economic Support Fund (ESF) accounts, as well as by the Millennium Challenge Corporation and the Overseas Private Investment Agency.

Food Aid Reform. The FY2015 budget request includes a pared-down version of critical food aid reforms that the Committee championed last year. Specifically, the FY2015 proposal would exempt up to 25 percent of funds appropriated for Food for Peace programs – also known as P.L. 480 Title II programs – from existing U.S. agriculture purchase and shipping requirements. With this added flexibility, the U.S. will be able to reach up to 2 million more people in dire need for the same amount of money. Ultimately, Congress should eliminate the outdated U.S. purchase and shipping requirements entirely in order to maximize program impact, promote self-sufficiency, reduce long-term dependence, and, through efficiency gains, trim the budget. During the interim, the Administration's proposal to make just 25 percent of U.S. food aid funding more flexible is reasonable and appropriate.

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Broadcasting Board of Governors (BBG). The President requested \$733,480,000 in FY2014 for the BBG; nearly \$20 million more than in FY2013. Forthcoming legislation to reform the BBG will realize significant cost savings to the American taxpayer by achieving bureaucratic efficiencies through consolidation. It is anticipated that at least \$9 million in annual cost savings can be generated through consolidation of the federal grantee broadcasting services, and an additional \$50-\$100 million in cost savings can be achieved through “rightsizing” the Voice of America and International Broadcasting Bureau (IBB). The Committee has worked with counterparts in the Senate to create bicameral, bipartisan legislation to reform an agency that is consistently identified as one of the most dysfunctional.

MISPLACED PRIORITIES

Flexible spending accounts. The FY2015 budget continues the Administration’s trend of seeking the creation of and direction toward flexible spending accounts (accounts without identified countries or funding mechanisms that are unencumbered by legislative restrictions upon traditional foreign assistance accounts). In particular, the President has requested \$5,900,000,000 for Overseas Contingency Operations (OCO); \$1,500,000,000 for a new Middle East and North Africa transition fund; \$150,000,000 for a new Peacekeeping Response Mechanism; \$30,000,000 for the Complex Crisis Fund; as well as continued support for the Office of Transition Initiatives (OTI) and Conflict Stabilization Operations (CSO). The Committee continues to raise questions about the efficacy and transparency of these proposed flexible funding mechanisms.

Climate Change. In a recent speech, Secretary Kerry identified climate change as a global threat on par with terrorism and the proliferation of weapons of mass destruction. He instructed U.S. ambassadors to “make climate change a priority,” and said the U.S. would push for “a new international climate agreement applicable to all countries by 2015 that will take effect in 2020 through the UN Framework Convention on Climate Change (UNFCCC).” The Administration’s FY2015 budget again prioritizes funding for climate change, including \$506.3 million in funding – an 18 percent increase over the FY2014 request and a 10 percent increase over the FY2013 actual level. Additionally, the Administration is seeking \$332,800,000 in for multilateral and international organizations to address climate change, including \$11,700,000 for the UN Intergovernmental Panel on Climate Change (IPCC) and UNFCCC.

These programs are vaguely defined, lack discernible monitoring and evaluation mechanisms, and are of dubious value. The UNFCCC provides a forum for commitments that could make electricity more expensive, slow our economic competitiveness, and destroy American jobs. It is difficult to justify the large amount of proposed spending in this area when there are so many pressing threats to U.S. national security interests.

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REGIONAL PERSPECTIVES

Syria. The FY2015 request of \$5,900,000,000 for OCO includes \$1,300,000,000 for Syria-related assistance. According to materials provided by the State Department, this would facilitate “a flexible diplomatic presence along Syria’s borders to support our objectives, enable an ongoing U.S. response to the humanitarian crisis, and provide support for the Syrian opposition.” Since the Syrian conflict began, the Department has devoted \$1,700,000,000 in assistance to mitigate the impact of the escalating humanitarian crisis in Syria and neighboring states. An additional \$1,100,000,000 in humanitarian assistance and \$155,000,000 to support the Syrian opposition is planned for FY2015.

The U.S. Government has been the most generous of any donor in the humanitarian response to the Syria conflict – to the tune of over \$1,700,000,000 to date – and needs are only expected to grow. Humanitarian assistance is necessary, yet not infinite. Moreover, assistance that is delivered principally through the UN – which relies upon the consent of the Syria regime – is exacerbating the problem. Unless and until the Syrian regimes grants unfettered humanitarian access, assistance should be redirected to credible non-governmental organizations with networks in areas outside the control of the Syrian regime.

Egypt non-military assistance. USAID annually requests \$250,000,000 in Economic Support Funds (ESF) for the promotion of political, economic, and social reform in Egypt. However, as a result of recent events in Egypt, funds from FY2012 and FY2013 have been withheld from obligation. Together with the recently appropriated FY2014 funds, USAID currently has \$750,000,000 available for Egypt, one-third of which may be directed toward primary and secondary education and scholarships. Scholarships, while useful, do not address the immediate economic problems that precipitated the Egyptian revolution. The Committee recently expressed concern about this in a letter to Secretary Kerry and will continue to seek the redirection of available funding toward programs that advance market-based economic reforms, facilitate trade and private sector growth, bring more Egyptians into the formal economy, and extend legal protections for the enforcement of personal property rights.

Afghanistan. The FY2015 request proposes \$1,600,000,000 for activities in Afghanistan, including \$1,342,000,000 in OCO, representing an overall decrease of \$697,000,000 (30 percent) from FY2013 levels. Yet, even with less funding, the anticipated exposure of U.S. assistance to waste, fraud and abuse will increase in direct proportion to reductions in the U.S. military footprint. Fewer and fewer State Department and USAID officials will be permitted to go “outside the wire” in order to conduct direct oversight of U.S. assistance, and more and more funding will be channeled toward Afghan government ministries. While we’ve seen improvement in the capacity of a select few ministries to manage U.S. funding, significant

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shortfalls continue to exist. In recent reporting, the Special Inspector General for Afghanistan Reconstruction (SIGAR) determined that the State Department and USAID had not fully disclosed to Congress the risks associated with providing direct assistance to Afghan ministries in 2011 and 2012. As a result, SIGAR determined that “Congress’s oversight of the over \$600 million in U.S. funds that USAID has obligated to date is compromised.”

This Committee, in last year’s submission, recommended against sustained funding levels for Afghanistan. In a positive trend, the Administration’s FY2015 reflects this view. However, it is in the interest of the United States to maintain a long-term partnership with the people of Afghanistan. As the national and provincial governments soon transition to new leadership, U.S. assistance should be directed toward promoting good governance and supporting gains made in health, education, rule of law, and human rights for women and girls.

North Korea Food Aid. Following the death of Kim Jong Il, plans to provide 240,000 metric tons of food aid to North Korea in exchange for dubious commitments on North Korea’s illicit nuclear program, as well as a moratorium on missile launches and nuclear tests, surfaced. While these discussions have quieted, concerns about the diversion of food aid in North Korea have rightly led to skepticism in Congress. In 2011, the House passed an amendment that I offered to the Agriculture Appropriations bill, prohibiting food aid to North Korea. Ultimately, the conferees included language (Sec. 741 of P.L. 112-55) limiting food assistance to countries lacking “adequate monitoring and controls... to ensure that emergency food aid is received by the intended beneficiaries in areas affected by food shortages and not diverted for unauthorized or inappropriate purposes.” No funding should be provided for any effort that skirts this law.

East-West Center. The Administration is once again requesting \$10,800,000 for the East-West Center located in Honolulu, Hawaii. In the past fifty years since its establishment, thanks to the Internet, trans-Pacific travel, trade ties, as well as vibrant Asian-American communities, U.S. ties to Asia have significantly deepened, eroding the need for the East-West Center. Numerous privately funded think tanks and institutions have developed and today do similar work today. The East-West Center should thus be “graduated” from U.S. assistance and alternatively seek private sources of funding.

Organization of American States and Affiliated Entities. The Organization of American States (OAS) increasingly fails to live up to the tenets of the Inter-American Democratic Charter and often works counter to U.S. foreign policy and security objectives in the hemisphere. Nevertheless, the U.S. has remained the organization’s largest donor. The FY2015 budget request includes additional, *voluntary* contributions to OAS, including \$2,700,000 for the OAS Fund for Strengthening Democracy and \$3,400,000 for OAS Development Assistance. In addition, the Administration seeks millions to fund assessed contributions to OAS-affiliated entities that of questionable value, including \$324,000 for the Pan American Institute of

The Honorable Paul Ryan
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Geography and History, which sponsors conferences, publishes journals, and organizes workshops on cartography, geography, history, and geophysics.

CONCLUSION

The views expressed in this letter reflect the Committee's goals of maximizing the return on U.S. investment in international affairs, eliminating duplication, seeking reform and accountability, and setting clear priorities that best reflect the interests and values of the United States. We hope you find them helpful to your own deliberation on the budget.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Royce", written in a cursive style.

EDWARD R. ROYCE
Chairman

Enclosure

EDWARD R. ROYCE, CALIFORNIA
CHAIRMAN

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JASON STEINBAUM
DEMOCRATIC STAFF DIRECTOR

March 24, 2014

The Honorable Paul Ryan, Chairman
The Honorable Chris Van Hollen, Ranking Member
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Ryan and Ranking Member Van Hollen:

As Democratic Members of the House Committee on Foreign Affairs, we are writing to share our views on the International Affairs budget – or Function 150 – for Fiscal Year 2015. We believe that prudent investments in diplomacy and development are essential to maintain American leadership in the world, to protect U.S. national security, to bolster allies facing security challenges on their borders, to promote a strong American economy, and to demonstrate the values and principles that define us as a nation.

The international affairs budget accounts for only about one percent of the total federal budget, yet it makes a major contribution to our national security. It supports our efforts to prevent weapons of mass destruction from falling into the wrong hands and fragile and failing states from becoming training grounds for terrorists. It provides funding for initiatives to combat transnational crime, prevent drug trafficking and reduce violent extremism – all of which require effective diplomacy and the cooperation of other nations.

The Function 150 account also provides critical funding to protect our diplomats and development workers serving in more than 275 posts around the world. The proposed budget for FY 2015 includes resources necessary for significant security enhancements and upgrades to diplomatic facilities.

In addition, the international affairs budget supports efforts to strengthen our economy here at home and get Americans back to work. Commercial and export agencies funded by this budget identify and finance business opportunities for American companies in new markets. These emerging markets are essential to future U.S. growth and job creation, as 95 percent of the

The Honorable Paul Ryan, Chairman
 The Honorable Chris Van Hollen, Ranking Member
 March 24, 2014
 Page Two

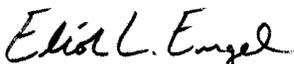
world's consumers live outside the United States and developing countries purchase half of U.S. exports. Our officials also help attract investment and tourism to the United States, which enhances American competitiveness and creates jobs.

Foreign assistance programs also reflect the generosity, compassion and values of the American people. Our programs protect human rights, alleviate human suffering, and provide hope to millions who live in extreme poverty. Following President Obama's call to join in the global fight to end poverty over the next two decades, the FY 15 budget aims to fund projects that will improve the quality of life for those who are most in need. Our investments in global health, food security, and education provide critical assistance to the poorest of the poor and help lay the groundwork for a time when foreign assistance will no longer be needed.

Americans are a generous people, but in this difficult budget environment we must do everything possible to ensure that our resources are allocated wisely. With this in mind, the State Department has made an effort to create new public-private partnerships to amplify the effect of government funding. Programs like Power Africa and Trade Africa exemplify the government's ability to create opportunity for private sector involvement in order to enhance the lives of those who most in need and spread the American message of opportunity across international borders.

We urge support for a robust FY 2015 international affairs budget and look forward to working with you to ensure that the State Department, USAID and other federal agencies funded under the Function 150 account receive the resources they need to protect our security and effectively promote American interests around the world.

Sincerely,



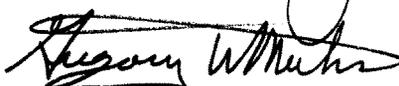
ELIOT L. ENGEL



ENI F.H. FALEOMAVAEGA



BRAD SHERMAN



GREGORY W. MEEKS



ALBIO SIRES



GERALD E. CONNOLLY

The Honorable Paul Ryan, Chairman
The Honorable Chris Van Hollen, Ranking Member
March 24, 2014
Page Three

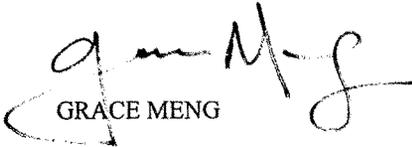

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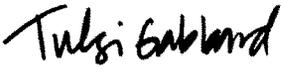

KAREN BASS

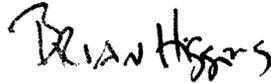

DAVID CICILLINE

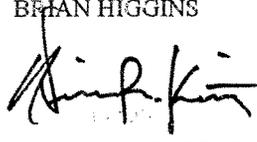

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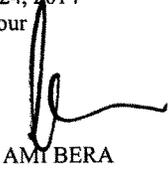

BRAD SCHNEIDER


ALAN LOWENTHAL


LOIS FRANKEL


JOAQUIN CASTRO

The Honorable Paul Ryan, Chairman
The Honorable Chris Van Hollen, Ranking Member
March 24, 2014
Page Four

A handwritten signature in black ink, appearing to be 'AMI BERA', written over a vertical line that extends from the text 'Page Four' above.

AMI BERA

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JASON STERNBAUM
DEMOCRATIC STAFF DIRECTOR

March 24, 2014

The Honorable Paul Ryan, Chairman
The Honorable Chris Van Hollen, Ranking Member
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

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The Function 150 account also provides critical funding to protect our diplomats and development workers serving in more than 275 posts around the world. The proposed budget for FY 2015 includes resources necessary for significant security enhancements and upgrades to diplomatic facilities.

In addition, the international affairs budget supports efforts to strengthen our economy here at home and get Americans back to work. Commercial and export agencies funded by this budget identify and finance business opportunities for American companies in new markets. These emerging markets are essential to future U.S. growth and job creation, as 95 percent of the

The Honorable Paul Ryan, Chairman
 The Honorable Chris Van Hollen, Ranking Member
 March 24, 2014
 Page Two

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Americans are a generous people, but in this difficult budget environment we must do everything possible to ensure that our resources are allocated wisely. With this in mind, the State Department has made an effort to create new public-private partnerships to amplify the effect of government funding. Programs like Power Africa and Trade Africa exemplify the government's ability to create opportunity for private sector involvement in order to enhance the lives of those who most in need and spread the American message of opportunity across international borders.

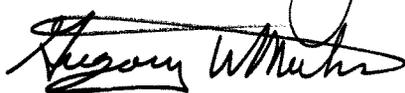
We urge support for a robust FY 2015 international affairs budget and look forward to working with you to ensure that the State Department, USAID and other federal agencies funded under the Function 150 account receive the resources they need to protect our security and effectively promote American interests around the world.

Sincerely,


 ELIOT L. ENGEL


 ENI F.H. FALEOMAVAEGA


 BRAD SHERMAN


 GREGORY W. MEEKS


 ALBIO SIRES


 GERALD E. CONNOLLY

The Honorable Paul Ryan, Chairman
The Honorable Chris Van Hollen, Ranking Member
March 24, 2014
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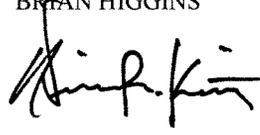
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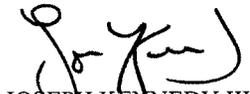
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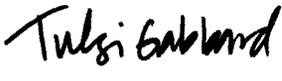
ALAN LOWENTHAL



GRACE MENG



LOIS FRANKEL



TULSI GABBARD



JOAQUIN CASTRO



One Hundred Thirteenth Congress
U.S. House of Representatives
Committee on Homeland Security
Washington, DC 20515

THE VIEWS AND ESTIMATES
OF THE
COMMITTEE ON HOMELAND SECURITY
FOR FISCAL YEAR 2015
FOR THE DEPARTMENT OF HOMELAND SECURITY

Pursuant to clause 4(f) of Rule X of the Rules of the House of Representatives, and section 301(d) of the Congressional Budget Act of 1974 (2 U.S.C. 601 *et seq.*), the Committee on Homeland Security (the Committee) is transmitting herewith to the House Committee on the Budget its Views and Estimates on matters within its jurisdiction or functions to be set forth in the budget of Fiscal Year (FY) 2015. These Views and Estimates were circulated to all Members of the Committee for review and comment.

On March 4, 2014, President Obama released his FY 2015 Budget Request to the United States Congress. The President seeks a more than \$60 billion in total budget authority for the Department of Homeland Security (DHS). The President's budget request includes:

- \$3.8 billion for Transportation Security Administration screening and the Pre✓ program
- \$1.25 billion for cybersecurity activities
- Funding to cover costs of 21,370 Border Patrol Agents and 25,775 Customs and Border Patrol officers. The budget also funds an addition 2,000 officers by proposing an increase in fees
- \$7 billion for the Disaster Relief Fund (DRF)
- \$300 million for the construction of the National Bio and Agro-Defense Facility located at Manhattan, Kansas

DEPARTMENTAL MANAGEMENT AND OPERATIONS

OFFICE OF THE SECRETARY AND EXECUTIVE MANAGEMENT (OESM)

This line item hosts the Secretary's office and other DHS Headquarters offices. OESM also directs and leads management of the Department and provides policy guidance to operating bureaus within the organization; plans and executes departmental strategies to accomplish agency objectives; provides leadership to the Department.

President's Request: The FY 15 budget requests \$129 million for OESM. The President's budget includes funding for the Offices of Civil Rights and Liberties and External Affairs, among others. OSEM also includes a request for the Office of Policy for \$38.5 million in FY 15. This is an almost \$2 million increase over DHS' FY 14 Enacted budget (FY 14 Enacted).

Committee's View: We recognize the need for the Department to have strong oversight over the DHS components. However, DHS should try to prioritize front line operations as much as possible and not increase its budget request for additional headquarters bureaucracy.

We also **oppose** the funding request for the Office of Policy. This increase in funds from FY 14 Enacted is unwarranted in view of the United States being over \$17 trillion in debt as well as DHS' delayed reporting to Congress and the still overdue Quadrennial Homeland Security Review (due to the Congress in December 2013, and not yet released as of March 25, 2014). We also question DHS' strategies related to its Office of International Affairs and Office of Counternarcotics Enforcement and want to ensure that these offices coordinate appropriately and do not duplicate the mission, efforts, or resources of the Department of State.

OFFICE OF THE UNDER SECRETARY FOR MANAGEMENT (USM)

USM oversees management and operations of the Department, including procurement and acquisition, human capital policy, security, planning and systems, facilities, property, equipment, and administrative services for the Department.

President's Request: The FY 15 budget requests \$195 million for USM. This includes funding for Immediate Office of the Under Secretary for Management, the Office of the Chief Procurement Officer, the Office of the Chief Human Capital Officer, the Office of the Chief Readiness Support Officer, and the Office of the Chief Security Officer, which all report to the Under Secretary for Management.

Committee's View: Oppose. We recognize the need for the Department to have strong oversight over the DHS components. However, DHS should try to prioritize front line operations as much as possible. In addition, the budget request includes questionable priorities such as increased funding for the DHS headquarters consolidation project where a comprehensive reassessment is needed. The budget request also includes a reduction in the Acquisition Professional Career Program which we oppose since the Government Accountability Office (GAO) has deemed DHS's acquisition management as high risk since 2005.

OFFICE OF THE CHIEF PROCUREMENT OFFICER (OCPO)

OCPO oversees procurement and acquisition at the Department. OCPO works to strengthen the acquisition framework to avoid cost overruns and schedule delays of DHS's acquisition programs.

President's Request: OCPO requests \$64 million for FY 15. This is a net decrease of \$924,000 from the FY 14 Enacted. Program changes include a decrease of \$1.77 million for the Acquisition Professional Career Program (APCP).

Committee's View: **Support.** We agree with the Department's strategic focus to strengthen the acquisition framework in view of so many examples of cost overruns, schedule delays, and operational effectiveness problems in DHS acquisition programs. We applaud the OCPO for seeking to improve the quality of its acquisition professional personnel through initiatives such as the Acquisition Workforce Strategic Human Capital Plan, Procurement Oversight reviews, and the efforts it has taken to increase program manager's certification compliance target from 85% in FY 14 to 95% in FY 15. However, we question whether OCPO has sufficient support and resources to improve the greatest asset and deficiency it has in its acquisition management – its people. We encourage thorough questioning of how OCPO plans to spend the requested funds especially to require compliance of Components to federal law, the Federal Acquisition Regulation, and DHS Acquisition Management Directives.

OFFICE OF THE CHIEF FINANCIAL OFFICER (OCFO)

The OCFO handles basic support for financial and budget operations for the Department of Homeland Security. The OCFO also provides support funding for budget policy and operations, program analysis and evaluation, and the development of departmental financial management policies.

President's Request: The FY 15 budget requests \$95 million for the Office of the Chief Financial Officer

Committee's View: DHS should try to prioritize front line operations as much as possible. While the Committee supports the goal of modernizing the Department's financial systems, it remains unclear to what extent DHS will leverage commercial shared service providers to reduce costs and increase efficiency. DHS should clearly articulate the role of these providers in its plan to modernize financial systems.

DEPARTMENT OF HOMELAND SECURITY CONSOLIDATED HEADQUARTERS PROJECT

This funding provides resources for designing, building, equipping, and funding operations costs for the Department's consolidated headquarters at St. Elizabeth's.

President's Request: The FY 15 budget requests \$73 million for the HQ Consolidation Project. This funding will be used to further renovate the St. Elizabeths campus.

Committee's View: We **oppose** all funding for the HQ Consolidation Project. In January 2014, the Subcommittee on Oversight and Management Efficiency released a report criticizing the

General Services Administration (GSA) and the Department's planning of the St. Elizabeths Consolidated Headquarters Project. In addition, DHS has revised their original master plan, which will cost \$1 billion more and will not plan to be completed until 2026, more than a decade behind schedule. No funding should be provided until GSA and the Department reassess this initiative.

OFFICE OF THE CHIEF INFORMATION OFFICER (OCIO)

The OCIO is responsible for the information technology (IT) projects at the Department. The OCIO provides IT leadership, IT governance, products, and services to ensure the effective and appropriate use of information technology across DHS. OCIO also leads the DHS Information Security Program, which includes oversight and coordination of activities associated with the Federal Information Security Management Act (FISMA).

President's Request: The FY 15 budget requests \$256 million for the Chief Information Officer.

Committee's View: **Support.** The Department has cut approximately \$43 million from the FY 14 Enacted funding level. We support efficiencies and applaud the Department's efforts to reduce spending.

ANALYSIS AND OPERATIONS (A&O)

The Analysis and Operations funding provides resources for the support of the Office of Intelligence and Analysis (I&A) and the Office of Operations Coordination and Planning (OPS).

President's Request: The combined A&O account request is \$302 million for FY 15. The combined top line represents a \$1.77 million increase over FY 14 Enacted levels. The FY 15 budget supports expanded initiatives to improve information technology systems that are largely funded through efficiencies identified elsewhere in the A&O budget. The details of the budget requests for both offices are classified.

Committee's View: **Support.** The Committee supports the FY 15 budget request and is encouraged by the progress I&A has made to improve analysis and outreach to stakeholders. The Committee also supports the continued inclusion of the Homeland Security Intelligence Program (HSIP) designed to provide line item funding for Department-specific missions in addition to funding through the National Intelligence Program (NIP).

OFFICE OF THE INSPECTOR GENERAL (OIG)

The OIG conducts and supervises audits, inspections, special reviews, and investigations of the Department's programs. The OIG also provides recommendations for DHS to more efficiently carry out its mission.

President's Request: The FY 15 budget requests \$145.5 million. This includes a transfer from FEMA's Disaster Relief Fund (DRF) of \$24 million to the OIG. This request includes \$1 million for training; \$3.5 million for the Workforce Development initiative; and \$0.4 million for supporting the Council of Inspectors General on Integrity and Efficiency. This request is \$6 million over FY 14 Enacted. The OIG intends to establish a new office, the Office of Integrity and Quality Oversight (IQO) to improve OIG operations.

Committee's View: **Support.** OIG is an independent audit agency in DHS. We believe that the increased request of funds from FY 14 Enacted provides a good return on investment by increasing the opportunities for oversight and transparency to Congress. In particular, we applaud the OIG Office of Investigations' priority on addressing Acquisition Integrity Management, Border Corruption, FEMA, and state's managements of high-risk grants and urge full support of the OIG's FY 15 budget request.

UNITED STATES CITIZENSHIP AND IMMIGRATION SERVICES (USCIS)

USCIS works to adjudicate and grant immigration and citizenship benefits, provide accurate and useful information to its customers, and promote an awareness and understanding of citizenship in support of immigrant integration. In addition, USCIS works to protect the integrity of our Nation's immigration system.

President's Request: USCIS requests \$3.26 billion for FY 15. In the Immigration Examinations Fee Account, USCIS requests \$3.07 billion. This is an increase of \$21.9 million, above the FY 14 Enacted.

USCIS also requests funding for several acquisition programs: Customer Service Web Portal (\$22 million); Immigration CLAIMS 3.0 (\$15.8 million); Infrastructure End User Support (\$137 million); Infrastructure Enterprise (\$133 million); Naturalization CLAIMS 4.0 (\$9 million); Biometrics Division Program (\$177 million); and Business Transformation (\$177 million). Furthermore, USCIS requests to use \$3 million in premium processing fee collections to establish the U.S. Citizenship Foundation. USCIS does not plan to increase any of the fee charges to fund their FY 15 budget request.

Committee's View: **Oppose.** Funding for USCIS should not rise above FY 14 Enacted levels. Furthermore, funding for USCIS acquisition programs should be contingent on whether it has an Acquisition Program Baseline and Life Cycle Cost Estimate; whether or not it has experienced significant cost overruns, schedule delays, or operational effectiveness problems; and whether the Acquisition Decision Memorandum for each program shows that Components have followed Department Acquisition Management Directives. Regarding USCIS' request for \$3 million to establish the U.S. Citizenship Foundation, the Committee **opposes** this funding because private organizations and businesses already are engaged in providing these types of services to immigrants seeking U.S. citizenship.

UNITED STATES SECRET SERVICE (USSS)

OPERATING EXPENSES

This line item maintains the operation of the United States Secret Service. The USSS protects and investigates threats against U.S officials, visiting leaders, and other individuals as directed by the President. The agency also investigates violations of laws relating to financial and electronic crimes, including but limited to: counterfeiting, fraud, identity theft, and computer-based attacks.

President's Request: The FY 15 budget requests \$1.6 billion for USSS operating expenses. The President's budget includes operating expenses associated with the Office of Protective Operations, Office of Investigations, Office of Technical Development and Mission Support among other offices.

Committee's View: Support. We recognize the need for the Department to maintain a robust Secret Service capable of conducting day-to-day operations; however, USSS should look into finding efficiencies in their operations whenever possible.

ACQUISITION, CONSTRUCTION, AND IMPROVEMENTS (AC&I)

This line item supports the acquisition, construction, improvements and related costs for maintenance and support of the James J. Rowley Training Center. It also provides for ongoing costs and investments associated with the Information Integration and Technology Transformation program.

President's Request: The FY 15 budget requests \$50 million for AC&I. The President's budget includes acquisition, construction and improvement associated with Office of Technical Development and Mission Support, Office of Strategic Intelligence and Information, and Office of Human Resources and Training among other offices.

Committee's View: Support. We recognize the need for the Agency to develop new training, expand and improve equipment and facilities; however, USSS should look into finding efficiencies in their operations whenever possible.

TRANSPORTATION SECURITY ADMINISTRATION (TSA)

AVIATION SECURITY

This funding supports the Transportation Security Administration's central mission of protecting the nation's aviation security. This funding includes screeners at airports, the Federal Flight Deck Officer (FFDO) and Screening Partnership Programs, among other aviation security activities. The President's FY 15 request includes 50,318 FTE and \$5.68 billion in gross discretionary appropriated funding for aviation security. Due to the size of this account, the Committee has provided the following views on the specific sections in Aviation Security:

Risk-Based Security

The President's budget reflects a reduction of \$100 million and 1,441 FTE as a result of savings related to risk-based security (RBS). This savings is comprised of 1,368 fewer screeners, 67 fewer TSA management positions at airports, and 6 fewer headquarters staff. The Committee **supports** TSA's move away from a one-size-fits-all approach to RBS, and this \$100 million budget reduction is a positive outcome of RBS.

Federal Flight Deck Officer Program

The FY 15 budget requests \$20 million for the Federal Flight Deck Officer program, which represents a \$4.8 million or 19% decrease from FY 14 Enacted funding levels due to efficiencies found within the program. FFDOs are trained to defend flight decks of aircraft against acts of criminal violence and air piracy. In past budget requests, TSA proposed eliminating funding for the FFDO program. Committee Members **support** this program, as they view the FFDO program as a valuable security tool and a force-multiplier for Federal Air Marshals who are unable cover every flight. The Committee is encouraged by the President's request for this program, while seeking additional information regarding the number of pilots who may still be in the cue waiting to participate in the program.

Federal Air Marshal Service

The Federal Air Marshal Service (FAMS) is designed to promote confidence in civil aviation by effectively deploying Federal Air Marshals to detect, deter, and defeat hostile acts targeting the United States. Through efficiencies and risk-based program changes, the budget request includes \$800.2 million for FAMS, which represents a \$19.5 million or 2.39% decrease from FY 14 Enacted funding levels. In addition to finding savings by reducing operational and infrastructure activities, FAMS also realized savings by implementing a workforce realignment that will result in a phased closure of six field offices beginning at the end of this calendar year and concluding by June 2016. TSA has assured the Committee that the closures will not adversely impact the ability of FAMS to maintain coverage onboard flights arriving and departing the corresponding airports. While the Committee **supports** the efficiencies FAMS has achieved, the Committee will seek additional information to assess the impact of the requested FY 15 funding reduction on FAMS operations in terms of the number of flights covered, particularly given that FAMS has been operating under a hiring freeze since 2011.

Playbook Operations

Described by TSA as an additional deterrent in TSA's multilayered approach to security, Playbook is a program under which TSA staff runs "plays" on the secure side of the airport security checkpoint. Some examples of tactics used include: Behavioral Detection Officers who roam around terminals in an effort to detect suspicious behaviors among passengers, additional liquids screening, identification document checks, and explosives trace detection screening at gates. The President's FY 15 request includes a reduction for this program of \$20 million, as a result of making it more risk-based. The Committee **supports** this efficiency.

Passenger Screening Technologies

The President's FY 15 budget request highlights plans to purchase 175 new advanced imaging technology (AIT) units, known as AIT-2. The Committee is concerned that TSA plans to spend about \$3.25 million in FY 15 to purchase 25 of those units. AIT has been plagued by privacy concerns and acquisition missteps since its initial deployment in airports. To address privacy concerns, the Federal Aviation Administration and Reform Act of 2012 required all AIT units to be equipped with Automated Target Recognition (ATR). ATR is privacy software that eliminates person-specific images, and replaces them with generic human outlines. All AIT units in the field including future units will be equipped with ATR. In addition to privacy concerns, GAO reported in January 2012 that TSA did not fully follow DHS acquisition policies when acquiring AIT, which resulted in DHS approving deployment without full knowledge of TSA's revised specifications.¹ TSA has assured the Committee that it is now in compliance with DHS acquisition policies, but the Committee will continue oversight to ensure that the same mistakes are not repeated in future acquisitions, which could lead to wasted taxpayer dollars.

SURFACE TRANSPORTATION SECURITY

This funding supports TSA's surface transportation operations that are conducted in coordination with federal, state, and local entities.

President's Request: The FY 15 request for surface transportation is \$127.6 million. This includes \$60.6 million for the Visible Intermodal Prevention and Response (VIPR) program, which represents a \$10.9 million or 15.2% decrease from FY 14 Enacted.

Committee's View: The Committee would like to see TSA align its surface transportation security resources more closely with current threats to our critical transportation infrastructure. Surface transportation security initiatives should be risk-based, and resources should be dedicated to programs that have proven effective. In terms of the VIPR program, Committee Members have long advocated for a more risk-based approach to VIPR team deployments. This year's budget reduces the number of VIPR teams from 37 to 33 and reprioritizes the program around the highest risk areas of the country. We **support** this, however, additional oversight is needed to ensure that the limited resources TSA dedicates to surface transportation security are used effectively and efficiently, and that performance metrics are developed in order to measure the success of the program.

TRANSPORTATION SECURITY SUPPORT

This funding supports the management and administration of TSA

President's Request: The President's Budget requests \$932 million for Transportation Security Support.

Committee's View: Oppose. The Committee has ongoing concerns regarding TSA's Office of Inspection, which retains approximately 100 law enforcement officers to conduct internal

¹ Government Accountability Office Report: DHS and TSA Face Challenges Overseeing Acquisition of Screening Technologies, GAO-12-664T, May 9, 2012.

investigations. The FY 15 budget request for this office is \$36.1 million, which represents a 1.4% increase from the FY 14 Enacted level of funding. A September 2013 report from the OIG found that many criminal investigators in the Office of Inspection are primarily conducting work that could be done by Transportation Security Specialists, or other staff in the Office of Inspection who do not receive Law Enforcement Availability Pay and other costly benefits.² At a January 2014 Subcommittee hearing entitled “Examining TSA’s Cadre of Criminal Investigators,” testimony from the Assistant Administrator for the Office of Inspection confirmed that the Office has not operated as efficiently as it could have for many years, and the Office was conducting a review to determine the right number of criminal investigators for the Office. The Committee intends to continue its oversight of the Office of Inspection to require that it strike a more appropriate balance between employees and workload.

FEDERAL LAW ENFORCEMENT TRAINING CENTER (FLETC)

SALARIES AND EXPENSES

This line item supports the Department’s interagency law enforcement training organization. The organization provides facilities, equipment, and support services in order to conduct training for federal law enforcement personnel, discounted training opportunities for local law enforcement and works in cooperation with Department of State in managing overseas training of equivalent law enforcement personnel.

President’s Request: The FY 15 budget requests \$232 million for Salaries and Expenses. The President’s budget includes funding for salaries and expenses associated with the Glynco Training Center, Office of Centralized Training Management, and Office of Regional and International Training among others. The funding increase supports the training of 2,000 additional CBP officers.

Committee’s View: **Support.** We recognize the need for the Department to properly train law enforcement officers; however DHS should try to prioritize front line operations as much as possible.

ACQUISITIONS, CONSTRUCTION, IMPROVEMENTS, AND RELATED EXPENSES (AC&I)

This line item provides for the acquisition and related costs for FLETC’s expansion and maintenance including funding for construction based on the Facilities Master Plan, Minor Construction and Maintenance, Environmental Compliance, and Communications Systems

President’s Request: The FY 15 budget requests \$28 million for AC&I. The President’s budget includes funding for acquisition, construction and improvements associated with the Glynco Training Center, Office of Centralized Training Management, and Office of Regional and International Training among others.

² Department of Homeland Security Office of Inspector General Report: Transportation Security Administration Office of Inspection’s Efforts to Enhance Transportation Security, OIG-13-123, September 2013.

Committee's View: **Support.** We recognize the need for the Department to properly train law enforcement officers. However, DHS should try to prioritize front line operations as much as possible.

IMMIGRATION AND CUSTOMS ENFORCEMENT (ICE)

SALARIES AND EXPENSES

This funding supports ICE operations including its criminal investigations, immigration enforcement, and the management and administration. Due to the size of this account, the Committee has provided the following views on the specific sections in Salaries and Expenses:

State and Local Cooperation

The Committee **supports** cooperative efforts between ICE and State and local law enforcement, including continued use of the Secure Communities Program and 287(g) program. Secure Communities effectively leverages State and local law enforcement as a force multiplier to identify criminal aliens. The Committee supports leveraging effective 287(g) partnerships, as utilized by the 287(g) jail model, but remains concerned about the Administration's scaling back other effective 287(g) task force partnerships. The Committee supports both, as they effectively prioritize the removal of criminal aliens.

Enforcement and Removal

The Committee **opposes** the President's request to lower the level of detention beds. Given the Administration's efforts to prioritize the detention and removal of criminal aliens, it is essential that sufficient bed space is funded, especially for the most dangerous aliens. The Committee recognizes the significant cost of detaining aliens in federally operated detention facilities, and supports further efforts to find efficiencies and reduce costs within existing detention facilities to pay for detention related expenses. The Committee supports efforts to reduce the backlog of fugitive aliens who have absconded and disappeared prior to removal from the United States.

Visa Security Program

The Committee continues to **support** the expansion of the Visa Security Program (VSP), and encourages additional funding to achieve that goal. The VSP allows Immigration and Customs Enforcement personnel to work alongside consular officials to assist in screening visa applications. This program is a significant asset in the 'outer ring of border security' that supports and strengthens the Department's counterterrorism mission by helping to ensure dangerous applicants do not receive visas. The committee strongly supports the expansion of the VSP to additional U.S. Consular posts in high-risk countries, and supports additional efforts to increase visa vetting of potential terrorists. The Committee remains concerned regarding the pace of expansion of the program, despite efforts by the Department of State and ICE to identify high-risk posts which would benefit from expansion of this program.

BEST Teams

The Committee **supports** the continued utilization of ICE-led BEST task forces, which have been established at 35 units across the country. These task-forces effectively bring together and leverage various federal, state, local, and tribal law enforcement agencies to conduct in depth criminal investigations related to crimes involving the border. These task forces contribute to border security, and have proven to be effective force multipliers to reduce crime along the border.

CUSTOMS AND BORDER PATROL (CBP)

Customs and Border Patrol provides an essential service to our nation's homeland security by working to secure our borders. Below are the Committee's views on this mission area:

Border Security Metrics

The Committee remains concerned that no metrics are in place for Congress to assess the effectiveness or return on investment from the significant Congressional expenditures dedicated to border security. The Department has indicated that the previous metric of operational control is not suitable for measuring and assessing security along the borders, but efforts to replace that metric with a new 'Border Condition Index' have been abandoned. As a result, Congress has no clear way to ascertain the effectiveness of the Department's efforts to secure the border. The Committee generally supports CBP's efforts to produce more accurate measurements for analyzing border security, such as the effectiveness rate and metrics for capturing miles of situational awareness; however, the Committee has concerns that full development of these metrics is still several years away.

Border Technology

After repeated technology failures, including the cancelled Secure Border Initiative, the Committee continues to be concerned with the timely procurement of border security technology, including the procurement of the Integrated Fixed Towers, as well as other elements that make up the Arizona Technology Plan. Since there have been significant delays in the procurement managed by CBP's Office of Technology, Innovation, and Acquisition, much of the illegal activity has now shifted to other areas along the border, including substantial increases in the Rio Grande Valley. To that end, the Committee believes a comprehensive strategy to secure the border is required to better inform future technology investments.

Customs and Border Protection Staffing

The Committee **supports** efforts by Customs and Border Protection to utilize increased automation in the inspection and clearance process, and understands CBP's concerns that increasing international travel volumes may result in longer wait times at the border without additional officers. CBP recently received funding for 2,000 additional CBP officers, however, it will take time to recruit, hire, and train additional officers.

While the Committee supports increased CBP staffing levels to match increases in traveler volumes, CBP must continue to maximize technologies such as passport control kiosks and expansion of trusted traveler programs, like Global Entry to continue to reduce wait times and better segment travelers. The Committee remains concerned that proposed increases in CBP staffing would be paid for by increases to various user fees, which Congress has previously rejected.

Immigration Advisory Program

The Committee **supports** CBP's efforts to push the border out, including efforts like CBP's Immigration Advisory Program (IAP). The program stations CBP officers abroad, to prevent terrorists from boarding commercial aircraft destined for the U.S. In places where IAP officers are deployed, there has been a significant reduction in the number of improperly documented passengers traveling from or through a country to the U.S. The IAP program should be expanded to additional last points of departure to the United States

Office of Air and Marine Recapitalization

CBP continues to struggle in managing its aging air assets, including its 40 year-old P-3 aircraft, operated by CBP's Office of Air and Marine (OAM). Without further modernization efforts, OAM's aircraft fleet will be increasingly obsolete and less able to assist the Border Patrol, other DHS agencies, and Joint Interagency Task Force South in securing the border, stopping illicit activities, including narcotics and migrants smuggling, and preventing terrorists from entering the United States. The President's budget should **support** funding for OAM to further modernize its aircraft.

Of additional concern, the President's budget reduces CBP's ability to patrol the border, through a reduction in the number of flight hours. DHS's continued reliance on National Guard to supplement reduction to Air and Marine's flight budget is, at best, a temporary solution, and CBP Air and Marine's budget should fund additional flight hours and recapitalize aircraft to meet the nation's border security needs in the event the National Guard can no longer support CBP.

Arrival and Departure Information System (ADIS)

The Committee **supports** the development and expansion of the Arrival and Departure Information System (ADIS), a major automated identification system that contains biographic data on non-U.S. citizens who have remained in the United States beyond the period of time for which they were admitted or left the country after staying longer than their allotted time. These individuals are often referred to as "overstays."

DHS is statutorily required to provide overstay rates by country on an annual basis; however, the government has been unable to do so since 1992, due to a lack of confidence in the data and DHS's inability to match entry and exit records. The previous Secretary of Homeland Security promised to report the overstay rate by country to Congress by the end of the 2013 calendar year, however, no such report was ever provided.

The Committee is encouraged by efforts made to enhance the Department's capability to collect, gather, and access relevant information to identify people and their immigration history to support other federal law enforcement and intelligence community priorities. The Committee is pleased that CBP will use ADIS enhancements to validate and improve entry/exit data integrity and advance immigration status reporting capabilities.

UNITED STATES COAST GUARD (USCG)

The United States Coast Guard is charged with safeguarding our nation's maritime security interests. Below are the Committee's views on this mission area:

Front Line Operations

Current budget limitations required decommissioning of numerous front line operational units, including 378 foot High Endurance Cutters, 110 foot Patrol Boats and HC-130 aircraft. While the USCG has made progress in procuring replacement assets, decommissioning more cutters and aircraft before replacements are operational will create significant gaps in capability. The administration's failure to adequately fund existing assets and account for maintenance costs will limit the service's ability to deploy assets and personnel to conduct homeland and border security missions.

The Committee is concerned about the decrease in funding for operating expenses as it will decrease USCG operations by five percent and significantly reduce available aircraft hours for maritime surveillance in support of drug and migrant interdiction as well as port, waterways and coastal security missions. The Committee believes reducing flight hours will directly impact the USCG's ability to maintain situational awareness and react to threats to the homeland.

USCG Recapitalization

The Committee strongly **supports** the funding for the seventh and eighth National Security Cutter (NSC) but is concerned that the budget does not fund the full contract complement of six Fast Response Cutters (FRC). Delaying the construction of FRCs would reduce near shore cutter capability, which is primarily designed to conduct law enforcement, drug and migration operations, and search and reduce missions with the ability to quickly arrive on-scene.

The Committee is concerned that cutting USCG acquisition funding will further delay the already slow pace of recapitalization efforts. USCG Medium Endurance Cutters have been in service for well over 40 years and have seen a significant decrease in operational hours due to costly maintenance. The Department must ensure vital acquisitions such as Offshore Patrol Cutter (OPC) are funded to keep America's maritime borders secure. The Committee urges fully funding USCG acquisitions to recapitalize the fleet as expeditiously and cost effectively as possible.

NATIONAL PROTECTION AND PROGRAMS DIRECTORATE (NPPD)

MANAGEMENT AND ADMINISTRATION

Management and Administration (M&A) funding provides Directorate leadership and management, coordination of activities with DHS Headquarters and Components, and program oversight and mission support services. NPPD M&A leads and coordinates activities to reduce the risks to the Nation's critical infrastructure, including cyber and physical assets.

President's Request: The FY 15 President's Budget requests \$65.9 million for Management and Administration

Committee's View: We recognize the need for an effective headquarters to lead NPPD; however resources should be prioritized on operational needs as much as possible.

INFRASTRUCTURE PROTECTION AND INFORMATION SECURITY

The Infrastructure Protection and Information Security (IPIS) appropriation funds Infrastructure Protection, Cybersecurity, and Communications activities, which seek to understand and manage risk from natural disasters, terrorist attacks, or other disasters to the Nation's physical and cyber infrastructure. Infrastructure Protection (IP) programs accomplish the IPIS mission by assisting security partners to identify and mitigate vulnerabilities; increase preparedness for facilities, systems, and surrounding communities; and assess the impact of risk mitigation efforts. The Committee has the following views on the IPIS funding account:

Infrastructure Protection

The Office of Infrastructure Protection conducts and facilitates vulnerability and consequence assessments to help critical infrastructure owners and operators and State, local, tribal, and territorial partners understand and address risks. IP provides information on emerging threats and hazards so that appropriate actions can be taken. The office also offers tools and training to partners to help them manage the risks to their assets, systems, and networks.

President's Request: The FY 15 budget requests \$238.3 million. FY 15 requests a decrease of \$2 million for the Office of Bombing Prevention. The FY 15 budget also requests an increase in funding of \$3.4 million for Enhancing Chemical Facility Anti – Terrorism Standards (CFATS) Compliance.

Committee's View: The committee **opposes** the decrease of funding the FY 15 budget for the Office of Bombing Prevention due to the continuing threat from improvised explosive devices.

The Committee **supports** the increase in funding for CFATS compliance because the increase enhances efforts by the Infrastructure Security Compliance Division (ISCD) to identify CFATS outliers and is addressing concerns and recommendations raised by GAO. ISCD will also be implementing modifications to the tiering methodology based on external review panel recommendations.

Office of Cyber and Infrastructure Analysis (OCIA)

Formerly the Infrastructure Analysis and Strategy Division (IASD) within the Office of Infrastructure Protection, OCIA's mission is to support efforts to protect the Nation's critical infrastructure through an integrated analytical approach evaluating the potential consequences of disruption from physical or cyber threats and incidents. The results of this analysis will inform decisions to strengthen infrastructure security and resilience, as well as response and recovery efforts during natural, man-made or cyber incidents.

President's Request: The FY 15 budget requests \$32.8 million.

Committee's View: **Oppose.** While it is important to look at the cyber and physical risk holistically, the concern is that the attention on the big picture will draw resources from looking into the cyber or physical risk in greater detail. It is also concerning that funding for OCIA is coming from decreases in other cybersecurity departments, decreases in the Critical Infrastructure Cyber Protection & Awareness (CICPA) and a decrease in the Directorate Administration PPA to provide administrative support for OCIA.

Cyber Security and Communications

The Office of Cybersecurity and Communications (CS&C) is responsible for enhancing the security, resilience, and reliability of the Nation's cyber and communications infrastructure. In addition, the National Cybersecurity and Communications Integration Center (NCCIC) serves as a 24/7 cyber monitoring, incident response, and management center and as a national point of cyber and communications incident integration.

President's Request: The FY 15 budget requests \$926.4 million for CS&C. The FY 15 budget requests a decrease in Federal Network Security of \$28 million and an increase of \$6.4 million to CS&C and IP to accommodate increased participation in the C3 Voluntary and Enhanced Cybersecurity Services (ECS) capability.

Committee's View: **Support.** The Committee continues to support Executive Order 13636, *Improving Critical Infrastructure Cybersecurity*, and support the continued outreach and input from industry stakeholders regarding the EO framework. The Committee also supports the CDM program and the proposed efforts in FY 15 to focus on Phase 3 of the program.

FEDERAL PROTECTIVE SERVICE

The Federal Protective Service (FPS) secures and protects the buildings, grounds, and property owned or occupied by the Federal Government, as well as any people on those properties. FPS protects more than 9,000 General Services Administration (GSA)-owned, -leased, or -operated facilities, serving more than 1.1 million occupants and receiving 1.4 million visitors per year. FPS also conducts Facility Security Assessments (FSA) and recommends appropriate countermeasures, ensures stakeholder threat awareness training, and oversees a large contract Protective Security Officer workforce.

President's Request: FPS is a full-cost recovery operation, which means that all expenses incurred must be funded by offsetting collections. For FPS, the revenues to fund its operations

come from a basic security charge (74-cent-per-rentable-square-foot) and an oversight fee. For FY 15, the President's budget request includes \$1.34 Billion for FPS which totals: \$275 million in Basic Security, \$600 million in Building-Specific Security, and \$466 million in Reimbursable Agency-Specific Security.

Committee's View: The Committee believes that there are potential for cost savings for FPS, including using more access control systems versus guards particularly in buildings that have a small number of employees and visitors. FPS is also duplicating work efforts because multiple federal agencies are expending additional resources to assess their own facilities; although FPS requests additional funds for this. The Committee also remains concerned with some contract guard companies not meeting the terms of their contracts because some of their guards have not met FPS's training and certification requirements, as well as with the cost efficiency of FPS's vehicle fleet, which averages to about one vehicle per inspector.

OFFICE OF HEALTH AFFAIRS

BIOWATCH

BioWatch is the only federally managed, locally operated nationwide biosurveillance system designed to detect the intentional release of select aerosolized biological agents. Deployed in more than 30 metropolitan areas throughout the country, the system is a collaborative effort of health personnel at all levels of government.

President's Request: The FY 15 budget requests \$84.6 million for BioWatch. All funding requested is for BioWatch Generation 2.

Committee's View: The Committee **Supports** increased detection abilities and improved detection times envisioned by new technologies. However, as in past years, the Committee is concerned with the Department's management of the acquisition of the next generation of the BioWatch program (known as Gen-3). The Committee is particularly concerned in light of the \$5.8 billion lifecycle cost estimate, nearly three times the original \$2.1 billion estimate. A 2012 GAO review of the Gen-3 acquisition found that the Department has not fully followed its own rules during the course of this acquisition. The Committee is pleased that the Department has completed an Analysis of Alternatives (AoA). The Committee looks forward to working with the Department on a path forward for this program based on the information contained in the AoA. The Committee will continue to monitor the progress of this program and of future acquisitions.

FEDERAL EMERGENCY MANAGEMENT AGENCY

STATE AND LOCAL PROGRAMS

The State and Local Programs account provides funding to State, local, territorial, and tribal governments for grants, training, and exercises.

President's Request: The FY 15 budget requests \$2.2 billion for State and Local programs. The budget request once again proposes the consolidation of a number of grant programs (including the State Homeland Security Grant Program, Urban Area Security Initiative, Port Security Grant Program, and Transit Security Grant Program) into a new National Preparedness Grant Program (NPGP). In the past, this proposal has been denied by both the House and the Senate absent authorizing legislation. The Committee is open to discussing the NPGP proposal and reform efforts that will result in more efficient and effective homeland security grants. However, until such reforms are signed into law, the Committee believes that laws governing existing grant programs should be followed.

Committee's View: The Committee **supports** appropriate funding for homeland security grants provided for in FEMA's 'State and Local Programs' account. Since 9/11, these grants have helped communities and the nation to build capabilities and strengthen preparedness.

In addition, the Committee will continue to monitor FEMA's ability to establish meaningful performance measures and metrics for the homeland security grant programs. In these difficult fiscal times, we must ensure that these grants are monitored appropriately and are providing a return on our investment. The Committee will continue to monitor these efforts to ensure the efficient and effective use of homeland security grants.

SCIENCE AND TECHNOLOGY (S&T)

RESEARCH, DEVELOPMENT, ACQUISITION, AND OPERATIONS

The DHS Science and Technology Directorate is the primary research and development arm of DHS and manages science and technology research, from development through transition, for the Department's operational components and first responders to protect the homeland.

President's Request: The FY 15 budget requests \$433.7 million for research, development, acquisition, and operations. The request decreases funding for explosives detection by \$15 million, while increases funding for several other priorities.

Committee's View: The Committee is concerned that in order to maintain a top-line S&T budget level, the R&D investments are appearing to be sacrificed to the NBAF construction project. We are also concerned in the sharp decrease in research and development funding from FY 14 Enacted.

UNIVERSITY PROGRAMS

The Office of University Programs (OUP) builds a stable community of homeland security researchers and educators at U.S. colleges and universities. OUP fosters a homeland security culture within the academic community, strengthens U.S. scientific leadership in homeland security research and education, and generates and disseminates knowledge and technical advances to advance the homeland security mission:

President's Budget: The FY 15 budget requests \$31 million for OUP, an \$8.7 million cut from FY 14 Enacted. This budget proposes re-competition of the 10 Centers of Excellence (COEs) and the elimination of 4 current COEs.

Committee's View: The Committee **opposes** the reductions as many of these projects have been highly successful, and also train the next generation of scientists and engineers to solve technical problems in national and homeland security. The relatively small investments in academic research pay large dividends for the taxpayers.

DOMESTIC NUCLEAR DETECTION OFFICE (DNDO)

MANAGEMENT AND ADMINISTRATION

This account supports the personnel and related administrative costs for the Domestic Nuclear Detection Office. DNDO is a jointly-staffed office established to improve the Nation's capability to detect and interdict unauthorized attempts to import, possess, store, develop, or transport nuclear or radiological material for use against the Nation.

President's Request: The FY 15 budget requests \$37.5 million for Management and Administration.

Committee's View: We recognize the need for strong oversight of DNDO; however funds should be prioritized to front line operations as much as possible.

SYSTEMS ACQUISITION

Funds for this account are used to procure a full range of radiation detection technologies for DHS components such as CBP and USCG.

President's Request: The FY 15 budget requests \$67.8 million for Systems acquisition.

Committee's Views: The Committee **supports** funding for systems acquisition which allows DNDO to acquire more radiological/nuclear detection systems and help keep the United States safe from Weapons of Mass Destruction terrorism. Included in this line item is a proposed cut to Securing the Cities (STC), which provides assistance to local cities to help prevent radiological/nuclear terrorism. We **oppose** cuts to STC.

RESEARCH, DEVELOPMENT, AND OPERATIONS

This account supports the engineering, operational, research, development, and technical nuclear forensics programs. This funding also supports the development and enhancement of the Global Nuclear Detection Architecture (GNDA); development of advanced nuclear detection systems; coordination of effective sharing of nuclear detection-related information; coordination of nuclear detection development; technical nuclear forensics; and the establishment of procedures and training for end users of nuclear detection equipment.

President's Request: The FY 15 budget requests \$199 million for DNDO research and development. This is a \$6.2 million cut from FY 14 Enacted.

Committee's View: The committee **opposes** cuts to Research, Development and Operations. DNDO is legislatively mandated to perform transformational research and development. The Committee will continue to provide oversight to ensure DNDO achieves the proper balance between R&D and Acquisition.

GENERAL PROVISIONS

Office of Emergency Communications

Congress established the Office of Emergency Communications in response to communications challenges exposed by the September 11th terrorist attacks and Hurricane Katrina. The Office of Emergency Communications works with federal, state, local, tribal, and territorial stakeholders to enhance communications operability and interoperability.

The Committee **opposes** with the approximately \$1 million reduction of funding in the President's FY 15 budget request for the Office of Emergency Communications, and the resulting reduction in the number of Technical Assistance offerings to state, local, tribal, and territorial governments. These offerings are vital to jurisdictions' efforts to enhance their interoperable communications capabilities, and will be especially important as jurisdictions prepare to make decisions regarding the nationwide public safety broadband network.

Office of Biometric Identity Management (OBIM)

The Committee recognizes that OBIM's IDENT database, the Department of Homeland Security's target biometric data information system, provides biometric identity management capabilities and analysis services in support of missions across the U.S. Government. The significance of this proven biometric capability, demonstrated through results that directly impact national security and public safety, continues to increase customer demand for biometric identity services.

The Committee is concerned that the IDENT biometric database is not only aging, but has grown drastically in transaction volume and number of stored biometrics (fingerprints and digital photographs), which poses significant challenges for OBIM to help agencies protect the homeland. The Committee supports actions to meet the needs of current and future biometric identity services customers, to advance biometrics as a Departmental asset and government-wide service, and for the development and implementation of a replacement or modernized automated biometric identification system.

Cybersecurity

The President's FY 15 budget requests a total of \$1.25B for cybersecurity activities including \$746.4M for National Cybersecurity and Communications Integration Center (NCCIC) within

NPPD; \$67.5M for Cybersecurity/Information Analysis Research and Development at the Science and Technology Directorate

\$67.5M for USSS cybersecurity presidential protection measures, cyber and cyber-enabled investigations, \$173.5M for support of cyber and cyber-enabled investigations at ICE, \$28M for OCIO efforts to secure classified information and \$168.3M for agency-wide and component-specific network defense.

The Committee supports adequate funding for Department's criminal investigations at USSS and ICE as well as its mission to protect Federal information systems, coordinate with the private sector to mitigate and respond to cyber threats to critical infrastructure.

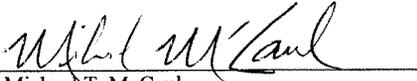
Since 2007, the Department has been assigned responsibility for conducting Government-wide cybersecurity operations, policy review, and enforcement under the Federal Information Security Management Act (FISMA). This increased responsibility comes as the persistent cyber threat grows more aggressive and sophisticated. The Nation's security and economic prosperity depend upon a trusted, secure national information infrastructure, and the threats to that infrastructure are growing.

The Committee will monitor the Department's cybersecurity activities to determine whether there is appropriate planning and coordination between components to ensure programmatic efficiency and prevent duplication and unnecessary redundancies.

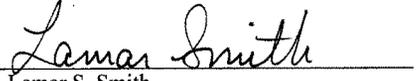
National Bio- and Argo-Defense Facility

The budget includes \$300 million to begin construction of the National Bio- and Argo-Defense Facility (NBAF), estimated to be fully operational in 2023. The Committee **supports** NBAF construction; however the project has caused fluctuation in the DHS R&D portfolio. The Committee is concerned that in order to maintain a top-line S&T budget level, the R&D investments are appearing to be sacrificed to the NBAF construction project.

Sincerely,



Michael T. McCaul
Chairman



Lamar S. Smith

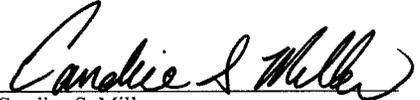


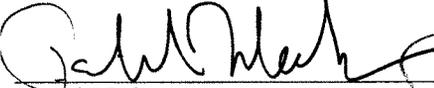
Peter T. King



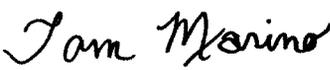
Mike Rogers


Paul C. Broun


Candice S. Miller


Patrick Meehan


Jeff Duncan


Tom Marino

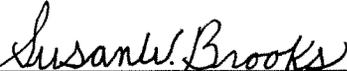

Jason Chaffetz

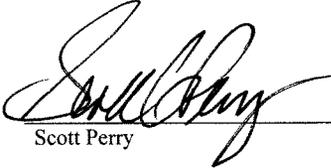

Steven M. Palazzo


Lou Barletta


Richard Hudson


Steve Daines


Susan W. Brooks


Scott Perry


Mark Sanford

VIEWS OF THE
DEMOCRATIC MEMBERS OF
THE COMMITTEE ON HOMELAND SECURITY
ON POLICIES AND PRIORITIES FOR FY 2015
FOR THE DEPARTMENT OF HOMELAND SECURITY

At the outset, we would like to express our disappointment that the Majority rejected our offer to develop bipartisan, consensus Views and Estimates (V&Es) on the President's budget submission for the Department of Homeland Security (DHS or the Department) and as a result, for the first time since the Committee's establishment, the V&Es submitted by the Majority are not supported by the Ranking Member. Particularly in light of the restrictive budget caps, we are troubled that the Budget Committee will not have the benefit of a unified message from the Committee on Homeland Security on the needs and priorities of the Department. That said, herein are the priorities, as identified by Democratic Members of the Committee on Homeland Security, within the Department of Homeland Security programs and activities.

Main Concern of Homeland Security Democrats – Impact of Current and Future Spending Caps

Committee on Homeland Security Democrats support the funding level - \$60.92 billion in total budget authority and \$44.61 billion in net discretionary budget authority - requested by the President for the Department of Homeland Security in his FY 2015 budget submission. We believe that this funding level is the minimum amount required for DHS to perform the basic operations.

As authorizers, we have observed DHS struggle to sustain operations with reduced funding. Pursuant to the Budget Control Act, as amended, sequestration went into effect on March 1, 2013. On March 6, 2014, the Government Accountability Office (GAO) released a report entitled "Sequestration Planning, Implementation, and Effects," (GAO-14-244) in which the Comptroller General observed that DHS mitigated some of the immediate potential effects of sequestration but, nonetheless, there were effects on Departmental operations. They include the following:

-U.S. Coast Guard: 29 percent reduction in the number of migrant interdictions at sea between 2012 and 2013;

-U.S. Coast Guard: 24 percent reduction in drug interdictions between 2012 and 2013;

-U.S. Coast Guard: 6,000 fewer vessels boarded and inspected between 2012 and 2013;

-Immigration and Customs Enforcement: \$295 million in funding sequestered, resulting in reductions in training, contracts, and other operating expenses;

-Federal Emergency Management Agency: Reductions to homeland security grants, including a four percent decrease to the Port Security Grant Program, a five percent reduction to the Intercity Passenger Rail (Amtrak) Grant Program. With reduced funding, FEMA offered State and local government and other grantees fewer awards; and

-Customs and Border Protection: Canceled training classes, including those related to detecting potential terrorists and high-risk air cargo and identifying weapons of mass effect in the land border environment.

GAO found that, going forward, the administrative actions that DHS took to absorb sequestration cuts (e.g. reprogramming, utilization of unobligated carryover balances, hiring freezes, and the elimination of employee awards) may not be available and there will be few personnel-related options other than furloughs and reductions in force. Ultimately, programs and mission capabilities could be affected.

Accordingly, Committee Democrats remain concerned about the impacts of budget caps mandated by the Budget Control Act, as amended. The caps provide the Administration with little flexibility to accommodate changes in threats and vulnerabilities, to continue to build strong and effective management infrastructure at the Department, and to absorb costs associated with inflation.

Homeland Security Priorities

Department Management and Operations

Committee Democrats support the funding levels requested for the Office of the Secretary and Executive Management (OSEM) and the Under Secretary of Management (USM). Committee Democrats are troubled that the budgets for OSEM and USM are routinely pillaged to fund frontline operations, without any apparent consideration for how failure to provide adequate resources to these entities undermines oversight and could result in waste, particularly with respect to acquisitions.

During FY 2014, despite limited funds, the Management Directorate made significant progress in improving financial management, culminating in the first clean audit opinion from the Government Accountability Office (GAO). Additionally, GAO narrowed the scope of the Department's high-risk designation from Implementing and Transforming DHS to Strengthening DHS Management Functions. These milestones are critical to the Department's efforts to gain credibility as a responsible steward of taxpayer dollars and to earn the confidence of Congress and the public. Accordingly, Committee Democrats do not support reductions in funding within the Management Directorate at this time.

Border Security

Committee Democrats support the Administration's efforts to place additional Customs and Border Protection Officers (CBPO) at the border. U.S. Customs and Border Protection's (CBP) FY 2013 Report to Congress on Resource Optimization at Ports of Entry (POE) included the results of the Workload Staffing Model (WSM) and was submitted with CBP's FY 2015 budget request. The WSM identified the need for additional workforce capacity. Accordingly, Committee Democrats support the FY 2015 budget request seeking funding for an additional 2,000 CBPOs and 400 mission and operational support staff through proposed user fee increases.

Committee Democrats generally support technology investments requested by the Administration in its FY 2015 budget for CBP, although we have some questions about level of funding requested in this austere budget environment. Historically, we have supported CBP's efforts to utilize technology to enhance border security. That said, CBP has received unprecedented resources for border security technology in recent years. In some cases, the investments have failed to yield the border security capability envisioned. Accordingly, CBP must explain to Congress where the investments sought in the FY 2015 budget request fit in the context of previous investments and how they will bring CBP closer to achieving border security goals in an appropriate manner.

Preclearance

Committee Democrats have been troubled by the preclearance agreement that DHS reached with the United Arab Emirates. Since January of 2014, international travelers who board direct flights from Abu Dhabi to Dulles, JFK and LAX sidestep screening, including physical security screening, on U.S. soil. This is the first expansion of the program since 2006 beyond Ireland, Canada, the Bahamas, and the Caribbean. Committee Democrats are unclear about the rationale for expansion to Abu Dhabi, the terms of the agreement, and the manner in which the agreement was negotiated. We have concerns about the implications of the reimbursement arrangement that would permit a foreign government to pay for our security operations overseas and, given the relatively low number of watch-list hits on flights departing that airport, are unconvinced of the security case for preclearance in Abu Dhabi. It is also concerning that the Transportation Security Administration has found the passenger screening operations there to be unacceptable under U.S. standards for preclearance purposes.

Our questions about Abu Dhabi have still not been fully resolved. Any expansion of preclearance operations should be contingent upon DHS making a security case to Congress and requesting the funds necessary to run the operation without relying on foreign government reimbursements.

Immigration and Customs Enforcement (ICE)

Committee Democrats appreciate ICE's effort to find savings of \$183.1 million by requesting a reduction in the number of immigration detention beds from 34,000 to 30,059 at a bed rate of \$119/day while increasing immigration enforcement through the Alternatives to Detention program. The requested level of 30,539 detention beds accommodates mandatory and non-mandatory priority detainees (including non-mandatory Level 1 and 2 criminals). ICE asserts that this change maintains more-costly detention capabilities for priority and mandatory detainees, while placing low-risk, non-mandatory detainees in lower-cost alternatives to detention.

Committee Democrats are encouraged by the Administration's request for \$1.4 million for Detention Reform Outreach. Specifically, this funding would be used to provide training and stakeholder outreach related to the Prison Rape Elimination Act (PREA) and applicable guidance, the application of Performance-Based National Detention Standards at detention facilities, and the use of segregation and application guidance, and other critical detention reform

initiatives. Historically, Committee Democrats have conducted oversight of medical treatment of detainees, and support ICE's efforts to proactively address detainee health issues.

Aviation Security

Passenger Fees. Committee Democrats are troubled that, once again, the Administration's FY 2015 budget request proposes to increase the September 11th Security Fee (Passenger Fee) to generate an estimated \$195 million. The proposal would result in a minimum fee of \$6.00 per one-way trip in 2015, a \$0.40 increase from the rate of \$5.60 per one-way trip enacted in December. Committee Democrats are concerned that the President's budget again relies on Congress agreeing this fee increase to maintain operations; when it comes to fee collection, the availability of funding is uncertain. Moreover, this proposal is reflective of an effort to secure incremental increases until reaching \$7.50 in 2019, as sought in previous budget requests.

Projected Savings from Risk-Based Efficiencies. Committee Democrats are concerned that the FY 2015 budget includes a reduction of \$100 million and 1,441 FTE attributed to risk-based security efficiencies. Specifically, the Administration assumes savings will accrue from 1,368 fewer Transportation Security Officers (saving \$86 million), 67 fewer Federal Security Directors and staff (saving \$6.9 million), and six fewer HQ staff (saving \$0.8 million). The balance is attributed to corresponding reductions in direct and indirect costs such as training, IT support, and consumables. Committee Democrats have asked for documentation of the assumptions underlying the Administration's estimates, but have not been provided that information. Moreover, we understand that many of the efficiencies relied on to achieve savings result from increased use of expedited screening. It is unclear, however, whether the Department considered any additional costs associated with implementing expedited screening in its projection. Committee Democrats oppose this reduction pending additional information and clarification from the Department.

Behavior Detection Officers (BDO). Committee Democrats have strong reservations regarding the Administration's FY 2015 budget request for 3,131 FTE for BDOs. Transportation Security Administration (TSA) claims that its BDO program is based on behavior pattern recognition techniques used by security personnel around the world and supported by scientific research. However, the Comptroller General, in a report released in November 2013, found that the program is fundamentally flawed, cannot be proven effective, and stated that it should no longer be funded with taxpayer dollars. Although TSA anticipates the use of "optimized behavior detection procedures" to begin testing by the third quarter of FY 2014, Committee Democrats share GAO's concerns about continued funding of a program that is ineffective, particularly in this austere budget environment.

U.S. Coast Guard (USCG) Recapitalization and Operations

Committee Democrats have worked to ensure that USCG has both the assets and personnel necessary to carry out its mission, and has urged USCG to strike an appropriate balance between funding its recapitalization program and total resource hours. Although Committee Democrats generally support the funding requested to continue recapitalization of its surface assets, we have concerns about the proposed \$6.75 billion reduction to USCG's operation expenses. One of the

most concerning impacts of the cuts is the reduction in vessel patrol hours in the maritime transit zone, which will likely lead to a decrease in drug and migrant interdictions.

Committee Democrats recognize that DHS struggled to balance priorities under restrictive spending limitations, but we are concerned about the effect the reduction in operating expenses will have on USCG's mission to protect the maritime economy and the environment and defend our maritime borders. Accordingly, Committee Democrats support a level of funding that will provide sufficient resource hours and support USCG's plans to continue recapitalization.

Cybersecurity and Infrastructure Protection

Committee Democrats are concerned about the Administration's proposal to cut \$11.4 million from cybersecurity programs that support to State, local, and tribal governments. States would have to absorb that reduction and take on a larger cost-share to fund the Multi-State-Information Security and Analysis Center. Cyber education programs for State and local governments would also be reduced. According to the 2013 National Preparedness Report, State governments continue to assess cybersecurity among the capabilities in which they are least confident.

Committee Democrats support the Administration's request for an increase of \$7.9 million and 109 FTE for infrastructure protection. Committee Democrats support providing adequate resources to carry out activities necessary to protect and make resilient critical infrastructure, particularly the Chemical Facility Anti-terrorism Standards (CFATS) program.

Committee Democrats have reservations about the Administration's proposal to cut nearly \$1 million from the Office of Emergency Communications (OEC), which will reduce the number of OEC-facilitated training and exercise opportunities including the development of exercise scenarios, injects, and after action reports. Although the nation has made significant progress in improving interoperable communications capabilities since 9/11, much work remains at the State and local level, but Federal assistance will still be required. Committee Democrats are concerned that this reduction may undermine progress State and local governments have made and continue to make toward building robust interoperable communications capabilities.

University Programs

Committee Democrats have concerns about the Administration's proposal to reduce funding for University Programs by \$8.72 million from the FY 14 level. We understand that, if enacted, the reduced funding level would result in DHS re-competing Centers of Excellence (COE) at a lower proposed funding level, eliminating up to two COEs, and decreasing the number of research opportunities available per year. Committee Democrats are concerned that the reduced funding level will stifle basic research important to developing robust homeland security capabilities.

State and local Programs for First Responders

Committee Democrats are troubled that the Administration again proposes to consolidate 18 targeted grant programs into the National Preparedness Grant Program (NPGP). Additionally, Committee Democrats are concerned that the Administration is seeking only \$1.04 billion for the new Program, a \$300 million dollar reduction from the FY 2014 level, not including the proposed Opportunity, Growth, and Security Initiative.

The legislative proposal submitted by the Administration to authorize the National Preparedness Grant Program fails to articulate a clear vision for grant reform. Even more troubling, it appears that the proposal was submitted to Congress without active engagement with stakeholder groups. Many stakeholders have told us that FEMA's outreach on grant consolidation took the form of briefings and not conversations, was sporadic and not ongoing, and that they did not have the impression that concerns they raised had any impact on the final proposal.

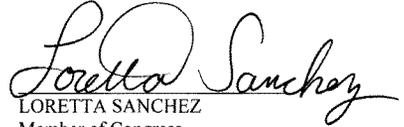
The lack of a clear vision or stakeholder engagement aside, the primary concern for Committee Democrats is the underlying premise of the proposal - that terrorism preparedness and response need not be the focus of these grant funds. Committee Democrats note that the Homeland Security Grant Program was enacted by Congress after the September 11, 2001 attack to address the vulnerabilities identified by the bipartisan 9/11 Commission. Over the past decade, with the help of targeted homeland security grant funding, State and local governments have made significant progress in building capabilities to prevent, prepare for, and respond to terrorist attacks. However, we must not become complacent. The bombings at the Boston Marathon last April underscored the unique emergency preparedness and law enforcement challenges associated with terrorism. Accordingly, we are troubled that the Administration proposes the elimination of the Law Enforcement Terrorism Prevention program and morphing the Homeland Security Grant Program into another all-hazards program.

For the reasons set forth above, we oppose FEMA's grant consolidation proposal.

Final Thoughts

Thank you, in advance, for giving consideration to our views. We urge you to work with us to ensure that the Department has adequate funding to support homeland security activities, including the development and deployment of capabilities to address emerging threats.


BENNIE G. THOMPSON
Ranking Member


LORETTA SANCHEZ
Member of Congress

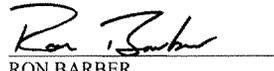

SHEILA JACKSON LEE
Member of Congress


YVETTE D. CLARKE
Member of Congress

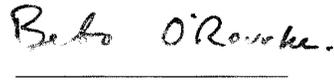

BRIAN HIGGINS
Member of Congress


CEDRIC RICHMOND
Member of Congress


WILLIAM R. KEATING
Member of Congress


RON BARBER
Member of Congress

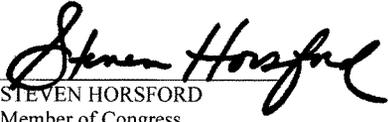

DONALD M. PAYNE, JR.
Member of Congress


BETO O'ROURKE
Member of Congress


ERIC SWALWELL
Member of Congress

Tulsi Gabbard

TULSI GABBARD
Member of Congress


STEVEN HORSFORD
Member of Congress

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SCIENCE, SPACE, AND TECHNOLOGY
CHAIRMAN

COMMITTEE ON THE JUDICIARY

COMMITTEE ON HOMELAND SECURITY

**Congress of the United States**
House of Representatives2409 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-4236
FAX: (202) 225-8828

March 24, 2014

Additional views by Congressman Lamar Smith (TX-21):

The views and estimates in regard to immigration enforcement by Immigration and Customs Enforcement (ICE) and United States Citizenship and Immigration Services (USCIS) programs are primarily the jurisdiction of the Judiciary Committee as "immigration policy and non-border enforcement" in accordance with Rule X of the House Rules.

Also, I agree that the need for border security metrics is a critical tool for Congress to measure the effectiveness of the Department of Homeland Security's (DHS) border security. However, any call for this measurement should be accompanied by a clear mission that the Committee intends to hold the DHS accountable to ensure that the entire border is under full control.

Finally, any views about systems to track the entrance and exit of foreign nationals must include biometric data. The DHS has consistently demonstrated that it prefers to not comply with the existing statutory requirement for biometric entry-exit. And the Committee highlighted this failure to enforce current law last year. The views of the Committee should at every opportunity continue to push the DHS to implement a biometric entry-exit system at all ports of entry.

As a Member of the Homeland Security and Judiciary committees, I am eager to work with Members of both committees to ensure that these programs are fully utilized by the DHS to faithfully execute the laws.

Sincerely,

Lamar Smith
Member of Congress

PLEASE REPLY TO:

 AUSTIN DISTRICT OFFICE
2211 SOUTH IH-35, SUITE 106
AUSTIN, TX 78741
(512) 912-7508
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 KERRVILLE DISTRICT OFFICE
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KERRVILLE, TX 78028
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 SAN ANTONIO DISTRICT OFFICE
1100 N.E. LOOP #10, SUITE 640
SAN ANTONIO, TX 78209
(210) 821-5024
FAX: (210) 821-5947

Views of Congressman Steven Palazzo (MS-04)**FEDERAL EMERGENCY MANAGEMENT AGENCY****NATIONAL FLOOD INSURANCE PROGRAM**

President's Request: The FY 15 budget requests \$846,000 to support implementation of the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12). The agency notes that BW-12 represents "significant changes to the structure and operation of the NFIP that will require rulemaking and additional staff capacity."

However, the proposed request does not account for the significant changes made to the NFIP by the recently-enacted Homeowner Flood Insurance Affordability Act of 2013 (HFIAA). Congress passed HFIAA with overwhelming bipartisan, bicameral support. The bill's passage is truly a testament to people overcoming politics.

The HFIAA represents Congress' commitment to keeping the NFIP solvent, while ensuring flood insurance remains affordable and available to those who need it. The HFIAA had the support of over two-thirds of Members in both chambers, and therefore funding should appropriated be to fulfill Congress' commitment as quickly as possible.

Representative Palazzo's View: Representative Palazzo supports appropriate funding for the NFIP's operations, but the funding's primary purpose should be to implement the changes to BW-12 that HFIAA has made to ensure flood insurance remains affordable and available. HFIAA implementation funding is critical to (1) providing homeowners relief from drastic premium increases, (2) ensuring flood maps are accurate, and (3) reducing NFIP taxpayer bailouts.



Steven M. Palazzo
Member of Congress

Congressman Barletta – Submission (Additional View) To Committee on Homeland Security’s Views and Estimates To The President’s Fiscal Year (FY) 15 Budget

Congressman Barletta **opposes** the President’s request to eliminate funding for the State Criminal Alien Assistance Program (SCAAP). SCAAP provides essential federal assistance to states and local municipalities that incur costs for incarcerating illegal immigrants who are being held as a result of being convicted of a crime. The federal government shouldn’t foot our constituents and local law enforcement with the bill. For these reasons, SCAAP should be sufficiently funded at a level that will allow the program to offset some of the costs to incarcerate illegal aliens.

Tom Barletta

DHS Budget: Rep. Mark Sanford Dissenting View on Detention Bed Mandate

In the Homeland Security Appropriations Bill for FY '14, I voted for an amendment that would eliminate the so-called "detention bed mandate", which instructs the Immigration and Customs Enforcement (ICE) to make sure that 34,000 illegal immigrants are detained at any given time while they await detention. The cost of keeping an illegal immigrant in one of these facilities is \$119 per day. Over a year, it costs more than \$1 billion to make sure that 34,000 beds are filled. While it is certainly reasonable to make sure that illegal immigrants that have proved to be dangerous to our society are kept in these detention facilities while they await deportation, it makes less sense to me to spend \$119 a day on non-dangerous illegal immigrants when there are more cost-effective monitoring methods available. This being said, I am in favor of reducing the number of beds that ICE must fill every day as long as more cost effective methods are used to monitor illegal immigrants. I also think that the President must remain committed to enforcing existing immigration laws.

A handwritten signature in black ink, appearing to read "Mark Sanford". The signature is written in a cursive style with a long horizontal line extending to the right.

CANDICE S. MILLER, MICHIGAN
CHAIRMAN

GREGG HARPER, MISSISSIPPI
PHIL GINGREY, GEORGIA
AARON SCHOCK, ILLINOIS
TODD ROKITA, INDIANA
RICH NUGENT, FLORIDA

SEAN MORAN, STAFF DIRECTOR

Congress of the United States

House of Representatives COMMITTEE ON HOUSE ADMINISTRATION

1309 Longworth House Office Building
Washington, D.C. 20515-6157
(202) 225-8281
<http://cha.house.gov>

March 20, 2014

ROBERT A. BRADY, PENNSYLVANIA
RANKING MINORITY MEMBER

ZOE LOFGREN, CALIFORNIA
JUAN VARGAS, CALIFORNIA

ONE HUNDRED THIRTEENTH
CONGRESS

JAMIE FLEET, MINORITY STAFF DIRECTOR

The Honorable Paul Ryan
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515

Dear Chairman Ryan:

I write this letter to formally submit the Fiscal Year 2015 views and estimates on matters within the jurisdiction of the Committee on House Administration to the Committee on the Budget. The views of the Minority Members are also included. Any questions your staff may have with regard to this submission may be directed to Peter Schalestock of the Committee on House Administration staff.

Sincerely,



Candice S. Miller
Chairman

cc: The Honorable Robert A. Brady

COMMITTEE ON HOUSE ADMINISTRATION**113TH CONGRESS****COMMITTEE RESOLUTION 113-X****March 10, 2014****Resolution to Approve Committee Views and Estimates**

Resolved, pursuant to § 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), the Committee adopts the following views and estimates for Fiscal Year 2015:

COMMITTEE ON HOUSE ADMINISTRATION**VIEWS AND ESTIMATES FOR FISCAL YEAR 2015****Federal Election Commission**

The Federal Election Commission (FEC) is an independent, bipartisan commission which facilitates transparency in the Federal election process through public disclosure of campaign finance data, and encourages compliance with the Federal Election Campaign Act by providing information and policy guidance. The FEC administers and interprets the Federal Election Campaign Act, the Presidential Election Campaign Fund, and the Presidential Primary Matching Payment Account Act. The FEC also enforces these Acts through audits, investigations, and civil litigation.

The FY 14 appropriated amount for the FEC totals \$65,791,000. The FEC's budget reflects the resources necessary to carry out its mission in the upcoming fiscal year, provided the FEC appropriately allocates its resources to ensure reports analysis and information technology security needs are prioritized. The Committee will conduct vigorous oversight to identify and realize future potential savings.

Presidential Election Campaign Fund

One means to reduce the budget needs of the FEC is to eliminate the Presidential Election Campaign Fund (PECF). The PECF provides taxpayer financing for presidential campaigns. The

PECF receives its funds through a voluntary election on tax returns to have \$3 of the taxpayer's taxes directed to the fund. For primary elections the PECF provides payments to candidates to match private contributions. Candidates who elect to participate are subject to state-by-state spending limits. For general elections the PECF provides a single grant payment to participating candidates, in return for which the candidate agrees not to spend funds from any other source. The PECF also provides a grant to each major political party for the costs of its nominating convention. The FEC incurs costs to administer the PECF and to audit recipients of PECF funds. These costs could be eliminated if the PECF were eliminated.

The fund is underutilized by candidates. After pledging to participate in the PECF, in 2008 then-Senator Obama declined public financing during the general election. In the 2012 campaign, only three candidates received PECF funds – Buddy Roemer (Americans Elect and the Reform Party), Gary Johnson (Libertarian) and Jill Stein (Green). The total they received was \$1,356,108. Both major party candidates rejected PECF financing in both the primary and general elections.

If candidates did choose to accept PECF funds and the accompanying restrictions, the fund would be undercapitalized because the American public chooses to no longer contribute. Public support for the PECF has declined precipitously since its introduction. The percentage of taxpayers participating dropped from 28.7% in 1980 to approximately 6% in 2013, even though participating does not affect tax liability.

In the 112th Congress, the House twice voted to eliminate the Presidential Election Campaign Fund by passing both H.R. 359 and H.R. 3463. In the 113th Congress, the Committee reported H.R. 95, which would eliminate the PECF and would reduce direct spending by approximately \$130 million by 2023. The PECF currently holds a balance of \$271,641,288, which could be returned to the Treasury if the fund were eliminated.

The PECF paid \$18,248,000 each to the Republican and Democratic parties for their national nominating conventions in 2012 (separate from security funding provided by the Department of Homeland Security). In the 112th Congress, the House passed H.R. 5912, which would have prohibited the use of public funds for political party conventions, by a vote of 310 to 95. The House also passed H.R. 6296, which included a provision to terminate the use of public funds for political party conventions. In the 113th Congress, the Committee reported H.R. 94, which would bar payments from public funds for political party conventions and save taxpayers \$126 million over 10 years. The House passed H.R. 2019, which would terminate payments from the PECF for political party conventions, by a vote of 295 – 103.

The Committee does not support continued operation of the PECF and strongly supports the elimination of the PECF.

Election Assistance Commission

The Election Assistance Commission (EAC) is an independent, bipartisan commission which develops guidance to meet Help America Vote Act (HAVA) requirements, adopts voluntary voting system guidelines, and serves as a national clearinghouse of information on election administration. The EAC also establishes voluntary voting system guidelines, certifies

voting systems, accredits test laboratories, and audits the use of funds provided to the states through election reform grants.

No funding for election reform grants was appropriated in FY 11, FY 12, FY 13, or FY 14. None is requested in the President's Budget for FY 15. The FY 14 appropriated amount for the EAC totals \$10,000,000, which includes a transfer of \$1,900,000 to the National Institute of Standards and Technology. The EAC is left with an operating budget of \$8,100,000 (including funds for its Office of Inspector General, which were not separately reserved in FY 14).

The Inspector General of the EAC testified before the Appropriations Committee on March 2, 2011, that 51.7% of the FY 12 budget request went to "Management," meaning the EAC would use \$5,406,718 to manage programs totaling \$3,486,601. The actual figure was even higher; the amounts spend for management by the EAC were 55.7% of its budget in FY 11, 53.9% in FY 12, 54.2% in FY 13, and projected at 55% for FY 14. On an ongoing basis, the EAC spends half or more of its budget to maintain its existence. Further, for the past two fiscal years, the EAC's annual financial audits have included disclaimed opinions.

In the 112th Congress, a majority of the House twice voted to eliminate the EAC, with 235 Members voting in favor of both H.R. 672 and H.R. 3463. A majority of the Committee's members voted in favor of eliminating the EAC on both occasions. In the 113th Congress, the Committee reported H.R. 1994, which would eliminate the EAC. The CBO estimate for H.R. 1994 stated that eliminating the EAC would save taxpayers \$42 million over five years.

The EAC has not had a quorum of commissioners since 2010, it has not had any commissioners since 2011, the executive director position has been vacant since 2011, and the general counsel position has been vacant since 2012. In February, 2013, the President opted to form a new ad hoc commission to propose best practices for election officials regarding polling place waiting times and military and overseas voting rather than rely on the EAC to perform this function, indicating both that he did not believe the EAC was capable of the task and that it could be performed without the EAC's participation.

The Committee does not support continued funding for the EAC and strongly supports the elimination of the EAC.

**MINORITY VIEWS OF RANKING MEMBER ROBERT A. BRADY,
REPRESENTATIVE ZOE LOFGREN AND REPRESENTATIVE JUAN VARGAS**

Election Assistance Commission

The Election Assistance Commission (EAC) serves as the nation's only independent agency that certifies voting equipment, provides election officials with information to support effective and efficient election administration, and provides guidance to the states to improve the administration of Federal elections.

We acknowledge that there are concerns over the continued existence of the EAC. We have introduced legislation to examine and address these issues without abolishing the entire agency. The answer to a scrape on the knee is a band aid, not cutting the leg off. Federal elections occur every two years and terminating the EAC without a viable backup plan is shortsighted.

According to the Congressional Research Service, USAID will spend about \$200 million to support the 2014 Afghanistan elections. If the United States can spend hundred millions of dollars to support democracy in Afghanistan, surely the EAC's budget request for FY15 of \$10 million is a small price to pay for supporting democracy in the United States.

Although the President convened the bipartisan Presidential Commission on Election Administration it is not a suitable replacement for the EAC. Indeed, much of the presidential commission's report would not have been possible without data collected by the EAC, as a cursory glance at the report's footnotes will reflect. We believe that the EAC is best suited to work with the states to ensure that the Presidential Commission's recommendations are shared and implemented for Federal elections, as do the numerous state and local elections officials that have officially denounced plans to abolish the agency. We reject the majority's claim that the agency should be eliminated and call on the Senate to confirm all pending nominations to the EAC.

Federal Election Commission

In recent years, the Federal Election Commission (FEC) has come under increased fire. By all reliable measures, partisan gridlock has paralyzed the Commission's essential role in ensuring a fair and lawful elections process. Equally, if not more troubling, were reports of a secure data breach at the FEC in December 2013. Prior to this incident, an independent audit of the agency revealed that the FEC was particularly susceptible to an attack, noting "Without adopting and implementing National Institute of Science and Technology minimum security controls, the FEC's computer network, data and information are at an increased risk of loss, theft, manipulation, and interruption of operations." While partisan gridlock is not something that can be eliminated with more vigorous oversight, oversight can certainly play an important role in addressing situations such as data breaches. It is the duty of this Committee to ensure that the

agency is equipped to take the steps necessary to avoid this kind of nightmare scenario in the future.

In their Views and Estimates, the Majority accurately recounts how the House voted twice to terminate the Election Assistance Commission yet omits mention of the provision of the legislation that would task the FEC with the EAC's duties. Former FEC Chair Cynthia Bauerly has testified that should such a proposal become law, additional appropriations would be required to fully execute the FEC's new duties pursuant to the EAC termination legislation. Eliminating the EAC would result in various agencies absorbing increased costs across the board, from the FEC down to local election jurisdictions.

Defense of Marriage Act

The Defense of Marriage Act (DOMA), passed in 1996, restricts federal marriage benefits and restricts inter-state marriage recognition exclusively to opposite-sex couples. In June 2013, the Supreme Court in *U.S. v. Windsor* struck down Section 3 of DOMA as unconstitutional on due process and equal protection grounds.

Prior to the Supreme Court's decision in *Windsor* and after the Justice Department's decision no longer to defend the constitutionality of DOMA, House Republican leadership approved a series of contracts paying an outside legal firm to defend DOMA cases. The initial contract was limited to \$500,000 but was continually increased, behind closed doors, up to \$3 million with no sign of stopping. Had the Supreme Court not made an ultimate decision in this case we shudder to think what amount of taxpayer money would have been committed to defending an obviously unconstitutional law.

It is the view of the Democrats of the Committee on House Administration that this kind of wasteful, secretive undertaking is to be avoided at all costs going forward. Indeed, we should request an audit of all House funds which were squandered on this matter.

Legislative Branch Oversight

Oversight by the Committee on House Administration of the legislative branch agencies under our jurisdiction can result in significant, though not always quantifiable, cost savings. Unfortunately, in the 113th Congress, the Committee has reduced the amount of its oversight over the House Officers and other House functions, as well as the level of transparency of Committee's operations. The House Officers have not appeared before the Committee at any hearing since the current majority took control in 2011. Formal staff meetings with the Officers and their staffs have been reduced dramatically. Staff meetings which might have occurred every few weeks now occur every few months.

We have seen tangible examples of how reduced oversight can impact House operations in the area of Information Technology (House Information Resources) and the manner in which that department services and protects the interests of Member and Committee Offices. Issues have included insufficient communication with Member offices, inadequate oversight of vendors that serve the House and the development of a departmental culture that does not recognize or demonstrate an understanding of the overarching focus on Members of the House. We believe that there is a direct correlation between these issues and the lack of vigorous Committee oversight of this function and encourage, in the strongest possible terms, renewed efforts in this area.

The net result of reduced oversight is a reduction of opportunities to improve the services provided by the officers and to enhance economy and efficiency; an atmosphere of greater secrecy surrounding Officers' activities, since the opportunities to question them routinely have been reduced; and lack of accountability to the Committee. As the voice of the Members, the Committee should play an ongoing oversight role in the operation of the House. Maintaining a vital and robust oversight function within the Committee is essential to that goal and we strongly oppose efforts that would diminish the Committee's traditional oversight jurisdiction.

We recommend that the Budget Committee ensure that there is sufficient funding to perform and improve oversight of our institution by the Members who have the responsibility under statute and rule to do that.

U.S. Capitol Police

We commend the Capitol Police on the successful migration to its new and long-awaited digital radio system. We commend the appropriations committees for their hard work not only to find the millions of dollars needed to bring the project to fruition, but also to ensure generally that the USCP has sufficient resources to protect the multitudes who visit and work in the Capitol Complex every year.

We believe the Capitol Police do a good job, but since the Committee has for some reason greatly reduced its oversight of the agency, we could soon be left with little more than our belief. Proper oversight is essential not only to detect agencies ignoring Congress' wishes, but also to guide agencies seeking to follow Congress' wishes. Under the Rules of the House of Representatives, the Committee on House Administration has legislative and oversight jurisdiction over the Capitol Police. We urge the Committee to resume the level of oversight and authorizing previously conducted by the Committee under Chairman Lungren and his predecessors.

House of Representatives

The 1%-point increase in resources (compared to last year) made available after enactment of the latest budget agreement will of course ease the strain on Members trying to represent their constituents and committees trying to legislate and conduct oversight. While the House should economize on its operations, we believe that Congress cannot continue indulging the zeal of budget cutters unfamiliar with the aphorism “penny-wise, pound-foolish.” Unfortunately, the nature of our one-year appropriations process does not recognize the value of long-term savings through short-term investments, especially with respect to intangibles like better government or better constituent service.

The House historically provides resources for Members in a manner enabling the Members to decide how much to spend to serve their districts, no two of which are alike. Most Members do not expend their entire allowance, preferring to leave money in the Treasury for deficit reduction. The present leadership has cut Members’ allowances repeatedly and many Members can no longer represent their districts as they once did. Many Members, especially from urban districts, cannot maintain as many district offices or employ as many staff in Washington to help with legislation or in the district to help with constituent casework. Similarly, committees lack sufficient qualified staff, to consider legislation and effectively oversee Executive-branch and independent agencies.

In the budget process for this and future years, we hope that the majority will recognize that there are areas in the House where we can save, but also areas in which investments will pay dividends for this institution, of which we are mere custodians.

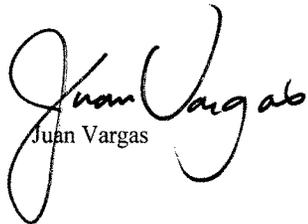


Robert A. Brady

March 18, 2014



Zoe Lofgren



Juan Vargas

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ONE HUNDRED THIRTEENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON THE JUDICIARY

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March 25, 2014

The Honorable Paul Ryan
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, D.C. 20515

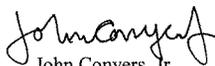
The Honorable Chris Van Hollen
Ranking Member
Committee on the Budget
B71 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Ryan and Ranking Member Van Hollen,

Pursuant to section 301(d) of the Congressional Budget Act of 1974 (2 U.S.C. § 632(d)) and House Rule X, clause 4(f)(1), we are submitting the views and estimates of the Committee on the Judiciary for Fiscal Year 2015. These views and estimates encompass a broad range of programs within the Judiciary Committee's jurisdiction. We hope that these views and estimates provide valuable guidance to your Committee as you prepare the budget resolution. Except in instances where the President's budget presents a compelling justification for an increase in funding, as a general matter the Committee supports funding these programs at a level comparable to their FY 2014 appropriations. We note that, while this document reflects the views of the Members of this Committee, some Members may have individual views that are not reflected in this document. Please feel free to contact us or our staffs should you have any questions or concerns.

Sincerely,


Bob Goodlatte
Chairman


John Conyers, Jr.
Ranking Member

COMMITTEE ON THE JUDICIARY VIEWS AND ESTIMATES FOR FISCAL YEAR 2015

The following presents the views and estimates of the Committee on the Judiciary regarding the fiscal year 2015 budget for matters within the Committee's Rule X jurisdiction.

The Committee recognizes that the Federal government currently faces significant budgetary constraints that will require federal departments and agencies to meet their respective missions and perform their functions while receiving fewer resources. The departments and agencies that fall within the Committee's jurisdiction serve a unique function in that they are among the few departments and agencies that perform functions specifically called for in the U.S. Constitution. Their related expenditures should be assessed in light of the core functions and responsibilities of the Federal government as defined by the U.S. Constitution.

With regard to any spending reduction proposals within the Committee's jurisdiction that ultimately may be contained in the President's budget, the Committee preemptively notes that it will not support reductions that would put national security or public safety at risk.

Mandatory Spending

FEDERAL JUDICIARY

The Federal Judiciary is comprised of the U.S. Supreme Court and the lower federal courts. Combined, they adjudicate criminal and civil disputes and carry out other constitutional and congressionally allocated responsibilities.

The Committee recognizes the Judiciary's essential role in providing justice to all citizens, and the workload and additional responsibilities periodically thrust upon the Judiciary due to cyclical legal developments and initiatives. The Committee understands that while the Judiciary has no control over the number of cases that are filed in the courts, it must handle each case filed and has little flexibility in how quickly it must handle many of these cases. The Judiciary's workload is heavily influenced by national policies initiated in the Executive and Legislative Branches.

The Federal Judiciary's fiscal year 2015 appropriations request totals \$7.3 billion. The request includes \$6.7 billion in discretionary appropriations, an increase of \$219.5 million above the FY 2014 enacted level. The request also includes \$565.6 million in mandatory appropriations, an increase of \$42.9 million above the FY 2014 enacted level. With the recognition that budgetary restraints could impact funding, the Committee supports an FY 2015 funding level necessary for the Federal Judiciary to accomplish its mission.

Discretionary Spending**DEPARTMENT OF JUSTICE****GENERAL ADMINISTRATION**

General Administration (GA) supports the Attorney General and the Department of Justices' senior policy level officials in managing Department resources and developing policies for legal, law enforcement, and criminal justice activities. GA consists of four decision units: Department Leadership, Intergovernmental Relations and External Affairs, Executive Support and Professional Responsibility, and the Justice Management Division.

The Department Leadership decision unit includes the Offices of the Attorney General, Deputy Attorney General, Associate Attorney General, Privacy and Civil Liberties, Rule of Law, and Access to Justice. Intergovernmental Relations and External Affairs includes the Offices of Public Affairs, Legislative Affairs and Tribal Justice. Executive Support and Professional Responsibility includes the Offices of Legal Policy, Professional Responsibility, Information Policy and the Professional Responsibility Advisory Office. Finally, the Justice Management Division provides advice to senior Department of Justice (DOJ) officials and develops departmental policies in the areas of management and administration, ensures compliance by DOJ components with departmental and other federal policies and regulations, and provides a full range of management and administration support services.

The President's budget includes \$128,851,000 for General Administration, which is \$28,851,000 above the FY 2014 enacted level. With the recognition that budgetary restraints could impact funding, the Committee supports funding GA at a level that will enable it to accomplish its mission.

EXECUTIVE OFFICE FOR IMMIGRATION REVIEW

The Executive Office for Immigration Review (EOIR) contains the corps of Immigration Judges, the Board of Immigration Appeals, and the Office of the Chief Administrative Hearing Officer. EOIR presides over administrative immigration hearings such as removal, bond, and employer sanctions proceedings.

The Committee recognizes that EOIR's immigration court case backlogs have continued to grow, lengthening case adjudication times. The Committee also supports funding of Legal Orientation Programs for detained noncitizens at a level necessary to accomplish the goals of the program.

Timely and fair adjudication of cases in immigration courts is an essential part of effective immigration enforcement. Funding for EOIR personnel and programs must keep pace with other immigration enforcement activities in order for the entire immigration enforcement system to function properly.

The President's budget includes \$351,072,000 for EOIR, which is \$36,072,000 above the FY 2014 enacted level. With the recognition that budgetary restraints could impact funding, the Committee recommends that EOIR be funded at a level that will enable it to achieve these goals.

OFFICE OF THE INSPECTOR GENERAL

The Office of the Inspector General (OIG) is an independent office within the Department of Justice that is charged with investigating allegations of fraud, waste, abuse, and misconduct by DOJ employees, contractors, and grantees and promoting economy and efficiency in DOJ operations.

The President's budget includes \$88,577,000 for the OIG, which is \$2,177,000 above the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports funding the OIG at a level that will allow it to sustain the number of audits, investigations, and special reviews it conducts annually to help assure Congress and the taxpayers that the substantial funding to DOJ is used efficiently, effectively, and for its intended purposes.

GENERAL LEGAL ACTIVITIES

Office of the Solicitor General

The Office of the Solicitor General supervises and processes all appellate matters and represents the United States and federal agencies in the Supreme Court. The Committee considers the work of the Solicitor General an important element of the role played by DOJ.

The President's budget includes \$11,692,000 for the Office of the Solicitor General, which is \$494,000 above the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports funding the Solicitor General's office at a level necessary to accomplish its mission.

Tax Division

The Tax Division represents the United States in virtually all litigation arising under the internal revenue laws. This work includes both a civil component as well as assistance to U.S. Attorneys in prosecuting criminal tax violations. In addition, the Division's attorneys lend their financial crimes expertise to the enforcement of other laws with financial aspects.

The President's budget includes \$109,171,000 for the Tax Division, which is \$4,701,000 above the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports funding the Tax Division at levels necessary to accomplish its mission, but notes that every additional dollar provided to the Tax Division will result in many additional dollars being recovered for the Treasury.

Criminal Division

The Criminal Division is responsible for supervising the application of all federal criminal laws except those specifically assigned to other divisions. Its mission is to identify and respond to critical and emerging national and international criminal threats, and to lead the enforcement, regulatory, and intelligence communities in a coordinated, nationwide response to reduce those threats. The Division provides expert guidance and advice to U.S. Attorneys and other federal, state, and local prosecutors and investigative agencies, as well as foreign criminal justice systems. It also oversees the use of the most sophisticated investigative tools available to federal law enforcement, including all federal electronic surveillance requests in criminal cases, and secures the return of fugitives and other assistance from foreign countries.

In addition to other initiatives, the Criminal Division uses its resources to prosecute the most significant financial crimes, including mortgage fraud, corporate fraud, and sophisticated investment fraud; coordinate multi-district financial crime cases; and assist U.S. Attorneys' Offices in financial crime cases with significant money laundering and asset forfeiture components.

The President's budget includes \$202,487,000 for the Criminal Division, which is \$28,298,000 above the FY 2014 enacted level. With the recognition that budgetary restraints could impact funding, the Committee supports funding the Criminal Division at a level necessary to accomplish its various missions.

Civil Division

The Civil Division represents the United States, its departments and agencies, Members of Congress, Cabinet officers, and other federal employees in litigation in federal and state courts. Each year it successfully defends the United States against billions of dollars in unmeritorious claims. In its affirmative litigation, the Division brings suits on behalf of the United States, primarily to recoup money lost through fraud, loan defaults, and the abuse of federal funds. As a result of the work of the Civil Division, hundreds of millions of dollars are returned to the Treasury, Medicare, and other programs annually.

The President's budget includes \$298,394,000 for the Civil Division, which is \$12,467,000 above the FY 2014 enacted level. The Committee considers the work of the Civil Division important to the mission of DOJ. Recognizing current budgetary constraints, the Committee supports funding the Civil Division at a level necessary to accomplish its mission.

Environment and Natural Resources Division

The Environment and Natural Resources Division (ENRD) enforces the Nation's civil and criminal environmental laws; defends environmental challenges to federal laws and actions; and performs a variety of other important legal activities related to the environment and our nation's natural resources. ENRD's responsibilities include litigating disputes under the Clean Air Act, the Clean Water Act, the Comprehensive Environmental Response, Compensation, and Liability Act (Superfund), and the Endangered Species Act; defending against environmental challenges to federal programs and activities; representing the United States in matters

concerning the protection, use, and development of national natural resources and public lands; and litigating on behalf of individual Indians and Indian tribes.

The President's budget includes \$112,487,000 for ENRD, which is \$4,844,000 above the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports funding ENRD at a level necessary to accomplish its mission.

Civil Rights Division

The Civil Rights Division is responsible for enforcing federal statutes that guarantee the civil rights and constitutional rights of all Americans and prohibit discrimination on the basis of race, sex, disability, religion, and national origin. The Division enforces federal laws that protect Americans' civil rights and freedom from discrimination in education, employment, credit, housing, certain federally funded and conducted programs, and voting.

The Division has eleven sections: Appellate, Coordination and Compliance, Criminal, Disability Rights, Educational Opportunities, Employment Litigation, Housing and Civil Enforcement, Office of Special Counsel for Immigration Related Unfair Employment Practices, Special Litigation, Policy and Strategy, and Voting.

The President's budget includes \$161,881,000 for the Civil Rights Division, which is \$17,708,000 above the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports funding the Civil Rights Division at a level necessary to accomplish its various missions.

INTERPOL Washington

INTERPOL Washington facilitates cooperation and information sharing among police agencies in different countries. It is the link between more than 18,000 federal, state, and local law enforcement authorities and the 187 other member countries for INTERPOL-related matters. The main goals of INTERPOL Washington are facilitating international law enforcement cooperation; transmitting information of a criminal justice, humanitarian or other law enforcement related nature between law enforcement agencies; responding to law enforcement requests; coordinating and integrating information for investigations of an international nature, and identifying patterns and trends in criminal activities. INTERPOL Washington also actively screens all inbound international flights for passports that are reported as lost or stolen to INTERPOL and generates over 200 hits monthly that require human analysis.

The Committee supports INTERPOL Washington's continued efforts to enhance information sharing amongst international police authorities. The President's budget includes \$32,000,000 for INTERPOL Washington, which is equal to the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports funding INTERPOL Washington at a level allowing it to achieve its mission.

ANTITRUST DIVISION

The mission of the Antitrust Division is to promote economic competition through enforcing and providing guidance on antitrust laws and principles. In addition to enforcing the antitrust laws, the Antitrust Division also acts as an advocate for competition, seeking to promote competition in sectors of the economy that are or may be subject to government regulation.

The President's budget includes \$162,246,000 for the Antitrust Division, which is \$1,846,000 above the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports funding the Antitrust Division at levels necessary to accomplish its various missions.

EXECUTIVE OFFICE FOR U.S. ATTORNEYS

There are 94 U.S. Attorneys located throughout the United States, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico and the Virgin Islands. The U.S. Attorneys who lead each office are the chief law enforcement representatives of the Attorney General. Each enforces federal criminal law, handles most of the civil litigation in which the United States is involved, and initiates proceedings for the collection of fines, penalties, and forfeitures owed to the United States. For FY 2015, the Committee expects that U.S. Attorneys will continue to investigate and prosecute the diverse workload of criminal cases brought by the federal Government and will continue to initiate civil actions to assert and protect the interests of the United States.

The President's budget includes \$1,955,327,000 for the Offices of the United States Attorneys, \$11,327,000 above the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports funding the Executive Office for U.S. Attorneys at a level that will allow it to accomplish its mission.

U.S. TRUSTEE PROGRAM

The U.S. Trustee Program is charged with supervising the administration of bankruptcy cases and trustees. Its mission is to protect and preserve the integrity of the U.S. bankruptcy system by regulating the conduct of parties, ensuring compliance with applicable laws and procedures, bringing civil actions to address bankruptcy abuse, securing the just and efficient resolution of bankruptcy cases, and referring bankruptcy crimes for prosecution. The Program is self-funded through user fees paid by participants in the bankruptcy system. The Program's appropriation is offset by fees it collects during the fiscal year. These monies are paid into the U.S. Trustee System Fund. Nearly 60% of the Program's funding is subsidized by quarterly fees paid by Chapter 11 debtors. The remaining funding is derived from a portion of filing fees paid to commence bankruptcy cases, interest earnings, and other miscellaneous revenues.

The President's budget includes \$225,908,000 for the U.S. Trustee Program, which is a \$1,508,000 increase over the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports funding the U.S. Trustee Program at a level necessary to accomplish its mission.

COMMUNITY RELATIONS SERVICE

The Community Relations Service's mission is to assist state and local governments, private and public organizations, and community groups in quelling conflicts and tensions arising from differences of race, color, and national origin. The Community Relations Service is also authorized to work with state and local governments and groups to restore racial stability and harmony while preventing, resolving, and responding to alleged violent hate crimes committed on the basis of actual or perceived race, color, national origin, gender, gender identity, sexual orientation, religion or disability.

The President's budget includes \$12,972,000 for the Community Relations Service, which is \$972,000 above the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports funding the Community Relations Service at a level necessary to continue performing its mission.

ASSETS FORFEITURE FUND

The Assets Forfeiture Fund (AFF) was established pursuant to the Comprehensive Crime Control Act of 1984. The U.S. Marshals Service (USMS) administers the program by managing and disposing of properties seized by and forfeited to federal law enforcement agencies and U.S. Attorneys nationwide. The AFF is used to receive the proceeds of forfeiture and to pay the costs associated with forfeitures, including the costs of managing and disposing of property, satisfying valid liens, mortgages, and other innocent owner claims, and costs associated with accomplishing the legal forfeiture of the property.

The Attorney General is authorized to use the AFF to pay necessary expenses associated with forfeitures. The Fund may also be used to finance certain general investigative expenses, as those enumerated in 28 U.S.C. § 524(c). All AFF funding is provided through forfeiture activities. The Judiciary Committee will oppose any effort by the Budget Committee to permanently cancel unobligated balances in the Department of Justice's Assets Forfeiture Fund.

U.S. MARSHALS SERVICE

The U.S. Marshals Service (USMS) administers the Assets Forfeiture Program of the Justice Department; conducts investigations involving escaped federal prisoners and other fugitives; ensures safety at judicial proceedings; assumes custody of individuals arrested by all federal agencies; houses and transports prisoners; and manages the Witness Security Program.

In FY 2013, the Department merged the Office of the Federal Detention Trustee with the USMS. This resulted in a new account under the U.S. Marshals Service known as Federal Prisoner Detention to fund the housing, transportation, medical care, and medical guard services for federal detainees remanded to USMS custody. The Committee supported this merger and, recognizing current budgetary constraints, supports funding the USMS at levels necessary to accomplish its various missions.

The President's budget includes \$1,185,000,000 for FY 2015 for the USMS, which is the same as the FY 2014 enacted level. In addition, the budget includes \$1,595,307,000 for Federal Prisoner Detention, which is \$62,307,000 above the FY 2014 enacted level.

NATIONAL SECURITY DIVISION

The National Security Division (NSD) was authorized by Congress in the USA PATRIOT Improvement and Reauthorization Act of 2005 (Public Law 109-177). The NSD consists of the elements of DOJ (other than the Federal Bureau of Investigation) engaged primarily in support of the intelligence and intelligence-related activities of the United States Government, including: (1) the Assistant Attorney General for National Security, (2) the Office of Intelligence Policy and Review, (3) the counterterrorism section, (4) the counterespionage section, and (5) any other office designated by the Attorney General.

The President's budget includes \$91,000,000 for the NSD, which is equal to the FY 2014 enacted level. The Committee agrees that the National Security Division's workload requires maintaining adequate attorney and support personnel staffing. Recognizing current budgetary constraints, the Committee supports funding the National Security Division at a level necessary to carry out its mission.

FEDERAL BUREAU OF INVESTIGATION

The Federal Bureau of Investigation (FBI) is the Nation's largest federal law enforcement agency, charged with investigating terrorism, cybercrimes, public corruption, white-collar crime, organized crime, civil rights violations, and other federal offenses. The FBI is also the primary federal domestic counter-terrorism and counter-intelligence agency.

The President's budget includes \$8,278,219,000 for FBI Salaries and Expenses, which is \$32,417,000 above the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports funding the FBI at levels necessary to achieve its important objectives.

DRUG ENFORCEMENT ADMINISTRATION

The Drug Enforcement Administration (DEA) is the lead federal agency tasked with reducing the illicit supply and abuse of narcotics and drugs through drug interdiction and seizing of illicit revenues and assets from drug trafficking organizations.

The President's budget includes \$2,018,000,000 for DEA, which is the same as the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports funding DEA at a level necessary to accomplish its mission.

BUREAU OF ALCOHOL, TOBACCO, FIREARMS AND EXPLOSIVES

The mission of the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) is to reduce violent crime, prevent terrorism, and protect the United States through enforcing laws and regulating the firearms and explosives industries.

The level of firearms violence in this country remains an urgent issue. Recognizing the importance of prosecuting individuals who illegally obtain or possess—or attempt to obtain or possess—firearms, the Committee expects DOJ to intensify its efforts to ensure that firearms are kept out of the hands of those individuals who are prohibited by law from possessing them.

The Committee recognizes the important role that ATF can play in addressing the gaps in information available to the National Instant Criminal Background Check System (NICS) regarding mental health adjudications, commitments and other prohibiting backgrounds. The Committee supports ATF efforts to provide technical assistance to states seeking to establish relief from disability programs under the NICS Improvement Amendments Act of 2007 (NIAA) in order to assist such states in becoming eligible to participate in the NIAA grant program.

The President's budget includes \$1,201,004,000 for ATF, which is \$22,004,000 above the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports funding ATF at a level necessary to accomplish its missions.

FEDERAL PRISON SYSTEM

The Federal Bureau of Prisons (BOP) is responsible for the custody and care of federal offenders in prisons and community-based facilities. BOP is currently responsible for housing over 225,000 inmates. The President's budget includes \$6,804,000,000 for BOP Salaries and Expenses, which is \$35,000,000 above the FY 2014 enacted level.

The BOP cannot control the number of inmates committed to its custody, and adequate resources are needed to assure the safety of inmates, employees, and visitors, while providing appropriate rehabilitation for offenders. Therefore, the Committee supports funding for BOP at a level that ensures that BOP can securely and humanely house all of the inmates in its care as well as fully activate its newly constructed prison facilities to add space for new inmates.

Recognizing current budget constraints, the Committee supports funding for BOP at a level that sustains the full operational capacity of FCI Hazelton and USP Yazoo City in FY 2015.

FEDERAL PRISON INDUSTRIES, INCORPORATED

The Committee supports the work of Federal Prison Industries, Incorporated (FPI). Statistics from the Bureau of Prisons reveal that inmates who participate in work programs are 24% less likely to offend again, 14% more likely to find work outside of prison, and 23% less likely to have misconduct issues in prison. With the recognition that budgetary restraints could impact funding, the Committee supports funding FPI at a level necessary to support its mission.

OFFICE ON VIOLENCE AGAINST WOMEN

The mission of the Office on Violence Against Women (OVW) is to provide federal leadership in developing the nation's capacity to reduce violence against women and to administer justice for—and strengthen services to—victims of domestic violence, dating violence, sexual assault, and stalking.

The President's budget includes \$422,500,000 for OVW, which is \$5,500,000 above the FY 2014 enacted level. With the recognition that budgetary restraints could impact funding, the Committee recommends funding the Office on Violence Against Women at a level necessary to support its various missions.

COMMUNITY ORIENTED POLICING SERVICES

The President's budget includes \$274,000,000 for Community Oriented Policing Services, which is \$60,000,000 above the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports eliminating any inefficient spending in the COPS Hiring program and supports funding for COPS programs at resulting appropriate levels.

OFFICE OF JUSTICE PROGRAMS

The Office of Justice Programs (OJP) works in partnership with the justice community to identify crime-related challenges confronting the justice system and to provide information, training, coordination, and strategies and approaches for addressing such challenges. OJP administers grant funding in the areas of Research, Evaluation and Statistics; Juvenile Justice Programs; and State and Local Law Enforcement Assistance.

Aware of the need for the efficient use of taxpayer funds and to avoid duplication of grant awards, the Committee notes concerns raised by the Government Accountability Office (GAO) in July 2012¹ about overlap between grant programs.

The President's budget includes \$2,376,500,000 for OJP, which is \$11,728,000 below the FY 2014 enacted level. Recognizing the current budgetary constraints, the Committee supports funding of OJP programs at levels appropriate to ensure efficiencies in program costs and effectiveness in program administration.

Byrne Justice Assistance Grants

The Byrne Justice Assistance Grants (Byrne JAG) program provides direct grants to states and local communities for a number of purposes, including funding local drug task forces. It is the only source of federal funding for multi-jurisdictional efforts to prevent, fight, and prosecute drug-related and violent crime.

The President's budget includes \$376,000,000 for Byrne JAG, which is the same as the FY 2014 enacted level. With the recognition that budgetary restraints could impact funding, the Committee supports funding these programs at appropriate levels.

DNA Backlog Elimination

¹ GAO, *DOJ Should Do More to Reduce the Risk of Unnecessary Duplication and Enhance Program Assessments*, GAO-12-517 (Washington, D.C.: July 12, 2012).

The Committee supports funding for DNA analysis and capacity enhancement and, recognizing current budgetary constraints, supports appropriate funding for the Debbie Smith DNA Backlog Grant Program.

Juvenile Justice

This account includes programs that support state, local, and tribal community efforts to develop and implement effective and coordinated prevention and intervention juvenile programs. The objectives of these programs are to reduce juvenile delinquency and crime, improve the juvenile justice system so that it protects public safety, hold offenders accountable, and provide treatment and rehabilitative services tailored to the needs of juveniles and their families.

The President's budget includes \$299,400,000 for Juvenile Justice programs, which is \$44,900,000 above the FY 2014 enacted level. For FY 2015, recognizing current budgetary constraints, the Committee supports funding the Juvenile Justice programs at appropriate levels. The Committee also supports reinstating funding for the Juvenile Accountability Block Grant program, which has been helpful in providing states resources for juvenile justice systems improvement.

Residential Substance Abuse Treatment

The Residential Substance Abuse Treatment (RSAT) program for state prisoners helps state and local governments develop, implement, and improve residential substance abuse treatment programs in correctional facilities, and provides community-based aftercare services for their probationers and parolees to assist them in remaining drug-free.

The President's budget includes \$14,000,000 for RSAT, which is \$4,000,000 above the FY 2014 enacted level. The Committee supports funding the program at the appropriate level.

Second Chance Act

The Second Chance Act of 2008 provides grants to establish and expand various adult and juvenile offender reentry programs and funds reentry-related research.

The President's budget includes \$115,000,000 for Second Chance Act and prisoner reentry programs, which is \$47,250,000 above the FY 2014 enacted level. With the recognition that budgetary restraints could impact funding, the Committee supports funding the Second Chance Act at appropriate levels.

National Criminal History Improvement and NICS Improvement Amendments Act

The National Criminal History Improvement Program (NCHIP) provides grants and technical assistance to help states and territories improve the quality, timeliness, and immediate accessibility of their criminal history and related records. NICS Improvement Amendments Act (NIAA) grants help to address gaps in the information available to National Instant Criminal Background Check System (NICS) by providing grants to States for the establishment or

upgrade of information and identification technologies related to firearms purchasing eligibility determinations.

The President's budget includes \$50,000,000 for NCHIP, which is \$8,500,000 below the FY 2014 enacted level, and \$5,000,000 for NIAA grants, which is equal to the FY 2014 enacted level. With recognition of current budget restraints, the Committee supports an appropriate level of funding for these programs.

Mentally Ill Offender Act

The Mentally Ill Offender Treatment and Crime Reduction Reauthorization Improvement Act of 2008 reauthorized funding for the Adult and Juvenile Collaboration Program grants. The President's budget includes \$44,000,000 in combined funding for the Mentally Ill Offender Act and the Drug Courts. With recognition of current budget restraints, the Committee supports an appropriate level of funding for these grants.

DEPARTMENT OF COMMERCE

U.S. PATENT AND TRADEMARK OFFICE

The U.S. Patent and Trademark Office (USPTO) issues patents and registers trademarks, which provide protection to inventors and businesses for their inventions and corporate and product identifications. The agency also advises other government agencies on intellectual property issues and promotes stronger intellectual property protections in other countries.

The USPTO is funded through the imposition of user fees that are paid by individuals and businesses that file for patent and trademark protection. These fees are deposited in a special account at the Treasury. Although passage of the Leahy-Smith American Invents Act last Congress resulted in additional safeguards that allow the agency to devote all fees collected toward supporting operations, as a practical matter, the agency still must be appropriated fees collected through annual appropriations acts.

The Committee therefore supports full funding for USPTO.

DEPARTMENT OF HOMELAND SECURITY

U.S. CUSTOMS AND BORDER PROTECTION

The Department of Homeland Security's Customs and Border Protection (CBP) is the federal agency principally responsible for the security of the Nation's borders, at and between the ports of entry along the border and at our seaports and airports. The Committee supports CBP's various security and immigration enforcement missions, including the work of Inspectors and Border Patrol agents who are an essential component of our immigration enforcement system and serve as a critical shield against those who would enter the U.S. unlawfully.

The President's budget includes \$8,326,386,000 for CBP, which is \$180,818,000 above the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports funding CBP at levels necessary to accomplish its various missions. The Committee also supports the use of funding for the addition and improvement of Border Patrol facilities.

U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT

Immigration and Customs Enforcement (ICE) is the largest investigative arm of the Department of Homeland Security (DHS). Comprised of several components from the former Immigration and Naturalization Service (INS) and the U.S. Customs Service, the agency combines the investigative, detention and removal, and intelligence functions of the former INS with the investigative and intelligence functions of the former Customs Service. ICE's mission is to promote homeland security and public safety through the criminal and civil enforcement of federal laws governing immigration, customs, and trade.

The President's budget includes \$4,988,065,000 for ICE, which is \$241,396,000 below the FY 2014 enacted level. Recognizing current budgetary constraints, the committee supports funding ICE at levels necessary to thoroughly accomplish its missions.

U.S. SECRET SERVICE

The Secret Service is tasked with dual law enforcement missions: protection of national and visiting foreign leaders and conducting criminal investigations. Criminal investigation activities encompass financial crimes, bank fraud, mortgage fraud, identity theft, counterfeiting, and computer fraud. Secret Service protection extends to the President, Vice President, and their families, among others.

The President's budget includes \$1,585,970,000 for the Secret Service, which is \$52,473,000 above the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports funding the U.S. Secret Service at a level necessary to accomplish its missions.

U.S. CITIZENSHIP AND IMMIGRATION SERVICES

United States Citizenship and Immigration Services (USCIS) administers the immigration service functions described in the Immigration and Nationality Act, such as adjudicating citizenship and immigration benefit applications and petitions. USCIS is also the agency responsible for implementing and maintaining E-Verify, the federal government's electronic system that allows employers to check the work eligibility of their employees.

USCIS is for the most part a fee-based agency. The President's budget includes \$134,755,000 for USCIS, which is \$20,866,000 above the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports funding USCIS at levels necessary to accomplish its various naturalization and immigration benefit missions that are not covered by the immigration benefits fees.

US-VISIT

The Committee has long supported sufficient funding to meet the entry-exit requirements mandated first by Congress in 1996 in order to identify who is entering and exiting the U.S. and how long they stay in the country. The Committee supports the use of unobligated funds appropriated in previous years to proceed with implementation, but also recommends sufficient funding be provided to prioritize the development of an integrated master schedule for the full implementation of the legal biometric mandate. With the recognition that budgetary restraints could impact funding, the Committee recommends that US-VISIT be funded at a level that will enable it to achieve full implementation.

DEPARTMENT OF HEALTH & HUMAN SERVICES**OFFICE OF REFUGEE RESETTLEMENT (HHS)**

The Office of Refugee Resettlement (ORR) within the Department of Health and Human Services (HHS) provides assistance and services to refugees, asylees, unaccompanied alien minors, victims of human trafficking, and certain Amerasian, Iraqi, Afghan, Cuban, and Haitian immigrants. ORR assists these populations by providing a range of services, including cash and medical assistance, housing assistance, and economic and social integration services.

The President's budget includes \$1,486,129,000 for Refugee and Entrant Assistance, which is \$34,000 above the FY 2014 enacted level. With the recognition that budgetary restraints could impact funding, the Committee recommends that ORR be funded at a level that will enable it to accomplish its goals.

HEALTH CARE FRAUD AND ABUSE

The Health Insurance Portability and Accountability Act (HIP AA) directed that the Department of Justice (DOJ) and the Department of Health and Human Services (HHS) establish a joint Health Care Fraud and Abuse Control (HCFAC) program. Funding to combat health care fraud is a sound investment from the standpoint of protecting our citizens and recapturing money obtained by criminals. Through these efforts, DOJ and HHS have obtained billions of dollars in recoveries and payments to the Medicare Trust Fund, returned to victim programs, and others, yielding a high Return-on-Investment for the HCFAC program. Therefore, the Committee urges appropriate funding for this program.

OFFICE OF MANAGEMENT & BUDGET**U.S. OFFICE OF THE INTELLECTUAL PROPERTY ENFORCEMENT
COORDINATOR (US-IPEC)**

Intellectual property theft presents a substantial threat and imposes significant harm, including major economic damage, on the United States. To address this problem, the Committee authorized, through the Prioritizing Resources and Organization for Intellectual

Property (PRO-IP) Act of 2008 (P.L. 110-403), the creation of an Intellectual Property Enforcement Coordinator (IPEC) within the Executive Office of the President. The IPEC chairs an interagency intellectual property enforcement advisory committee, coordinates the development of the Joint Strategic Plan against counterfeiting and infringement and provides other assistance in the coordination of intellectual property enforcement efforts. The first IPEC was appointed in December 2009. The Committee again urges the Administration to provide a detailed plan to staff the office with permanent FTEs, appropriate resources and a travel budget. This plan will assist the Committee in determining what funding levels are necessary to meet the objectives of the PRO-IP Act.

With the recognition that budgetary restraints could impact funding, the Committee supports funding the IPEC at the level necessary to enable the IPEC to fully execute her statutory duties.

FEDERAL TRADE COMMISSION

BUREAU OF COMPETITION

The Federal Trade Commission's Bureau of Competition shares jurisdiction to enforce the nation's antitrust laws with the Antitrust Division of DOJ. Recognizing current budgetary constraints, the Committee supports funding the Bureau of Competition at a level necessary to accomplish its mission.

OTHER ENTITIES

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

The Administrative Conference of the United States (ACUS) is an independent, nonpartisan agency that was created to analyze the federal administrative law process and to provide Congress, the President, the Judicial Conference of the United States, and federal agencies with recommendations and guidance.

The President's budget includes \$3,200,000 for ACUS, which is \$200,000 above the FY 2014 enacted level. Recognizing both current budgetary constraints and ACUS's mission to identify agency cost-saving measures, the Committee supports funding ACUS at a level necessary to accomplish its mission.

COMMISSION ON CIVIL RIGHTS

The Commission on Civil Rights was established by the Civil Rights Act of 1957, (P.L. 85-315), to serve as a bipartisan, fact-finding agency to investigate and report on the status of civil rights, and inform the development of national civil rights policy. The Committee will examine the continuing mission of the Commission and its ability to perform core functions in its current configuration and level of funding.

The President's budget includes \$9,400,000 for the Commission on Civil Rights, which is \$400,000 above the FY 2014 enacted level. The Committee supports funding the U.S. Commission on Civil Rights at levels necessary to perform its mission.

COPYRIGHT OFFICE

The U.S. Copyright Office is required by statute to advise Congress, the judiciary and other federal agencies on domestic and international copyright law and policy, to participate in international meetings and events concerning copyright and to conduct studies and programs related to its duties. The U.S. Copyright Office is responsible for registering copyright claims and renewals, vessel hull designs, and mask works; recording assignments and related documents; acquiring U.S. copyrighted works for possible inclusion in the Library of Congress collections; creating and making available records of copyright ownership; and providing copyright information to the public. The Copyright Office is engaged in a multi-year project to meet its responsibilities in this digital age by making necessary technological upgrades to its systems and processes.

The Copyright Office is funded, in part, through the collection of fees received for services rendered. The President's budget includes \$53,068,000 for the Copyright Office, which is \$1,444,000 above the FY 2014 enacted level. With the recognition that budgetary restraints could impact funding, the Committee supports funding for the Copyright Office at a level necessary for the Office to accomplish its various missions and necessary technology upgrades.

LEGAL SERVICES CORPORATION

The Legal Services Corporation (LSC) is a non-membership, non-profit corporation established by federal statute to provide funding for civil legal assistance to low-income Americans. For FY 2015 the President requested \$430,000,000 for LSC. This is an 18% (\$65,000,000) increase over LSC's FY 2014 funding level. LSC submitted its own request for \$486,000,000.

The President's budget submission also includes language modifying the restrictions on LSC grantees. It proposes to remove the appropriations restrictions on the use of non-LSC funds and eliminate the class actions prohibition. The Chair and Ranking Member have different views on whether those and other restrictions should be removed.

With the recognition that budgetary restraints could impact funding, many Members of the Committee, including the Chair, support allocating scarce taxpayer resources to activities more squarely within the federal government's purview, while others, including the Ranking Member, support funding LSC at its request of \$486,000,000.

OFFICE OF GOVERNMENT ETHICS

The Office of Government Ethics (OGE) is responsible for providing the overall direction of executive branch policies designed to prevent conflicts of interest and to ensure high ethical standards. In partnership with executive branch agencies and departments, OGE develops ethics

training courses and other educational materials for government employees, conducts on-site reviews of existing ethics programs, and provides advice and guidance on the Standards of Ethical Conduct for Employees of the Executive Branch.

The President's budget includes \$15,420,000 for OGE, which is \$95,000 above the FY 2014 enacted level. With the recognition that budgetary restraints could impact funding, the Committee supports funding OGE at a level necessary to accomplish its various missions.

STATE JUSTICE INSTITUTE

The State Justice Institute was established by federal law in 1984 to award grants to improve the quality of justice in State courts, facilitate better coordination between State and Federal courts, and foster innovative, efficient solutions to common issues faced by all courts.

The President's budget includes \$5,121,000 for the State Justice Institute, which is \$221,000 above the FY 2014 enacted level. Recognizing current budgetary constraints, the Committee supports funding the State Justice Institute at a level necessary to accomplish its mission.

PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

The Privacy and Civil Liberties Oversight Board (PCLOB) is an independent agency within the executive branch established by the Implementing Recommendations of the 9/11 Commission Act to analyze and review actions the executive branch takes to protect the United States from terrorism, ensuring that the need for such actions is balanced with the need to protect privacy and civil liberties, and to ensure that liberty concerns are appropriately considered in the development and implementation of laws, regulations, and policies related to efforts to protect the Nation against terrorism. The Board is now reviewing federal government surveillance programs in addition to pursuing a number of other, important statutory responsibilities such as also working with and reviewing the quarterly privacy reports of the relevant federal agencies.

The Committee recommends funding the PCLOB at an appropriate level so that it may fully pursue its critical mission.

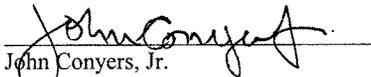
**ADDITIONAL VIEWS OF
RANKING MEMBER JOHN CONYERS, JR.
AND CONGRESSMAN ROBERT C. "BOBBY" SCOTT
COMMITTEE ON THE JUDICIARY
VIEWS AND ESTIMATES FOR FY 2015**

John R. Justice Prosecutor and Defender Incentive Act

The John R. Justice Prosecutor and Defender Incentive Act was enacted in 2008. The Act authorizes funding for loan repayment assistance for state and federal public defenders and state prosecutors who commit for three years. We support appropriate funding for this program, which plays an important role in protecting the Sixth Amendment rights of our citizens.

Federal Prison System

We urge that funding for the Bureau of Prisons provide for the activation of the Thomson prison in FY 2015.



John Conyers, Jr.
Ranking Member
Committee on the Judiciary



Robert C. "Bobby" Scott
Ranking Member
Subcommittee on Crime, Terrorism,
Homeland Security, and Investigations

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TODD YOUNG
 CHIEF OF STAFF

U.S. House of Representatives
Committee on Natural Resources
 Washington, DC 20515

March 25, 2014

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PENNY DODGE
 DEMOCRATIC STAFF DIRECTOR

The Honorable Paul Ryan
 Chairman
 Committee on the Budget
 U.S. House of Representatives
 207 Cannon House Office Building
 Washington, DC 20515

Dear Mr. Chairman,

Pursuant to the provisions of clause 4(f) of Rule X of the Rules of the House of Representatives for the 113th Congress and Section 301(d) of the Congressional Budget Act of 1974 as amended, I am transmitting the Views and Estimates, including Minority Views, of the Committee on Natural Resources for Fiscal Year 2015.

Sincerely,



Doc Hastings
 Chairman

Committee on Natural Resources
Views and Estimates for Fiscal Year 2015
Doc Hastings, Chairman

Overview

The President's Budget for Fiscal Year 2015 is another missed opportunity to get our fiscal house in order, rein in spending, and grow our economy. As in past years, this budget spends too much and taxes too much, while not doing enough to support long-term job creation and economic growth.

Rather than prioritizing and making difficult choices about how to best spend scarce taxpayer dollars, the budget request for the Department of the Interior actually increases spending over 2014 enacted levels. The Administration continues to recklessly believe that spending more is the answer.

The House Committee on Natural Resources (the Committee) recognizes that real reductions in spending must occur in order to solve our budget crisis and reduce the national debt. While careful consideration must be given to ensure that valued federal activities and lands are protected and that necessary cuts do not impede economic growth, tough decisions have to be made. Wasteful, duplicative, and unnecessary spending should be eliminated.

In addition to spending cuts, the President's budget should also acknowledge that our public lands and natural resources are not only job creators, but economic boosters that bring new funds to the federal Treasury to help pay down the national debt. But imposing new taxes, new regulations, and new fees – as the President's budget does – will have the opposite effect. It will stifle growth, send American jobs overseas, and forfeit opportunities for new revenue.

Keeping public lands and waters open to public enjoyment and recreation, along with the smart management of our resources, is vital to a strong and healthy economy. This budget should focus on promoting new energy production, implementing active forest management, ensuring an abundance of water resources, and taking care of federal lands we already own. Instead it once again seeks to impose new taxes and new layers of red tape while blocking public access to our lands and resources.

Department of the Interior

Bureau of Indian Affairs (BIA)

Trust Management – Over the last several decades some of the costliest recurring items in the annual budget request of the Department of the Interior were for the management, probate, and consolidation of highly fractionated Indian lands. These functions are authorized by various Indian land leasing statutes, the Indian Land Consolidation Act, and the American Indian Probate Reform Act.

Consolidating highly fractionated Indian land remains a huge challenge. The Claims Resolution Act of 2010 (CRA) provided a mandatory appropriation of \$1.9 billion to the Department for the Indian Land Consolidation Program. The costs of this and other programs funded by the CRA were partially offset by an estimated \$562 million in cuts to the Women, Infants, and Children (WIC) Program. (See “Estimate of the Statutory Pay-As-You-Go Effects for H.R. 4783, the Claims Resolutions Act of 2010, as passed by the Senate on November 19, 2010,” Congressional Budget Office, November 19, 2010).

The Department has fewer than ten years to spend the \$1.9 billion for consolidating highly fractionated Indian lands before any unspent funds are returned to the U.S. Treasury.

While the Department has, after inexplicable delays, finally implemented a land consolidation plan, it is doubtful that spending \$1.9 billion on acquiring highly fractionated interests in Indian lands will do more than temporarily resolve the land fractionation problem. The Committee is concerned that without creative proposals to resolve this problem, the Department will seek additional appropriations within the next several years.

The Department should study, in close consultation with Indian tribes and authorizing committees in Congress, new ideas for consolidating or managing highly fractionated Indian lands for the most possible benefit for tribes and individual Indian lands owners, at minimal cost to taxpayers.

Economic Development – The Committee is concerned that the Department continues to display less interest in conventional energy resource leasing on Indian lands than on non-competitive renewable energy development. Indian Country plays a key role in an all-of-the-above energy approach. Native lands hold an estimated ten percent of the Nation’s untapped energy resources. Given the federal budget deficit, scarce focus should be steered toward conventional energy development on Native lands as U.S. infrastructure to deliver these forms of power is highly developed already, and these forms of energy are the most cost-competitive and marketable.

Bureau of Land Management (BLM)

Setting budget priorities that promote sound, multiple-use management of BLM lands will significantly contribute to the following goals: increased energy and resource security, a wide diversity of outdoor recreation, job creation, economic growth, reduced deficit spending, and increased national security.

BLM has received significant pressure to convert its traditional multiple-use mandate into one focused only on preservation with a mission more akin to the National Park Service. Unfortunately, this movement received a significant push forward with the creation of the National Landscape Conservation System (NLCS). As well as eroding the mission of BLM, NLCS has also become a duplicative office that imposes another layer of bureaucratic, centralized, and unnecessary management. The Committee recommends eliminating the Office of the NLCS and restoring management of “units” to BLM state offices.

In these times of constrained budgets, it is curious that BLM is talking about expanding its mission to landscape level planning. BLM needs to focus on its own land and how best to manage it for the full range of public benefits including jobs, recreation, conservation national security, and economic growth. Opening up the vast energy potential on our public lands through sound stewardship is one way to accomplish this.

BLM has taken a significant step backward and is continuing to advance the goals outlined in the Secretarial Order on "Wild Lands." While the "Wild Lands" title has been abandoned, BLM is actively using the resource management planning process to reduce and eliminate acres of public lands that are currently available to responsible multiple use and energy production. This is clearly the wrong direction and hinders responsible development of needed domestic energy production. The Committee supports continuing the restriction on use funds to implement the Wild Lands policy and create *de facto* wilderness through administrative fiat, and further curtail executive overreach using climate change, landscape-level, critical habitat or litigation-driven decisions to manage America's public lands.

As with other areas of the Department's budget, BLM squeezes important existing needs to quench this Administration's thirst for more federal lands. BLM needs to provide balanced management of the more than 245 million acres already in their care. With our country's current fiscal challenges looming, BLM will have to forego ideas of mission creep and territorial expansion. Throughout the West, BLM ownership and policies should not be an obstacle to the growth and prosperity of neighboring communities whose viability depends on responsible access to federal land. The Committee also recommends that BLM create a searchable online database on its website of all lands that have been identified for disposal.

Ideology and litigation-driven policies are taking over the BLM's multiple-use mission. The Committee is concerned about BLM Sage Grouse conservation planning and interim decisions that lack data transparency, fail to adequately credit ongoing state and local activities, contradict science and further conflict with the BLM's multiple-use mandate. Countless resources have been and continue to be expended to meet arbitrary deadlines driven by litigation with two groups and a 2011 closed-door settlement that was absent consultation or consideration of any economic impacts on agency, state and county budgets, including potential lost revenues from renewable energy, energy and mineral leasing, electric transmission and grazing permits. Greater transparency is needed in the formulation of these settlements, the science, and regulatory policies that occur because of them. The Committee recommends a cap on the costs and greater transparency of the flawed science associated with litigation-driven policies. Further, while multiple time-consuming lawsuits and threats of litigation continue to delay and halt energy production on federal lands, BLM has taken no legitimate steps to prevent or minimize burdensome lawsuits that require significant federal resources to manage.

BLM has also proposed implementing an inspection fee for oil and natural gas facilities. It is disconcerting that while BLM continues to collect APD fees (while continuing to take significantly longer than states to approve APDs) they would institute another fee with little explanation as to why it is needed or to what the funds will be directed.

The rapidly increasing budget for the Wild Horses and Burros program is also of concern to the Committee. We continue to favor a critical re-examination of the program with the goal of maintaining a sustainable population of wild horses and burros compatible with the carrying capacity of the land and reality of budget constraints.

Bureau of Ocean Energy Management, Bureau of Safety and Environmental Enforcement

For Fiscal Year 2015, the Obama Administration has requested \$169.8 million for the Bureau of Ocean Energy Management, which reflects a net increase of \$2.9 million over FY2014; and \$204.6 million for the Bureau of Safety and Environmental Enforcement, which reflects a net increase of \$2 million over FY2014 levels. These budget estimates include offsetting receipts – in the form of rental fees and inspection fees that are levied upon the companies that choose to explore and develop in our waters. While these increases in net appropriations seem somewhat nominal, when scrutinized against the backdrop of consistently decreasing offshore production, less competitive lease sales, and the failure by this Administration to open new acreage for offshore production, one may question the necessity of the consistent increases and new authorities granted to these oversight agencies over the course of this Administration.

The failure to incorporate access to new areas of our nation's OCS for future planning purposes was to maintain our nation's competitive edge over other nations, like Canada, Mexico, China and Russia, all of whom are currently ramping up offshore exploration in their own waters.

While the Committee recognizes the priorities put forward by both agencies that necessitate their requests for minimal budgetary increases, the Committee would also encourage these agencies to move forward with a plan that provides regulatory certainty while also opening access to new areas to create jobs and secure our domestic energy security.

Bureau of Reclamation (Reclamation)

The Bureau of Reclamation's dams and reservoirs provide water, emissions-free hydropower and numerous other benefits. Reclamation's historical water and power mission formed the basis for growth of the western United States, transforming arid land to some of the most productive farmland in the world and powering communities with affordable, reliable and renewable electricity. Reclamation played a leading role in building dams and storing water for these purposes, yet the agency generally has been transformed from a construction agency promoting abundant water and power supplies to an entity managing aging infrastructure within a myopic vision of scarcity.

The Administration's budgets are a symbol of this alarming transformation. Historically, the vast amount of Reclamation's water and power delivery programs were repaid by beneficiaries. That is no longer the case, as it recently places significant emphasis on

taxpayer-financed programs that have a questionable federal nexus. Its proposed budgets pay little attention to the aging facilities that have served as the water supply backbone for much of the West while seemingly never-ending surface storage studies and vast hydropower development languish.

The situation facing California's San Joaquin Valley is symbolic of this Administration's lack of long-term planning to resolve water supply issues. Many farmers who rely on water delivered from the federal Central Valley Project may not get any of their historical water deliveries due to natural drought exacerbated by federal regulations that place the needs of a three-inch fish over communities. The Administration's response, included in the proposed budget, is focused on short-term taxpayer-financed solutions as opposed to longer term regulatory relief and the construction of new storage, which would be repaid by beneficiaries.

U. S. Fish and Wildlife Service (FWS)

The Committee again recommends a moratorium on land acquisition in the upcoming fiscal year. The Service currently has an operations and maintenance backlog of \$3 billion within the National Wildlife Refuge System. There are 8,484 maintenance projects that require immediate attention and more than 10,000 facilities in need of repair. Instead of addressing this growing problem, the Service recommended an increase of \$522,000, while recommending \$168.8 million for federal land acquisition. The Committee believes the last thing the Service needs is to purchase more fee title land which it has conclusively demonstrated it cannot effectively manage in the future.

We support a suspension of funding for the Service's Adaptive Science Account. In FY'15, this would represent \$15.1 million. This program was administratively created four years ago, it has never been authorized by the Congress and it duplicates efforts being performed by the United States Geological Survey.

National Park Service (NPS)

The Committee is concerned that NPS is diverting funds away from critical needs of the existing majestic and historic park units and into projects that do not further the NPS' essential mission to serve visitors and to preserve these great parks for the future. It is disappointing that despite historic increases to NPS' budget for the past two Administrations, the maintenance backlog on existing parks continues to balloon and visitation continues to decline. This Administration has shown prevalence toward expanding its influence beyond its statutory boundaries. In 2013, the NPS issued inaccurate comments on the BLM's proposed rule on hydraulic fracturing in a failed effort to control activities far from national parks. Director Jon Jarvis was forced to withdraw the comments when the truth emerged.

The President continues to propose hundreds of millions of dollars for land acquisition programs administered by NPS. These funds would be better directed toward major maintenance projects addressing aging and neglected infrastructure.

After receiving historic increases in recent years, NPS has done little to show for this in terms of increased public use and enjoyment of parks or reduction in the maintenance backlog. The Committee also notes that Obama NPS operations budgets are \$200+ million higher than the FY2008 enacted amount, which leads us to conclude that pleas of inadequate park funding may have more to do with management priorities than actual funding levels.

The Committee's strong support for our country's unparalleled system of grand parks notwithstanding, it is important to recognize the need, in coordination with NPS, to commit to finding areas of waste and lower priority spending within the budget.

Office of Insular Affairs (OIA)

OIA's budget falls under two categories – current and permanent appropriations. The majority of OIA's budget is made up of mandatory commitments to U.S.-affiliated insular areas and is permanently appropriated. The U.S.-Palau Compact Agreement is an example of a mandatory commitment. The Compact expired in 2009, with a new agreement signed in September 2010. Annual funding extensions for the Compact have been included in subsequent appropriation bills; however, implementing legislation for the renegotiated Compact has languished due to the lack of an offset. The Administration has put this burden on the Department of the Interior, when benefits of the Compact also effect the Department of State and the Department of Defense. The Committee supports the revised Compact and would urge the Administration to work with the Committees of jurisdiction in the House by providing a viable offset for the renegotiated Compact.

The small portion of OIA's budget that is discretionary includes OIA grant programs and technical assistance for the territories. The Committee supports the competitive measures for certain grant programs to support and develop territorial governments that use prudent financial management practices. The Committee also supports ongoing efforts by OIA to institute measures to effectively monitor its grants and other funding programs to ensure federal funds are being used efficiently and effectively in the insular areas.

Office of Surface Mining, Reclamation and Enforcement (OSM)

The Committee continues to be concerned with the millions of taxpayer dollars that are being spent on OSM's ongoing and mismanaged rewrite of the 2008 Stream Buffer Zone Rule. Since taking office, the Obama Administration has been conducting a sweeping rewrite of this coal mining regulation that will cost jobs and decrease American energy production. The Administration has spent nearly \$9 million taxpayer dollars working to rewrite this rule, including hiring new contractors, only to dismiss those same contractors once it was publicly revealed that the Administration's proposed regulation could cost 7,000 jobs and cause economic harm in 22 states. A Committee staff report released in September of 2012 exposed gross mismanagement of the rulemaking process, potential political interference, and widespread economic harm the proposed regulation would cause. Earlier this year, the U.S. Department of the Interior Office of Inspector General released a report with similar findings. The Committee has passed legislation (H.R. 2824)

to save taxpayer dollars and American jobs by stopping the Obama Administration from continuing with its reckless and unnecessary rulemaking process.

Department of Commerce

National Oceanic and Atmospheric Administration (NOAA)

The Committee continues to be concerned that the “wet” side of NOAA – the fisheries and ocean and coastal programs – are not a priority for NOAA and these programs bear the brunt of budget cuts while NOAA’s satellite programs get increases year after year. This attention to the atmospheric portions of the NOAA budget has come at the expense of many oceanic programs – including fishery surveys that are vitally important to the well-being of commercial and recreational fisheries. In fact, the FY 2015 request for one satellite program – the GOES-R – is more than the entire budget request for the National Marine Fisheries Service. And that satellite program is just one of 6 satellite programs funded through the NESDIS budget. To make this situation worse, the FY 2015 budget request for the GOES-R program is just the first of a five-year request for that one satellite and only represents “the first satellite” of the 4 satellite GOES series. While the Committee understands the need for up-to-date weather information, these satellite programs provide important data for a number of other agencies, none of which share the costs of building or maintaining these expensive satellites and sensing equipment. In addition, at least one new \$5 million grant program has been proposed which will further erode funding for fisheries research.

Adequate Science Necessary for Management Decisions – The Committee appreciates the slight increase to the “expand annual stock assessments” account; however, fishery surveys and other basic fisheries research, in addition to stock assessments, are necessary for the sustainable management of fishery resources that provide the economic underpinning of many of the Nation’s coastal communities. In particular, without an increase in fishery stock surveys in areas where the information is either poor or outdated, fishery managers are required to include multiple layers of precaution when making harvest decisions for many commercially and recreationally important fisheries. Without adequate and up-to-date information, management decisions become more risk averse and do not allow for the full, responsible harvest of fishery resources, costing jobs and causing adverse impacts on coastal communities. At the same time, annual surveys for the Nation’s most valuable fisheries must not be allowed to be delayed. Delays of even one year for these fishery surveys could seriously reduce the amount of sustainable harvest that is allowed even when stocks continue to be healthy. The economic impact of such harvest reductions will affect jobs and the Nation’s trade deficit.

National Ocean Policy and Coastal and Marine Spatial Planning – While the FY 2015 budget request does not request specific funds for implementation of the National Ocean Policy, NOAA continues to fund these activities. Implementation of these initiatives requires funding, which will be taken from existing programs. The initiatives, being coordinated out of the White House and the Council on Environmental Quality, will result in coastal, marine, and inland zoning by a number of federal agencies and will further erode the ability of

coastal and ocean-dependent users to conduct their activities, either recreational or commercial. These broad federal initiatives will require any agency with authority over programs that might affect the health of the ocean or Great Lakes ecosystems to adhere to new guidelines, which will be developed without public comment by unelected agency personnel. This initiative does not have specific statutory authority. No funds have been specifically requested for this initiative; however, NOAA continues to move forward with this initiative by using funds from other Congressionally-appropriated activities.

Cooperative Research – The Committee supports the use of cooperative research which brings fishermen and fishery scientists together to gather important fisheries data. This provides information for fisheries scientists and managers that is in addition to information gathered by government researchers. The Committee was concerned to learn that in some regions, information gathered through cooperative research may not be incorporated into stock assessments until the research has been conducted for more than five continuous years.

National Catch Share Program – While some funding is necessary for recently-implemented fishery management plans and for amendments to existing catch share plans, it is unclear what fisheries NOAA is targeting with the \$2 million increase requested “to develop and implement new catch share programs.” The Committee continues to be concerned that NOAA advocates for new catch shares in regions where this type of management system is not requested. In past years, NOAA has indicated that it intended to increase the number of catch share programs by more than double, even in fisheries where fishermen are not interested. This push for new catch share programs from the top down is inappropriate.

Regional Councils and Fisheries Commissions – The Regional Fishery Management Councils provide for direct public involvement in the fisheries management process required under the Magnuson-Stevens Fishery Conservation and Management Act. In addition, the Fisheries Commissions provide an important link between federal and state management activities. The Committee supports the Councils and Commissions and their importance to fisheries management.

The Coastal and Estuarine Land Conservation Program – A land purchase program supported by 75 percent federal funding and 25 percent state or nonfederal funds and the lands are held by states. The Committee does not support funding for this program. Since 2013, the Administration has not requested and appropriations were not awarded for the program.

Department of Agriculture

U. S. Forest Service (USFS)

The Committee is concerned that USFS, faced with serious threats to forest health from fires, beetle infestations and the demise of many local wood products companies, continues seeking to expand its reach and use its limited resources on projects that do not address

current problems and may ultimately damage the public's forests. USFS is already behind in efforts to manage our forests in a manner that allows the American people to enjoy the full range of recreational, environmental and economic benefits of these lands. Properly managed, our national forests can contribute to our national well-being while providing economic opportunities that flow to surrounding communities and keep the forests healthy, productive, and disease free. In fact, our forests are literally collapsing as the scourge of beetle infestation and risk of catastrophic wildfire grow unchecked. Therefore, the Committee cannot support expanding Forest Service lands until these basic responsibilities are met and budget concerns lessened.

The Committee also recommends eliminating funds that would otherwise go to well-funded and litigious groups in the form of Equal Access to Justice Act payments. The pattern is now well established. Almost every timber sale is contested in court by activists, with the attorney costs being picked up by the taxpayer. Beyond this waste, the unfortunate result is that forests go unmanaged, deteriorating into the inevitable state of a catastrophic forest fire time bomb. The Committee wants an end to the litigation-induced downward spiral in the condition of the taxpayers' forests and the injustice of forcing taxpayers to fund the attack.

Rural counties are again faced with the expiration of funding under the Secure Rural Schools and Community Self-Determination Act. Thus far the Administration has only proposed to phase out the program with dwindling payments and has offered no solution for otherwise increasing revenues from national forest receipts. While Secure Rural Schools has provided a much-needed backstop for essential county services, it has done nothing to put timber communities back to work. The Committee has reported and the House of Representatives has passed bipartisan legislation that creates a new program that would provide more financially secure funding from environmentally sound increased forest management.

The Committee remains concerned about the final Land Management Planning Rule, which represents a significant departure from statutory authority and encourages "landscape" level planning by USFS. The Committee supports efforts that contribute to the health of our forests, but USFS has more than enough to do in restoring sound management to its current forests and, with its current record of ineffective management, is not in a position to expand its influence over State or private lands that are regularly managed to a much higher standard than federal forests. Efforts must be focused on finding solutions to the crisis facing our federal forests rather than increased paperwork and continued "analysis paralysis."

Department of Energy

Western Area Power Administration (Western)

The Western Area Power Administration's core mission has been to deliver federal hydropower to its wholesale customers. Many believe that this mission has changed over the last six years. The agency continues its focus on a dubious and criticized loan program

created by the federal stimulus law and is now being forced by a top-down effort aimed at integrating intermittent energies at the potential expense of grid reliability while pursuing cost socialization that undermines the historical "beneficiaries pay" policy. The Committee will continue to have budget oversight on this agency, especially as it relates to the remnants of former Secretary Steven Chu's March 16, 2012 Memorandum and other efforts that may force Western's ratepayers to absorb costs that benefit others.

Bonneville Power Administration (BPA)

The Bonneville Power Administration is a self-funding agency that markets the output of 31 federal hydro projects in the Columbia River Basin and a nonfederal nuclear power plant. BPA does not receive appropriations from Congress. Northwest ratepayers and other purchasers of BPA services provide the revenues with which BPA recovers its costs, including annual principal and interest payments to the U.S. Treasury for past federal investments in the Columbia River hydro system. BPA's relative autonomy within the Department of Energy has enabled the agency to provide responsive wholesale power and transmission services to its customers in the Northwest while making timely Treasury payments for 30 consecutive years. Prompted by concerns about certain irregularities in BPA hiring practices, the Department took extraordinary steps in the past year to intervene in BPA management. While these human resources management issues need to be corrected promptly, this does not fundamentally change the long established autonomy of BPA as established by Congress under the Department of Energy Organization Act. The Committee expects the Department to adhere to its stated commitment to limit both the scope of the corrective actions and the duration of the measures it imposed under Deputy Secretary Daniel Poneman's October 24, 2013 Memorandum.

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Dissenting Views
Committee on Natural Resources
Views and Estimates for Fiscal Year 2015
Representative Peter A. DeFazio, Ranking Member

The President's FY 2015 budget request (Request) for the Department of the Interior (DoI) would expand economic growth and make critical investments in our future. The Request, contrary to the Majority's *Views and Estimates*, enables key investments in critical federal programs and reflects a balanced, comprehensive approach to the long-term management of our finite natural resources and public lands. The Request also supports improving public access to those lands for recreation and ensuring economic growth.

In ten pages of criticism, the Majority fails to note that if enacted by Congress, this proposed budget for DoI would raise more money (\$14.9b) than it would spend (\$11.7b), reducing the deficit by more than \$3 billion. This positive return to the Treasury is without a fire sale of public lands proposed by the Majority in previous budgets. The Majority's refusal to acknowledge the positive role of DoI indicates that the Republican *Views* are less about policy and more about politics.

Bureau of Indian Affairs

The Majority's criticism of *Cobell* Settlement funds for land consolidation is misplaced and inaccurate. The \$1.9 billion in mandatory spending the Majority focuses on are settlement funds and have nothing to do with appropriations for Indian programs for which the Federal Government is responsible as trustee to the various Indian tribes. The Federal Government has not always been an effective trustee for the tribes, but it is for Congress to develop innovative approaches through legislation to create long-term remedies to address these shortcomings. One of the biggest issues facing Indian Country today is the need for a legislative fix to the 2009 Supreme Court Decision in *Carcieri v. Salazar* that has resulted in egregious delays and uncertainty with regard to land-into-trust applications at the Bureau of Indian Affairs. Tribes need land into trust for economic development, housing, and to build schools. Without land bases, tribes cannot fully exercise their authority as sovereigns. If the Majority were concerned about Indian issues in general, it would remove its opposition to H.R. 666, a bill which would clarify that the Secretary of the Interior has the authority to take land into trust for all federally recognized Indian tribes.

American Indians pay federal taxes just like every other American citizen, so it is inaccurate to portray funding Indian programs as handouts by “taxpayers” when Indians themselves are also taxpayers. Indeed any Federal programs designed to benefit Native Americans are anything but handouts. When the United States won its independence from Great Britain, it continued its predecessor’s tradition of dealing with the governments of American Indian tribes on a sovereign-to-sovereign basis. Any special programs for Indians derive both from the fact that special treatment of Indian tribes is a result of bargained-for exchanges enshrined in treaties whereby tribal governments allowed the United States to expand across the American continent and from hundreds of years of Federal legislation and jurisprudence that has recognized a fiduciary relationship on the part of the United States toward the various Indian tribes. Instead of enabling the Executive Branch to live up to these legal obligations to America’s first peoples, the Majority would rather cut funding for Federal programs and terminate the Federal trust responsibility while muddying the waters and claiming that the Executive Branch is solely at fault for the dire situation in Indian Country.

Office of Insular Affairs (OIA)

The Office of Insular Affairs (OIA) has broad general authority to provide for the special needs and address the concerns of the U.S.-affiliated insular areas. The Obama Administration’s Fiscal Year 2015 budget would address the long-term security interests of the United States in the western Pacific and Caribbean as well as the serious economic challenges facing insular area economies. Recent census and GDP figures show that population losses in the islands, except for Guam, have exacerbated the economic difficulties facing insular economies. For these reasons, we support the administration’s FY 2015 budget request as a means by which the Office of Insular Affairs can help the islands deal with their challenges to improve quality of life and create economic opportunities.

National Park Service (NPS)

The Centennial of the National Park Service is coming up in 2016, and the President’s budget request reflects anticipated increased visitation and planning for the Centennial initiative, including an effort to enhance facilities and update aging infrastructure. The Majority does not appear to consider this milestone worth supporting.

In criticizing the budget request for the National Park Service, the Majority ignores the fact that the American public continues to support expanded conservation and recreation. Responding to steady demand from Members of both parties, the Congress authorizes new site studies, creates new parks, and designates memorials and commemorations, all of which require management and care by the NPS. The Committee Majority’s continued attempts to starve our National Park System of the funding it needs to meet these demands is unwise and should be unsuccessful.

The request for NPS construction costs is appropriate for planning and construction management when one realizes that this agency is doing exactly what we hope many will do in the long run: planning for the future, leveraging partnerships, and doing careful preparation to prevent costly overages on large projects. Given the overall budget constraints, it is only prudent to delay new construction projects and focus on current needs.

The Republican *Views* claim to understand the value of National Parks, but it should be noted that the Republican plan for National Parks was to close them to the public, along with the rest of the federal government, as a political ploy.

Full Funding for the Land and Water Conservation Fund

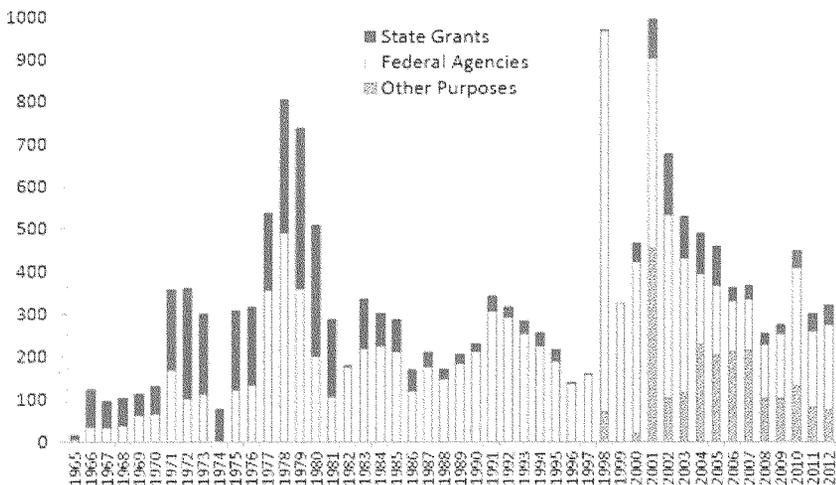
Despite enormous benefits to management efficiency, improved public access, and environmental benefits, the Majority continues to stand in the way of federal land acquisition. Expenditures from the Land and Water Conservation Fund (LWCF) are central to consolidating federal land ownership patterns and acquiring parcels critical to habitat migration and ecosystem connectivity. Full-funding for LWCF expenditures would allow the Fund to achieve its full potential and provide a powerful weapon against climate change impacts.

Pursuant to the Land and Water Conservation Fund Act of 1965, a small portion of the enormous profits generated from oil and gas leasing on the Federal Outer Continental Shelf is deposited in the Land and Water Conservation Fund; these are not taxpayer funds. The Fund is authorized to receive \$900 million annually through September 30, 2015.

Money from the Fund is authorized for two broad purposes: federal land acquisition and block grants to states. The National Park Service, Forest Service and Bureau of Land Management have no other significant funding source for land purchases. LWCF is also a significant funding source for land acquisition for the Fish and Wildlife Service.

The parcels identified for acquisition by federal land management agencies are selected through rigorous land use planning; many would serve significant resource management goals. Increased, predictable funding for these purchases would yield significant and permanent improvements to the environment and allow substantial progress in documenting, reducing and mitigating the impacts of climate change. Each year, federal land management agencies submit lists of proposed acquisitions to Congress, but the appropriated amount routinely falls well short of both the authorized level and the demonstrated need.

According to CRS, roughly \$34.4 billion has been credited to the Fund but only \$16.2 billion has been appropriated, leaving an over \$18 billion unappropriated balance on paper.



Source: <http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33531&Source=search>

This decades-long diversion of LWCF funding to non-conservation uses should stop and the Fund should be allowed to achieve its vital purpose. The Majority's call to continue, and even increase, this decades-long diversion is indefensible.

U.S. Forest Service

The Majority's view of the Forest Service's budget proposal is quick to highlight the need for improvements in forest health but fails to mention that the Forest Service's resources have been spread thin due to increasingly costly and devastating wildfires. The Forest Service has been forced to borrow from other accounts used for prevention, to fund wildfire suppression, leaving the Forest Service with little else to fund activities to improve forest health.

Yet, the Majority proposes to abolish payment of attorney's fees pursuant to the Equal Access of Justice Act. These types of anti-litigation proposals have little effect on the big budget problems that land managers face. They are simply masked as budget issues to oppose equality and justice. Large-scale fires and beetle-infestation are major threats to America's forests, but limiting litigation will not solve these threats. Leveraging funds through private-public partnerships, and reforming funding mechanisms to prevent fire-borrowing are real solutions that will help provide the resources the Forest Service needs to mitigate these threats.

Rural counties are faced with increased budget uncertainty with the expiration of funding under the Secure Rural Schools and Community Self-Determination Act, and we hope to work together to develop a permanent solution with the help of the Forest Service to build community self-reliance.

Energy Production

The Majority's view of energy production on federal lands is simply not in touch with today's reality. They are stuck with talking points from 2008, apparently uncomfortable with or unwilling to face the facts that domestic energy production has boomed under President Obama, while the price of gasoline has not dropped, and the oil and gas industry is fixated not on achieving American energy independence, but on how to export more American oil and gas to foreign countries. Domestic petroleum production is at the highest level since 1986, and projected to go even higher. Natural gas production is at an all-time high. Net oil imports are now under 30 percent, the lowest level in three decades and down from 57 percent when President Obama took office.

The Majority typically argues that all of this production is on private lands, and that our federal lands remained locked up, not contributing to this incredible domestic energy boom. But this is just a case of them believing their own talking points. Between 2008 and 2013, oil production on onshore Federal lands has increased by 29 percent. Including Indian lands, where permits to drill are processed by the Bureau of Land Management, the increase is over 58 percent. Natural gas production on federal lands is, in fact, down – but as witnesses have testified before the Natural Resources Committee, this is due to economics, not policy. The price of natural gas is simply too low for companies to drill for the dry natural gas that is typically found on Federal lands, and the liquids-rich shale gas plays that are driving the record levels of natural gas production are almost entirely found on private land. Oil production offshore is temporarily down as well, but the Majority fails to point out that this is due to the effects of the *Deepwater Horizon* tragedy, the greatest environmental disaster in American history. Development understandably slowed while companies implemented essential new safety standards enacted by the Department of the Interior. But drilling activity in the Gulf is flourishing, and the Energy Information Administration projects that offshore oil production will reach record levels by 2016.

With this boom come serious challenges including managing the impacts to our air, water, land, and climate, meeting the increasing need for permit reviewers and inspectors, and ensuring that the Western spaces that Americans hold dear are not trampled under a ceaseless drive for more oil, more gas, more coal, and more minerals, at any price. The Interior Department should be commended for their policies that seek to appropriately manage this boom, to ensure that multiple use does not mean “use it until we decide to drill it.”

Bureau of Land Management

The Majority takes issue with the reasonable and commonsense proposal in the budget to begin collecting a fee for conducting inspections of onshore oil and gas operations, similar to the fee that is currently collected for offshore oil and gas inspections. Despite the Majority's protestations, it is quite clear why the inspection fee is needed and what it would be used for: it would make sure that the industry, which enjoys the benefits of producing federal oil and gas resources from public lands, pays the cost of conducting the oversight necessary to ensure safe operations. Currently, the American taxpayer pays the full cost of that oversight. In addition to getting industry to pay the oversight costs incurred by their own operations, it ensures that BLM has the resources it needs to maintain a robust and comprehensive inspection program. It should

be noted that costs for inspections are very different from costs for processing permits to drill, which is what the APD fee is used for.

The Obama Administration is also actively developing renewable energy on public lands, having approved 50 utility-scale renewable energy projects with a capacity of 14,000 megawatts. As part of President Obama's Climate Action Plan, the Department of the Interior has been tasked with permitting 20,000 megawatts of renewable energy by 2020. We support this goal, as well as the high priority placed on renewable energy development in the DOI budget.

As we have said in the past, the National Landscape Conservation System (NLCS) is not radical thinking. Focusing the management of some lands for conservation purposes, BLM strives to find balance, which allows them the luxury of making sound decisions for both the scientific value and the economic future of an area. As a multiple-use agency, the BLM must weigh conservation with other parts of its mission. Continued funding for the Congressionally-created NLCS ensures a more balanced multi-use mission of the BLM lands.

Finally, the majority raises questions related to the increased funding for the Wild Horses and Burros program. The recommendation to have a "critical re-examination of the program" would actually mean rewriting the underlying legislation requiring the agency to manage these animals. To date, the Majority has not undertaken this effort.

Bureau of Ocean Energy Management/Bureau of Safety and Environmental Enforcement

The Majority complains about "consistently decreasing offshore production, less competitive lease sales, and the failure of this Administration to open new acreage." As detailed above, offshore production is expected to increase significantly in coming years, in part because the Bureau of Safety and Environmental Enforcement (BSEE) has been able to hire additional engineers and inspectors to permit and oversee the tremendous expansion of deepwater drilling, while guarding against another *Deepwater Horizon*. Maintaining the requested level of funding for BSEE will be critical in order for the agency to hire and retain enough staff to ensure that offshore drilling and production is carried out in a way that protects workers from accidents, the environment from spills, and the American taxpayers from companies seeking to shortchange their royalty payments. We support the increased focus BSEE proposes to place on reviews of emerging technologies, as staying abreast of the best available and safety technology available to industry is essential for effective regulatory oversight.

With regard to lease sales, the Bureau of Ocean Energy Management (BOEM) continues to hold regular sales twice a year for the Gulf of Mexico, and has additional sales scheduled for Alaska in the years ahead. Just this month, 50 companies competed in a Central Gulf of Mexico lease sale, paying \$872 million for leases covering 1.7 million acres. And the Obama Administration successfully negotiated an agreement with Mexico to make additional acreage available near the U.S.-Mexico maritime border in the Western Gulf of Mexico. Meanwhile, companies still hold over 29 million acres of leases on the Outer Continental Shelf that they are not producing oil or gas from.

Office of Surface Mining Reclamation and Enforcement

The Majority takes the Office of Surface Mining Reclamation and Enforcement (OSMRE) to task for their attempts to write a rule to protect Appalachian streams from the devastating impacts of mountaintop removal mining. The Majority neglects to mention, however, that one of the reasons that OSMRE has been delayed in the rulemaking process is because of the need to continually respond to investigatory requests from the Majority. Also, the Inspector General report referenced by the Majority undercut their own argument: that report found no evidence of improper political influence in the rulemaking process. The Majority's bill to block OSMRE from even publishing a proposed rule to protect streams, H.R. 2824, would forcibly require states to adopt a 2008 Bush Administration Rule that was vacated earlier this year due to significant legal deficiencies.

Potential Budget Savings

A thorough review of deficit reduction proposals within the jurisdiction of the Natural Resources Committee reveals a broad range of possibilities offering significant potential to reduce our nation's deficit, without threatening our nation's environment.

Reform of the General Mining Law of 1872: This 19th century law allows the purchase of valuable public lands at 19th century prices, and removal of valuable minerals, including gold, silver and uranium, from public lands without a royalty payment to the taxpayers. According to a Congressional Budget Office analysis in 2007, when gold prices were significantly lower, even a 4% royalty on existing claims would result in over \$300 million over a 10-year period.

Abandoned Hardrock Mine Lands Fee: According to the Environmental Protection Agency and the Congressional Research Service, there are over 500,000 abandoned mine locations (AMLs) on public and private lands in the United States,¹ with approximately 100,000 sites on BLM and Forest Service lands.² Cleanup of these abandoned gold, silver, and other mines is currently paid for by the taxpayer, rather than the mining industry. The Obama Administration has proposed a reclamation fee for material that is displaced during hardrock mining operations. The Administration projects that this proposal would raise \$1.8 billion over ten years. Implementing this fee would lower discretionary spending on mine cleanup currently paid for by the taxpayer.

Onshore Oil and Gas Reforms: The Administration is proposing a set of reforms to ensure that the American people are getting their fair share for the development of public resources. Increasing onshore royalty rates, incentivizing diligent development, improving revenue collection, and repealing unnecessary royalty relief, among other reforms, would bring in an estimated \$2.5 billion over 10 years, according to the Department of the Interior.

¹ Congressional Research Service, *Cleanup at Abandoned Hardrock Mines: Issues Raised by Good Samaritan Legislation in the 109th Congress*. RL33575, December 2006.

² GAO Testimony before the Committee on Energy and Natural Resources, U.S. Senate. Information on State Royalties and the Number of Abandoned Mine Sites and Hazards. GAO-09-854T, July 2009. See also, EPA's National Hardrock Mining Framework at <http://www.epa.gov/aml/policy/hardrock.pdf>

Repeal GOMESA Revenue Sharing: The Gulf of Mexico Energy Security Act (GOMESA) of 2006 (P.L. 109-432) provides 37.5 percent of qualified revenues from oil and gas production on public lands offshore in the Gulf to Alabama, Louisiana, Mississippi and Texas. Pursuant to the law, the amount of revenue due those four states will increase dramatically beginning in Fiscal Year 2017. Repealing this revenue sharing authority could increase revenue to the Treasury by nearly \$30 billion over the next 60 years.

Implement Onshore Oil and Gas Inspection Fees: The Administration has proposed establishing inspection fees for onshore oil and gas operations in order to help fund the BLM's oil and gas program. The fee is estimated to generate approximately \$48 million in FY15.

Repeal Tax Breaks for Oil and Gas Companies: While the various tax provisions benefitting large oil companies are not within the jurisdiction of the Natural Resources Committee, it is important to note that repeal of these provisions could add nearly \$45 billion to the Treasury over ten years.

U.S. Fish and Wildlife Service

The Natural Resources Committee Majority once again complains about the operations and maintenance backlog for our National Wildlife Refuge System, but instead of asking that funding be made available to the Fish and Wildlife Service (Service) to clear the backlog, they ask that no funding for new Refuges be provided. Furthermore, the Majority ignores the fact that the Service has made significant progress to reduce the backlog by nearly \$1 billion over the past five years, even in the absence of increased funding. We find their dislike of public lands puzzling, as National Wildlife Refuges provide real benefits to hunters, anglers, wildlife watchers, and nearby property owners. Indeed, the Service's *Banking on Nature* report found that National Wildlife Refuges support 37,000 jobs and contribute over \$340 million in tax revenue and \$4.5 billion in economic impacts. The Refuge System is also a key component of our efforts to restore endangered species, an often-stated goal of the Committee Majority. Similarly, the Coastal and Estuarine Land Conservation Program (CELCP) administered by NOAA has high value in protecting fish nurseries and wildlife habitat, as well as shielding vulnerable coastal areas from the impacts of sea level rise and coastal storms, and should receive consideration for additional funding.

The Majority also recommends termination of the Service's Adaptive Science Account. Contrary to the views expressed by the Majority, this account is not duplicative of USGS climate change adaptation work, and funds research that will help the Service meet its unique mission in the face of a warming planet with more extreme weather and higher sea levels. However, we do believe that provision of this and other public funding for scientific research should be contingent upon data collected with that funding being made available to the public.

We remain concerned over the ongoing crisis facing elephant and rhinoceros populations in Africa, and were pleased that the recently passed budget for FY14 includes a significant funding increase to combat international wildlife poaching and trafficking. However, we believe that should be followed up with additional commitments above what the Administration has proposed for FY15. Finally, while we are pleased to see the Administration's proposal to increase funding

for control of Asian carp in the Mississippi River basin and prevention of their introduction into the great Lakes, we are troubled by the proposed decrease in funding for other invasive species management efforts.

National Oceanic and Atmospheric Administration

We agree with the Majority that the National Marine Fisheries Service should receive increased funding for the costs of improved fishery stock assessments and conducting cooperative research and that Regional Fishery Management Councils and Commissions need additional funds to produce sound management results. Better fisheries science and management will lead to increased catches, more jobs, and healthier ecosystems and our coastal communities cannot afford for us to be wrong.

We also welcome the Administration's proposal to significantly increase funding for research on climate change and ocean acidification, but are puzzled by the proposed treatment of complementary programs. A failure to fund the Coastal and Estuarine Land Conservation Program or increase funding for National Estuarine Research Reserves seems inconsistent with the Administration's climate change adaptation goals, as do significant proposed cuts to coastal and ocean research. And especially given the historic drought facing California, this is not the time to reduce funding for Pacific Salmon recovery.

We are also concerned by the Administration's renewed attempt to move away from important public education efforts currently being conducted by its Office of Education and NOAA Sea Grant. Programs such as Bay-Watershed Education and Training (B-WET) and the Dean John A. Knauss Marine Policy Fellowship are critical to building public awareness and support for the importance of our ocean and coasts, and to training the next generation of scientists and resource managers.

Finally, we fail to see the Majority's logic in continuing to attack the National Ocean Policy, which is a non-regulatory coordination effort established by executive order. Despite incessant fear-mongering by the Committee Majority, the National Ocean Policy remains the equivalent of air traffic control for the seas, and is a small and prudent step toward reducing conflict among ocean users.

U.S. Bureau of Reclamation

Reclamation's Fiscal Year 2015 budget request supports project activities that provide water and power certainty while evolving with the changing water needs of the West. Reclamation's budget request reflects activities that allow Reclamation to meet its core mission of delivering water and generating hydropower consistent with state and federal laws, and in an environmentally responsible and cost-effective manner. The budget request prioritizes efforts to help alleviate the effects of the drought, which reflects an understanding of the projected dry conditions in the West.

Reclamation's budget request also funds program activities that have an extremely robust non-federal cost share, further leveraging federal dollars. We support the Administration's funding request of \$52.1 million for the WaterSMART program which includes cost sharing activities like the Title XVI Water Reuse and Recycling Program (1:3 match), WaterSMART Grants (1:1 match), and the basin studies (1:1 match).

The Title XVI Water Reuse and Recycling Program is a model for doing "more with less." For every federal dollar spent on an authorized Title XVI project, there is a \$3 dollar non-federal cost share. Federal investments in Title XVI projects, including all projects funded since 1992, made available an estimated 385,999 acre-feet of water in 2013, an increase of about 90,000 acre-feet over the previous year. We support Reclamation's request of \$21.5 million. However, because Reclamation faces an active backlog of over \$300 million, this year's funding request is inadequate.

WaterSMART efficiency projects have also seen similar success in conserving and creating water. WaterSMART Grants, Title XVI, and the Water Conservation Field Services Program projects funded this year are expected to increase water supplies by 840,000 acre-feet by the end of FY 2015. With an average cost of \$130 per acre-foot, the projects range from lining of irrigation canals to industrial efficiencies.

In recognizing that most Reclamation Projects are at or approaching their engineering design life, we support the increases for the Replacement, Additions, and Extraordinary Maintenance (RAX) Program (\$62.6 million) and the Dam Safety Program at \$82.9 million.

Finally, we strongly support the Administration's funding requests in support of local, state and federal partnerships. We support the \$19.5 million in funding for activities associated with the Klamath Basin Project and Restoration Agreement.

Western Area Power Administration

The Western Area Power Administration (Western) markets and transmits federally produced power within in a 15-state region in central and western U.S. Western is the largest power marketing administration, owning more than 17,000 miles of high-voltage transmission and servicing customers in a service area of 1.3 million square miles. Prior to the enactment of the American Recovery and Reinvestment Act of 2009, Western's sole mission was to deliver federal hydropower to its customers across the West. Western's new borrowing authority gave the agency a new mission of participating in the planning and construction of transmission lines within Western's service area to bring renewable energy resources to market.

To date, two projects, the Montana Alberta Transmission Line, and the ED5-Palo Verde Hub project are in construction or have been completed. Another project, the Transwest Express, is in the development phase. Yet despite \$3.25 billion in borrowing authority, WAPA has not initiated other projects outside of the projects previously mentioned. We will continue to monitor this program and Western's use of this authority.

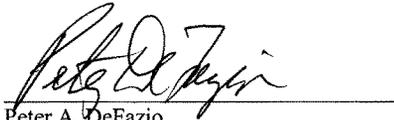
Bonneville Power Administration

The Bonneville Power Administration (BPA) serves power customers in the Pacific Northwest. It provides roughly 35 percent of the region's power and owns 75 percent of the region's high-voltage transmission line. BPA is the electricity balancing authority in the region and it is statutorily required to meet the load growth of its customers. BPA is "self financed" by the ratepayers of the Pacific Northwest and does not receive annually appropriated funds from Congress. FY 2013 marked the 30th consecutive year that Bonneville has made its full planned payment to the Treasury, totaled at \$692 million for FY 2013. Bonneville offers clean, carbon free, renewable, reliable power to millions of customers and small businesses in the Pacific Northwest.

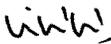
The minority takes recent BPA hiring irregularities seriously and will continue to work with both the Department of Energy and BPA to ensure corrective actions are in place and implemented. However, these corrective actions should focus exclusively on human resources issues and not alter BPA's autonomy within the Department of Energy as it relates to the operation of the Federal Columbia River Power System.

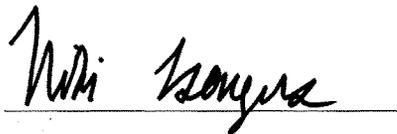
Conclusion

Overall, the President's FY 2015 budget request for these agencies would allow the administration to manage our precious natural resources and respond to new challenges. The Majority of the Natural Resources Committee should get out of the way.



Peter A. DeFazio
Ranking Member
Committee on Natural Resources



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Congress of the United States
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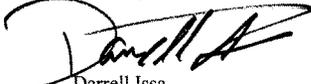
March 25, 2014

The Honorable Paul Ryan
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to House Rule X, I am transmitting views and estimates with respect to the President's Fiscal Year 2015 budget of the Committee on Oversight and Government Reform. The views of the minority members are also included.

Sincerely,


Darrell Issa
Chairman

Enclosure

cc: The Honorable Elijah E. Cummings, Ranking Member

The Honorable Chris Van Hollen, Ranking Member
Committee on the Budget

Views and Estimates on the Fiscal Year 2015 Budget
Committee on Oversight and Government Reform
United States House of Representatives

Overview

In submitting these Views and Estimates pursuant to § 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), the Oversight and Government Reform Committee (the Committee) is primarily concerned with doing its part to help restore budgetary balance at a time when the Nation is grappling with historic annual budget deficits.

The Committee's oversight activities are focused on identifying barriers to job creation that are restraining the economic growth necessary to restore budgetary balance, and identifying the waste, fraud, abuse and mismanagement in government programs that create a perpetual drain on Federal coffers.

The Committee's legislative agenda is similarly focused on strengthening the Federal balance sheet. This includes efforts to increase transparency, empower inspectors general and improve Government management laws. It also includes harmonizing Federal workers' compensation with that of private sector counterparts, shoring up the long-term solvency of the Postal Service, and ensuring the efficiency and cost-effectiveness of the Federal contracting process.

Government Reorganization

Current challenges facing the executive branch, coupled with the growing federal debt, demand a new approach to government. The Committee will examine the major structural and organizational issues that have failed to alleviate – or have caused or exacerbated – government waste and redundancy. The Committee remains disappointed that the Fiscal Year 2015 Budget again lacks the information and level of transparency needed for Congress to consider the merits of the President's proposed fast-track reorganization proposal.

Office of Personnel Management (OPM)

The Committee will continue to monitor OPM's Retirement Services Division. The Committee lacks confidence in OPM's ability to develop and implement an efficient benefits processing model or to reduce the approximately \$100 million in claims annually paid to deceased annuitants.

Thousands of manila folders, imaged files, and an antiquated data system patched with spreadsheets make up the backbone of the benefits processing operation at OPM. The number of unprocessed claims is growing at a faster rate than in prior years, and OPM has failed to meet its target average unit cost for processing claims. Thus far the most meaningful reform effort appears to be the hiring of additional staff by OPM to support a cumbersome process, and the budget proposes to continue this trend. With the bulk of that hiring completed in 2012, the monthly fluctuations in processing are puzzling as OPM assigns dedicated staff to each type of claim. For example, OPM processed 6,683 lump sum death benefits in November 2012, but only 3,352 a year later.

OPM continues to place blame for the backlog on its agency customers. Of the 18 percent of incoming cases with errors, 10 percent of CSRS claims and 7 percent of FERS claims contain incorrect information concerning a worker's eligibility for health insurance coverage in retirement. It is difficult to comprehend why OPM -- which administers both the health insurance program and the retirement program -- has failed to identify a solution to this common error.

The Committee will continue to explore OPM's business operations, including the products funded through the Revolving Fund such as OPM's Federal Investigations Service, which obligates approximately \$2 billion annually on behalf of other federal agencies.

Federal Workforce

The Committee will continue its work to bring more balance to the federal personnel system, and to better align federal worker compensation with the private sector. Performance management will be part of the Committee's review. The Committee will look to develop a total compensation system that is market-oriented and performance-sensitive and attracts individuals with the skills necessary to meet current and future mission needs. The Committee will continue to pursue legislation requiring federal workers to pay a fair share toward their defined benefit pension. The Committee believes the government should eliminate the supplemental payment to workers who voluntarily retire before they reach Social Security eligibility age, and it should eventually shift to a defined-contribution pension system. The Committee notes that the Administration abandoned its previous policy to eliminate the FERS supplemental payment and increase employee retirement contributions in its FY2015 Budget.

The Committee supports the President's proposal authorizing OPM to contract with modern types of health plans rather than being limited as it now is to four statutorily-defined plans that are reflective of the 1950s insurance market. The Committee believes the current structure arbitrarily restricts competition for providing health benefits for federal workers, and it supports language enabling the FEHBP to contract with additional health plan types, which would result in greater choice and potentially lower premium costs to both federal workers and the taxpayer. The Committee believes better coordination of benefits is needed for Medicare-eligible federal workers.

The Committee will also look to ensure the size and composition of the federal workforce is driven by critical needs. The size and scope of the Federal Government has continued to grow, resulting in duplicative programs and functions that waste scarce taxpayer dollars and limit our ability to meet current and future needs. The President's FY2015 Budget recommends a small increase in the federal civilian workforce. The Committee continues to believe the civilian workforce can be right-sized through attrition and a focus should be put on filling critical skills gaps. The Committee recommends the Budget Committee incorporate in the budget resolution the budgetary savings impact of H.R. 824, the Federal Workforce Reduction Through Attrition Act, introduced by Rep. Cynthia Lummis (WY). The bill, based on a recommendation from the President's own fiscal commission (Simpson-Bowles), would reduce the Federal Government workforce by ten percent through attrition. The Committee agrees with the President's recommendation to recruit individuals with high-demand talent, but questions why the

Administration proposes to work exclusively with labor groups to improve hiring outcomes, as organized labor represents less than one-third of the federal civilian workforce.

The Budget includes a legislative proposal to address disability benefits coordination between OPM and the Social Security Administration, with an estimated savings of \$41 million per year, beginning in 2017. The Committee looks forward to receiving additional information from the Administration as part of its continued work to reduce improper payments.

Federal Acquisition Reform

Total U.S. Government contract spending in FY 2013 was \$461 billion. Approximately 67-percent of that total goes toward defense spending. And about \$80 billion of federal contracting dollars currently go toward information technology (IT) purchases and maintenance. Industry experts have estimated as much as \$20 billion could be saved annually by improving the management of IT investments. GAO has highlighted redundant IT investments in its recent annual reports cataloguing wasteful, duplicative spending by the Government.

In 2013, the Committee held four hearings on IT acquisition, including hearings dedicated to the development of IT acquisition reform legislation. In February 2014, the House adopted H.R. 1232, the Federal Information Technology Acquisition Reform Act (FITARA), an IT acquisition reform bill sponsored by Chairman Issa and adopted by the Committee. Among other reforms, FITARA centralizes IT spend authority under agency CIOs, enhances the Government's ability to procure commonly-used IT faster, cheaper and smarter, and strengthens the IT acquisition workforce.

The FY 2015 budget request for the General Services Administration (GSA) includes \$8 million for a "digital services pilot," designed to improve agency customer service at reduced costs. The program would attempt to leverage top talent from the private sector and the Government. The Committee notes that this proposal appears to be similar to the pilot collaboration centers in the House-passed FITARA legislation. These Centers would address various IT needs common to agencies (not exclusively customer service-related needs).

GSA's Multiple Award Schedule program (aka the GSA Schedules), which dates back to 1949, is the Government's flagship acquisition vehicle with annual volume exceeding \$50 billion, about \$18 billion of which involves IT acquisition. The program has not addressed key recommendations made by the Congressionally-mandated Services Acquisition Reform (SARA) Panel or by the Government-industry MAS Advisory Panel. The Committee intends to review the MAS program and pursue modernization legislation, if necessary.

In order to prevent fraud and abuse, federal agencies should be conducting aggressive suspension and debarment (S&D) programs to ban unscrupulous businesses and individuals from receiving federal funds. However, despite intense Congressional oversight, administrative action and public scrutiny in recent years, the latest review by the Government Accountability Office found that six of ten agencies that spent more than \$1 billion per year each on federal contract awards lacked effective S&D programs.

In October 2013, the Committee favorably reported H.R. 3345, the Stop Unworthy Spending Act (SUSPEND Act), which would consolidate the suspensions and debarment offices spread around the Government, and create a more consistent and uniform suspension and debarment regime.

DC Opportunity Scholarship Program

The Committee is concerned with the persistent and systemic failings of many schools in the DC Public School system, especially those in traditionally low-income areas. The Committee supports the role of the DC Opportunity Scholarship Program (DCOSP) in helping to improve the public schools, and in providing choice and opportunity in schooling for many low-income District residents who would otherwise be forced to attend a low-performing public school. The Committee is committed to ensuring its successful implementation, and in working with the Appropriations Committee to ensure DCOSP is funded at appropriate levels.

DC Local Budget Autonomy

In order to ensure District of Columbia (DC) residents are not adversely impacted by the potential or actuality of a Federal Government shutdown and to allow DC to use a fiscal year that best suits the city's needs, the Committee has been investigating ways to grant limited local budget autonomy to the District government. The Committee is committed to ensuring that sufficient checks remain in place to appropriately limit the scope of the District's budgetary authority and to maintain Congress's prerogative to oversee the federal city.

Last year, the Committee reported out H.R. 2793, the District of Columbia Financial Efficiency Act of 2013, which would provide partial budget autonomy for the District, including allowing the city to change its fiscal year. A provision in H.R. 2793 allowing the District greater flexibility in setting its CFO's compensation was subsequently enacted as stand-alone legislation.

DC Height Act

At the request of the Committee, the National Capitol Planning Commission (NCPC) and the District of Columbia conduct a joint review of the 1910 federal law restricting building heights in DC. Acting upon a specific NCPC recommendation that came out of the study, the Committee subsequently adopted recent legislation, H.R. 4192, allowing for human occupancy in penthouses that exceed the federal height limit, so long as the penthouses do not exceed a single story not more than twenty feet in height. The Committee believes this is a modest illustration of how this statute can be amended in such a way as to increase the District's authority to regulate its own skyline without sacrificing any federal interest.

Postal Reform

For several years, the Administration has supported permitting the Postal Service to shift to 5-day mail delivery, but has failed to put forth additional recommendations for structural reforms. However, in the 2015 budget the Administration now proposes that the Postal Service begin shifting to centralized and curbside delivery. While this new proposal is less specific and aggressive than the provision in the Committee's reported legislation, it is still a welcome policy shift on the part of the Administration that would move the agency in the direction of long-term solvency.

The Postal Service has taken some initial steps to reduce expenses, but its projected long-term costs continue to far exceed its projected long-term revenues. As the Committee has reported, the Postal Service now has more than \$112 billion in unfunded liabilities and obligations and the troubled agency lost \$5 billion in fiscal year 2013 after losing \$15.9 billion in fiscal year 2012. This situation is untenable. To address this pressing issue, last year the Committee reported comprehensive Postal Service reform, H.R. 2748, the Postal Reform Act, to the full House. This legislation will enable, expedite, and require further cost-cutting measures at the Postal Service and put the agency on a sustainable path going forward.

Currently, USPS operates retail and mail processing networks far in excess of actual demand, operates an aging delivery fleet it cannot afford to replace, and maintains a workforce disproportionate to its evolving needs. Eighty percent of the operating expenses of the Postal Service are workforce-related – a percentage that easily exceeds competitors such as FedEx and UPS.

Major restructuring and modernization is necessary to preserve affordable, self-financing universal service through USPS. Without major action in the near future, the Postal Service will remain on an unsustainable financial trajectory that will necessitate repeated requests for short-term, taxpayer-funded financial relief to stave off insolvency.

Federal Real Property Disposal

Since 2003, GAO has cited federal real property management as a “high-risk” area, including most recently in its report released on April 25, 2013. GAO cites concerns about the reliability of real property data, the deteriorating conditions of facilities, the large quantity of excess and underutilized properties, an overreliance on leasing, and security of facilities. The Federal Government currently holds over 76,000 buildings that are either vacant or underutilized. It spends over \$1.5 billion each year to operate and maintain these underutilized buildings. Last March, the committee voted to approve H.R. 328, the Excess Federal Building and Property Disposal Act of 2013, which would streamline the federal real property disposal process by authorizing a pilot program to expeditiously dispose of real property not meeting the needs of the Federal Government. The Committee plans to pursue passage of this bill as well as efforts to enhance the accuracy and transparency of federal real property data. The Subcommittee on Government Operations held several hearings during the past year concerning specific properties still awaiting disposal.

Federal Security Clearances

Following the Washington Navy Yard shooting, the Committee initiated an investigation into the federal security clearance process that allowed a dangerous and disturbed man to obtain and retain a security clearance that aided in his murderous rampage. Through its investigation, the Committee uncovered alarming loopholes and questionable OPM policies. The Committee intends to pursue legislation addressing shortcomings in the existing security clearance regime. Such legislation would require continuous evaluation of cleared individuals, end the prohibition on the use of the Internet and social media for investigative purposes, and penalize states and localities that disregard current law by failing to cooperate with OPM investigators.

Cybersecurity

The Committee is concerned with the increased prevalence of cybersecurity threats, and their potential to wreak havoc. The House last year adopted H.R. 1163, a cybersecurity bill reported by the Committee that updates the Federal Information Security Management Act, primarily by requiring continuous monitoring of cyber-threats to federal agency computer systems. The Committee also recently approved H.R. 3635, the Safe and Secure Federal Websites Act of 2013, which requires agency CIOs to sign off on the functionality and security of new federal websites, and requires agencies to report data breaches to affected parties within 72 hours.

Census Bureau

The Committee will continue its work to examine the Census Bureau's planning for the 2020 Census and will focus its efforts on ensuring the success of cost-containment efforts. Specifically, the Committee will examine potential savings from the use of private-sector cloud computing networks, as well as through a "bring-your-own-device" system that will allow decennial enumerators to collect in-person respondent data electronically. In addition to these areas of potential savings, the Committee intends to further examine the potential impacts of expanding the use of administrative records and reforms to the Bureau's mapping process. The Committee will also continue to examine the American Community Survey, its utility, and concerns regarding its intrusiveness.

National Archives

The Committee recommends elimination of the National Historical Publications and Records Commission Grants Program. Elimination of this program will save the taxpayers \$10 million annually.

Program Redundancy and Sunset Legislation

In its third annual report to Congress on the topic, GAO in April 2013 identified billions of dollars in spending wasted each year on redundant programs, agencies, and offices across the Federal Government. According to the report, taxpayers continue to double-finance a wide array of programs, from food safety systems to surface transportation and employment training. While some of these programs are worthy endeavors that meet the government's basic responsibilities, the fragmented approach of federal departments and agencies to meet these goals demands immediate reform.

At a time when the American people are increasingly concerned about the inflated cost of government and runaway federal deficits, duplicative programs present an obvious area for spending cuts. GAO has identified that in some issue areas there are more than 100 programs spread across numerous agencies that all address the same basic concerns. Eliminating this fragmentation and duplication could save taxpayers billions of dollars annually and foster more responsive and efficient delivery of government services.

In July 2013, the Committee adopted H.R. 1423, introduced by Rep. James Lankford, which requires OMB to report on the all-in costs of federal programs – including administrative overhead – as well as their performance results. It also requires GAO to track and report on the progress agencies make in eliminating the duplication GAO has identified in the Executive Branch. H.R. 1423 was approved by the full House on February 5, 2014.

Government Accountability Office

The Committee believes that GAO plays a necessary and important role in improving Government performance and accountability; it is committed to granting GAO the tools necessary to make Government work better. On March 12, 2014, the Committee approved legislation (H.R. 4194) eliminating or modifying ten statutory reporting mandates required of GAO that are both burdensome and no longer necessary. GAO requires appropriate fiscal resources to accomplish its mission. The Committee is concerned about the impact of recent cuts to which the agency has been subject. GAO is at its lowest staffing levels since the 1930s, and the Comptroller General warned in recent testimony before the Committee that additional resources are needed to accomplish the agency's mission. GAO's fiscal year 2013 Performance and Accountability Report found that the agency produces a return on investment to taxpayers of \$100 for every dollar invested by GAO – a total of \$51.5 billion in documented financial benefit.

Inspectors General Reform

The Committee continues to explore ways to empower the Inspectors General community, through both formal hearings as well as discussions with individual IG offices and the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

According to CIGIE's most recent annual report, work of the various OIGs resulted in potential savings of approximately \$46.3 billion. Thus, the OIG community's aggregate FY 2012 budget of \$2.7 billion leveraged a return of \$17 on each dollar invested.

Improper Payments

An estimated \$108 billion in improper payments was made by the Federal Government in FY 2012. This is only an estimate, and does not include an estimate for the Department of Defense. More than 58 percent of all estimated improper payments in FY 2012 were made through the Medicare and Medicaid programs. Other high-error programs include the Earned Income Tax Credit, Unemployment Insurance, and Supplemental Security Income. Improper payments remain a significant problem, and were one of the reasons why the Federal Government again failed an audit of its financial statements in FY 2012, and has indeed never been auditable. The Committee intends to pursue further improper payments reforms in areas such as payments made to deceased individuals.

Transparency/Open Government

Federal agency IT systems continue to lag far behind those utilized by the private sector. For example, GAO's annual review of the Federal Government's consolidated financial statements has never yielded a clean audit opinion; this is most directly the result of dozens of separate agencies using incompatible software systems and inconsistent accounting methods to report their financial results. Since the government cannot track its own finances, it cannot accurately report them to the public. Government watchdog groups have reported that USASpending.gov – an Administration website charged with listing all Federal grants and contracts – is only accurate 30.7 percent of the time, and only 1.5 percent of information on the site met timeliness requirements. To address these issues, the Committee is working to reconcile the House-passed DATA Act, H.R. 2061, with counterpart legislation in the Senate.

Reports from government watchdog groups also show that the Federal Government has not followed guidance from the President and the Attorney General to adopt a presumption of disclosure when processing Freedom of Information Act (FOIA) requests. Agencies are also not uniformly complying with requirements in FOIA for responding to requests, assessing fees, offering dispute resolution services, and proactively disclosing frequently requested records. The government has also failed to utilize technology – as directed by the President in his 2009 FOIA memo – to improve FOIA compliance.

To address the aforementioned issues, the full House recently approved in February the FOIA Act (H.R. 1211), legislation the Committee adopted back in March 2013. The FOIA Act requires more proactive disclosure, creates a stronger role for the independent FOIA overseer known as the Office of Government Information Services, codifies the presumption of disclosure, and creates an on-line FOIA portal in which multiple agencies would participate, allowing for faster and more efficient FOIA request processing.

The Committee will continue to advocate technological solutions to achieve government transparency that allows for informed budgetary decision-making and a government that is accountable to its people. The Committee will seek to ensure that federal government information – with a few well-defined exceptions, such as information that would compromise national security – is made available publicly, online, and in a format that facilitates easy access and analysis.

Congressionally-Mandated Reports

While it is essential that the Administration make information available and accessible to the public, it is also important that Congress periodically review reporting requirements it places on the Administration, in order to eliminate reports no longer needed. The Government Performance and Results Modernization Act of 2010 (P.L. 111-352) required the Office of Management and Budget to publish as part of its fiscal year 2013 budget submission a list of Congressionally-mandated plans and reports that it considers outdated or duplicative. The Administration failed to do that, but – nearly a year later – it did eventually publish such a list of 376 plans and reports on the performance.gov website in January 2013. The Committee solicited from each House Committee feedback on OMB's recommendations. Chairman Issa subsequently introduced H.R. 4194, the Government Reports Elimination Act. The bill, which saves taxpayer dollars by eliminating more than 100 statutorily-mandated reporting requirements agencies are currently expending resources to fulfill, was voted out of the Committee on March 12, 2014.

Whistleblowers

The Committee worked to help enact the Whistleblower Protection Enhancement Act (WPEA) in November 2012 (P.L. 112-199). The Committee is monitoring the implementation of that legislation, and examining ways to grant further protections to whistleblowers not adequately protected under existing law.

The Committee recently approved legislation (H.R. 4197) extending a pilot program created by the WPEA that allows whistleblowers to appeal MSPB decisions outside the Federal Circuit – the venue to which such appeals had previously been confined. The legislation extends the pilot for an additional three years beyond its currently scheduled November 2014 expiration.

Grant Reform

Grants recently surpassed contracts as the largest category of discretionary federal spending. Despite their ubiquity, federal grants are not subject to the same degree of accountability as contracts. No uniform government-wide regulations exist to ensure the consistent application of merit-based criteria in federal grant award processes. And there are no uniform transparency requirements concerning public access to grant applications or grant review materials. In the 112th Congress, the Committee addressed these issues in reporting out H.R. 3433, the GRANT Act, sponsored by Rep. Lankford. The GRANT Act was re-introduced by Mr. Lankford this Congress as H.R. 3316, and it was voted out of the Committee in October 2013.

Minority Views
Budget Views and Estimates for Fiscal Year 2015
Committee on Oversight and Government Reform

March 25, 2014

Overview

The Minority offers these Views and Estimates on the President's Fiscal Year 2015 budget proposal, pursuant to § 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f). The President's budget proposal appropriately focuses on the investments needed to create jobs and rebuild the middle class and the reforms needed for long-term fiscal sustainability.

The President's budget makes a number of proposals for reducing waste, fraud, and abuse within the federal government through such measures as contracting reform, reducing improper payments, and improving the federal workforce. The President's budget also includes proposals to make the government more effective and efficient such as improving federal agency customer service through user-friendly online applications and faster benefits processing.

Federal Workforce

The Minority supports the President's goal of creating a 21st Century Government that is more "effective, efficient and supportive of economic growth."¹ The Minority shares the President's view that in order to achieve this goal the government must unlock the full potential of the federal workforce and build a workforce for the future.

The last few years have been challenging for federal employees. They have endured relentless Republican attacks on their pay and benefits, a three-year pay freeze, unpaid furloughs, and a government shutdown. Their pay and benefits have been cut by nearly \$140 billion to help reduce the nation's budget deficit. These challenges have caused federal employee morale to drop to historic lows.² According to the Partnership for Public Service, the data show significant declines in federal employee satisfaction with pay, training and development opportunities, and rewards and advancement.³

¹ *Budget of the U.S. Government, Fiscal Year 2015*, at 37 (Mar. 2014) (online at www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/budget.pdf).

² Partnership for Public Service, *The Best Places to Work in the Federal Government: 2013 Rankings* (2013) (online at <http://bestplacestowork.org/BPTW/index.php>).

³ *Id.*

Pay and Benefits

The federal government must reverse this downward trend in order to attract and retain the best and the brightest to serve the American people. Although the Minority supports the President's proposal for a 1% pay increase for federal employees, the amount of the increase is too modest and should be a minimum of 3% as a first step in helping federal workers make up for the sacrifices they have made.

The Minority commends the President for not including in the FY 2015 budget two proposals from last year affecting federal employee retirement. The first proposal would have required the adoption of the chained Consumer Price Index for determining cost-of-living adjustments for Social Security, veterans', disability, and federal pension benefits. This proposal would have caused harmful benefit cuts that are compounded over time for seniors, veterans, and federal employees. The second proposal would have required federal employees to contribute 1.2% more of their pay towards their pensions.

Hiring

The President's budget recommendation for a slight increase in federal staffing of 0.7%, or 14,000 jobs, is reasonable and will allow certain agencies such as the Department of Veterans Affairs to improve medical care for wounded veterans, the Department of Justice to ensure the protection of civil rights and to reduce cyber threats, and the Department of Homeland Security to facilitate travel and trade at borders and airports. The Minority supports the President's Opportunity, Growth and Security Initiative which would provide additional funding to agencies with a substantial customer service focus, such as the Internal Revenue Service.⁴

The Minority is encouraged by the federal government's progress in hiring our nation's veterans. In FY 2013, veterans comprised 30% of the federal workforce and 45% of the workforce at the Department of Defense (DOD). In that same year, veterans made up about 31% of the new hires and 54% of the new hires at DOD.⁵

Training

The Minority supports the President's Management Agenda to create a culture of excellence and engagement in the federal sector by investing in federal employee training. For the last several years, funding for training had been drastically reduced due to sequestration and limitations on travel and conference spending. With respect to the Senior Executive Service (SES), the Administration seeks to examine the SES hiring process to identify efficiencies, improve the new hire transition program, expand management development, and increase diversity training. The President also seeks to employ a data-driven approach to improving

⁴ *Budget of the U.S. Government, Fiscal Year 2015*, at 14 (Mar. 2014) (online at www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/budget.pdf).

⁵ *Budget of the U.S. Government, Fiscal Year 2015, Analytical Perspectives*, at 73 (Mar. 2014) (online at www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/budget.pdf).

employee morale and engagement that includes using the Employee Viewpoint Survey as a diagnostic tool to identify challenges, developing an engagement dashboard that agency supervisors can use to track the mood of their workforces, and expanding the use of Human Resources Statistics review sessions which allow managers to use data for real-time decision-making.

Closing Skills Gaps

The Government Accountability Office (GAO) has placed human capital management on its “high risk” list. An interagency workgroup chaired by the Office of Personnel Management (OPM) and the Defense Department determined that skills gaps needed to be addressed in the following mission-critical occupations: IT-Cybersecurity Specialists, Acquisition Specialists, Human Resources Specialists, Economists, Auditors, and STEM (science, technology, engineering, and mathematics) occupations. OPM is working with other federal agencies in conducting outreach for cybersecurity talent, developing a Presidential Management Fellows Pathway Program for STEM applicants, and studying changes that are needed to the classification and qualification requirements for auditors. Agencies and interagency working groups are exploring pilots for special hiring and compensation authorities for several occupations.⁶ The Minority will monitor efforts by OPM and other federal agencies to close the skills gaps in the federal workforce.

General Pay System Reform

The President’s budget proposes a Commission on Federal Public Service Reform to develop recommendations to modernize federal personnel policies and practices. This same proposal was submitted to the Joint Select Committee on Deficit Reduction. The Minority opposed the President’s recommendation to the Joint Select Committee because the Commission’s efforts would have been redundant of efforts of congressional committees of jurisdiction, and we oppose this proposal for the same reason. The Committee is in the process of examining the federal government’s General Schedule classification system and has requested that GAO conduct a study evaluating the system.

Federal Employee Health Benefits Plan and Multistate Plan Program

The Federal Employee Health Benefits Plan (FEHBP) provides affordable health care coverage to 8 million federal employees, retirees, and their families. The 2014 FEHBP premium rates will increase by 3.7% on average. This increase is significant because employee pay has been frozen for the past three years, and this amount is greater than the 1% increase pay increase that federal employees will receive in 2014. Concerns also have been raised regarding the costs of prescription drugs under FEHBP. OPM estimates that in 2013, 26% of FEHBP expenses, or more than \$11 billion, is for prescription drugs.

⁶ *Id.* at 83.

In addition to administering the FEHBP, OPM is also responsible for implementing and overseeing the Multistate Plan Program, established by the Patient Protection and Affordable Care Act, to make health insurance available to uninsured individuals. OPM contracts with health insurers to offer health plans through health insurance marketplaces known as health insurance exchanges. Currently, there are 150 multistate plan options available in 30 states and the District of Columbia.

Improving the efficiency and affordability of FEHBP is one of five top priorities for OPM. The President's budget proposes that by October 1, 2015, OPM will reduce the rate of growth of FEHBP per capita spending through accountability measures, data analysis, and program improvements.

The Minority will closely monitor OPM's progress in reducing FEHBP costs, developing the multistate plan options, and developing a data warehouse to collect, maintain, and analyze health claims data under the FEHBP. The data warehouse should allow OPM to analyze the drivers of cost increases and to model potential effects of health system reform or environmental changes on federal employees.

The President's budget makes recommendations for modernizing FEHBP that are estimated to save \$2 billion over 10 years. These proposals are similar to proposals in last year's budget request, including provisions giving OPM the authority to negotiate pharmacy benefits for FEHBP participants, allowing additional plan types to participate in the program, and allowing insurers to charge higher premiums for those who smoke or do not participate in wellness programs. The budget also would require OPM to provide FEHBP benefits to domestic partners.

Although the Minority supports the Administration's proposals to carve-out prescription drugs from individual FEHBP health plans in an effort to lower overall drug spending and to provide healthcare coverage to domestic partners, we urge the Administration to provide further information regarding the potential impact of the other FEHBP proposals.

Office of Personnel Management

The President's budget requests \$1.9 billion to support OPM's overall operations. This is a \$92 million increase from FY 2014, with most of the increase allocated to OPM's Revolving Fund programs. Although the budget proposes that OPM's overall staffing be increased slightly from 5,421 full time-equivalent employees (FTEs) to 5,449 FTEs, the most significant increase is in OPM's Federal Investigative Services (FIS) division which is expected to boost its staffing from 2,530 FTEs to 2,726 FTEs.

This recommendation notes that the funding will support efforts being undertaken by FIS to ensure the quality and accuracy of background investigations, including the performance of all final quality reviews of completed investigations by federal staff effective February 2014. The Minority supports this budget request given the potential national security implications if federal background investigations are not adequately conducted or reviewed.

The President's budget proposes five agency priority goals for OPM: retirement claims processing improvements, improving the oversight and quality of background investigation processing, FEHB efficiency and accountability improvements, closing the skills gap for the Human Resources (HR) workforce, and promoting diversity and inclusion.

The Minority will monitor OPM's progress in achieving these priority goals. For priority goal number one, the President's budget proposes that starting July 1, 2014, OPM will process 90% of retirement cases in 60 days or less. By the end of FY 2015, OPM will increase the use of online service by 25% and increase the percentage of complete cases received from agencies to 95% or greater. OPM also will develop capabilities to receive electronic retirement applications by FY 2015.

With respect to priority goal number two, the budget proposes that throughout FY 2014 and 2015, OPM will achieve the target of 99% of background investigations determined to be "quality complete" by agencies receiving closed investigations. OPM will continue to meet the timeliness deadlines set forth in the Intelligence Reform and Terrorism Prevention Act of 2004 – 80 days for completion of initial top secret background investigations and 40 days for completion of initial secret investigations. Given the Department of Justice fraud investigation of OPM's largest background investigations contractor, USIS, and the Committee's continuing investigation of this issue, the Minority will closely examine OPM's efforts and progress in this area. The Committee also should consider the extent to which outsourcing critical investigative functions may impact national security, including the performance of Top Secret level investigations, subject interviews, and final quality reviews of investigations.

The President's budget request also reflects funding for a Strategic Information Technology Plan for OPM that will allow the agency to modernize its retirement, background investigations, USAJobs, and other HR systems. The plan seeks to consolidate the agency's systems onto common platforms, migrate current legacy mainframe systems such as the retirement processing system onto a common platform, create a new case management system, electronic records management application, collaboration tools, a data warehouse for retirement data, and an online retirement application. The Minority supports this budget request and will monitor OPM's implementation progress.

Office of Personnel Management Inspector General

The OPM Office of Inspector General (OIG) is charged with conducting oversight of FEHBP, the Civil Service Retirement and Disability Trust Fund, the Multistate Plan Program, and the Revolving Fund programs.

On February 12, 2014, the President signed the OPM IG Act which gives the OIG access to a portion of the Revolving Fund account to pay for its audit, investigations, and oversight activities. For FY 2015, the budget estimates that the OIG will need \$3 million to fund its audit, investigations, and oversight activities of OPM's Revolving Fund. This is an increase of \$1.5 million and nine full time employees from FY 2014. The Minority supports this budget request.

Postal Service

The financial condition of the Postal Service continues to be fragile as a result of continuing declines in first class mail volume, slow economic growth, and the mandated requirement to pre-fund its retiree health benefits. From 2007 to 2012, the Postal Service has lost an estimated \$41 billion.⁷

Despite its financial state, the Postal Service has been able to minimize the impact of the decline of first class mail through increased volume in its shipping and packages services.

The President's budget proposes constructive legislative initiatives designed to stabilize the Postal Service's finances. The Minority appreciates the Administration's continued efforts to ensure the continuity of this iconic American institution for future generations. The President's budget proposal reinforces key legislative initiatives at the heart of postal reform, but the Minority reserves judgment on specific proposals that alter or reduce the frequency of mail delivery.

The President's Budget proposes an advance appropriation of \$70.7 million to repay the Postal Service for free mail services provided to the blind and for overseas voting in accordance to the Revenue Forgone Act of 1993. The Administration's proposed amount is significantly below the \$167 million the Postal Service requested for these services. The Minority urges full reimbursement to the Postal Service for services rendered.

In an effort to immediately improve the financial condition of the Postal Service, the President's budget proposes returning the amount the Postal Service has overpaid for its share of the Federal Employee Retirement System (FERS) costs. According to OPM, on September 30, 2013, the Postal Service's estimated surplus was \$500 million based on OPM's calculations, which use the demographics of the entire Federal workforce rather than postal-specific demographics.

The President's budget reflects the fact that the Postal Service has overpaid its share of the FERS pension costs by \$5 billion, based on postal-specific demographics provided by the Postal Service's Office of Inspector General. The President's budget proposes that OPM return these surplus funds over a two year period. The Minority supports returning the full FERS surplus to the Postal Service in one lump sum payment.

The President's budget proposes a restructuring of the retiree health benefits payments currently mandated by the Postal Accountability and Enhancement Act of 2006. The President's budget would defer the prefunding payment due on September 30, 2014, and halve the Postal Service's payments due in 2015 and 2016. In addition, the President's budget would codify \$16.7 billion in missed prefunding payments from 2011, 2012, and 2013 into a new 40-year

⁷ Congressional Research Service, *The U.S. Postal Service's Financial Condition: A Primer* (Aug. 30, 2013) (online at www.crs.gov/pages/Reports.aspx?PRODCODE=R43162&Source=search).

amortization schedule starting in 2017. The President's restructuring proposal would provide the Postal Service with \$9 billion in financial relief through 2016.

Postal Regulatory Commission

The President's budget proposes \$15.3 million to fund the Postal Regulatory Commission (PRC), which is a slight increase in the level of funding the agency received in 2014. The FY 2013 budget for the PRC included a significant increase over the previous year, given the magnitude of the PRC's responsibility. The PRC continues to face a significant workload in providing advisory opinions on rate changes and considering appeals from facility consolidations or closings. The Minority supports the increase in the budget proposal for the PRC.

District of Columbia

Budget Autonomy

The Minority is committed to working with the Administration and the Majority to authorize the District of Columbia to spend its local funds without annual Congressional approval and to set its own fiscal year. Budget autonomy would improve the District's finances and operations, and enhance District self-government.

Legislative Autonomy

The Minority is committed to working with the Administration to eliminate the Congressional review process for District laws. The review process imposes significant costs on the District. Yet Congress has not overturned a District law using the review process since 1991, and it has done so only three times since passage of the Home Rule Act of 1973.

Education

The Minority supports the President's continued emphasis on improving public education in the District. The President's budget proposes \$20 million each for the D.C. Public Schools and D.C. public charter schools, which serve approximately 45% of District public school students. The Minority opposes the use of federal funds to pay for private school vouchers in D.C. Recent studies demonstrate that the D.C. Opportunity Scholarship program has not improved participating students' overall achievement as measured by standardized tests.⁸

The Minority supports the President's budget proposal to provide \$40 million for the D.C. Tuition Assistance Grant (DCTAG) program, which was established on a bipartisan basis to equalize postsecondary education opportunities for D.C. students by enabling them to attend any public college or university in the nation at in-state tuition rates. DCTAG also provides limited

⁸ Department of Education, Institute of Education Sciences, *Evaluation of the DC Opportunity Scholarship Program: Final Report* (June 2010) (online at <http://ies.ed.gov/ncee/pubs/20104018/pdf/20104018.pdf>).

scholarships to help D.C. students attend private colleges in the D.C. metropolitan area, private Historically Black Colleges and Universities, and two-year public colleges throughout the country. DCTAG has served over 22,819 students and has helped double college attendance by D.C. students. The Minority opposes the President's proposal to begin means testing DCTAG at a household income of \$450,000. The program is designed to maintain and increase the District's local tax base (which has no state revenue backstop) by replicating a state university system, and no state university system has means testing for in-state tuition.

HIV/AIDS

The Minority fully supports the President's budget request to provide \$5 million to assist the D.C. government in its efforts to combat HIV/AIDS. The D.C. government has been making steady and significant improvements in the fight against HIV/AIDS, and more work remains to be done to upgrade testing and treatment in the District, which has the highest HIV/AIDS rate in the country.

Water and Sewer Services

The Committee has consistently supported funding for the implementation of the D.C. Water and Sewer Authority's (DC WASA) Combined Sewer Overflow Long-Term Plan. The project will significantly improve the health of the Anacostia and Potomac rivers and Rock Creek. The Minority urges adoption of the President's recommended \$16 million payment for the continuation of the project as well as the requirement that DC WASA provide a 100% match for the payment.

Washington Metropolitan Area Transit Authority

The President's budget proposes \$150 million for the Washington Metropolitan Area Transit Authority (WMATA). The funds would assist WMATA in eliminating its capital and preventative maintenance backlogs and in implementing its system reliability projects. The Minority recognizes the vital role WMATA plays in transporting commuters, residents of the national capital region, and federal employees. More than one-third of the federal employees in the area ride Metro, and federal employees account for roughly half of Metro's peak period riders. The Minority supports fully funding the authorized amount of \$150 million. The Minority is also aware of the ongoing challenges WMATA faces in ensuring rider and system safety, security, and reliability.

Federal Real Property Disposal

The Minority supports the Administration's efforts to reduce the federal government's inventory of surplus real property. Such efforts should take into consideration the existing laws governing the disposal of federal real property that give priority consideration to providers of assistance to the homeless and to state and local governments for certain public benefit purposes.

Contracting Reform

The Minority is committed to working on a bipartisan basis in support of the President's efforts to save contracting dollars through the elimination of waste, fraud, and abuse and strengthening the acquisition workforce. The Committee should continue to conduct oversight of federal contracts. The Minority supports the Administration's governmentwide goal of ensuring "smarter and more fiscally responsible buying across the government."⁹

The Minority supports the Administration's efforts to obtain better acquisition performance information. The President's budget acknowledges the need for agencies to establish cost and quality benchmarks in administrative areas such as acquisition and information technology.¹⁰

Military Acquisition

The President's budget proposal continues to emphasize making military acquisitions more efficient and effective. Contracts at DOD account for approximately 70% of all of federal procurement. Since 1992, GAO has identified DOD contract management as a "high risk" area and recommended that DOD take action to improve its acquisition workforce.

The Minority supports the President's budget proposal for military acquisition reform. Through the Administrations' "Better Buying Power" program, DOD is taking critical steps to improve efficiency and productivity in the defense acquisition system. By reducing the use of high risk contracts and continuing to develop the acquisition workforce, these reforms can make available resources for high priority programs and eliminate duplicative contracts.

National Historical Publications and Records Commission

The minority disagrees with the recommendation in the majority's budget views and estimates to eliminate the National Historical Publications and Records Commission Grants Program. The Commission awards competitive matching grants to help finance the nation's non-federal archives and for projects to edit and publish historical records of national importance. These grants make it possible for scholars and school children to have access to the papers of the Founding Fathers and national leaders like Abraham Lincoln and Dr. Martin Luther King, Jr. Eliminating this program would negatively impact archives and historical records programs across the country and could put our national history at risk.

⁹ *Budget of the U.S. Government, Fiscal Year 2015*, at 40 (Mar. 2014) (online at www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/budget.pdf)

¹⁰ *Id.* at 39.

Improper Payments

The rate of improper payments has declined sharply from 5.42% in 2009 to 3.53% in 2013, and agencies recovered more than \$22 billion of overpayments in 2013 alone.¹¹ Improper payments include those made in the wrong amount, to the wrong person, or for the wrong reason. The Administration has set a goal of reaching an improper payment rate of 3% or less by 2016. The Minority supports this objective and the Administration's ongoing efforts to reduce the rate of improper payments.

Military Spending

The President's budget proposes \$495.6 billion in discretionary base budget funding for DOD for FY 2015, a 5.9% reduction from the President's request for FY 2014. The Minority supports responsible reductions in DOD's base and contingency budgets, reflecting the drawdown of U.S. military forces in Afghanistan after more than 12 years of war.

The Subcommittee on National Security has conducted extensive oversight over U.S. reconstruction programs and projects in Afghanistan, including nearly \$60 billion appropriated since 2002 for DOD efforts to train, equip, and sustain the Afghan National Security Forces. The Minority supports continued oversight of reconstruction funds to help prevent and detect waste, fraud, and abuse.

The Minority supports the request of \$47.4 billion for the DOD Unified Medical Budget to support the Military Health System. These funds are necessary to keep our promise to care for our service members during their service and after they return home. The Committee has conducted significant oversight of efforts to improve the transition to civilian healthcare programs for our wounded warriors, and we support continued oversight in this area.

The Minority welcomes news of the unqualified audit opinion of the Marine Corps, the first-ever unqualified audit opinion of a Military Service Department. We support continued efforts to sustain progress towards achieving full audit readiness in order to provide transparency and accountability over all of DOD's budgetary activities.

Department of State and United States Agency for International Development

The President's budget proposes \$46.2 billion in discretionary funding for the Department of State and the United States Agency for International Development (USAID), including overseas contingency operations. The proposed spending includes funding for diplomatic operations and assistance to address the security challenges and humanitarian crises in the Middle East and North Africa, as well as continued assistance in Afghanistan.

The President's budget proposes \$4.6 billion for the State Department's security programs, including \$2.2 billion for embassy construction and physical security improvements

¹¹ *Id.* at 39.

recommended by the Benghazi Accountability Review Board. Since the September 2012 attacks on U.S. facilities in Benghazi, Libya, the Committee has continued to investigate the circumstances of the attack. The Minority supports taking concrete steps to protect 86,000 U.S. personnel serving overseas by implementing the Accountability Review Board's 29 recommendations, including funding for the State Department's Embassy Security, Construction, and Maintenance account.

The Minority supports funding for the Special Inspector General for Afghanistan Reconstruction (SIGAR), which oversees more than \$102 billion appropriated since 2002 for reconstruction in Afghanistan. The Committee has conducted significant oversight of civilian and military reconstruction efforts in Afghanistan, including on the effects of the planned withdrawal of U.S. military forces on monitoring and evaluation. The Committee's insight into activities in Afghanistan has been enhanced by SIGAR's audits, investigations, special projects, and testimony before the Committee.

Healthcare Spending

The Minority supports the President's funding request for full implementation of the Affordable Care Act. As the President's budget notes, the Affordable Care Act has had a significant impact on our nation's healthcare system. The President's budget states:

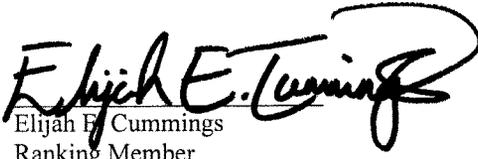
Already, because of the health reform law, more than 3 million Americans under the age of 26 have gained coverage under their parents' plans. More than 9 million Americans have signed up for private health insurance or Medicaid coverage. Because of this law, no American can ever again be dropped or denied coverage for a preexisting condition like asthma, back pain, or cancer. No woman can ever be charged more just because she is a woman.¹²

Office of National Drug Control Policy

The President's budget proposes \$311 million for the Office of National Drug Control Policy (ONDCP), a reduction from the \$366 million enacted in FY 2014.¹³ The proposed budget includes \$193 million for the national High Intensity Drug Trafficking Program (HIDTA) which provides \$190 million for grants, services, and support to state, local, and tribal agencies. The FY 2015 budget reflects three appropriations for ONDCP: HIDTA; Salaries and Expenses; and other Federal Drug Control Programs. The request for the Other Federal Drug Control Programs account is \$95 million, which supports three programs: Drug Free Communities Support Program; Anti-Doping Activities; and World Anti-Doping Agency Membership dues. The Minority is encouraged by ONDCP's FY 2015 strategy to continue and seek new collaborations, particularly with the National Guard Drug Demand Reduction program.

¹² *Id.* at 4.

¹³ Executive Office of the President, *Fiscal Year 2015 Congressional Budget Submission* (Mar. 2014) (online at http://www.whitehouse.gov/sites/default/files/docs/2015-eop-budget_03132014.pdf).


Elijah E. Cummings
Ranking Member

LAMAR S. SMITH, Texas
CHAIRMAN

EDDIE BERNICE JOHNSON, Texas
RANKING MEMBER

Congress of the United States
House of Representatives

COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY

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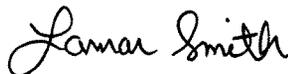
March 25, 2014

The Honorable Paul Ryan
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515

Dear Chairman Ryan:

Pursuant to the provisions of clause 4(f) of House Rule X of the Rules of the House of Representatives for the 112th Congress and Section 301(d) of the Congressional Budget Act of 1974, as amended, I am transmitting the Views and Estimates, including Additional and Minority Views, of the Committee on Science, Space, and Technology for Fiscal Year 2015.

Sincerely,



Lamar Smith
Chairman

cc: The Hon. Chris Van Hollen, Ranking Member, Committee on the Budget
The Hon. Eddie Bernice Johnson, Ranking Member, Committee on Science,
Space, and Technology

Enclosure

**VIEWS AND ESTIMATES
COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY
FISCAL YEAR 2015**

The following Views and Estimates of the Committee on Science, Space, and Technology are based on the President's FY 2015 budget proposal transmitted to the Congress on March 4, 2014 for the agencies and programs under the Science Committee's jurisdiction.

National Aeronautics and Space Administration (NASA)

The National Aeronautics and Space Administration is our nation's primary civilian space and aeronautics research and development agency. NASA plans and executes missions that increase our understanding of Earth, the solar system, and the universe. NASA operates the International Space Station (ISS) and is developing the Orion crew vehicle and Space Launch System to launch American astronauts beyond low-Earth orbit. NASA operates and develops a fleet of satellites throughout our solar system, space telescopes, Mars rovers, and a number of research aircraft. NASA undertakes activities in technology development and transfer, and education and outreach. The agency also participates in a number of interagency activities such as the Next Generation Air Transportation System with the Federal Aviation Administration, information technology development, and climate change research. The Administration's budget request for NASA in FY 2015 is \$17.46 billion, which is \$185 million less than what Congress appropriated in FY 2014.

This Administration has been clear that space exploration is not high on its list of priorities for the past several years. This situation is not the fault of NASA, but the White House. It was the White House's decision to cancel the Constellation program in 2010, which—along with the retirement of the Space Shuttle—was a major blow to our nation's space program after billions were invested in building this program. NASA astronauts are now beholden to Russia to hitch a ride to space at a cost of \$70 million per seat, and many people question America's preeminence in space exploration as a result. Further, it was the White House's decision in 2012 to cancel a joint robotic mission to Mars along with our European allies, which led the European Space Agency to work with Russia instead of the United States in this endeavor. In the FY 2015 budget proposal, the White House is canceling SOFIA, a joint airborne observatory with the German Space Agency, after \$1 billion has been spent on its development and it is only beginning to produce scientific results.

These decisions by the White House—which NASA is simply told to execute—send a strong signal to our allies that this Administration lacks dedication when it comes to space exploration and that America is an unreliable partner in space endeavors. The Administration is ceding America's leadership in space exploration and instead places far higher priority in using NASA's funds for climate change satellites and studies.

Human Spaceflight

With the retirement of the Space Shuttle, America currently has no domestic capability to carry our astronauts to space—a strategic national capability. NASA currently pays the Russians over \$70 million per seat for each of our astronauts to hitch a ride. This price has increased over several years, and it is likely to increase in the future. This is the single greatest example of America’s leadership in space slipping under this Administration.

For this reason, the Committee remains dedicated to launching American astronauts on American rockets from American soil as soon as is practicably safe to do so. The NASA Authorization Act of 2013, passed by the Committee last year, authorizes \$700 million of government funding for NASA’s commercial crew program and reiterates its directive that the Orion crew vehicle and Space Launch System be developed as a back-up capability if the proposed commercial service runs into technical problems. NASA needs to focus this development effort toward meeting the primary goal of launching American astronauts as soon as possible rather than any secondary goals, such as developing a purported commercial market beyond NASA’s transportation needs to the International Space Station or using NASA’s government funds to carry more than one commercial provider.

For the third budget request in as many years, the Administration has set a budget for the Space Launch System and Orion crew capsule which are inadequate to meeting the Administration’s stated milestones. For the past several years, Congress has authorized and appropriated more funding for these systems than the Administration requested because the Congress believes in the importance of space exploration in spite of the President’s budget request. The Administration has routinely sought to undermine this priority, and does so again with its FY 2015 budget request. The Committee does not support the Administration’s request for the Space Launch System and Orion crew vehicle as it is insufficient to accomplish the stated goals and milestones for the program.

The Administration continues to pursue an uninspiring mission to robotically capture an asteroid the size of a large conference table and tow it back to lunar orbit for astronauts to rendezvous with it. This mission concept was dismissed by scientists, engineers, and NASA’s own advisory committees. Further, the President’s budget request includes allocating more resources to find and categorize small asteroids (less than 20 meters) for use in the proposed Asteroid Redirect Mission. The Committee believes it is time for the Administration to move on from this costly detour and pursue planning for missions better suited to the long-term goal of reaching Mars, perhaps including a flyby of the Red Planet to be launched in 2021.

Space Technology

The Congressional justification for the President’s budget request for FY 2015 describes work done within Space Technology Mission Directorate that clearly overlaps with other mission directorates. For example, NASA claims that the Exploration Technology Development program within the Directorate is for “advanc[ing] technologies required for humans to explore beyond low-Earth orbit.” However, the Human Exploration and Operations Mission Directorate

includes the Advanced Exploration Systems program which is described as “an innovative approach to developing foundational technologies and high-priority capabilities that will become the building blocks for future space missions.” This appears to demonstrate duplicative purposes. Similarly, it is unclear whether the Space Technology Mission Directorate is designed to support other mission directorate activities; technology gaps within NASA; or private sector interests. The Committee believes there is a need for innovative technology. However, it is far from clear how the current program meets those technology challenges in a meaningful or efficient way.

Science

While other NASA science divisions have been consistently asked to do more with smaller budgets, the Administration continues to request that Earth Science receive a disproportionate amount of funding, while cutting other highly productive areas like Planetary Science and Astrophysics. The FY 2015 budget requests \$1.77 billion, or 36 percent of the total Science Mission Directorate budget, be devoted to Earth Science. The budget request for Planetary Science is \$65 million less than the amount appropriated by Congress in FY 2014.

In Planetary Sciences, the budget identifies \$15 million for pre-formulation of a Europa mission, but it anticipates no out-year funding to spend on further development of a possible mission. This is unrealistic. The Administration has said that it will support a Europa Clipper mission, similar to the one outlined in the most recent decadal survey, but with funding capped to \$1 billion. A mission at that cost is not likely to meet science priorities of the scientific community.

The President’s budget request cuts the Astrophysics budget by \$61 million compared to the amount appropriated by Congress in FY 2014. Part of that reduction includes the elimination of SOFIA, an airborne infrared telescope that cost over \$1 billion to build and only recently reached operational status. Before NASA takes any action on the White House’s proposal to mothball SOFIA, NASA’s advisory council should evaluate the Administration’s proposal. At this time, the Committee does not support the Administration’s proposal to mothball the SOFIA aircraft based on the Administration’s budget justification.

The Committee supports the James Webb Space Telescope with a targeted launch date of fall 2018. The Administration failed to address known budget and schedule problems for several years, even though it remains the top priority of the astronomy and astrophysics scientific community. The Committee will continue to closely oversee this program to ensure it remains on schedule and within budget.

Aeronautics

The Administration’s FY15 budget requests \$551.1 million for the Aeronautics Research Mission Directorate (ARMD), a 2.6% decrease from the \$566 million enacted in the FY14 appropriations bill. The Administration has reorganized ARMD from six research programs into four programs: three “mission” programs and one program focused on developing high-risk, forward thinking ideas. Though the Administration has identified several major activities under ARMD will be housed under the new organization, the challenge will be to ensure that those

initiatives continue to be run efficiently and effectively under the new organization, and that none of the functions of ARMD are lost. The Committee supports the development, transfer, and implementation of new technologies as part of the Next Generation air traffic control modernization as well as NASA's planned work integrating unmanned aerial systems (UAS) into the national airspace, supersonics, rotorcraft, and composite materials.

Education

The FY 2015 budget request for NASA education attempts to move forward the Administration's continued efforts to reorganize federal STEM education programming proposed last year without any input from STEM educators. The request of \$89 million is a \$28 million cut from the amount appropriated by Congress in FY 2014. While consolidation may be necessary to strengthen federal STEM programs, the Committee remains concerned that the proposed reorganization will adversely affect longstanding, hands-on STEM education opportunities provided by NASA researchers to students.

The National Science Foundation

The National Science Foundation (NSF) provides 24 percent of federal support for all basic research at U.S. colleges and universities, almost 2,000 institutions in all, and is second only to the National Institutes of Health in support for all academic research. It is the primary source of federal funding for non-medical basic research, providing approximately 40 percent of all federal support, and serves as a catalyst for science, technology, engineering, and mathematics (STEM) education improvement at all levels. Ninety-four percent of NSF funding goes directly toward basic research initiatives which support the fundamental investigations that ultimately serve as the foundation for progress in nationally significant areas such as national security (especially cybersecurity), technology-driven economic growth, energy independence, health care, nanotechnology, and networking and information technology. The Science Committee is currently reauthorizing the NSF for FY 2014 and FY 2015 in H.R. 4186, the Frontiers in Innovation, Research, Science and Technology (FIRST) Act. H.R. 4186 was approved by the Committee's Subcommittee on Research and Technology on a bipartisan basis on March 13 with full committee markup planned in April.

The FIRST Act, approved on a bipartisan basis by the Science Committee's Research and Technology Subcommittee on March 13, authorizes \$7.28 billion for the NSF in FY 2015, which represents a 1.5% increase from FY 2014 appropriations and is slightly higher than the President's budget request. The Committee recognizes the importance of making appropriate investments in science and technology basic research and STEM education in order that America remain a world leader in scientific and technical innovation that spurs our economy.

The Committee remains concerned that the Administration is diverting scarce NSF basic research funds to priorities that are better left to other federal agencies with more expertise and likely are duplicative of other efforts. For example, NSF proposes to spend \$362 million for clean energy research and \$139 million for the Science, Engineering, and Education for Sustainability (SEES) program. NSF's proposed contribution to the interagency US Global Change Research Program—with more than \$2.5 billion requested in various agencies—is \$318

million in FY 2015, a 50% increase since 2008. Further, the NSF budget request for Social, Behavioral, and Economic Sciences (SBE) is more than \$272 million in FY 2015, which represents an increase of 12.2% and 6.0%, respectively, over the FY 2013 and FY 2014 amounts. This increase is disproportionately larger than other research fields with a high return on investment. In fact, the Biology (BIO), Mathematical and Physical Sciences (MPS), and Computer and Information Science and Engineering (CISE) Directorates are targeted for cuts to their budgets. The Committee views these cuts as misguided and unjustified, as they amount to ceding our international advantage in research and development in these critical areas to countries such as China and South Korea. Further, the Committee is concerned that the Administration has lost sight of the NSF's core mission to support the physical sciences that lead to technological innovations and economic benefits. Several recent studies conducted using the NSF's SBE funding have been of very questionable value for an agency devoted to spur innovation and American competitiveness. Scientific endeavors in areas that have demonstrated return on investment for the American taxpayer deserve priority.

The Committee recommends the following directorate-level specifications of funding within NSF's Research and Related Activities account consistent with H.R. 4186 in FY 2015:

- Mathematical and Physical Science: \$1,399,400,000
- Computer and Information Science and Engineering: \$963,186,770
- Engineering: \$910,640,000
- Biological Science: \$760,030,000
- Geoscience: \$1,265,840,000
- International and Integrative Activities: \$400,000,000
- Social, Behavioral, and Economics: \$200,000,000
- United States Arctic Commission: \$1,400,000

The Committee recommends focusing any and all increases in NSF funding on the following four priority directorates: Mathematical and Physical Science; Computer and Information Science and Engineering; Engineering; and Biological Science. NSF operations should be held to the current \$298 million and the IG budget should be \$15.2 million.

National Institute of Standards and Technology (NIST)

As a non-regulatory science agency that supports American commerce, NIST conducts high-quality research and develops technical standards that keep our industries globally competitive and benefit all Americans. The Administration's FY 2015 budget request includes a funding level of \$900 million, an increase of \$50 million or 5.9 percent from FY 2014 appropriation for NIST. The FIRST Act, approved on a bipartisan basis by the Science Committee's Research and Technology Subcommittee on March 13, authorizes \$863 million in FY 2015 for the Institute. Within this amount, the Committee prioritizes the fundamental, enabling core research of the NIST laboratories in the Scientific and Technical Research and Services account. Additional resources are authorized for this priority and could be further enhanced with available resources authorized for technology services within that account.

If funded, the NIST strategy for laboratory technology transfer should be funded out of the Industrial Technology Services authorization. The Committee recognizes the need to

strengthen our nation's manufacturing sector and the need for ways to improve the transfer of federally-funded manufacturing research at universities and government laboratories to the private sector. In FY 2014, Congress approved \$128 million for NIST's Manufacturing Extension Partnership (MEP) and \$15 million for the Advanced Manufacturing Technology program. The FIRST Act authorizes nearly \$130 million for MEP in FY 2015. MEP has a proven track record of success and an existing network of partnerships. Instead of creating a new network of institutes, as the Administration proposes, we should build on the success of the existing MEP program and its partner centers.

Office of Science and Technology Policy (OSTP)

Citing Executive Privilege, OSTP has refused the Committee's repeated requests for U.S. Chief Technology Officer Todd Park to testify on his role in co-chairing the White House Steering Committee to build the Healthcare.gov website. At no time during Science Committee oversight hearings or briefings over the past several years did OSTP ever mention the Office's role with the Healthcare.gov website. Further, OSTP's staffing has grown significantly over the past several years, mostly through agency detailees. Since OSTP neither demonstrates an unwillingness to be held accountable for its actions nor provide transparency to the American people, the Committee recommends a funding reduction of \$1 million for OSTP, commensurate with the size of the Office of the Chief Technology Officer.

Department of Energy (DOE)

The Department of Energy (DOE) funds a wide range of research, development, demonstration and commercial application activities. The overall FY 2015 budget request for DOE is \$27.94 billion, which represents a \$716 million or 2.6 percent increase over enacted FY 2014 levels (\$27.22 billion). A little over a third of this amount is directed to civilian energy research, development, and demonstration programs in the Science Committee's jurisdiction. The budget request also reflects a reorganization of the Energy Department into three Under Secretariats (Energy and Science, Nuclear Security, and Management and Performance). The Committee recognizes the importance of energy development to America's economic future, but has serious concerns with the overall spending and asymmetric prioritization within the President's budget request. Rather than late-stage demonstration and deployment efforts, DOE's top priority should be basic research and foundational science centered on domestic energy resources. Basic research serves as a long-term economic driver and provides the foundation for sustainable growth, rather than short-term, potentially expensive commercialization activities that result in the government picking winners and losers in the energy technology marketplace.

Office of Science

The DOE Office of Science (SC) is the federal government's primary supporter of long-term basic research in the physical sciences, as well as design, construction, and operation of major scientific user facilities. The FY 2015 budget request for SC is \$5.1 billion, a 0.9 percent increase over enacted FY 2014 levels. The Science Committee recognizes the key scientific role the Office of Science performs in the federal government's research capabilities. The Office of Science has an established record of making crucial scientific discoveries and serves as a long-

term driver of innovation and economic growth. We also acknowledge SC's record of excellence in managing world-class scientific facilities, which deliver revolutionary scientific breakthroughs in numerous scientific disciplines. Accordingly, the Committee believes the Office of Science should be the highest priority for DOE R&D programs and should be the focus for any available increases, especially in Basic Energy Sciences and Advanced Scientific Computing Research. However, in light of budget circumstances, the Committee believes there are other opportunities within the DOE budget for reductions in spending.

The Administration's budget request of \$2.3 billion for the Office of Energy Efficiency and Renewable Energy (EERE) represents a 21.9 percent (\$416 million) increase from the FY 2014 enacted level. The Committee strongly objects to the requested increase in EERE's budget. This concern is based on EERE's focus on incremental, relatively low-impact technological advances which pose the potential for overlap and duplication resulting from the DOE's multitude of programs. Further, beyond specific programmatic concerns, the ability of EERE to responsibly manage and effectively oversee a nearly 10.1 percent year-over-year budget increase since FY 2008 is questionable. The Committee recommends that the DOE budget reflect the proper role of the federal government by prioritizing basic research in the Office of Science, rather than the increasingly gratuitous approach of picking winners and losers.

Nuclear Energy

The Administration's request for the DOE Office of Nuclear Energy (NE) is \$863.4 million, a 2.8 percent reduction from the enacted FY 2014 appropriation. The Committee objects to these proposed budget cuts for NE, especially in light of the Administration's misplaced, unjustified increases in other parts of the DOE budget. Accordingly, the Committee supports continuing analytical examination of issues associated with nuclear safety and the development of small modular reactor designs in collaboration with the Nuclear Regulatory Commission.

Fossil R&D

The DOE Office of Fossil Energy (FE) supports research and development focused on coal (including "clean coal" technologies), natural gas, and petroleum, and also supports the federal government's Strategic Petroleum Reserve. The President's FY 2015 budget request for Fossil Energy R&D is \$475.5 million. This reflects a reduction of 15.4 percent from its FY 2014 enacted level of \$561.9 million. The Committee has serious concern about the way the Administration's budget request undermines fossil fuel research and technologies while providing a hefty increase for renewable technologies.

The Committee continues to support a real "all-of-the-above" approach to energy policy centered on aggressively developing domestic energy resources to ensure access to abundant and affordable energy. However, President Obama's reluctance to support research in fossil energies is clearly reflected in the substantial cuts for carbon capture (-16.3%), carbon storage (-26.4%), and advanced energy systems (-48.7%). The National Energy Technology Laboratory has been spared, with a proposed reduction (-32%) to \$35 million. The Science Committee is

disappointed to see the budget again propose to eliminate the Ultra-Deepwater and Unconventional Fossil Energy Technologies programs.

The shift away from fossil development is coupled with new funding for initiatives that may even place limitations on the use of natural gas. For the first time, the Administration requested a \$25 million allotment for carbon capture and storage demonstrations for natural gas. Likewise, the Committee is skeptical of the DOE request for \$35 million for the Natural Gas Technologies Program. This is dedicated to a new priority collaboration with the Environmental Protection Agency and the U.S. Geological Survey to "understand and minimize the potential environmental, health, and safety impacts of shale gas development through hydraulic fracturing." The budget provides very little information on what research topics or questions this funding seeks to answer, and the Committee is concerned that this program is intended to simply identify additional opportunities for the Administration to regulate hydraulic fracturing. The Committee supports the current practice of state-led regulation of hydraulic fracturing and is concerned that the Administration seems to be actively searching for a reason to regulate this abundant domestic energy resource.

DOE Loan Programs

The FY 2015 Loan Programs Office budget request will allow the Innovative Technology Loan Guarantee Program to continue active monitoring of closed projects while increasing efforts to deploy \$28 billion in loan authority and \$169.6 million in section 1703 credit subsidies for innovative energy technologies.

The loan guarantee program offers businesses the ability to secure below market financing rates. Private financial institutions have a record of supporting economically feasible and valuable projects. Highly developed financial markets have the necessary tools to evaluate the relative worth of an energy project and provide the appropriate level of financing. Accordingly, the federal government should avoid interference in energy technology markets that results in "picking winners and losers" among competing companies and technologies. This concern is further exacerbated by political favoritism that drove decision-making associated with loan decisions made earlier in this Administration. In light of the loan guarantees program's troubling record, the Committee supports funding only those activities necessary to support the existing portfolio of loan programs, but recommends rescinding funds for new credit subsidies.

U.S. Global Change Research Program

The U.S. Global Change Research Program (USGCRP) FY 2015 budget request is \$2.5 billion, an increase of \$12 million or 0.5 percent above the FY 2014 estimated levels. USGCRP coordinates and integrates Federal research and applications related to global climate change and in support of the President's Climate Action Plan. Despite the expected completion of the National Climate Assessment in FY 2014, the USGCRP FY 2015 budget includes significant increases in the contributions from the Department of Energy (up 13 percent to \$246 million), the Department of Commerce including NOAA and NIST (up 6 percent to \$348 million), the Department of the Interior/USGS (up 33 percent to \$72 million) and the U.S. EPA (up 11 percent to \$20 million). The Committee remains concerned that these inter-agency efforts have never

fallen from 2009 stimulus levels; in fact, the FY 2015 request is more than half a billion dollars, or more than 25 percent, above FY 2008 levels. Similarly, additional funds are being requested for other program areas not contained in the USGCRP request, including \$5.2 billion for DOE's Clean Energy Technologies, and \$1 billion for a new Climate Resilience Fund. The Committee views these requests as ill-defined and fiscally-irresponsible.

National Oceanic and Atmospheric Administration (NOAA)

NOAA's FY 2015 budget request is \$5.5 billion, an increase of \$174.1 million or 3.2 percent above the FY 2014 enacted levels. Within that amount, over \$2.24 billion is for the National Environmental Satellite, Data and Information Service (NESDIS), a \$161.9 million or 7.8 percent, increase over FY 2014 levels. The NESDIS budget primarily funds the Joint Polar Satellite System (JPSS) and the Geostationary Operational Environmental Satellites (GOES) acquisition programs. The Committee remains concerned that the NESDIS request now constitutes more than 40 percent of NOAA's overall request, a dramatic departure from FY 2008 levels when NESDIS spent less than \$1 billion, representing less than one-quarter of the overall NOAA budget.

The Science Committee's top priority for NOAA is rebalancing the agency's research portfolio to better predict severe weather to protect American lives and property. The Committee supports a strong research enterprise at NOAA; however, the Administration continues to direct NOAA research funding increases almost exclusively to climate rather than weather. The Administration's most recent budget request would only exacerbate the imbalance between these priorities, resulting in a climate research budget over two times larger than that for weather research (\$188.3 million vs. \$84.9 million, respectively). The FY 2015 request includes an increase of more than \$30 million for climate research (a more than 20 percent jump from FY 2014 enacted levels). This portfolio is not in sync with the public safety needs of the American people and should be rebalanced.

The Committee supports fully implementing H.R. 2413, the Weather Forecasting Improvement Act. H.R. 2413 reported by the Science Committee and pending House consideration, prioritizes weather R&D and technology transfer to operations in the Office of Oceanic and Atmospheric Research at \$120 million. This will make possible accelerated development and deployment of transformative global and regional weather models, enabling graphic processing supercomputing, institutionalized Observing System Simulation Experiments, and new aerial weather observing systems for better meteorological data. The bill authorizes \$20 million of dedicated OAR funding for the direct transfer of new knowledge, technologies, and applications to the National Weather Service and other agencies and entities under a "real-time research" approach.

The Committee recognizes that NOAA's Earth System Prediction Capability (ESPC) includes both weather and climate prediction research. ESPC funds allocated to OAR's Weather Labs and Cooperative Institutes should be exclusively used for improvement of weather models associated with prediction of major storms, tropical storm tracks, tornado outbreaks and other phenomena of great importance to protecting the public from hazards. Climate funding should

only be used for the ESPC model prediction efforts that go beyond the weather hazards time scale of forecasts out to two weeks.

The Science Committee supports full-funding for the GOES weather satellites, as they are too important to fail the American public. However, the Committee remains concerned with the cost, potential forthcoming gap in weather satellite data, and NOAA's mismanagement of JPSS (estimated lifecycle cost for JPSS is \$11.3 billion through 2025). For years, this program and its predecessor have been plagued with cost over-runs, poor management, agency infighting, technical problems and contractor mistakes. A recent, independent review found NOAA's management still to be "dysfunctional" and elucidated on various management problems and recommended solutions. The Committee only supports funding for JPSS if the Administration provides much greater transparency with independent cost estimates for the program and requires much more proactive management within NOAA and the Department of Commerce. Further, in order to mitigate the impact of a gap in weather satellite coverage, and as a condition of JPSS funding, Congress must require NOAA to immediately and objectively consider and implement alternative, less-costly sources of weather data and monitoring capabilities. Such consideration should include observing system simulation experiments to assess the value of data from Global Positioning System radio occultation and a geostationary hyperspectral sounder global constellation.

The Science Committee generally supports the overall National Weather Service budget request of \$1.06 billion in FY 2015, a modest decrease from FY 2014. The Committee is supportive of efforts to implement recent management recommendations from the National Academy of Sciences and the National Academy of Public Administration. However, the Committee is concerned that the Administration's proposal to reduce or eliminate certain observational networks or the Hurricane Forecast Improvement Program. This proposal is counter to past recommendations from these bodies and the U.S. weather enterprise.

Within the climate research program, the Committee supports the National Integrated Drought Information System (NIDIS) at \$13.5 million, a vital research program for communicating drought information to the states. The Science Committee recently reported the NIDIS Reauthorization Act of 2014, sponsored by Representative Ralph Hall of Texas. The bill has since been signed into law, underscoring an important, practical program beneficial to all Americans.

Environmental Protection Agency (EPA)

EPA's FY 2015 Science and Technology (S&T) budget request is \$763.8 million (less than a 1 percent increase), and the request for the Agency's Office of Research and Development request is \$537.3 million.

The Administration's ambitious regulatory agenda should be dependent on, and ultimately determined by, objective, transparent scientific and technical information. Unfortunately, Science Committee oversight efforts have identified numerous instances in which such information was distorted, withheld from peer review scientific scrutiny, and selectively used to advance a pre-determined agenda. As a result of EPA's advocacy-driven scientific

activities and the lack of transparency in major environmental research funded by the Agency, the Committee sees fundamental reforms and adherence to the Administration's Scientific Integrity Policy as a prerequisite to funding this research. Specifically, EPA S&T funding should be made strictly contingent on requiring the EPA Administrator to specifically identify and make publicly available all scientific and technical information relied on to support a risk, exposure, or hazard assessment, criteria document, standard, limitation, regulation, regulatory impact analysis, or guidance.

Numerous problems with the Agency's Integrated Risk Information System (IRIS) have been highlighted by the National Academy of Sciences, the Government Accountability Office, and in testimony before the Committee. In light of these problems, the Science Committee recommends that resources be directed to ensure that all ongoing assessments adhere to more rigorous peer review, the requirements outlined in the conference report of the Consolidated Appropriations Act of 2012, and the recommendations in chapter seven of the National Academy of Sciences' Review of EPA's Draft IRIS Assessment of Formaldehyde.

Further, all these overwhelming problems and serious integrity concerns of fraud and abuse justify a robust EPA Inspector General (IG) operation and full funding of their \$57.2 million request. The Committee is troubled by reports that the EPA Office of Homeland Security office refuses to cooperate with the EPA IG. Therefore, funding for this Office should also be contingent on its submission to full IG oversight jurisdiction.

Department of Homeland Security (DHS)

The FY 2015 budget request for the Department of Homeland Security Science and Technology Directorate (DHS S&T) is over \$1.07 billion, a decrease of \$148.2 million or 12.2 percent from the FY 2014 enacted level. The FY 2015 budget request for the Domestic Nuclear Detection Office (DNDO) is \$304.4 million, a \$19.2 million or 6.7 percent increase from the FY14 enacted level.

The Committee recognizes the important role that research and development plays in supporting DHS's mission and believes that the S&T Directorate should be provided with the resources it needs to keep our nation safe and our borders secure. However, in a constrained fiscal environment, it is essential that DHS gets the most out of each and every dollar by providing tangible results that further the Department's mission and coordinating with other agencies to maximize efficiencies.

Department of Transportation

Office of the Assistant Secretary for Research and Technology

The Department of Transportation FY 2015 budget request has moved all activities currently performed by the Research and Technology Administration (RITA) to a new office within the Office of the Secretary. The RITA Administrator would become the Assistant Secretary for Research and Technology. The FY 2015 budget request for the research and

development activities of the new Office of the Assistant Secretary for Research and Technology is \$14.6 million, which is \$0.2 million below the FY 2014 enacted level.

Federal Aviation Administration

FAA Office of Commercial Space Transportation

The Federal Aviation Administration's Office of Commercial Space Transportation (FAA-AST) plays a critical role in ensuring the safe development of space vehicles under the Commercial Space Launch Act. It is imperative that the Administration continue its efforts to provide a regulatory environment that fosters growth without burdensome regulations. This year, the FAA requested \$16.6 million for FAA-AST, which represents an increase of \$274,000 relative to the Omnibus Appropriations bill passed last year.

For several years the FAA projected dramatic increases in commercial space activity without corresponding requests for increases in budget to handle this activity; this year is no exception. In the Administration's budget request, the FAA asserts that it expects to process applications for 51 launches. This would be an increase of 54 percent over FY2014; however, the Administration is not requesting significant increases in staff to handle the forecasted workload stating, "Compared to FY 2014, the FY 2015 budget does not involve an increase in staff, because the budget is based on the assumption that it will be possible to increase productivity sufficiently to meet the challenge of industry growth."

The Science Committee recognizes that commercial space launch activity is rising. It is the responsibility of FAA-AST to protect the uninvolved public during these launches. Based on the statement of FAA and the budget justification, the Committee is concerned that either:

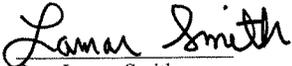
1. The Administration does not believe there will be a dramatic increase of launches and therefore does not need increases in its budget;
2. FAA-AST was grossly overstaffed in past years and the unused capacity at the Office is just now being optimized; or
3. FAA-AST is overly optimistic in predicting the efficiencies it may be able to find.

FAA Research, Development and Technology

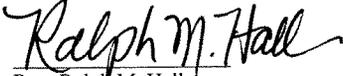
The Science Committee recognizes the importance of the FAA's practical research program for aviation safety. The FY 2015 budget request provides \$282.1 million for Research, Development and Technology, an 11.9 percent reduction (approximately \$38 million) from FY 2014 enacted levels of \$320.4 million. The Research, Engineering and Development (R, E, and D) account requested \$156.8 million, approximately \$2 million less than FY 2014 enacted levels of \$158.8 million. R, E, and D work in Research, Development, and Technology pertains to aviation safety, improving efficiency, reducing environmental impacts, and mission support.

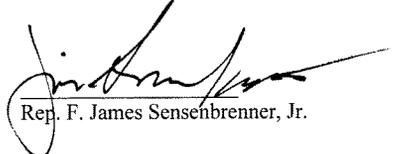
1. The Facilities and Equipment account requested \$69.8 million, almost \$37 million below FY 2014 enacted levels of \$106.6 million.

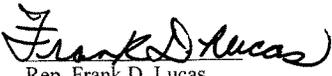
2. The Airport Improvement Program, Airport Technology account requested \$44.8 million, nearly identical to FY 2014 enacted levels of \$44.5 million.
3. The Operations account requested \$10.8 million, almost identical to FY 2014 enacted levels of \$10.5 million.

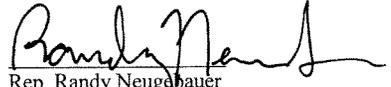

Rep. Lamar Smith

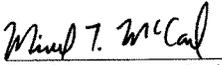

Rep. Dana Rohrabacher

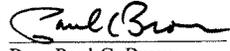

Rep. Ralph M. Hall


Rep. F. James Sensenbrenner, Jr.

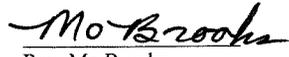

Rep. Frank D. Lucas


Rep. Randy Neugebauer

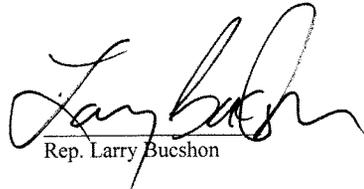

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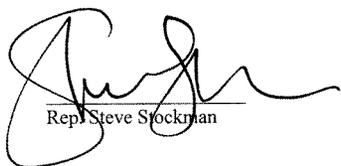

Rep. Paul C. Broun


Rep. Steven M. Palazzo

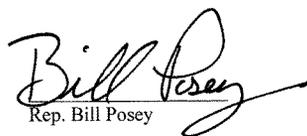

Rep. Mo Brooks


Rep. Randy Hultgren


Rep. Larry Bucshon



Rep. Steve Stockman



Rep. Bill Posey



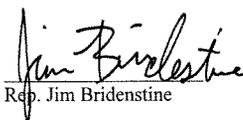
Rep. Cynthia Lummis



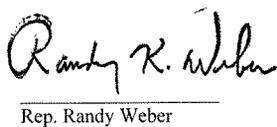
Rep. David Schweikert



Rep. Kevin Cramer



Rep. Jim Bridenstine



Rep. Randy Weber



Rep. Chris Collins

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Congress of the United States
House of Representatives

Committees:
FOREIGN AFFAIRS
Chairman, Subcommittee on
Europe, Eurasia, and Emerging Threats
Subcommittee on Asia and the Pacific
SCIENCE, SPACE, AND TECHNOLOGY
(VICE CHAIRMAN)
Subcommittee on Space
Subcommittee on Environment

ADDITIONAL VIEWS
OF HON. DANA ROHRBACHER
COMMITTEE ON SCIENCE, SPACE AND TECHNOLOGY
FISCAL YEAR 2015 BUDGET

I strongly agree with the Committee's Views and Estimates, but I wish to state a stronger view on certain space topics.

National Aeronautics and Space Administration

The Committee highlights the importance of the Commercial Crew program, which I believe remains our most critical near-term civil space goal. Continued reliance on the Russians, who have been good partners, is becoming difficult. Over the past few years their prices have continued to rise, their vehicles have encountered technical issues, and the geopolitical situation has grown more complex.

I, however, believe that the best way to achieve our primary goal – launching American astronauts as soon as possible on American rockets – is by enabling one of our secondary goals. We should encourage NASA to certify multiple, independent, commercial systems that can bring people safely to orbit and return them to Earth. Competition provides cost savings and schedule reduction incentives that sole source contracts do not. In addition, it makes little sense to retain the tremendous risk from a single point of failure by simply shifting from Soyuz to a single domestic provider.

Despite repeated direction from Congress, I have seen no evidence to suggest that Orion is being given the resources or flexibility it would need to serve as a backup capability for Commercial Crew to ISS. Modifications would be needed for Orion since this extraordinary spacecraft has been optimized for deep space exploration missions. A second Commercial Crew provider could be certified for less funding than would be needed to make the required task-specific modifications to Orion, with the added benefit of maintaining the focus for the Orion team on deep space exploration.

I strongly agree with the Committee that the requested funding for the SLS is inadequate to fulfill the mission. I will go much further and say that I don't believe any reasonable amount from NASA will ever be adequate to regularly fly the SLS. Our Exploration program funding remains wholly inadequate to the mission we have given it. The funding is inadequate to the mission in Fiscal Year 2014, as it was in 2013, 2012, 2011... and back into the past. We refuse to acknowledge the reality, as pointed out by the Augustine Commission, that a mission cannot succeed when it does not match the available funding.

One of the Augustine Commissioners stated that, if Santa Claus himself were to bring down our planned launch vehicle fully designed, tested, and ready to build; we still could not afford to own and operate it within the then-expected budget profile. We are significantly below that level today, and will remain so for the foreseeable future.

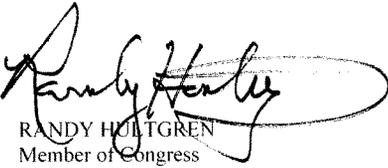
SLS is unaffordable, unnecessary and increasingly unreasonable. We do not need a supermassive heavy lift vehicle to explore the Moon, Mars, or near-Earth asteroids, as long as we are willing to fund relatively modest technology development efforts.

For FY 2015, the Earth Science program request at NASA is nearly \$1.8 billion. NASA's core and unique mission is exploring space. These programs should not be located at NASA, and they continue to divert resources, focus, and expertise away from that core mission.

A handwritten signature in black ink, appearing to read "Dan Rosten". The signature is fluid and cursive, with a large initial "D" and "R".

Rep. Randy Hultgren – Illinois 14th Congressional District
Additional Views and Estimates for the Science, Space and Technology Committee

As the largest federal funding source for the physical sciences, the Department of Energy Office of Science plays a critical role supporting discovery science. In this leadership role, it is important that the programs within the Office of Science carry out a balanced portfolio of research to underpin the nation's scientific enterprise and technology innovation. In fields such as High Energy Physics, which is international in scope, the United States must continue to play a vital role to existing partnerships while building exciting experiments at our national laboratories, such as the Fermi National Accelerator Laboratory in Illinois. The High Energy Physics international collaborations build large and complex scientific experiments, and within constrained federal budgets, the United States should promote stronger ties with international partners through the continued support necessary for promoting scientific diplomacy, securing contributions to these significant scientific projects, enhancing opportunities to train our next generation of young scientists, and incubating new high-tech industries.



RANDY HULTGREN
Member of Congress

Minority Views and Estimates of the Democratic Caucus of the Committee on Science, Space, and Technology on the FY 2015 Budget Request for Submission to the Budget Committee

The Budget Resolution that these Views and Estimates are intended to inform will be the first one to be prepared since Congress decided to move beyond the destructive constraints imposed by sequestration. Sequestration forced cuts to many essential services, but one of its most pernicious impacts was to defer needed investments in research and education—investments that are critically needed if the United States is to remain globally competitive. Our economic competitors recognize the benefits to be obtained from investing in R&D and STEM education, and are increasing their commitment to these areas.

In that regard, we are heartened that the President recognizes the importance of such investments even within the limits imposed by the budget agreement, and that his budget request includes a fully offset Opportunity, Growth, and Security Initiative that will allow increased funding to be provided for research and education beyond what would be possible under the budget agreement alone. Specifically, these additional monies would allow year to year budget increases for the following key research and development agencies, with FY 15 requests as follows: NSF \$7.807 billion (8.9% increase over FY14); NIST \$1.02 billion (20% increase); NASA \$18.346 billion (4% increase); and, DOE Science, EERE, and ARPA-E accounts \$8.492 billion (17 % increase). While we may differ on the merits of specific allocations in the President's budget request, we strongly support his commitment to investing in our future.

As we have said in past Democratic submissions to the Budget Committee, the choice facing our nation is a critical one. Either we make the investments in R&D and innovation that will lead to job creation and improved quality of life now and in the future—or we go down the path of arbitrary and short-sighted cuts to America's science and technology enterprise and the STEM education activities that support it. That latter path will inevitably lead to a future for America that will disadvantage our children and grandchildren.

We choose to invest. It is clear that the nation's R&D agencies have returned significant economic and societal benefits to the American people over

the years. The historical record is clear on that point. We have every reason to expect that future investments will *continue* to deliver significant benefits if we have the foresight to maintain our commitment to fostering R&D and STEM education.

Thus, while there may be specific elements of the Majority's Views and Estimates that some of us can support, the overall negative message and mischaracterizations, misguided policy prescriptions, and failure to invest adequately in key parts of our research and development enterprise make it a document that we cannot embrace.

As the Budget Committee works to craft its Budget Resolution, we urge its Members at least maintain the historical levels of federal investment in R&D and STEM education and hopefully do better than that, whether in basic research, energy technology innovation, aeronautics and space exploration, manufacturing, climate science, or any of the other important elements of our nation's R&D and innovation enterprise. Given the criticality of R&D and STEM education to our nation's future, we see the overall levels in the President's FY 15 budget request and Opportunity, Growth, and Security Initiative as worthy of support. If we shortchange those accounts in an attempt to cut a few more dollars from the deficit over the short-term, the reality is that we will wind up shortchanging our future economy and quality of life. On the other hand, we believe that increased investment in these areas will pay significant dividends over the long run. The choice is clear. We hope that the Members of the Budget Committee will choose the more productive path.

Minority Views and Estimates of the Democratic Caucus of the Committee on
Science, Space, and Technology on the FY 2015 Budget Request for
Submission to the Budget Committee

Rddie Bernice Johnson

Jim Panter

Mark Shw

Spencer Bonini

Donna F. Edwards

Daniel Lipinski

Zoe Lofgren

Jo Kirtland

Eric Swalwell

MV

John Garamendi

Judica S. Wilson

Alan Grayson

Paul K. Healy

John Dingens

Elizabeth H. Esty

Paul B. Hefner

John Dingens

Additional Views and Estimates of

Representative Zoe Lofgren

House Committee on Science, Space and Technology
on the FY 2015 Budget Request for Submission to the Budget Committee

3/25/14

In addition to supporting the Minority Views and Estimates of the Democratic Caucus of the Committee on Science, Space and Technology, which recognize the importance of strong, sustained investment in research and development and science education, I would like to raise before the committee a particular concern.

The Administration's Budget includes difficult decisions to remain within the budget caps established by the Bipartisan Budget Act of 2013, but includes prudent additional investments in the Opportunity, Growth, and Security Initiative. However, under either scenario, the Administration proposes cutting the National Aeronautics and Space Administration's (NASA) Stratospheric Observatory for Infrared Astronomy (SOFIA).

SOFIA is the world's largest airborne observatory. This airplane-based telescope has only come fully online in the past month after over a decade of development and construction, and over \$1 billion dollars invested. The telescope will allow astronomical research that cannot be done in other ways, providing a unique vantage on our solar system, galaxy and the history of the Universe. SOFIA was built and planned to be operated as a partnership with the German Space Agency. SOFIA also provides a unique educational platform, including K-12 science teachers on research flights, with the professional astronomers and technicians.

Canceling this program now would be an affront to our partners, a waste of a significant investment, a major blow to science and education, and a loss of hundreds of high-quality jobs.

I ask the Budget Committee include a role for this valuable scientific and educational tool in their budget resolution.



Minority Views and Estimates of Rep. Suzanne Bonamici, Ranking Member, Subcommittee on Environment of the Committee on Science, Space, and Technology on the FY 2015 Budget Request for Submission to the Budget Committee

I support the President's budget request for the National Oceanic and Atmospheric Administration. NOAA's support for oceans, fisheries, climate and weather research is crucial to jobs, the environment and public safety. The request for the Office of Oceans and Atmospheric Research (OAR) would support \$30 million in growth for the climate office at OAR compared to the FY2014 enacted level (to a total of \$188 million), with half of that growth going to support the expansion of regional climate programs aimed at preparing for the effects of climate change and predicting climactic conditions such as drought. Much of the climate research is directly relevant to improving our ability to make more accurate weather predictions at time frames beyond 14 days. The request for the weather portfolio at OAR shows just a \$3 million increase over the FY2014 enacted level, but that comes on the heels of an effective 25% increase in funding this account in the growth between FY2013 (\$65 million) and FY2014 (\$81 million). This seems a responsible level of growth as the program absorbs the large existing increase. Research into weather is also supported by the National Weather Service, which is requesting \$123 million for FY2015. The combination would represent an investment of \$207 million compared to \$188 million requested for climate research. Finally, the oceans account at OAR represents a \$4 million decrease for a total of \$163.5 million in FY2015.

Every expert witness to appear before the Committee in the last year emphasized that it would be shortsighted to choose one area of NOAA research over others if our intent is to improve weather forecasting. The interconnection between oceans, climate and weather are such that research questions needed to move forecasting skill forward may actually reside in the physics of ocean heat transfer, for example, rather than in a new computer array.

The Committee passed H.R. 2413, the Weather Forecasting Improvement Act of 2014, late in the first session of this Congress. That bill, which includes a significant bipartisan manager's amendment that I cosponsored, is silent on funding across accounts in OAR and largely silent on weather research and development as carried out by the National Weather

Service. However, with an overall authorization ceiling for OAR core weather work of \$100 million for FY2015, the President's request is supportive of the bill's priority for weather.

I encourage the Administration to embrace the policy changes incorporated into the bipartisan Weather Forecasting Improvement Act, as they represent ideas drawn from the work of the National Academies and the broader weather enterprise. The bill also contains provisions that encourage NOAA to move more expeditiously toward tapping the potential of commercial firms to supply data used for weather forecasting and to take steps to insure that extramural research receives a substantial proportion of funds provided to OAR for its research work in weather.

A handwritten signature in black ink, reading "Suzanne Bonamici". The signature is written in a cursive, flowing style with a small flourish at the end.

SAM GRAVES, MISSOURI
CHAIRMAN

NYDIA M. VELAZQUEZ, NEW YORK
RANKING MEMBER

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2501 Rayburn House Office Building
Washington, DC 20515-6515

March 25, 2014

The Honorable Paul Ryan
Chairman
Committee on the Budget
United States House of Representatives
309 Cannon House Office Building
Washington, DC 20515

Dear Chairman Ryan:

Pursuant to clause 4(f) of Rule X of the Rules of the House and § 301(d) of the Congressional Budget Act of 1974, 2 U.S.C. § 632(d), I am transmitting the "Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for Fiscal Year 2015." Dissenting views will be transmitted separately by Members of the Committee.

The Committee approved the Views and Estimates contained herein on March 25, 2014 by voice vote.

Should you or your staff have further questions regarding this document, please contact the Chief Counsel for the Committee, Barry Pineles, at x55821.

Sincerely,


Sam Graves
Chairman

Enclosure

Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for Fiscal Year 2015

Pursuant to clause 4(f) of Rule X of the Rules of the House and § 301(d) of the Congressional Budget Act of 1974, 2 U.S.C. § 632(d), the Committee on Small Business is transmitting herein: (1) its views and estimates on all matters within its jurisdiction or functions to be set forth in the concurrent resolution on the budget for Fiscal Year 2015; and (2) recommendations for improved governmental performance.

The budget request for the Small Business Administration (SBA) in FY 2015 is \$864.64 million – a decrease of approximately \$64 million from the levels appropriated for FY 2014. The majority of the decrease (about \$47 million) stems from the reduction in appropriations needed to cover the cost of the SBA loan programs. There are other minor decreases spread across other SBA programs. Of these funds, approximately half are devoted to salaries and expenses.¹ Total employment remains constant at 2,136 employees. The SBA also has requested nearly \$39 million in SBA-initiated entrepreneurial development programs that have not been reviewed or approved by this Committee and duplicate existing longstanding small business outreach efforts funded through the agency's appropriation.

In the Committee's view, most of the funds for these new SBA-created outreach efforts should be eliminated while a modest amount should be reallocated to other areas, including improvements to the SBA's information technology and the hiring of additional personnel to assist small businesses in obtaining federal government contracts. These modest reallocations will reduce risk to taxpayers without increasing the overall size of the SBA. Ultimately, the changes recommended will provide greater assistance to small businesses – the primary generator of needed jobs in the economy.

Capital Access Programs

As the economy continues its embryonic recovery, small businesses will seek funds to expand their businesses. Yet, small businesses still have difficulty obtaining needed credit to operate as the hangover from the restrictions on lending due to the financial crisis remain. Businesses with solid operating histories have seen their credit lines reduced or eliminated. The SBA capital access programs provide businesses with necessary capital and credit to create jobs that the economy needs.

7(a) Guaranteed Loan Program

The 7(a) Loan Program is the primary program for providing financial assistance to entrepreneurs. The program utilizes private lenders who make loans and receive guarantees from the SBA that a portion (varying from 50 to 85 percent of the loan) will be repaid by the United States Treasury even if the borrower defaults. Until FY 2006, Congress appropriated funds to supplement the fees charged by the SBA in order to cover

¹ The salaries and expenses is subdivided further into three subaccounts: 1) general agency operations; 2) business loan administrative costs and 3) disaster loan administrative costs.

the cost of the program as required by the Federal Credit Reform Act.² From FY 2005 until FY 2010, fees covered the cost of the program without the need for an appropriation. From FY 2010 to FY 2014, the economic downturn required Congress to appropriate funds to cover the costs of the 7(a) Loan Program that were not obtained from fees charged by the SBA and recoveries on collateral from defaulted loans. The economic recovery enabled the 7(a) Loan Program to return to a zero subsidy

In fact the 7(a) Loan Program will operate at a negative subsidy rate, i.e., it will take in more in fees and recoveries than is necessary to cover the cost of the program. Since these funds cannot be reallocated to any other SBA account, the Committee suggests that it would make sense for the SBA to make minor reductions in the fees charged to borrowers and lenders such that the program operates at zero subsidy.

The SBA requests authorization to make \$15.65 billion in loans under the 7(a) Loan Guarantee Program. Given expected demand and the fact that the program is operating at a negative subsidy rate, the Committee believes that it would be appropriate to authorize an increase in the authorized lending to \$16.65 billion. This should prevent the program from reaching a limit that might necessitate restrictions in lending without adding any cost to the federal government from the increased authorization amount.

The Committee remains strongly concerned about the SBA's use of its pilot program authority pursuant to § 7(a)(25) of the Small Business Act. This authority originally was created to provide the SBA with some flexibility to meet unexpected needs of a diverse small business economy. The SBA, however, abuses this authority by creating programs that last for decades³ and frequently add to the overall cost of the 7(a) Loan Program (through higher defaults). Furthermore, the programs are created without notice and comment so that neither lenders nor borrowers provide input that might improve the overall operations of the pilots. The Committee recommends that no funds be allocated from the 7(a) Loan Program or any other account be used to establish any new pilot programs unless the SBA establishes the programs after notice and comment and places strict limits on the length such programs can operate. In addition to limitations on funding, the Committee may consider additional legislative restrictions on this pilot program authority.

² Under the Federal Credit Reform Act, the SBA must determine the costs needed to cover potential losses from the cohort of loans made in the fiscal year in which the loans were made. Determining the net present value involves estimating expected loan defaults in the future less any recoveries of collateral on the defaulted loans. According to the agency's estimates, defaults are only expected to rise very modestly; the real issue is the expected recoveries will be lower due to reductions in the value of collateral.

³ For example, the SBA announced that it will extend the Community Advantage Pilot Program until 2017, SBA, FY 2015 CONGRESSIONAL BUDGET JUSTIFICATION 76 (2014). The program was created in 2012 which means that the pilot program (after the most recently announced extension) will last longer than many government agency authorizations. Despite this, the SBA calls it a pilot program and avoids the transparency that would come with notice and comment rulemaking if the program was not a pilot.

The Certified Development Company Loan Program

The Certified Development Company (CDC or colloquially the "504 loan") program utilizes both private and government-guaranteed financing to provide long-term financing on larger capital projects that provide economic development to local communities. Loans made by CDCs must meet certain public policy goals (such as assisting manufacturers or promoting economic development) and demonstrate that the loans will create jobs.

Fees are charged to borrowers and lenders to cover the cost of the program in order to drive the subsidy rate to zero, i.e., so that there would be no appropriation needed to cover the cost of the program under the Federal Credit Reform Act. Despite the statutory mandate to maintain a zero subsidy, Congress also limited the size of fees that the SBA could impose on CDCs and borrowers. As with the 7(a) Loan Program, economic conditions (particularly lower than expected recoveries on the value of collateral)⁴ have made it impossible for the SBA to continue operating the CDC Program without an appropriation. The SBA requested \$45 million dollars in subsidy to cover \$7.5 billion in lending. Given the value that CDC lending has to small businesses seeking to create jobs, the Committee believes it would be inappropriate to reduce the \$7.5 billion in an effort to save money. The Committee does not expect that demand for loans by CDCs will exceed the requested amounts.

Commercial Refinancing under the CDC Program

As an economic development program that was aimed at creating jobs, small businesses could not use loans from CDCs to refinance existing debt. The Small Business Jobs Act of 2010, Pub. L. No. 111-240, created a temporary, two-year program that authorizes refinancing of existing debt using the CDC Loan Program. The authority for the program lapsed. However, the SBA has requested reauthorization of this program for another year so that CDCs could refinance \$7.5 billion in commercial real estate loans on the basis that the program will receive sufficient fees to operate at zero subsidy.

In its views and estimates since the enactment of the Small Business Jobs Act of 2010, the Committee has expressed significant concerns about the potential future costs to taxpayers. According to reestimates by the Office of Management and Budget (OMB), the subsidy rates for the commercial refinance program are 3.19 percent for loans made in FY 2011 and 1.38 percent for loans made in FY 2012.⁵ Thus, the Committee's concern about risks to the taxpayer were completely justified by OMB's own calculations and the Committee has no assurances that the fees collected under a reauthorized

⁴ Most of the collateral for CDC loans is in commercial real estate. Although the initial cause of the financial crisis was not commercial real estate, the ensuing economic downturn has adversely affected the value of commercial real estate.

⁵ OMB, FY 2015 FEDERAL CREDIT SUPPLEMENT, BUDGET OF THE U.S. GOVERNMENT 73 (2014) [hereinafter FY 2015 Credit Supplement].

commercial refinance program would meet the zero-subsidy requirement given past experience.⁶ As a result, the Committee cannot, at this time, support the allocation of any funds or authorization of lending levels for a commercial refinance program similar to that created in the 2010 Small Business Jobs Act.

Microloans

The Microloan Program is a microfinancing program in which very small loans are made to very high risk customers, usually those that would not consider utilizing banks. The SBA makes loans, at below market rates, to intermediaries who then turn around and lend to small businesses. Although the default rate on loans to intermediaries is nearly zero, there is a cost to subsidize the difference between market interest rates and the interest rates charged to intermediaries. The SBA requests an appropriation of \$2.5 million to cover lending to intermediaries of \$25 million which represents a reduction of \$2.1 million from FY 2014. Given the cost of the subsidy and the effectiveness of the program in providing startup funds to potential entrepreneurs that otherwise would have no access to debt financing, this modest investment in microfinancing should continue.

Small Business Lending Intermediary Pilot Program

Under the program, 20 intermediaries will be loaned \$1,000,000 each to make loans of up to \$200,000 to small businesses. The intermediaries will not have to repay these \$1,000,000 loans for a period of two years (either principal or interest) and then the interest rate is one percent. In short, this program could wind up making loans to exactly 100 businesses (each intermediary making \$200,000 loans to five businesses). According to the SBA, the purpose of the program is to alleviate the lack of credit availability to small businesses. Considering that there are about 28 million small businesses, this program could be limited to a total of less than three-ten thousandths of one percent of the small businesses in the United States. And according to the President's budget, the subsidy rate for this program is almost 29 percent for loans made in FY 2011 and 23 percent for loans made in FY 2012.⁷ In contrast, the 7(a) Loan Program has a negative subsidy rate and provides loans to thousands of businesses. Thus, the program helps very few businesses at a high risk to the taxpayer and no funds should be allocated for it. Again, the Intermediary Lending Pilot Program further demonstrates the inability of the SBA to control risks associated with its pilot programs.

Small Business Investment Company Program

The Small Business Investment Company (SBIC) was instituted in an effort to ensure that small businesses could obtain equity as well as debt financing.⁸ Although an

⁶ Unlike investments in the stock market in which brokerages must claim that past performance is not indicative of future returns, the Committee's experience with the SBA strongly suggests that past performance is an accurate predictor of future results.

⁷ FY 2015 Credit Supplement, *supra* note 4, at 51.

⁸ The Committee on Small Business held hearings in the 110th Congress showing that small businesses still have difficulty raising equity capital. This problem has been compounded by additional burdens associated

oversimplification, the SBIC program operates by the federal government guaranteeing an instrument sold by the SBIC to private investors. The SBIC repays the government from payments made to it by the companies in which the SBIC invested.

The Debenture SBIC program is designed to provide equity injections to small businesses that have been operational for a number of years and have a track record of cash-flow and profits. Debenture SBICs have invested in enterprises such as Callaway Golf, Outback Steakhouse, Dell Computer, and Nike. The program is financially sound because the structure of repayments ensures that the government will not suffer significant losses.⁹ Thus, no changes are needed to the program and it operates on a zero subsidy basis without an appropriation. The SBA budget is fully supportive of this program and we concur in that recommendation. We also concur that the program should be provided with an authority level of \$4 billion for FY 2015 (the same level as authorized in FY 2014) is adequate.

The SBA created two new initiatives in FY 2012: 1) an Impact Fund designed to help economically distressed regions; and 2) an Early Stage Fund to offer investments to startup businesses. The Debenture SBIC Program is not well designed to help startups (which is why Congress created the Participating Security SBIC Program in 1992). Congress also created a New Market Venture Capital Company Program to provide investment in economically distressed regions. Although the Congressionally-enacted programs have problems, the SBA has never provided any suggestions on how to ameliorate those problems. Instead, the agency decided to create the two new programs without specific authority from Congress, utilize existing debenture SBIC authority (but potentially diverts it to SBA-selected targets rather than those of venture capitalists), and duplicate extant programs. This is typical behavior of the SBA and to prevent the SBA from modifying a successful investment program, the Committee strongly recommends that no funds be provided from any account for the continuation of these programs (the \$4 billion should be allocated to any debenture SBIC that files an adequate application without any precondition or preference to a specific investment strategy). The Committee on the Budget also should provide further protection to the existing debenture SBIC program by requiring any modifications to the program, whether a pilot program or not, be based on a new subsidy calculation that ensures the current debenture program will operate at zero subsidy without any increase in fees.

The Participating Security SBIC Program became operational in 1994. The program was designed to provide equity capital to start-up small businesses – those without a significant operating history. The program operates under a significantly different reimbursement regime than that for the debenture program because the SBICs must wait significantly longer to obtain returns on their equity investments. There are existing estimates that the financial portfolio, if liquidated today, would result in losses to the federal treasury of about \$2.4 billion. The program has not provided additional funds to

with Sarbanes-Oxley compliance and Dodd-Frank requirements. Nor has the Jumpstart Our Business Startups Act ameliorated these problems.

⁹ Without going into detail beyond the scope of this letter, the debenture SBIC program operates in terms more analogous to the SBA's 7(a) and CDC programs.

SBICs in more than nine years and the FY 2015 budget request does not seek to provide participating security SBICs with additional funds for investment. The Committee concurs in that recommendation.¹⁰

Surety Bond Program

Small federal contractors, particularly in the construction industry, are required to post bonds in order to protect the federal government against the failure to complete a project. Title IV of the Small Business Investment Act of 1958 authorizes the SBA to reimburse surety bond writers between 70 and 90 percent of the losses if a small business contractor defaults on a contract to which a surety issued a bond. The program operates on a revolving fund account and sufficient funds exist in the program so that no appropriation is needed. The Committee concurs that the program should not require any appropriated funds to cover the costs of defaults by contractors.

Disaster Loans

The SBA is the primary provider of assistance to the homeowners and small businesses after a natural disaster. The SBA does not request any additional funds needed to subsidize the cost of disaster loans in FY 2015 because the agency has sufficient carryover funds from those appropriated in response to Superstorm Sandy. Therefore, the Committee concurs with the SBA request to provide no additional monies for the revolving disaster loan account.

Management of Capital Access Programs

There are three primary costs that the SBA must face in the management of its capital access programs: (1) personnel to oversee the programs; (2) computer technology necessary to process data; and (3) capabilities to address defaulted loans. In all three instances, the SBA severely misplaces its priorities in the FY 2015 budget request.

The administrative costs associated with the guaranteed loan programs are covered under an appropriation account separate from the rest of the SBA. The FY 2015 request reduces that account by \$3.8 million. The Committee concurs that those savings are reasonable and any additional cuts might jeopardize the ability of the SBA to properly manage a loan portfolio that exceeds \$100 billion. The Committee on the Budget should allocate the reductions in a manner that ensures full funding of the SBA's lender oversight function and its simplification of standard operating procedures that govern the lending programs.¹¹

¹⁰ The last participating securities were issued to SBICs in 2004. They are to be repaid no later than 10 years after issuance which means the last of the participating securities will be repaid by December 31, 2014 after which there will be no more participating security SBICs unless the SBA decides to begin issuing new licenses.

¹¹ The Committee continues to investigate the problems associated with the SBA's management of its lending program through ad hoc standard operating procedures rather than through the more transparent process of creating rules after notice and comment rulemaking.

The administrative costs for operating¹² the disaster loan program also are budgeted under a separate account. In addition, Congress permanently authorized the SBA to transfer unused disaster lending funds to administration of the disaster loan program. For FY 2015, the SBA requests \$187 million which represents a reduction of about \$5 million from FY 2014. The Committee believes that this should be sufficient to fund the administration of the disaster program. Any reductions would inhibit the agency's ability to provide sufficient personnel and information technology needed for disaster response, particularly a major disaster on the scale of a Hurricane Katrina or Superstorm Sandy.¹³

The information technology needed to manage the SBA guaranteed loan portfolio is outdated and at significant risk. In particular, the agency still has not complied with a statutory mandate to have a robust modern loan management accounting system (LMAS) even though Congress directed the SBA to have it operational by 1997. The only mention of the LMAS in its budget justification is that it completed a quality assurance review on investments and projects associated that project. Despite having promised this Committee to have migrated the system off of a proprietary, COBOL-based system by January 1, 2012, the agency still has not done the migration. In fact, the agency is just now beta-testing the "new" COBOL¹⁴ code. In allocating funds, the Committee strongly endorses an approach that transfers funds from other projects of the Chief Information Officer to modernization of the LMAS.

As already noted, collections on defaulted loans, particularly in the CDC Loan Program, are abysmal. The agency obtains about 23 cents on the dollar in recoveries on defaulted loans made by CDCs. If the rate of recoveries on CDC loans were doubled (hitting that of loans made in the 7(a) Loan Program), it probably would eliminate the need for any subsidy. CDCs have a vested interest in maximizing their recoveries because that will in the long-run reduce fees that they are required to pay for the operation of the program. Thus, the Committee strongly endorses eliminating SBA's responsibility for managing defaults and transferring it to CDCs. This would result in a concomitant reduction in SBA personnel.

Entrepreneurial Development Programs

Almost a quarter of the SBA's budget is devoted to providing outreach and technical assistance to small businesses. This is done through a panoply of programs that the SBA

¹² The administrative costs for this program are not simply those associated with the issuance of disaster loans. Since this is the only direct lending program that the SBA operates, the agency also must service all of these loans until they are sold. In 2008, Congress prohibited the sale of disaster loans for a period of five years after the loans were issued.

¹³ As the Committee discovered, mobilizing such resources on an ad hoc basis after Hurricane Katrina presents significant logistical problems inhibiting the ability of the SBA to distribute assistance so that communities can rebuild.

¹⁴ Use of the term "new" in reference to COBOL seems somewhat anachronistic given the fact that COBOL was invented in 1960. C. BROWN, D. DEHAYES, J. HOFFER & W. PERKINS, *MANAGING INFORMATION TECHNOLOGY* 44 (7th ed. 2012). COBOL is not used in any extensive way by the SBA's lending partners and those that still use it are migrating to newer mainframe languages using newer UNIX-based operating systems.

operates at the specific direction of Congress. In addition, the SBA also creates, using its general authority to aid small businesses, a number of agency-created initiatives that duplicate those that Congress specifically directed the agency to implement. These SBA-initiated outreach efforts represent nearly 20 percent of the overall entrepreneurial development budget. The Committee believes that the SBA request for funding of the agency's initiated training programs should be eliminated except for a modest \$3 million dollars that should be reallocated to hiring additional personnel to assist small businesses in obtaining government contracts and implementing a variety of changes to SBA contracting programs mandated by Congress in the 111th and 112th Congresses that have not been implemented. In addition, the Committee believes that the SBA's Offices of Native American Affairs and International Trade should be terminated. The services, to the extent that they provide any utility at all, can be better performed by the Department of the Interior's Bureau of Indian Affairs and the Department of Commerce respectively. The Committee also believes that the Veterans Business Centers would obtain significantly greater funding and have access to more veterans if they were transferred to the Department of Veterans Affairs. The Committee expects that approximately \$47 million would be saved through its recommended deletions to the agency's entrepreneurial development programs.

Small Business Development Centers

Small Business Development Centers deliver their services through 63 cooperative agreements with either state agencies or institutions of higher education. To the extent that a state agency is a grantee, the agency typically subcontracts that performance to an institution of higher education located in the state. These 63 grantees have established over 1,000 service centers to provide technical assistance to small businesses for: business strategy development, technology transfer, government procurement, engineering, accounting, etc. The FY 2015 budget request for SBDCs is \$113.625 million which is identical to the amount enacted for FY 2014. The Committee believes that this request underestimates the services and utility of the SBDC Program and strongly recommends that an additional \$2 million be allocated to this program through the funds that would be eliminated from the elimination of the Office of Native American Affairs at the SBA.

SCORE

SCORE provides face-to-face counseling from 389 chapter locations with 10,900 SCORE volunteers. SCORE volunteers provide the full gamut of business consultation services from development of business plans to strategic marketing to financing. SBA's SCORE database also enables small businesses to find a SCORE volunteer that best suits the need of the small business. For example, the owner of a restaurant can find SCORE volunteers who were in the food service business. The Committee concurs with the budget request of \$7 million. As with the request for SBDCs, should the SBA-created initiatives impose new outreach efforts on SCORE volunteers, those should be met with a concomitant increase in funds for SCORE.

7(j) Technical Assistance

Section 7(j) of the Small Business Act authorizes the Administrator to contract for the provision of management, technical, and consulting services to participants in the 8(a) government contracting business development program. Unlike other assistance programs in which any interested individual may obtain an appointment and seek advice, this program is limited solely to participants in the 8(a) program. While the assistance is useful for participants, the Committee believes that these services can be provided, in part, by other entrepreneurial development partners and personnel at the agency. Given the current fiscal condition of the United States, the Committee recommends reducing that the budget for this program remain at the FY 2014 enacted level of \$2.79 million rather than the requested \$2.8 million.

Microloan Technical Assistance

The keystone of the Microloan Program is not the lending that is done by intermediaries but rather the training that they provide to their borrowers so that the borrowers can operate their businesses without defaulting on loans. The Committee believes that this is a valuable and irreplaceable component of the microloan program – assisting a new class of entrepreneurs. However, testimony before the Committee reveals that a majority of training provided by microloan intermediaries is not to borrowers but to prospective borrowers, many of whom do not become borrowers. This function can be provided by other programs at the SBA and elsewhere. As a result, the Committee recommends that microloan technical assistance be reduced to the level appropriated in FY 2013 of \$19.985 million.

National Women's Business Council

The National Women's Business Council is a bipartisan federal advisory council created to serve as an independent source of advice and counsel to the President, Congress, and the SBA on economic issues of importance to women business owners. By interacting with women throughout the country, the Council develops and promotes policies and programs to help women entrepreneurs, the largest growing class of small business owners in the country. The Committee concurs that this mission is valuable but is at a loss to understand the necessity for an increase in its budget from that enacted in FY 2013. As a result, the Committee recommends that the budget be reduced to \$736,000 from the FY 2014 appropriated budget of \$1 million.

Women's Business Centers

Women's Business Centers (WBCs) provide training, counseling, and mentoring to women entrepreneurs. WBCs are public/private partnerships in which the federal government provides funds that were to be matched by private donors. However, over time, the centers became more reliant on federal funds thereby undermining the original intent of Congress in creating the WBCs. Furthermore, many of the clients are not women but men. The services provided by WBCs fundamentally are indistinguishable

from that provided by SCORE and SBDCs. Given the duplication in mission and the fact that WBCs were not created to obtain permanent federal funding, the program should be terminated. If funds are provided, a significant portion of the FY 2015 request of \$14 million should be allocated to new centers rather than funding existing centers that should have obtained funds from the private sector.¹⁵

Veterans Business Outreach Centers

Veterans Business Outreach Centers (VBOCs) are modeled on SBDCs and WBCs. The SBA already provides significant assistance to veterans who are seeking to start or already operate small businesses through SBDCs, SCORE, and WBCs. The VBOCs, are according to the SBA, underfunded. Given the fact that the resources available to the Department of Veterans Affairs far exceeds those available to the SBA,¹⁶ it makes sense that the VBOCs be transferred to that Department. Should the VBOCs remain with the SBA, they should receive an increase in funding coming out of the funds for the SBA-created Boots-to-Business Program.

Prime Technical Assistance

Under the Program for Investment in Microentrepreneurs (PRIME), the SBA provides federal funds to community-based, regional, and national organizations that in turn will offer training and technical assistance to low-income and very low-income entrepreneurs with small businesses of five employees or less. The major focus of PRIME is to provide assistance to very small businesses that typically, because of their lack of experience and education, are unable to gain access to banks and other providers of capital. The services provided by PRIME duplicate other services and the Committee concurs with the SBA FY 2015 budget request to eliminate funding.

HUBZone Program

The basic purpose of the HUBZone Program is to direct federal contracts to small businesses in distressed urban and rural areas to promote economic development of these areas. Contracting officers are authorized to set aside contracts for competition among eligible HUBZone small businesses, sole source, or use bid preferences when large firms and HUBZone small businesses are in competition. HUBZones are distressed urban and

¹⁵ The original argument for creating the sustainability aspect of the WBC Program was that the centers were having difficulty raising private sector funds when the Internet bubble burst. However, given the recent gains in the stock market (the Dow Jones average has more than doubled since March of 2009), <http://research.stlouisfed.org/fred2/series/DJIA>, existing WBCs should have less difficulty in raising money from the private sector. This would ensure that the program operates as Congress originally intended when it created the WBCs.

¹⁶ The Department of Veterans Affairs entrepreneurial outreach activities are funded through fees obtained from the Department's operation of multiple award contracts utilized by other agencies. Those fees bring in an estimated \$2 billion annually, see OMB, BUDGET OF THE U.S. GOVERNMENT FY 2015 APPENDIX 1130 (2014), or more than 2.5 times the size of the entire SBA budget. It cannot be gainsaid that the Department has significantly greater resources to reach entrepreneurs than the SBA.

rural areas characterized by chronic high unemployment or low household income or a combination of both.

Investigations by GAO revealed vulnerabilities in the program, especially related to self-certification. Funds related to correcting these problems and improving the operations of the HUBZone program are discussed elsewhere in this document. The FY 2015 budget requests \$2 million for the HUBZone program but does not explain how those funds will be utilized. To the extent they are used to certify firm eligibility, the Committee believes that it represents a sound use of taxpayer resources. However, to the extent such funds are used to perform outreach (however poorly defined that effort is in the SBA budget), then all such funds should be eliminated or transferred to oversight of the HUBZone Program including use in certification of firms.

Office of Native American Affairs

The Office of Native American Affairs assists American Indians, Alaska Natives, and Native Hawaiians seeking to create, develop and expand small businesses. The SBA is requesting \$2 million for FY 2015 (the same as in FY 2014). The services provided by this Office can be provided by other SBA programs. More significantly, there is an entire subagency at the Department of Interior – the Bureau of Indian Affairs – that has far greater resources to perform outreach to Native American small businesses.¹⁷ As a result, the Committee urges that the funds for this Office at the SBA be terminated.

Office of International Trade

According to the SBA, the Office of International Trade enhances the ability of small businesses to compete in the global marketplace. The Small Business Jobs Act of 2010 overhauled the operation of this office by, among other things: 1) appropriating \$30 million for a state trade and export promotion pilot program (STEP Program); 2) increasing SBA employees located at the Department of Commerce Export Assistance Centers; and 3) adding 10 regional export development officers in the SBA's regional offices.

Although the SBA requested no further funds or authorities for the STEP program, the Congress reauthorized the program for one more year and appropriated \$8 million for the program. The Committee has never supported the program and concurs with the budget request to eliminate the funding that was provided in the appropriations bill for FY 2014.

The rationale for increasing SBA personnel at these Export Assistance Centers also is wanting. Essentially, the argument goes that Commerce Department personnel would be incapable of helping small businesses or explaining various financing programs to these small businesses. The Committee rejects that contention. Commerce Department personnel, with some minor additional training, should be able to handle advice to small

¹⁷ The Bureau of Indian Affairs has 5,900 employees and a budget of approximately \$2.7 billion. *Id.* at 692-93. This dwarfs the size and financial resources of the SBA.

businesses. As a result, the government would save about \$12 million which is the administrative cost of operating the Office of International Trade.¹⁸

No rationale exists to assign regional trade finance specialists to SBA regional offices. Small businesses access SBA services through district offices. Placing personnel in regional offices ensures that they are unlikely to come in close contact with small businesses. Furthermore, appropriate training should provide existing district office personnel with sufficient expertise to understand the various options for international trade finance. As a result, the Committee recommends that funding for these individuals be eliminated.

The Committee certainly understands the importance of international trade to small businesses. However, the taxpayer would save about \$20 million by the elimination of the STEP Program and Office of International Trade without undermining their ability to obtain necessary information to enter the import or export markets.

SBA-created Entrepreneurial Outreach Initiatives

The SBA requested \$39 million dollars for five outreach programs that it created under its general powers to help small businesses: Boots to Business; Entrepreneurship Education; Growth Accelerators; Regional Innovation Clusters; and contributions to BusinessUSA.gov.¹⁹ The Committee does not believe that a detailed explication of these initiatives are necessary as they have amorphous goals and duplicate already extant outreach efforts that are known throughout the small business community. Therefore, the Committee endorses eliminating all funding for these efforts and reallocating \$3 million to the SBA government contracting programs and increased oversight by the Inspector General.

Government Contracting Programs

One of the primary missions of the SBA is to ensure that small businesses receive a "fair proportion of the total purchases and contracts for property and services for the Government in each industry category...." 15 U.S.C. § 644(a). To achieve this objective, Congress created a number of programs designed to increase opportunities for small businesses. The SBA does not make a specific request for funds to operate to the government contracting program; rather those expenses are subsumed in the overall salaries and expenses for the agency. Nevertheless, the agency provides an estimate of the total cost for operating these programs at \$102 million or roughly a \$1 million

¹⁸ The SBA's FY 2015 Budget Justification does not provide a budget request specifically for the Office of International Trade as its budget is subsumed in other accounts (such as salaries and expenses). Nevertheless, the SBA estimates that the administrative costs of providing assistance to small business importers and exporters is roughly \$12 million. See SBA, FY 2015 CONGRESSIONAL BUDGET JUSTIFICATION 56 (2014).

¹⁹ Technically, BusinessUSA.gov is not a program of the SBA but rather a collaborative effort of all federal agencies to provide information of use to small businesses. The information provided by that website is inaccurate and duplicates website efforts at other federal agencies, including that of the SBA's (which itself is not a picture of clarity and intuitive use).

increase from FY 2014.²⁰ The Committee believes that the SBA undervalues the importance of its mission to ensure that small businesses have a fair shot at winning government contracts and resources should be reallocated to help small businesses enter and succeed in the federal government marketplace.

PCRs and CMRs

The SBA has two types of individuals devoted to ensuring that small businesses have maximum opportunities to provide goods and services to the federal government. They are procurement center representatives (PCRs) and commercial marketing representatives (CMRs).²¹

PCRs generally are assigned to contracting activities and work under the supervision of the contracting activity personnel (but report to the Office of Government Contracting at the SBA). They are supposed to: (1) review proposed acquisitions to recommend procurements for setting aside to small businesses or specific categories of small businesses; (2) advise contracting officers whether the acquisition strategy will prevent small businesses from competing; (3) suggest alternative contracting methodologies designed to increase the probability that small businesses will be able to compete for various procurements; (4) recommend small businesses that should be contacted about procurement solicitations; (5) appeal a contracting officer's failure to solicit from small businesses after identification of responsible small business bidders PCR or other sources; (6) review contracting activity compliance with small business contracting requirements of federal laws and federal regulations; (7) participate in conferences designed to increase small business utilization in federal procurement; (8) advocate for the use of full and open competition when that strategy will benefit small businesses; and (9) determine whether a contract is improperly bundled, i.e., some or all of the contracted goods or services could be provided by small businesses if the contract was not bundled.

CMRs promote the use of small businesses by prime federal contractors required to submit subcontracting plans, i.e., businesses other than small. They review compliance with federal subcontracting plans. In addition, they perform market outreach to match small businesses and large prime federal contractors. Frequently, CMRs often perform other functions in addition to their efforts to find subcontracting opportunities.

PCRs and CMRs play a vital role in helping small businesses obtain federal procurement opportunities. The number of such individuals at the SBA is well short of their need. PCRs require significant procurement knowledge. The functions of a CMR require also require a solid foundation in the federal procurement process and is clearly a full, not part-time, position.

²⁰ SBA, FY 2015 CONGRESSIONAL BUDGET JUSTIFICATION 26, Table 10 (2014).

²¹ The Federal Acquisition Regulation actually describes three types of SBA personnel – PCRs, CMRs, and breakout PCRs. That last category was eliminated from the Small Business Act but the Federal Acquisition Regulation has not yet been updated.

While in other years, the SBA has called for the hiring of additional PCRs, the FY 2015 budget is silent on this matter. The Committee has had significant bipartisan support for the hiring of additional PCRs and CMRs. Of the \$3 million in savings from the SBA's contribution to BusinessUSA.gov, about \$1 million should be allocated to hiring new PCRs and CMRs. This reallocation will provide a significant benefit to small businesses and the taxpayer as it will help ensure robust small business competition when the government buys goods and services

Completion of Congressionally-Mandated SBA Contracting Regulatory Changes

In the last two years, Congress has made a number of changes to the government contracting programs overseen by the SBA. These changes require the agency to take the following actions: issue new guidelines for agency small business contracting; file a report on why agencies have not met their contracting goals (an annual requirement); promulgate regulations to improve the mentor-protégé program;²² issue rules to permit more teaming arrangements through modification of subcontracting limitations; adjust its databases to identify large businesses misclassified as small; establish a website for large businesses to post subcontracting opportunities for small businesses; promulgate regulations creating a safe harbor for small businesses who make a good faith effort to comply with the complex agency size-standard rules; publish a plain English guide for small businesses on how to comply with the agency's size standard rules; issue regulations on its authority to suspend or debar (temporarily or permanently prohibit a business from obtaining government contracts); and issue a SOP on how the agency will conduct suspension and debarment proceedings. The SBA has not completed any of these enumerated tasks and some are more than a year overdue. Despite this, the SBA makes no mention of these items in its budget justification or requests additional sums to complete these changes to their contracting programs.

In contradistinction, the SBA determined that it was necessary to create new entrepreneurial programs (not specifically required by Congress) spending \$36 million of taxpayers' money. The SBA simply gets it wrong and its first priorities should be those created by Congress not duplicative initiatives created out of whole cloth by SBA employees. As a result, the Committee strongly recommends that no funds be allocated to the SBA-created entrepreneurial development initiatives. Further, of the \$3 million dollars eliminated from contributions to the BusinessUSA.gov website, \$1 million should be allocated to the implementation of changes to SBA's government contracting programs as mandated by Congress.

Vulnerabilities in SBA Contracting Programs

There are five major programs developed by Congress to promote small business contracting opportunities. The Small Business Reserve Program requires that contracts

²² Under mentor-protégé program, small businesses may team with a large business mentor in order to obtain a specific government contract without running afoul of affiliation rules that would otherwise deem the small business as large in the absence of a mentor-protégé relationship. 13 C.F.R. §§ 121.103(h)(3)(iii), 124.520.

of value between \$3,000 and \$150,000 be set aside only for competition among small businesses if at least two small businesses can perform the contract at a fair market price. The other programs are targeted at specific classes of small businesses are: 8(a) businesses; HUBZone businesses; service-disabled veteran-owned businesses; and women-owned businesses. The programs also enable contracting officers to limit competition to businesses within a specific category and in all cases, except small businesses owned by women, to award contracts on a sole source basis, i.e., without competition at all. If a contract is awarded through one of these programs, the small business awardee is required to perform the majority of the work.²³

These contracting programs present a number of vulnerabilities: (1) small businesses might misrepresent their size (and not actually be small); (2) small businesses may misrepresent their status for purposes of eligibility such as not being a woman-owned and controlled business; or (3) small businesses do not perform the necessary quantum of work on the contract. Given these vulnerabilities, there are key defenses – adequate personnel to check the small businesses and updated databases for use by contractors and federal contracting officers. The Committee believes that the SBA has sufficient resources, as reflected in the FY 2015 budget request, for operation of the specific small business programs.²⁴

The issue is not the availability of resources but proper management and oversight within the agency; no amount of funds can ensure that agency leadership will place a proper focus on these government contracting programs. However, the elimination of duplicative entrepreneurial development efforts could free up agency management to focus on its government contracting programs.

Agency Structure

The SBA, unlike most federal agencies, provides services in a variety of locations rather than through its headquarters operations or through one of ten regional offices. The SBA has 68 district offices at which small business owners obtain advice, seek information, and work with SBA employees to obtain government contracts. In addition, district offices also provide office space for the outreach efforts conducted by SCORE counselors. In addition to these district offices, the SBA has a loan processing center outside of Sacramento, CA, a national office that oversees the purchase of loan guarantees and the liquidation of defaulted loans in Herndon, VA, six area-wide offices to handle disputes about a business size in the government contracting realm, two offices (in Buffalo, NY and Forth Worth, TX) for disaster response, and a national finance office in Denver, CO which also hosts much of the SBA's internal contracting function. Given

²³ This prohibits small firms from acting as fronts for large businesses. The first line of defense against this type of fraud is the agency's contracting officer and the contracting officer technical representative (the individuals who handle post-contract award) not the SBA.

²⁴ Reductions in spending on this program could be counterproductive because it could lead to an increase in fraud or other abuse of these contracting programs thereby denying legitimate small businesses of valuable opportunities.

this decentralized structure, it is relevant to consider whether the agency has properly allocated resources among its various offices.

Personnel in the 10 Federal Regions

As already noted, the SBA delivers services to small business owners through a panoply of offices. While some functions are overseen by program offices,²⁵ most of these operations are managed by an Office of Field Operations at SBA's Washington, DC headquarters.

In addition to the district offices and services provided at various locations throughout the country, the SBA also has employees in each of the ten federal regions. These federal regions have regional administrators, regional communications officials, and concomitant support staff. Despite this robust presence in the federal regional offices, most of the SBA's functions carried out in the field are managed, not in these regional offices, but rather at SBA headquarters. As a result, the Committee believes that regional offices of the SBA can be eliminated without any diminution of effective agency management. The Committee recommends that no funds be allocated for the operation of its ten regional offices and those funds can be reallocated to more vital needs such as improvements in the agency's information technology and hiring additional PCRs and CMRs.

Another office at the SBA with ten regional representatives is the Office of the Chief Counsel for Advocacy. The primary responsibility of that office is to monitor agency compliance with the Regulatory Flexibility Act, a statute mandating agencies examine the impact of their proposed and final rules on small businesses. While input from small businesses is quite useful in performing that role, the office does not need regional representatives to obtain that input. As a result, the Committee believes that the Office of the Chief Counsel's regional personnel should be eliminated. However, rather than simply eliminate all ten positions from the Office of the Chief Counsel for Advocacy, the Committee recommends that five additional positions be created to review federal agency compliance with the Regulatory Flexibility Act. This would result in a net savings of five individuals in the office while boosting its capability to fight burdensome regulations inhibiting the ability of small businesses to create jobs.

District Personnel

As already noted, the SBA's primary contact with small businesses is through its district offices. The district offices are, logically enough, headed by a district director. However, in about 75 percent of the offices, there also is a deputy district director. The Committee is of the opinion that district offices do not need a separate, dedicated individual to be the deputy. If the district director is unavailable (due to vacation or illness), that person simply can appoint someone to act temporarily as the district director. The Committee strongly recommends that no monies be allocated to pay for individuals whose sole job is to act as a deputy district director. Instead, deputy district

²⁵ For example, the Sacramento Loan Processing Center is managed by the Office of Capital Access at SBA's Washington, DC headquarters.

directors should be reassigned to other functions at the agencies that provide direct assistance to small businesses.

Executive Direction

The budget for executive direction, a conglomeration of various offices at the SBA that is not clearly defined has steadily increased since FY 2009. Although there has been a leveling out of the increase, the FY 2015 budget request is for \$19.5 million – a reduction of a mere \$25,000. The agency’s inability to control its spiraling top-heavy management structure demonstrates a failure to understand its priorities and mission.

Even more troubling is the fact that no explanation exists for the use of these funds. According to the agency cost allocations, the SBA has identified roughly \$8 million in funds specifically for executive direction – Women’s Business Council, Ombudsman, and contributions to BusinessUSA.gov website. That leaves \$11 million unspecified; presumably some of it is allocated to functions such as the Office of Legislative Affairs and the operation of the Administrator’s office but it is impossible to ascertain what monies are allocated to what functions in the SBA budget. As a result, the Committee is concerned that these funds will be used for projects of the Administrator’s interest rather than functions directed by Congress. The Committee strongly urges that budget submissions by federal agencies provide more granular detail so that the Committee can provide a more accurate assessment to the Committee on the Budget on the propriety of an agency’s budgetary allocations.

Headquarters Structure

According to the agency, there about 600 people at SBA headquarters leaving approximately 1,600 people to interact with small businesses in their field operations. Given the fact that there are about 28 million small businesses in the United States, the Committee finds that the agency structure is too concentrated at headquarters in Washington, DC. This includes a personal office of the Administrator that is the same size as that of the Secretaries of Defense or Agriculture,²⁶ and a Chief Operating Officer separate from the Deputy Administrator²⁷ even though the Department of Energy seems to survive with a Deputy Secretary also functioning as the Chief Operating Officer.²⁸

Nothing in the SBA budget suggests that the Administrator plans to reduce the Office of the Administrator; the recommended budget cuts could from employees that directly

²⁶ Secretary Vilsack and Secretary Gates are able to manage much larger agencies (Department of Agriculture and Defense respectively) with only 13 individuals in each of their personal offices.

²⁷ In testimony to the Committee on March 2, 2011, the Administrator claimed that the position of the Chief Operating Officer was terminated and the Deputy Administrator would act as the Chief Operating Officer. However, the SBA’s FY 2015 Budget Justification shows an organizational chart with a Deputy Administrator, a Chief of Staff, and a Chief Operating Officer. SBA, FY 2015 CONGRESSIONAL BUDGET JUSTIFICATION 29 (2014).

²⁸ The Department of Energy has roughly 16,000 employees, 90,000 contractor employees and a FY 2015 budget request of \$27.9 billion. OMB, FY 2015 BUDGET OF THE U.S. GOVERNMENT 73 (2014).

serve small businesses. This is unacceptable to the Committee and it recommends a 10 percent reduction in funds for the Office of the Administrator.

Inspector General

The SBA manages a loan portfolio in excess of \$100 billion. It also deals with thousands of small business federal government contractors. As has already been noted in this document, there are significant vulnerabilities in the SBA's operations – vulnerabilities that place the taxpayer at risk and undermine the integrity of the federal procurement process. As the first line of defense against waste, fraud and abuse, the Office of the Inspector General plays a vital role in uncovering significant criminal, civil, and management problems at the SBA. The Committee strongly recommends \$1 million in savings from the BusinessUSA.gov website contribution and \$1 million in savings elsewhere provided in this document be transferred to the Inspector General to ensure that office has sufficient resources to root out fraud, abuse, and waste.

The Office of the Chief Counsel for Advocacy

The Office of the Chief Counsel for Advocacy was created in 1976. Its primary mission is to represent the interests of small businesses in federal agency regulatory proceedings. The Office accomplishes this primarily through its oversight of agency compliance with the Regulatory Flexibility Act (RFA).²⁹ The primary costs of the Office of the Chief Counsel for Advocacy are salaries for 46 employees and funds to conduct economic research. As already noted, the Committee believes that the regional advocate positions should be eliminated and some of their positions transferred to the Washington, DC headquarters to work on oversight of agency compliance with the RFA. In addition, the Committee believes that the economic research activities of the Office should be targeted to analysis of agency rulemakings rather than the broader research currently conducted by the Office. With the aforementioned caveats, the Committee concurs with the FY 2015 Budget Request of \$8.46 million.

²⁹ The RFA requires federal agencies to consider the impacts of their proposed and final rules on small entities, including small businesses, and if those impacts are significant on a substantial number of such entities, develop alternatives that reduce such consequences without undermining the objectives sought to be achieved by the agency.

SAM GRAVES, MISSOURI
CHAIRMAN

NYDIA M. VELAZQUEZ, NEW YORK
RANKING MEMBER

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2301 Rayburn House Office Building
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March 25, 2014

The Honorable Paul Ryan
Chairman
Committee on the Budget
U.S. House of Representatives
207 Cannon House Office Building
Washington, DC 20515

The Honorable Chris Van Hollen
Ranking Member
Committee on the Budget
U.S. House of Representatives
B-71 Cannon House Office Building
Washington, DC 20515

Dear Chairman Ryan and Ranking Member Van Hollen:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), I am writing to advise you of the dissenting views and estimates of the Committee on Small Business with regard to the fiscal year (FY) 2015 budget. These views and estimates are in addition to those that will be submitted by the committee's Majority. While we concur on several points, there are notable areas of disagreement, which are discussed in greater detail below.

The Committee on Small Business has legislative jurisdiction over the Small Business Administration (SBA) and this letter accordingly focuses on the FY 2015 budget request for this agency and the program it operates under the authorizations contained in the Small Business Act (15 U.S.C. 631 et seq.) and the Small Business Investment Act (15 U.S.C. 661 et seq.).

FY 2015 SBA BUDGET OVERVIEW

SBA's total budget request for FY 2015 is \$ 710 million, \$60 million less than the FY 2014 appropriated amounts. This difference is almost entirely due to the \$64 million decrease in loan subsidy required for the 504 program. Of the \$710 million total amount, \$47.5 million is for business loan subsidy (\$111.6 million in FY 2014) and \$197.8 million is for non-credit programs (\$196.165 million in FY 2014). Other budget amounts include \$19.4 million for the Office of the Inspector General (\$19 million in FY 2014) and \$8.5 million for the Office of Advocacy (\$8.75 million in FY 2014). This total is also inclusive of \$32.2 million for administering non-Stafford Act disasters. An additional \$154.6 million is requested for Stafford Act disaster loan administration under the disaster relief cap adjustment authorized in the Budget Control Act. In FY 2014, these amounts were approximately the same.

Within its budget submission, the SBA continues its practice of funding programs that lack a specific statutory authorization. Such initiatives include Entrepreneurship Education (\$15 million), Regional Innovation Clusters (\$6 million), Boots to Business (\$7 million), and Growth Accelerators (\$5 million). The cost of these programs for FY 2015 is \$39 million and together this spending constitutes nearly 20 percent of the SBA's non-credit programs budget. In addition, the SBA has undertaken similar unauthorized efforts in its Small Loan Advantage program, the Community Advantage program, the Impact Investing fund, the Early Stage Innovation fund, and the Business USA website.

This practice of establishing new programs to fulfil roles already met by existing SBA programs is inefficient and wasteful. Doing so circumvents Congress' role in the legislative process and often lacks appropriate safeguards, accountability measures, and oversight mechanisms. Given this, these initiatives should not be funded. Instead, the funding for these programs should be reallocated to other established SBA entrepreneurial development efforts. Specific details for this reallocation are included in this letter. Finally, the \$6 million in funding for the Business USA website should be denied and returned to the Treasury for deficit reduction.

LENDING AND INVESTMENT PROGRAMS

The main component of the SBA's access to capital budget submission is the cost of operating its core 7(a) and 504 lending programs. The 7(a) and 504 programs provide federally-guaranteed loans to small businesses to fund operations, buy equipment, and purchase real estate. Since 2011, the SBA has made over 170,000 loans supporting \$70 billion in lending. In that time, the costs of SBA lending programs have steadily decreased to the point that SBA has not requested a subsidy for the 7(a) program in two years. However, the continuation of unauthorized pilot programs and the need for taxpayer support of the 504/CDC loan program – a program that was zero-subsidy for over a decade – remains a concern.

7(a) Loan Program

The 7(a) loan program is the SBA's premier guaranteed lending program. These loans can be used as working capital, to buy inventory, or to purchase equipment and real estate. An analysis of SBA's current lending volume through March 2014 projects that the SBA is unlikely to exceed its lending authority of \$17.5 billion. **However, with the Federal Reserve anticipating economic growth of 3.2 percent next year, it is recommended that the program level for 7(a) continue to be \$17.5 billion in FY 2015 to meet any increase in loan demand.**

SBA has again proposed waiving the up-front and annual fees on 7(a) loans of \$150,000 or less and most loans to veterans. Notwithstanding the SBA's good intentions, eliminating fees on smaller loans is unlikely to produce the levels of participation envisioned by the administration. As an initial consideration, there is no evidence that SBA guaranty fees are a determinative factor for businesses seeking a loan. To date in FY2014, the first year of the fee waiver, there has been only a 2 percent increase in small-dollar loans and a 10 percent increase in veteran loans. In comparison, when the fees were waived and the guaranty percentage was temporarily increased to 90 percent under the American Recovery and Reinvestment Act, lending volume increased 21 percent. Additionally, by using fees on larger loans to subsidize small ones, the administration is picking winners and losers, and there is the possibility that one business may be subsidizing the loan of a direct competitor. **In this regard, increasing the SBA guaranty on 7(a) loans up to \$150,000 should be investigated to determine feasibility.**

Pilot Lending Initiatives

Since 2011, the SBA has been conducting two pilot lending programs, the Lender Advantage initiative and the Community Advantage initiative. These programs have had little impact on increasing access to small-dollar loans or the amount of credit directed to underserved communities as intended. Over the past three years, the average 7(a) loan size has dramatically increased while the volume of small dollar loans has steadily decreased. Furthermore, with only 79 approved lenders nationwide and 24 states having one or fewer lenders, these programs are severely limited in their ability to reach underserved communities. The increased lending and administrative costs demanded by these initiatives divert resources from more meaningful uses. **In this regard, these programs should be discontinued for FY 2015 and no appropriations made available for their operation.**

504 Certified Development Company Program

The 504 program provides permanent, fixed rate financing for businesses to acquire industrial or commercial buildings or heavy equipment and machinery. In FY 2015, the SBA requested \$45 million in loan subsidies for the purpose of operating the 504 program, a \$62 million decrease from the FY 2014 appropriated level. While this is a substantial improvement, it must be noted that as recently as FY 2010, the 504 program did not require a subsidy. **In FY 2015, the administration must continue strengthening lender oversight within the 504 program and emphasize the program's historical purpose on lending for the purpose of economic development and job creation.**

504 Certified Development Company Refinance Program

SBA has also requested reauthorizing the 504/CDC refinance program (504 Refi) which was created under the Small Business Jobs Act and allowed CDC's to refinance collateralized business loans, typically those for real estate and machinery. Although the 504 Refi program was intended to operate at no cost to taxpayers, losses on refinanced loans have already outstripped the fees SBA collected. Going forward, losses on refinanced loans from 2011 and 2012 are projected to increase.

Beyond the costs to taxpayers, the 504 Refi program did not require loans to meet the eligibility requirements of the 504/CDC program, namely economic development and job creation. As a result, loans could be refinanced irrespective of providing benefits to the local community or creating a single job. **For these reasons, the 504 refi program should not be reauthorized and no appropriations made for its operation.**

7(m) Microloan Program

The Microloan program focuses on providing small-dollar loans (up to \$50,000) to entrepreneurs that have been underserved by conventional lenders. In FY 2014, microloan intermediaries leveraged \$25 million in lending authority to support \$43 million in small business loans. In FY 2015, SBA has again requested \$25 million in lending authority to support \$45 million in loans. It should be noted the subsidy rate will decrease for the first time in 4 years, resulting in a 45 percent cost reduction for the program. **As such, it is recommended that in FY 2015, this program be fully-funded at the requested level to support \$25 million in lending authority.**

Small Business Investment Company Program

The Small Business Investment Company (SBIC) program was created to help small U.S. businesses meet their capital requirements for growth not available through banks or other private equity sources. In FY 2015, the SBA did not request funds for the purpose of implementing the SBIC program. The agency will, however, continue implementation of the Impact Investing Initiative and Early Stage Investing Fund pilot programs introduced in 2011. These programs remain premised on the SBIC debenture program, which is very ill-suited for meeting the needs of early-stage or startup firms. This is because these businesses often lack positive cash flow that can be used to make regular payments on debt. As a result, the gap for investment in early stage and capital intensive small businesses will likely not be conducive to either the “Impact Investing” or “Innovation Fund” programs. **As such, it is recommended that no appropriations be made to carry out either pilot program.**

New Markets Venture Capital Program

Since FY 2005, the SBA has not requested any funding for the New Markets Venture Capital (NMVC) program. **Given the lack of equity financing alternatives in underserved communities, \$10.625 million should be transferred from SBA’s unauthorized entrepreneurial development initiatives, as well as any funds related to the operation of unauthorized access to capital initiatives.** These funds should be reallocated to funding new leverage and operational assistance for the NMVC program.

Disaster Assistance Program

The Disaster Assistance program provides homeowners and businesses with direct loans to recover from natural disasters. In FY 2015, SBA has not requested appropriations for loan making, but instead will carry over unspent surplus to facilitate \$1.1 billion in new disaster loans. SBA has requested \$186 million for costs associated with administering the program. **In light of the critical need for funding to help home-owners and small businesses following devastating natural disasters, any amounts necessary for FY 2015 to support the SBA disaster loan-making functions should be appropriated.**

GOVERNMENT CONTRACTING PROGRAMS

There have been continued problems with SBA’s operation and oversight of its government contracting programs. Additionally, the effects of sequestration had a substantial impact in the contracts awarded through these programs. While there have been slight increases in the programs’ budgets, they have not been significant to aid small businesses in the federal marketplace. As a result, there has been a decline in not only the resources available to small businesses but also in the number of businesses that participate in these programs. Thus, the SBA is failing in its obligation to provide small businesses with the necessary tools to ensure that they receive a fair proportion of federal contracts.

Prime Contracting Program

Small businesses continue to voice concern about the widespread impact that the use of bundling and consolidation has on their ability to enter into the federal marketplace. While there is over \$500 billion worth of contracting dollars, there are only 54 Procurement Center Representatives (PCRs) to monitor all contracts for alternatives strategies to maximize small business participation. In FY 2012, there were 161 bundled and consolidated contracts worth over \$268 billion. If the 23 percent small business goal were enforced on these contracts, \$61 billion would go towards these firms; additional contracting dollars could have been diverted to small businesses if the requirements were broken down into amounts that were within the capacity of smaller firms. The committee expects that this practice will continue as until SBA devotes more resources to training the current PCRs and increasing the number of PCRs. **While the FY 2015 budget does plan to allocate \$45,000 of its overhead expense to PCR training and increase the program's budget by \$296,000, there should be additional funds allocated to the program so that there is greater oversight of large contracts.**

Additionally, the Prime Contracting program oversees the Commercial Market Representatives (CMRs). While the SBA website indicates there are 33 CMRs currently on staff, only 7 of these employees devote 100 percent of their time to the duties of overseeing subcontracting plans of large prime contractors. Reports indicate that CMRs are reviewing only a fraction of the contracts they should be reviewing and when done, reviews occur from the desk of the CMR rather than with an on-site review. With many of these subcontracting plans not being properly monitored, large contractors are performing the work themselves and denying small businesses of the ability to grow their capabilities to one day compete for a prime contract. Therefore, additional funding should be provided to allow for the hiring of additional CMRs.

8(a) Program & Technical Assistance

The 8(a) budget allocation should be increased to enhance outreach to potential program participants. In FY2012, \$15.83 billion was awarded to 8(a) participants. These numbers are down from the \$16.67 billion awarded to 8(a) participants in FY2011 and this decrease seems to be a trend as the initial numbers for FY2013 show that this subgroup was awarded only \$14.01 billion. The total resources attributed to the 8(a) program for FY 2015 are \$57.615 million for an average cost per 8(a) business of \$7,202. While SBA has requested an additional \$786,000 from the enacted FY2014 budget, the administration is expected to reach 300 fewer businesses than in FY2013 and the same 8,000 it set as its target for FY2014.

Additionally, there has been a drop in businesses applying and entering the program. At any given time in FY2013, there were approximately 5,700 companies participating in the program. However, there were only 1,752 applications to the 8(a) program as of July 12, 2013 and 239 new companies approved for the program. This is down from the 4,000 applications received and the 500 new companies approved in FY2012. **An increase to this program is needed to counter the downturn in contracting dollars awarded as well as for providing outreach to eligible businesses.**

The SBA FY 2015 budget increases funding for the 7(j) Technical Assistance program, which provides essential services to 8(a) participants. **However, more funds must be allocated to support the increasing numbers of small businesses seeking assistance.** Since 2008, the number of businesses that have sought assistance through this program has continually increased and in FY2013, 3,913 small businesses received support through this program, an increase of over 600 firms from the previous fiscal year. SBA expects to assist 3,550 businesses, nearly 400 fewer businesses than it did in FY2013. If the number of businesses seeking aid remains at FY2013, the funding available for each business will be reduced by \$300. With this upward trend only likely to continue, it is vital that the level of services does not decrease. This program has been proven to help create jobs throughout small businesses and at a time of economic recovery, job creation is vital.

HUBZones

Over the years there have been many reports detailing the fraud and abuse that has resulted from lack of eligibility verification by SBA of program participants. While there have since been improvements, SBA still continues in its failure to properly oversee the program. After the initial year of conducting site visits in FY2010, the SBA has seen a repeated reduction in the number of these visits. In FY2013, SBA conducted only 500 site visits – half of the visits conducted in the initial year. Additionally, SBA district field offices completed only a 10 percent sample compliance review of HUBZone certified firms. Furthermore, SBA plans to continue the examination and review of only 10 percent of these firms in the current and upcoming fiscal year.

The money set aside in the FY 2014 for the HUBZone program is \$2 million—a decrease of \$250,000 from the FY2014 enacted budget. Moreover, the total amount of resources (including overhead, external staff time, and administration) is decreasing by \$231,000 to \$10.981million. These cuts may make the program more susceptible to fraud. However, it appears the cut to the program is deceptive as expenses for the HUBZone mapping process, \$160,000, have been moved to the overhead of the entire Government Contracting and Business Development department. These expenses should be appropriated through the HUBZone program and not hidden throughout other accounts.

Furthermore, GAO has previously reported that SBA had not yet developed outcome measures that directly link to the mission of its HUBZone program, nor had the agency implemented its plans to conduct an evaluation of the program based on variables tied to its goals. Furthermore, when GAO inquired about the effectiveness of the program, SBA provided a copy of an Office of Advocacy report from May 2008, which stated that the program has had limited effect. **Thus, unless this program can show progress in the elimination of fraud and in accomplishing its core mission, it should be terminated.**

Service-Disabled Veteran-Owned Small Business Program

There have been several reports outlining fraud in this program as result of fraud and misrepresentation in the certification process. The committee has continually pushed for SBA to work with the Department of Veterans Affairs to develop a certification process for the government-wide veterans program. However, despite assurances from the administrator to do so, there have been no actions taken by SBA to initiate such a process. **Thus, the SBA should specifically set aside funds to improve oversight of this program.**

Women-Owned Small Business Federal Contracting Program

Given the slow progress in awarding contracts through this program, additional funds should be allocated to this program. The administration had previously requested \$1 million for the development and maintenance of a data repository, eligibility examinations, and four employees processing protests. Despite the fact that these tasks are still performed, subsequent budgets have not made direct allocations to this program. Without dedicated funding to the program it is unclear how the administration plans on paying for the maintenance of the repository and the protests it must process. Furthermore, it is unclear whether contracting officers have knowledge of how to award contracts under the program as there were only 555 contracts worth \$33.4 million awarded government-wide through this program in FY2012. **Therefore, additional funds must be allocated to increase the number of staff and oversight as well as conduct outreach on how the program is to be used.**

Small Business Innovation Research (SBIR) Program

While SBA does not provide funding for SBIR awards, the agency is charged with implementing broad policy and guidelines under which participating federal agencies operate autonomous SBIR programs. Additionally, SBA established performance criteria for agencies to use in their specific SBIR work plans with the goal of improving overall SBIR performance. In FY2015, SBA has requested \$584,000 to implement and monitor cross-agency initiatives designed to improve the effectiveness of the program, including sharing best practices and continuing to enhance the TechNet database. **This funding for the SBIR program is appropriate.** With these funds SBA will be able to ensure that there is communication between awarding agencies, thus providing additional oversight to prevent fraud and abuse in the program.

Size Standards

SBA is currently undertaking a complete review of all size standards that are used to determine eligibility in the various small business programs. The Small Business Jobs Act of 2010 required that every 18 months one-third of the size standards be updated to reflect the new market conditions in the industry with reviews occurring five years thereafter. **As the process continues, the FY 2015 budget should include a specific line item for this task so as to ensure that funds are not diverted from other programs.**

ENTREPRENEURIAL DEVELOPMENT PROGRAMS

SBA's request for entrepreneurial development funding is marred by its request to fund unproven programs that lack specific statutory authorizations. Doing so comes at the expense of other proven core entrepreneurial development programs. Simply put, this is an inappropriate use of funds and a flagrant disregard of taxpayers. Given the insufficient oversight of many of these pilots, such unchecked spending may lead to further fraud and abuse within the agency. Further, while these initiatives cost \$33 million¹ and make up nearly 20 percent of the agency's entrepreneurial program budget, no objective measures have been provided for Congress to evaluate their performance. Until these programs are evaluated and authorized by Congress, these programs should not receive any funding. Instead, the agency should redirect this funding to focus on strengthening its existing network of entrepreneurial development service providers. **Below, recommendations are made that reallocate this \$33 million in unauthorized spending across several core SBA entrepreneurial development programs.**²

Small Business Development Centers

The SBDC program is the agency's largest and most established entrepreneurial development initiative. At a time when the economy is attempting to regain its full strength, the SBDCs program should be funded at a level that will allow it to expand and provide entrepreneurial opportunities for out-of-work individuals, as well as support small firms that are creating jobs. Therefore, the proposed FY 2015 budget of \$113.625 is insufficient. **Instead, \$1.375 million from the unauthorized initiatives should be redirected to the SBDC program for a funding level of \$115 million for FY 2015.** As a result, there is no increase in the aggregate SBA budget for FY 2015.

¹ \$33 million in spending on initiatives that lack specific authorizations is as follows: Entrepreneurship Education (\$15 million), Regional Innovation Clusters (\$6 million), Boots to Business (\$7 million), and Growth Accelerators (\$5 million).

² Reallocation of the \$33 million is as follows: \$1.375 million for Small Business Development Centers; \$5 million for Women's Business Centers; \$3.5 million for PRIME; \$3 million for Microloan Technical Assistance; \$9.5 for Veterans Business Outreach Centers; and \$10.625 million for the New Markets Venture Capital program, which is contained in the Access to Capital portion of this letter.

Microloan Technical Assistance

For microloan technical assistance grants, the SBA is requesting \$20 million, which is the same amount as requested in FY 2014. Given the sustained high levels of long-term unemployment, many individuals are looking to entrepreneurship. **The Microloan program is a core initiative serving this demographic and, as a result, the budget for this program should be increased by \$3 million to \$23 million.** This additional funding should come from the unauthorized initiatives included in the SBA's budget submission and therefore will not increase the total agency spending for FY 2015. By doing so, micro-intermediaries would be better able to broaden their services and reach out to these individuals.

Women's Business Centers

The SBA proposed that the Women's Business Centers (WBC) funding level is \$14 million for FY 2015. **Given the demand for new centers, an additional \$5 million (for a total of \$19 million in FY 2015) should be allocated for the purposes of opening new centers in areas that do not have a WBC.** In addition, the agency should focus the remainder of its funds on establishing new centers and supporting existing centers in areas of high unemployment. The agency should also ensure that all centers receiving funding in FY 2015 can demonstrate success in creating and maintaining jobs in their local communities.

Service Corps of Retired Executives

The FY 2015 budget provides funding for the SCORE program at \$7 million, which is the same level it received in FY 2014. Given that this program relies on volunteers and the SBA provides office space at no-cost, its high-cost to the taxpayer is concerning. This concern is magnified given the quality of performance data being reported by SBA for the SCORE program. For instance, the SBA asserts that SCORE assisted more than 458,000 businesses in FY 2012 and more than 345,000 businesses in FY 2013. However, SCORE was only responsible for creating 628 and 828 businesses in those years respectively. Such a ratio of business creation to business assistance is extremely low and well below that of the SBDC program. **Efforts should be undertaken to evaluate the efficiency of SCORE and whether it is duplicative of other entrepreneurial development programs. Further efforts to evaluate the quality of SCORE performance data would also be welcome.**

Veterans Business Outreach Centers

The SBA is requesting \$2.5 million in FY 2015 for Veteran Business Outreach Centers (VBOCs), the same amount as in FY 2014. With just 15 business assistance facilities located across the U.S., many military communities lack access to these business development resources. **Given the limited geographical reach of this program, this level of funding should be increased by \$9.5 million, for a total budget of \$12 million, coming from a transfer of funds from the unauthorized programs contained within this budget.** By reallocating funds in this manner, the total FY 2015 SBA budget cost will not be increased.

Office of Native American Affairs

The Office of Native American Affairs (ONAA) ensures that American Indians, Native Alaskans and Native Hawaiians have access to business development and expansion tools available through the SBA's entrepreneurial development, lending, and procurement programs. **The administration's FY 2015 budget proposes to level fund the ONAA at \$2 million, which is sufficient and in-line with prior year's funding levels.**

National Women's Business Council

The SBA FY 2015 budget proposes \$900,000 for the council, a decrease of \$100,000 from FY 2014. These resources are used to carry out research and hold conferences on women's business issues. Other areas of the SBA regularly conduct research and convene conferences, such as the Office of Advocacy. In addition, the SBA's Office of Women's Business Ownership, which is funded through the agency's operating budget, also overlaps with the council's responsibilities. **Therefore, it is recommended that the SBA ensure that the council's activities do not duplicate the activities that other SBA offices are performing.**

PRIME

In line with prior year's budget, the SBA proposes to eliminate funding for PRIME, which it believes is duplicative of other SBA programs. The committee disagrees with this assertion and finds that PRIME provides critical capacity building grants to microintermediaries that serve low-income individuals seeking to create new businesses. The decision to terminate this program is unwise, as many long-term unemployed individuals will look to entrepreneurship, often turning to organizations supported by PRIME. **As a result, \$3.5 million, the same level appropriated in FY 2014, should be made available for the PRIME program in FY 2015.** This funding should come from a transfer of funds proposed for the unauthorized programs contained in SBA's budget submission and therefore will not increase the total agency budget.

Entrepreneurship Education

SBA is requesting \$15 million for entrepreneurship education, an increase of \$10 million over the FY 2014 level. This funding request is difficult to justify as it diverts scarce resources to an untested program that is duplicative of existing and proven initiatives. **Given that the network of local SBA partners/facilities, such as SBDCs, WBCs, SCORE chapters, VBOCs, and district offices, already operate across the country, these funds should instead be reallocated to these existing programs.**

Boots to Business

The SBA continues to roll out its Boots to Business program. The program primarily relies on video and on-line training. Similar efforts were undertaken by the now defunct National Veterans Business Development Corporation and were unsuccessful, mainly due to the need for hands-on, in-person training. **Given that the Boots to Business program relies on this ineffective IT-driven model, the \$7 million in funding requested for FY 2015 should be denied and be rechanneled to proven SBA service partners.**

Regional Innovation Clusters

While the recent third-party evaluation of the program is an appropriate first step, it is coming after more than \$30 million has been spent on this initiative over five years. Although the recent study shows that collaboration among entities involved in a particular industry cluster have increased, there is no evidence to suggest that this is the most efficient use of taxpayer funds, particularly with regard to job creation. **Therefore, without a specific authorization, the agency's \$6 million funding request should be reallocated to other entrepreneurial development programs as outlined in this letter.**

Growth Accelerators

The SBA's FY 2015 budget request includes \$5 million for growth accelerators, a doubling of last year's budget. Given that this initiative has not been formerly reviewed, it is difficult to justify additional spending. **Instead, this funding should be redirected to SBA's core entrepreneurial development programs.**

Business USA

The Business USA web portal is a White House initiative that is being funded primarily through the SBA. Its goal is to serve as an on-line, one-stop shop for all of the federal government's business programs. The committee concurs that the government's business-related websites are a muddled mix of useful resources and outdated information. This techno-jumble could be improved, but it is far from clear that Business USA is accomplishing this.

A recent examination of the website found that a query for “startup financing” returned 6 loan programs, 44 financing resources, and 25 related resources – hardly a targeted list of resources. Further, the top two answers for this query were the Small Business Lending Fund at the U.S. Department of Treasury and the Natives CDFI Initiative. Neither program actually provides loans to startups, but rather to financial institutions themselves. Given this unhelpful information, the committee has a difficult time understanding the need to sink another \$6 million into what is quickly becoming a bottomless pit. **As such, no funding should be allocated to this project and this funding should be returned to the Treasury to reduce the deficit.**

OFFICE OF ADVOCACY

For FY 2015, Advocacy is budgeted at \$8.455 million; a reduction of \$295,000, from the FY 2014 enacted level. **This level is sufficient for the office to carry out its responsibilities.**

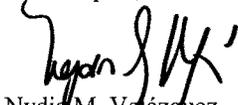
OFFICE OF INSPECTOR GENERAL

For FY 2015, the administration has requested \$19.4 million, an increase of \$400,000 million over the FY 2014 enacted level. **Given the prevalence of fraud and abuse in the SBA and the dire need for oversight of unauthorized initiatives, the committee supports this request.**

CONCLUSION

While SBA’s FY 2015 total budget level is reasonable, the allocation of this funding is problematic. Choosing to again fund unauthorized and risky initiatives at the expense of proven programs is at best inefficient and at worst wasteful. Going forward, the SBA should recommit itself to its proven programs, rather than wasting funds on untested programs. Doing so would help ensure that taxpayer dollars are being well spent, while small businesses have the resources they need to grow stronger. Thank you for your consideration of our views on this important matter.

With respect,



Nydia M. Velázquez
Ranking Member



Committee on Transportation and Infrastructure
U.S. House of Representatives

Washington, DC 20515

Bill Shuster
Chairman

Nick J. Rahall, Jr.
Ranking Member

Christopher P. Bertram, Staff Director

March 13, 2014

James H. Zola, Democrat Staff Director

The Honorable Paul Ryan
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

As required by section 301(d) of the Congressional Budget Act and clause 4(f) of Rule X of the Rules of the House, the Committee on Transportation and Infrastructure transmits its views and estimates for the fiscal year (FY) 2015 Budget Resolution. On March 13, 2014, the Committee on Transportation and Infrastructure met in open session and adopted the enclosed FY 2015 Budget Views and Estimates by voice vote with a quorum present.

Thank you for the opportunity to present these views and estimates.

Sincerely,

A handwritten signature in black ink that reads "Bill Shuster" with a long, sweeping underline.

Bill Shuster
Chairman

Enclosure

cc: The Honorable Chris Van Hollen, Ranking Member, Committee on the Budget
The Honorable Nick J. Rahall II, Ranking Member, Committee on Transportation and Infrastructure

VIEWS AND ESTIMATES
OF THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
FOR FISCAL YEAR 2015

Overview:

Under current law and House rules, standing committees are required to submit to the Committee on the Budget views and estimates. The Budget Act sets April 15th as the date for the completion of the congressional budget resolution. To assist the Budget Committee with meeting this deadline, we are submitting the views and estimates of the Committee on Transportation and Infrastructure.

The Committee believes that properly targeted investment in transportation and infrastructure is necessary to ensure the safe and efficient movement of people and goods, increase economic growth, and maintain our global economic competitiveness.

The detailed views and estimates presented below requests a deficit-neutral reserve fund for surface transportation and an allocation for contract authority that reflects baseline levels plus inflation in the budget resolution. A reserve fund and adjusted allocation are critical for the success of the surface transportation reauthorization bill. These views and estimates also identify priorities within the Committee's jurisdiction.

This year, the Committee will continue to perform oversight on programs within our jurisdiction as well as focus on authorizing some key programs. The Committee's legislative priorities this year include reauthorizing surface transportation programs, finalizing a Water Resources Development Act, reauthorizing Amtrak while identifying cost-effective and innovative approaches to delivering modern and efficient passenger rail service, reauthorizing and reforming the Federal Emergency Management Agency, and reauthorizing the Federal Aviation Administration's aviation insurance program.

Transportation and the Economy:

Infrastructure provides a strong physical platform that facilitates economic growth, ensures global competitiveness, and supports national security. Providing the Nation with this platform has long been recognized as a federal responsibility that is shared with states and local governments. From the Transcontinental Railroad to the Panama Canal to the Interstate Highway System, Congress has played a critical role in ensuring the connectedness of the Nation and to supporting the needs of the American people. Throughout our Nation's history, economic growth, prosperity, and opportunity have followed investments in the Nation's infrastructure.

Today, the Nation's transportation system is an extensive network of highways, airports, railroads, public transit systems, waterways, ports, and pipelines that provide a means for taxpayers to travel to and from work and to conduct business. The United States transportation system not only provides the backbone of our economy by moving people and goods, it also

employs millions of workers and generates a significant share of total economic output. Economic growth and vitality are also dependent upon high quality water and wastewater infrastructure systems and resilient infrastructure designed to protect lives and properties from storms and flooding.

In addition to facilitating economic growth and global competitiveness, our transportation system has a direct and significant impact on the daily lives of nearly all Americans. To the average American, properly targeted investment in transportation infrastructure will mean shorter commutes that save time, reduce fuel consumption, and decrease pollution; lives saved; safer systems to accommodate the transportation of hazardous materials; and fewer delays for the more than 700 million passengers who travel by air each year.

Status of Authorizations:

The 112th Congress approved and the President signed into law, an authorization bill for aviation. The Committee supports the funding levels authorized in this Act.

On February 14, 2012, the FAA Modernization and Reform Act of 2012 was signed into law. This act was approved after nearly five years and 23 short-term operating extensions. The act provides a four-year, \$63.4 billion package to continue operating the air traffic control (ATC) system, advance the development of the “NextGen” ATC system as well as provide funding for airport infrastructure improvements.

The reauthorization act puts in place sound multi-year policies that reform Federal Aviation Administration programs, modernize our air traffic control system, improve airport infrastructure, and reduce air traffic delays. This critical effort to shift from our antiquated air traffic control technology to a GPS-based system will improve air traffic efficiency and safety, reduce fuel burn and pollution from aircraft, and bring costs down for consumers.

Reauthorization of Federal Surface Transportation Programs:

The Moving Ahead for Progress in the 21st Century Act (MAP-21; P.L. 112-141) was enacted on July 6, 2012. MAP-21, which was the first multi-year highway authorization enacted since 2005, funds federal surface transportation programs at more than \$105 billion for FY 2013 and FY 2014.

MAP-21 was a milestone for the U.S. economy and the Nation’s surface transportation system. It made significant programmatic and policy reforms to federal surface transportation programs. Among those reforms, MAP-21 consolidated or eliminated nearly 70 U.S. Department of Transportation programs, which afforded state and local partners greater flexibility with the use of their federal funding. MAP-21 reformed the project approval and delivery process for highway and public transportation projects, which allows projects to begin construction faster, maximizing the public investment and benefit. MAP-21 also emphasized performance management by incorporating performance measures into the highway, transit, and highway safety programs, which focus federal funding on national transportation goals, increase accountability and transparency, and improve transportation planning and project selection.

MAP-21 is set to expire on September 30, 2014. As a result, reauthorization of federal surface transportation programs is a priority for the Committee on Transportation and Infrastructure this year. The Committee formally began its process for developing a surface transportation reauthorization bill with a hearing in January. The Committee will hold additional hearings and roundtables in the months ahead to gather public and private sector input on key policy priorities for the next bill. The Committee intends to develop a long-term, bipartisan, policy-focused bill that improves the condition, performance, and safety of the surface transportation network, and adheres to the following key principles: fiscal responsibility; regulatory relief; flexibility for non-federal partners; freight mobility; and innovation and technology.

The Committee looks forward to working with the other committees of jurisdiction to address the challenges facing the Highway Trust Fund and to ensure that the framework is in place to enact a bill. The Committee acknowledges that Ways and Means Committee Chairman Camp recently released a tax reform proposal, which includes a provision that can bring greater certainty for the Highway Trust Fund. The Committee is currently reviewing the details of Chairman Camp's proposal. The Committee requests a deficit-neutral reserve fund for transportation in the upcoming budget resolution. In addition, the Committee also requests an allocation for contract authority that reflects baseline levels plus inflation.

Water Resources Development Act:

Water Resources Development Acts (WRDA) and their predecessors have been authorized by Congress since the 1800's. Later WRDAs established the Inland Waterways Trust Fund and the Harbor Maintenance Trust Fund to help pay for the modernization of locks and dams on America's inland navigation system and maintenance of waterways and ports.

Revenues in the Inland Waterways Trust Fund are derived from a 20-cent-per-gallon user fee on diesel fuel used by commercial vessels engaged in inland waterway transportation, plus investment income. The Trust Fund is used to pay one-half of the costs associated with the construction, replacement, expansion, and major rehabilitation of federal inland waterways projects, the other half coming from the General Fund of the U.S. Treasury. Currently, the Corps of Engineers is using the money at the same rate that it is collected and that is insufficient to maintain an efficient construction schedule for existing projects or to begin any significant new investments. The Inland Waterways Trust Fund collects approximately \$80 million to \$90 million per year while the balance in the fund is approximately \$40 million.

The infrastructure along the inland waterway system is old and in need of repair, replacement, and rehabilitation. Of the 257 locks in operation in 2009, more than one-tenth were built in the 19th Century; the average age of federal locks is 60 years, and they were built with an expected lifespan of 50 years. By 2020 more than 80 percent of America's locks will be functionally obsolete.

The Harbor Maintenance Trust Fund is meant to pay for harbor maintenance needs. Funds are collected through a 0.125 percent tax imposed on the value of cargo loaded or unloaded at U.S. ports. The fund collects approximately \$1.6 billion per year and under the recently enacted

omnibus appropriations act, appropriations for FY 2014 have increased to approximately \$1 billion per year. The balance in the fund is approximately \$8 billion. The trust fund pays for the federal share of the maintenance of federal channels at ports.

America's businesses and consumers depend on these ports as 70 percent of America's imports and 75 percent of its exports go through its ports. The number of ships calling at American ports is rising and with the upcoming expansion of the Panama Canal, the size of ships will grow. With an expanded Panama Canal, very large container ships will become the norm but the number of American container ports that can receive such ships is limited. The American Society of Civil Engineers estimates that underinvestment in America's inland waterways cost American businesses \$33 billion in 2010 and that without significantly increased investment those costs could rise to \$49 billion by 2020.

The Committee is aware that the current rate of revenue collection and investments in both trust funds is not sustainable in the long term if we are to keep inland waterways and ports as a viable part of a multimodal transportation system.

The Committee reported and the House passed the Water Resources Reform and Development Act, and the Committee is currently in final negotiations with the Senate to complete a conference report on the bill. The final conference report will address the needs of ports, inland waterways, flood protection, environmental protection, and other programs of the Corps.

In addition, the Corps of Engineers is challenged with aging infrastructure, increased demands, reduced budgets, and severe weather and water conditions. Ensuring that the Corps has the capability and direction necessary to meet the expectations of the Nation requires a thorough review and understanding of its priorities and its ability to manage its portfolio of assets in the context of federal budget constraints. The Committee intends to provide the technical and budget oversight of Corps funding, backlog, and future needs.

Passenger Rail Reform Legislation:

The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) reauthorized the National Railroad Passenger Corporation, better known as Amtrak, and strengthens the U.S. passenger rail network by tasking Amtrak, the U.S. Department of Transportation, Federal Railroad Administration, states, and other stakeholders with improving service, operations, and facilities. PRIIA was a five-year reauthorization bill covering FY 2009 through FY 2013, and the Committee continues to work to enact a reauthorization bill in the 113th Congress.

PRIIA focused on intercity passenger rail, including Amtrak's long-distance routes and the Northeast Corridor, state-supported corridors throughout the Nation, and the development of high-speed rail corridors. To address the challenges facing Amtrak and to promote more efficient and improved intercity passenger rail service, PRIIA authorized stable and predictable funding for long-term investments and improvements to intercity passenger rail service and set forth strict guidelines for improvements to Amtrak's long distance and corridor routes to reduce Amtrak's operating subsidy. Since PRIIA was enacted, Amtrak's operating subsidies have declined over 20 percent (\$103 million in reductions).

The Committee intends to review Amtrak's performance since PRIIA.

Coast Guard Reauthorization:

On February 11, 2014, the Committee on Transportation and Infrastructure ordered reported the Coast Guard and Maritime Transportation Act of 2014. The measure authorizes funding for the Coast Guard for fiscal year (FY) 2015 and FY 2016 at the FY 2014 level. The bill also institutes reforms for the U.S. Coast Guard, reduces regulatory requirements on small business, and upholds the Coast Guard's ability to carry out its important and diverse missions. The two-year authorization act enhances operations while reducing costs by reforming and improving Coast Guard administration and eliminating obsolete authorities. The legislation recognizes the current budget environment and directs the Coast Guard to review its missions in a manner that reflects budget realities. The bill also directs the Coast Guard to prepare plans for meeting its icebreaker needs in the Arctic, and to cover the shortfall in funding and timeline delays in the acquisition of the Offshore Patrol Cutter.

Furthermore, the bill encourages job growth in the maritime sector by reducing regulatory requirements on small businesses. The regulatory changes provided by this bill include making permanent the current moratorium for fishing vessels and small commercial vessels' compliance with the National Pollutant Discharge Elimination System requirements of the Clean Water Act governing vessel incidental discharges. The Committee intends to enact a reauthorization bill in the 113th Congress.

Federal Emergency Management Agency:

The Federal Emergency Management Agency (FEMA) manages and coordinates the federal response to and recovery from major domestic disasters and emergencies of all types, in accordance with the Robert T. Stafford Disaster Relief and Emergency Assistance Act (P.L. 93-288), as amended. FEMA coordinates programs to improve the effectiveness of emergency response providers at all levels of government to respond to terrorist attacks, major disasters, and other emergencies.

FEMA assists state and local partners by coordinating the core federal response capabilities needed to save and sustain lives and protect property in communities overwhelmed by the impact of a disaster. In 2012, FEMA supported 47 major disaster declarations, 16 emergency declarations, and 49 fire management assistance declarations. These included the response to Hurricane Sandy and Irene, and major fires in the West. In 2013, FEMA supported 62 major disasters, 5 emergency declarations, and 28 fire management assistance declarations.

In the 113th Congress, the Committee intends to reauthorize FEMA and provide FEMA with the tools it needs to streamline its mitigation, disaster response, and recovery efforts to act quickly and effectively in the face of disaster.

Federal Aviation Administration’s Aviation Insurance Program:

The FAA Aviation Insurance Program provides products that address the insurance needs of the U.S. domestic airline industry not adequately met by the commercial insurance market.

Currently, the FAA is providing war risk hull loss and passenger, crew, and third-party liability insurance. The current authority to provide aviation insurance expires on September 30, 2014.

The Committee intends to review and reauthorize the aviation insurance program.

General Services Administration – Federal Real Property and Public Buildings:

Given the vast real estate holdings of the federal government, poor asset management and missed market opportunities cost taxpayers significant sums of money. For this reason, in 2003, the Government Accountability Office (GAO) placed real property management on its list of “high risk” government activities, where it remains today. GAO conducts biennial reviews on high-risk areas within the federal government to bring focus to specific areas needing added attention and oversight. Areas are identified as “high” risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement, or a need for broad-based transformation to address major economy, efficiency, or effectiveness challenges.

The high-risk activities of federal real property are significant. Considerable amounts of vacant or underperforming assets can translate into significant costs associated with their operation, maintenance, and security. The proper management of federal assets will continue to be a major focus of the Committee’s oversight activities during the 113th Congress.

In the area of public buildings, the Committee intends to address a number of issues concerning the Public Buildings Service of the General Services Administration (GSA). These issues include leasing reforms, the improvement of building utilization rates, the continued viability of the Federal Buildings Fund (FBF), GSA’s courthouse construction program, redeveloping or disposing of vacant or underutilized space, and reigning in the dispersal of independent authorities.

The Committee believes a unique opportunity exists for GSA to save significant taxpayer dollars through its leasing program. Over one-half of GSA’s office space inventory consists of privately leased buildings, and an unusually large number of those leases expire over the next three years. This large turnover of GSA leases is taking place at a time when vacancy rates for commercial office space remain high and market rents low in most markets where GSA has large lease holdings. The Committee intends to explore ways to help GSA maximize this market opportunity by accelerating long-term lease replacements and improving utilization rates.

The FBF, the primary source of funding for GSA’s capital investment program, is struggling to maintain a balanced portfolio of owned properties through construction or purchase of new federal buildings and the repair of existing buildings. The FBF is supported by rental payments charged to federal agencies occupying space in GSA facilities. The Committee recommends that the Administration carefully review the need for any new space and base determinations of whether to lease or own on what would provide the greatest return on investment to the taxpayer. The Administration should address issues related to the high number of old buildings in the

federal inventory that drain resources from the FBF and are no longer efficient for modern office space. The Committee will continue to take steps to ensure agencies decrease office space, improve space utilization, and lower costs. GSA also has a number of statutory authorities that, if used appropriately, could reduce costs and waste in federal real estate through public-private partnerships. These authorities could be used to address space underutilization, reuse vacant space, and provide more efficient space leveraging private dollars. The Administration should examine how these authorities could be best used; however, the Administration should work with Congress when using these authorities and there should be authorization and strong congressional oversight of such projects.

Finally, GSA's repair and alteration program in previous years has failed to meet projected demand for the modernization of GSA's aging inventory of federal buildings that are retained. The Committee continues to believe that GSA should adhere to criteria in modernization priorities that target investment in federal buildings that maximize space utilization and dispose of underutilized assets where appropriate.

Wastewater Infrastructure Financing:

Since 1972, the federal government has provided \$90 billion in financing assistance to states and local governments for wastewater infrastructure, which has dramatically increased the number of Americans enjoying better water quality, and improved the health of the environment and the economic health of communities and the Nation. Yet, according to the Environmental Protection Agency's most recent national survey of wastewater infrastructure funding needs to address water quality issues, states report a need of approximately \$300 billion in wastewater treatment, pipe replacement and repair, and stormwater management projects over the next 20 years. This need is especially pressing in many cities and communities that are facing a critical juncture in the age and reliability of their water infrastructure, with pipes and sewage treatment facilities reaching the end of their useful lives or exceeding their design or treatment capacity, and in need of repair, replacement, or upgrading.

The Committee intends to conduct oversight of wastewater treatment and water pollution control funding issues, including levels and sources of funding, management of grant and loan programs, and an assessment of infrastructure needs.

Maritime Infrastructure:

MAP-21 reduces the cargo preference requirement for U.S.-flag vessels transporting foreign food aid shipments. The Committee intends to conduct oversight on ways to reinvigorate the U.S. maritime industry, including the impact of the MAP-21 provision on the economic competitiveness of the U.S.-flag fleet.

Conclusion:

The views and estimates for the Committee on Transportation and Infrastructure do not provide specific comment on funding levels, other than authorized funding levels provided in enacted

legislation. Due to the delay in the submission of the President's Budget, the Committee is not prepared to provide comment or analysis on the proposal.

This report was circulated to all Members of the Committee on Transportation and Infrastructure for their review and comment, and was approved in a Full Committee meeting on March 13, 2014. While the report reflects a bipartisan effort, the Committee wishes to emphasize that all Members of the Committee may not necessarily agree with every aspect of the report. Accordingly, the Committee reserves its flexibility to determine program needs and recognizes the potential for funding changes as the Committee and Congress work their will through the legislative process.

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March 25, 2014

The Honorable Paul Ryan
Chairman

The Honorable Chris Van Hollen
Ranking Democratic Member

Committee on the Budget
207 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Ryan and Ranking Member Van Hollen:

Pursuant to section 301(d) of the "Congressional Budget Act of 1974" and House Rule X, clause 4(f), and with the approval of the undersigned Members of the Committee on Veterans' Affairs (Committee), we write to provide our Views and Estimates on the fiscal year (FY) 2015 budget for veterans' programs within the Committee's jurisdiction. Our comments will focus on select programs and services administered by the U.S. Department of Veterans Affairs (VA) and the Administration's fiscal year 2015 budget request for VA.

General Comments

As in past years, in preparing the Committee's Views and Estimates, we are mindful of the enormous challenges threatening our nation's security, including continuing budget deficits and debt which require difficult choices to be made across government. We are equally mindful of our obligation to those who continue to defend America against her enemies, an obligation that is primary, but that nonetheless must be met within the nation's resources.

We have been a nation at war for over half a generation. A young Private in 2003 is now a Senior Non-Commissioned Officer; a Second Lieutenant is now a Major. Those shouldering the load in defense of our nation have come from less than one percent of our nation's families. We have required enormous sacrifices from that one percent, and they have never balked at completing what their country has asked of them. All they expect in return is that we take care of them when they return home. They are the reason this Committee exists; it is now our privilege and duty to serve them and all who have gone before them.

Overall Spending Projections

Discretionary Spending

Inclusive of medical care funding for FY 2015 already provided in advance, the Administration's fiscal year 2015 VA budget request for discretionary programs is \$68.4 billion, a 3 percent increase relative to the FY 2014 enacted level. Included in that total is an additional request of \$368 million for VA medical care to augment the \$55.6 billion in medical care that was previously appropriated for FY 2015 by Public Law 113-76, the Consolidated Appropriations Act of 2014. Also included is an estimated \$3.1 billion in expected medical collections. Consistent with Public Law 111-81, the Administration also requests \$58.7 billion (including an estimated \$3.3 billion in medical collections) in advance appropriations for FY 2016.

VA's discretionary budget from FY 2006 through the FY 2015 has increased approximately 84 percent. Thus, the current request can certainly be characterized as more measured than those of prior years. During the Committee's hearing on March 13, 2014, on VA's FY 2015 budget request, VA Secretary Shinseki assured the Committee that the budget request was sufficient to meet VA's obligations. In the context of a tight fiscal environment which has seen other agencies' budgets flat-lined or cut, the Committee endorses the Administration's overall request for VA discretionary resources of \$65.477 billion in net budget authority for FY 2015, as well as the FY 2016 advance appropriation request. As we will outline below, within that top line request we recommend a slight reallocation among certain VA appropriation accounts which vary from the Administration's recommendations.

Mandatory Spending

The Administration requests \$95.6 billion for VA mandatory spending programs, an increase of 9.2 percent over FY 2014 levels. The Committee recommends baseline spending for VA mandatory accounts in FY 2015. The Committee looks forward to the timely appropriation of these mandatory dollars so that they will be available at the beginning of the fiscal year.

Veterans' Medical Care

For FY 2015, the Administration's budget requests \$56 billion (excluding estimated medical collections) for the three VA medical care appropriation accounts – Medical Services (\$45.4 billion), Medical Support and Compliance (\$5.9 billion), and Medical Facilities (\$4.7 billion). Including medical care collections, this request represents a 3.1 percent increase over the FY 2014 enacted appropriations for medical care and is \$368 million higher than what the Administration requested one year ago through the FY 2015 advance appropriations request. The Administration also requests an FY 2016 advance appropriation of \$58.7 billion (excluding estimated medical collections), a 4.7 percent increase above the Administration's FY 2015 medical care request.

In addition, the Administration assumes the availability of \$3.1 billion in medical care collections in FY 2015. Medical care collections include receipts from pharmacy and other first-party copayments including inpatient, outpatient and nursing home care and third-party insurance

payment collections associated with care provided for non-service-connected conditions. This estimate represents a 4.4 percent increase over the FY 2014 collections estimate. In FY 2016, the Administration assumes the availability of \$3.3 billion in medical care collections, a 6.7 percent increase over the FY 2015 estimate.

Finally, the Administration assumes the availability of \$450 million in unobligated balances at the beginning of FY 2015.

Recommendation

In general terms, we support the broad goals outlined in the Administration's medical care request. In particular, we commend initiatives to eliminate veteran homelessness; expand access to primary, specialty, and mental health care; and, improve the overall quality and safety of the healthcare provided to our veterans.

However, we are concerned that the Administration has significantly overestimated resources required for long-term care and subsequently re-allocated \$758 million to partially offset more than \$1 billion increases in special activities, which include ending veteran homelessness (a \$641 million increase) and activating medical facilities (a \$404.4 million increase). Despite the inherent value of these objectives, we believe the Administration's considerable overestimation of resources allocated to long-term care warrants further discussion and analysis before reallocation occurs.

The Committee is also concerned about the request for what appears to be activities that potentially contradict the stated workloads elsewhere in the budget. For example, VA has overestimated the number of incoming disability claims in each of the past three years. In FY 2012, disability claims receipts were expected to be an estimated 1.325 million; the actual number of claims received was 1.080 million. In FY 2013, disability claims receipts were expected to be 1.250 million; the actual number received was 1.044 million. And in FY 2014, disability claims receipts were estimated to be 1.329 million; the current estimate has been revised down to 1.117 million. Notwithstanding the downward revisions in each of these areas Congress fully funded the discretionary resource requests for the Veterans Benefits Administration (VBA) in each of the above years, and supported any required costs associated with medical examinations which were necessary to support those claims that are performed at the Veterans Health Administration's (VHA) expense. As part of the FY 2015 submission VA requests an additional \$50 million for "VOW Act Exams" which, the Administration argues, is necessary in light of an expected increase in the number of veterans filing disability claims following mandatory Transition Assistance Program participation. Absent transparency regarding the accounting of examination costs by VHA in light of inaccurate disability claim workload projections over the past several years, the Committee believes this request warrants further discussion.

Veterans' Medical and Prosthetic Research

For FY 2015, the Administration requests \$589 million for medical and prosthetic research. The Administration also requests \$589 million from the medical care program to support medical and prosthetic research. In addition, the Administration estimates other federal and non-federal resources of \$685 million in support of medical and prosthetic research, for total anticipated funding of \$1.9 billion in FY 2015.

The medical and prosthetic research program serves a dual purpose. By funding research into the unique injuries, illnesses, and conditions related to military service, the medical and prosthetic research program improves the daily lives of servicemembers and veterans and contributes to the advancement of medicine. The program also serves as valuable tool to more effectively recruit and retain clinician-researchers.

Recommendation

We recognize the value and importance of the Administration's medical and prosthetic research program and commend the Administration's stated research priorities, which include increased research regarding homeless veterans and women veterans. However, in addition to these priorities, we recommend additional funds to further research regarding mental health care and traumatic brain injury (TBI).

Sufficiently meeting the mental health care needs of our nation's veterans is perhaps the most pressing concern facing VA. From 2007 to 2013, VA's mental health care budget, programs, and staff have increased significantly. However, there has not been a corresponding increase in mental health care outcomes for veterans. This is illustrated most alarmingly in the Administration's 2012 Suicide Data Report, which found that the suicide rate among veterans has remained stable for fourteen years, with between 18 and 22 veteran suicide deaths per day since 1999. We believe that the Administration must further ongoing research initiatives into mental health treatment and outcomes, with a particular focus on decreasing the rate of suicide among the veteran population.

We also believe that there is an identified need for increased research regarding the short and long-term effects of, and treatment for, TBI. Though not unique to the veteran population, traumatic brain injury is undoubtedly a major issue facing our nation's veterans, particularly those who served in Operation Enduring Freedom, Operation Iraqi Freedom, and Operation New Dawn. Though the Administration has taken steps - most notably through the creation of the Polytrauma System of Care - to adequately care for veterans who have experienced TBI, we believe that further research is required, particularly regarding the long-term rehabilitative needs of veterans who have experienced TBI.

Construction Programs

For FY 2015, the Administration requests a total of \$1.2 billion for VA's four construction accounts: Major Construction (\$561.8 million); Minor Construction (\$495.2 million); State Extended Care Facility Construction Grants (\$80 million); and State Cemetery Construction Grants (\$45 million).

The Administration utilizes the Strategic Capital Investment Planning (SCIP) process to identify and prioritize system-wide capital needs and address gaps in safety, security, utilization, access, seismic protection, facility condition, space, parking and energy. For FY 2015, SCIP identified 62,708 capital projects, which would require between \$56 and \$69 billion for capital infrastructure and activation costs.

Recommendation

To support the Administration's considerable capital infrastructure needs, we recommend resources above the Administration's request to support critical infrastructure projects. Of particular concern to us is the need to more adequately ensure that the Administration is meeting the significant life-safety concerns at aging State Veterans Home facilities. For FY 2014, the Administration identified nearly \$500 million in Priority 1 projects, those projects where State matching funding was in place. State Veterans Homes provide cost-effective long-term care options for veterans, and we believe that the Administration's recommended amount of \$80 million is far from adequate to meet the need. Again, the Committee notes overestimates in the FY 2015 medical care accounts and recommends additional funding from a portion of those resources be applied to reduce the backlog of SCIP-identified construction projects and address the backlog of projects funded via the State Veterans Home grant account.

Notwithstanding VA's vast construction needs, the effective management of existing major medical facility projects remains a concern. The Committee will continue its oversight into significant cost overruns and inordinate delays at new hospital construction sites around the country. The Committee will examine legislative proposals to improve management of these and other projects, to include a proposal to turn over management of VA major construction projects to the Army Corps of Engineers and/or Navy Facilities Command.

Information Technology

The Administration requests \$3.9 billion in FY 2015 for the Office of Information and Technology (OI&T), an increase of 5.4 percent over the FY 2014 enacted level. Of note, VA Office of Information & Technology is seeking an approximate 7.3 percent increase (\$36 million) from 2014 for "new development;" a 7 percent increase (\$151 million) for "Operations and Maintenance;" and a 27 percent increase (\$33 million) for Information Security.

Although the Committee supports the Administration's request, there are numerous concerns associated with VA's management of its IT programs. The numerous IT security failures documented in response to Federal Information Security Management Act reporting requirements, GAO reports, and the Committee's own oversight call into question VA's ability

to develop and maintain major IT systems. Therefore, additional significant Committee oversight is planned for VA's IT program.

Veterans Benefits Administration

The Administration proposes \$2.494 billion in discretionary funding for Veterans Benefits Administration (VBA) activities, an increase of \$30 million over the FY 2014 enacted level. The increase is largely attributable to an expected increase in disability and education claims. As mentioned above in the discussion of VA medical care, there has been in each of the past three years an approximate overestimation of disability compensation and pension workload of 20 percent, even though the budget requests for manpower and technology in each of those years were fully funded. The Committee will be conducting oversight in this area but, at this time, will support the FY 2015 request. Further, the Committee remains concerned about VA's stalled efforts to modernize the Long Term System (LTS) information technology tool for education claims processing.

Compensation and Pension Service

The Committee is concerned with VA's ability to meaningfully reach its 2015 goals for the processing of veterans' disability benefits claims. In January 2013, VA released its plan, the "Department of Veterans Affairs Strategic Plan to Eliminate the Compensation Claims Backlog," which outlined the Department's initiatives that would eliminate the claims backlog and improve claims-based decision accuracy to 98 percent in 2015. The VBA represented that this was the largest claim processing transformation in its history, which involved a people, process, and technology revolution within the Department.

One year ago, in March 2013, the Government Accountability Office (GAO) noted that VBA's transformation planning documents did not meet established criteria for sound planning, such as articulating performance measures for each initiative, including their intended impact on the claims backlog. Furthermore, the National Academy of Public Administration (NAPA) cautioned VBA that its Strategic Plan allowed no room for error; NAPA advised that VBA would have to develop capabilities to remain extremely agile in dealing with exigencies.

This past year has shown the wisdom of GAO and NAPA's predictions, as VBA has been forced to make ongoing adjustments to its Strategic Plan, most notably with the use of mandatory overtime for claims processors. As a result of this type of short-term, non-forecasted initiatives, the Department has created reverse incentives that may prioritize quantity of completed claims work over the quality and accuracy of those claims. For example, to meet its monthly numeric goals, in addition to mandatory overtime, VBA has suspended its Quality Review Teams and has reassigned nearly 900 employees from other benefit programs to processing disability claims.

Additionally, while VBA's evolving initiatives target initial and supplemental compensation claims' goals for 2015, there is great concern that many other claims, as well as appeals, are not receiving necessary attention. Nearly 250,000 dependency claims submitted by surviving spouses and children remain pending in the system, 75 percent of which are backlogged. Moreover, there are more than 273,000 appeals pending within VBA, with tens of thousands

certified appeals sitting at the Board of Veterans Appeals. On average, these appeals await decision for nearly three additional years.

We remain concerned that we have not seen the marked results that were assured by VA with past budget requests. We believe that VBA must engage in advanced, sound, and realistic planning; it must not continue down its reactive path, coursing from one backlog emergency to the next. VBA must also make a concerted effort to place increased priority on the quality of work, rather than simply the quantity of work completed. The noted expert on improving production through increasing quality, W. Edward Demming, said it right: “when we improve quality we also improve productivity.” The Committee notes that he also wrote that “defects are not free. Somebody makes them, and gets paid for making them.”

VBA must focus on a quality improvement program that features hiring and training the right employees, a workload management strategy that rewards success, and a work-credit system that is quality-focused as the primary means to ensure that veterans receive both timely, accurate, and consistent decisions across the system. Paramount to this endeavor, we believe that employees, supervisors, and those individuals in VA Central Office must be held accountable for their respective performance.

Finally, VBA’s technological initiative, the Veterans Benefit Management System (VBMS), has been installed within all VBA Regional Offices; we are aware that the development of this electronic system is not static, nor complete. It will continue to evolve as new or reworked capabilities are determined, and paper conversion efforts remain ongoing. The institution of this paperless, rules-based adjudication system was necessary, and we believe that VBA has taken belated but positive steps to move into an electronic environment. The Committee also believes the Board of Veterans Appeals must have full access to and the appropriate functionality in VBMS to process appeals. The current time needed to process an appeal is about three years, a time that reflects the lack of quality processing at the regional offices. However, as noted, we believe that VBMS is not a stand-alone solution to the backlog and must be accompanied by management’s focus on performance-based accountability at the Regional Office level.

In pushing towards 2015, VBA plans to transition to a fully electronic disability claims process system through full deployment of electronic Regional Offices in 2014, as well as institution of a National Work Queue and a centralized mail system. As VBA increases digital operations and moves to full operational capability, the Committee will be conducting vigorous oversight to ensure that VA employs a responsible method for meeting its goals for 2015. We remain concerned that despite being provided with everything requested by the Administration, VBA will again fail to amend its operations sufficiently to achieve the qualitative results that are promised.

Education and Vocational Rehabilitation and Employment

The Committee remains concerned that processing claims for veterans’ education and vocational rehabilitation and employment benefits (VR&E) could be delayed if the Administration’s request for VBA-GOE is allocated as requested. VA estimates that the workload for education claims is expected to increase in FY 2015 by 4 percent over the FY 2014 workload and that claims for VR&E benefits are expected to increase by 10 percent over the same time period. The Administration’s request assumes the same level as last year of Full Time Employees (FTE) who

adjudicate education claims as well as those who counsel veterans through the VR&E program. The Committee is concerned that with the increase in workload and no corresponding increase in staffing or improved IT support, many veterans could see increased delays in accessing their earned benefits.

The Committee is also concerned that VA has not increased in priority important enhancements to IT systems for both the Education and VR&E service. The Committee has held several oversight hearings that have highlighted the need to make these enhancements, which would improve processing times for claim adjudication and provide increased tracking and oversight of program results with only a small shift in resources away from other IT projects.

National Cemetery Administration

The National Cemetery Administration (NCA) anticipates that by 2015, approximately 91 percent of veterans will have access to a burial option in a national, state, or tribal veterans' cemetery within 75 miles of their home. Additionally, NCA remains cognizant that significant numbers of veterans prefer burial in a private cemetery; thus, NCA provides government headstone and markers, as well as Presidential Memorial Certificates, to hundreds of thousands of families each year.

While targeting access goals, both urban and rural, NCA has sustained a record of excellent service to veterans and their families. Moreover, the 2015 budget supports a continued commitment to ensure that national cemeteries meet or exceed the highest standards of appearance required by their status as national shrines. Accordingly, the Committee supports the FY 2015 request for NCA.

VA Inspector General

The Administration proposes flat funding for the Office of the Inspector General (OIG) in FY 2015. The OIG provides critical oversight of VA's programs and services to eliminate waste, fraud and abuse. It also conducts periodic reviews of VA health care services to ensure applicable processes governing patient safety are being followed. In light of the OIG's important role, we recommend a modest increase in this account relative to the President's request.

Concluding Comments

In last year's Views and Estimates letter, the Committee recommended that the Budget Committee give due consideration to advance funding the remaining 14 percent of VA's discretionary budget. The Committee has since favorably reported legislation – H.R. 813, the "Putting Veterans Funding First Act" – which would accomplish the full advance appropriation of VA's discretionary accounts. H.R. 813 not only provides for certain and stable funding for VA, it also provides Congress with additional insight and oversight mechanisms. It requires a Quadrennial Veterans Review (QVR) that ensures VA understands and documents the changing future needs of veterans. It also mandates a Future Years Veterans Program (FYVP) reflecting estimated expenditures and proposed appropriations over time, and justifying those included in the budget for that fiscal year. Consistent with this action, we recommend that the Budget

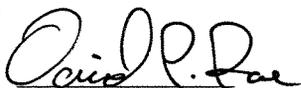
Committee include language in the FY 2015 resolution to protect the full advance funding of all VA discretionary spending from any budgetary point of order. Further, we believe consideration should be given to the advance funding of all of VA's mandatory accounts to ensure uninterrupted payment of disability, GI Bill, and other payments in the event of another government shutdown. Although disagreements between political parties over budgetary matters may persist, we are united in the belief that funding for veterans should never be compromised or held hostage as part of that ongoing debate.

These views reflect the best judgment of the undersigned Members of the Committee as of this date. We have submitted additional questions regarding the Administration's budget proposal and will conduct a series of oversight hearings in the coming months on other facets of the request. If we, or the Committee staff, can provide assistance regarding the views contained in this letter, please do not hesitate to contact us.

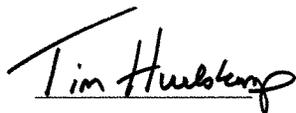
Sincerely,



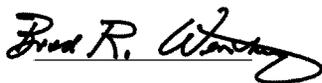
JEFF MILLER
Chairman



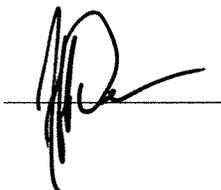
David P. Roe



Tim Huelskamp



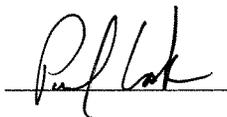
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MICHAEL H. MICHAUD
Ranking Democratic Member



Dan Broun



Paul Loh



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JANICE MAVS,
MINORITY CHIEF COUNSEL

March 25, 2014

The Honorable Paul Ryan
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515

Dear Mr. Chairman:

As required by Section 301(d) of the Congressional Budget Act of 1974 (P.L. 93-344) and in response to your letter of January 28, 2014, this letter transmits the Views and Estimates of the Committee on Ways and Means on those aspects of the Federal budget for the Fiscal Year 2015 that fall within the Committee's jurisdiction.

The current pace of the economic recovery is insufficient and far too many Americans remain unemployed. As such, the Committee will continue to focus on promoting policies that spur private sector job creation and economic growth. These policies include reforming the tax code to make American employers and workers more competitive, expanding trade by providing new opportunities to grow exports of American made goods and services and by reducing the burden placed on American employers by the rapid growth in the national debt, and eliminating or reforming inefficient and counter-productive government programs and regulations.

I. Legislative Issues with Budgetary Impact

- A. Human Resources – The Committee will work to promote reemployment for unemployed Americans by reviewing the operation of the Unemployment Insurance program, including the implementation of reforms contained in Public Law 112-96, *The Middle Class Tax Relief and Job Creation Act of 2012*, and developing improvements as needed. The Committee will continue its effort to facilitate the exchange of program data to improve administrative efficiency and reduce waste, fraud, and abuse. The Committee will also review the effectiveness of the Temporary Assistance for Needy Families and Child Support Enforcement programs to ensure they target those most in need and promote economic mobility through employment. The Committee is also focused on improving the lives of youth in foster care by increasing efforts to protect them from harm, continuing to support adoption, and ensuring these youth have more opportunities to become successful adults. The

Committee will also continue its general oversight over the Human Resources programs under its jurisdiction, including reviewing program interactions and eligibility standards. The Committee will also review and act, as appropriate, on proposals in the President's Fiscal Year 2015 Budget.

- B. Medicare and Other Health Care Issues – The Committee will closely oversee the continued implementation and operation of the health care overhaul and its impact on federal spending, the economy, those who already have insurance, employers, Medicare beneficiaries, and health care providers. In addition, the Committee will look for ways to reform the Medicare program to ensure its sustainability for current and future beneficiaries. The Committee will also examine policies that reduce the cost of health insurance, increase health care quality and improve outcomes, protect access to care, encourage transparency, and eliminate waste, fraud, and abuse.
- C. Social Security – The Committee will work to strengthen Social Security programs through examining the financing challenges facing Social Security's retirement, survivors and disability programs. Efforts will particularly focus on the Disability Insurance program, as revenues will cover only 80 percent of benefits beginning in 2016 unless Congress acts. Following hearings on conspiracy fraud schemes in Puerto Rico and New York costing taxpayers millions, the Committee intends to advance legislation to prevent disability fraud, along with continuing their oversight of the Social Security Administration's plans to prevent conspiracy fraud. The Committee also intends to better protect individuals, including children, from identity theft of all kinds related to the proliferation of use and misuse of Social Security numbers.
- D. Tax – The Committee recognizes that a complex, burdensome, anti-growth tax code remains a significant obstacle to economic recovery and job creation. Accordingly, the Committee anticipates continuing its extensive efforts to simplify and reform the tax code for individuals, families, and employers, to spur the robust job creation and economic growth necessary to reduce the Nation's persistently high unemployment rate and increase wages for hard-working Americans. In so doing, the Committee will solicit feedback on the comprehensive reform discussion draft released by the Committee. In addition, the Committee will build on its record from the past three years, which has featured (1) more than thirty hearings devoted to tax reform at the Full Committee, the Select Revenue Measures Subcommittee, and the Oversight Subcommittee – including three joint hearings with the Senate Finance Committee – (2) the creation of eleven bipartisan Tax Reform Working Groups and the release, on May 6, 2013, of a formal report on present law and suggestions for reform submitted to the Working Groups, and (3) the formal release, on February 26, 2014, of a comprehensive discussion draft of the "Tax Reform Act of 2014." In addition to its ongoing pursuit of a simpler, fairer, flatter tax code and a healthier economy through tax reform, the Committee will continue to review other tax matters and will closely scrutinize the revenue recommendations contained in the President's Fiscal Year 2015 Budget.

E. Trade – The Committee seeks to increase economic opportunities for American workers and businesses through the expansion of trade opportunities, adherence to trade agreements and rules by our trading partners and by the United States, and the elimination of foreign trade barriers to our goods and services by opening new markets and by enforcing U.S. rights. The Committee intends to consider H.R. 3830, bipartisan and bicameral legislation to empower Congress with respect to trade negotiations by establishing detailed negotiating objectives and rigorous mechanisms for consultation with Congress while preserving for Congress the final determination as to whether to implement a trade agreement. The Committee will continue its oversight over the Trans-Pacific Partnership negotiations, the Transatlantic Trade and Investment Partnership negotiations with the European Union, the Trade in Services Agreement, and bilateral investment treaty negotiations. In addition, the Committee will continue its oversight responsibilities with respect to the World Trade Organization, including U.S. goals, dispute settlement, implementation of the Trade Facilitation Agreement, expansion of the Information Technology Agreement, and WTO accessions. The Committee intends to continue work begun in the 112th Congress to pass the Miscellaneous Tariff Bill, a package of noncontroversial bills to eliminate or reduce duties on products not made in the United States, in accordance with bipartisan transparency guidelines. In addition, the Committee will continue work it began in the 112th Congress to consider legislation concerning the budgets and activities of agencies within its jurisdiction, particularly authorization of Customs and Border Protection, together with improvements to streamline and facilitate legitimate and compliant trade at the border, automate CBP processes, and improve enforcement. The Committee will continue its oversight of emerging markets, in particular systemic problems in U.S.-China trade relations, challenges and opportunities presented by India, and the myriad forms of forced localization barriers worldwide. The Committee expects to address the expiration of key aspects of U.S. trade preference programs and will continue its oversight over the operation of these programs and the Trade Adjustment Assistance programs.

II. The Fiscal Year 2015 Budget

The Committee will continue to review the President's Fiscal Year 2015 Budget, which will provide the Committee the opportunity to assess the effectiveness of the President's budget in promoting job creation and economic growth, reducing budget deficits and debt, and ensuring the long term sustainability of programs within the Committee's jurisdiction.

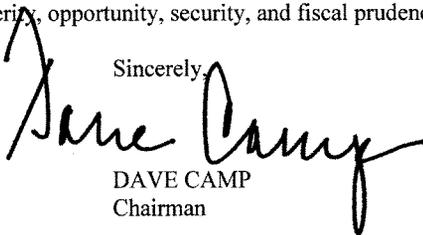
III. Public Debt Limit

The current statutory public debt limit already is now greater than the gross domestic product of the United States. While the Committee recognizes its responsibility to ensure that the United States meets all its obligations, the current growth of the national debt is not sustainable. Current debt levels are already a threat to economic growth and unless action is taken, the projected increase in the national debt will threaten the economic foundation of the country. Thus the Committee intends to pursue policies to slow and

ultimately reverse the growth in the national debt and prevent the need for future increases in the statutory debt limit

The Committee on Ways and Means looks forward to working with the Committee on the Budget as we promote prosperity, opportunity, security, and fiscal prudence.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Camp". The signature is written in a cursive style with a large initial "D" and a long, sweeping tail.

DAVE CAMP
Chairman

DAVE CAMP, MICHIGAN,
CHAIRMAN

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JANICE MAYS,
MINORITY CHIEF COUNSEL

March 25, 2014

The Honorable Paul Ryan
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515

The Honorable Chris Van Hollen
Ranking Member
Committee on the Budget
B-71 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Ryan and Ranking Member Van Hollen:

Today Ways and Means Committee Republicans forwarded to you and your colleagues a letter transmitting the “views and estimates” of the Committee on Ways and Means as required by Section 301(d) of the Congressional Budget Act of 1974. Because the letter failed to mention a number of key priorities for our Committee and included some statements Democrats do not fully agree with, I am writing to provide our additional perspectives on budget priorities within our committee’s jurisdiction.

Our top budget priority is to invest in American businesses and workers and grow our economy for the future. Unfortunately, the agenda set for our committee has been focused on an effort to derail the Affordable Care Act and exploit incompetence at the IRS tax exempt division for political gains, rather than using our broad jurisdiction to address the real issues facing American families. We hope to return to the Ways and Means Committee’s honorable tradition of bipartisan action this year.

Our first step, even before the budget resolution, should be to follow the Senate’s lead on bipartisan legislation to restore emergency federal unemployment insurance to the job-seeking Americans who have struggled without federal assistance since December 28th. Congress’s failure to act has weighed down our economy, costing it more than \$3 billion in January and February alone and CBO projects a loss of 200,000 jobs in 2014 if the program is not reinstated.

Human Resources

While the U.S. economy has improved since the depths of the recession, the rate of long-term unemployment remains near record levels. Over two million Americans who have been searching for work for over six months have had their unemployment benefits cut off because of the recent expiration of the Emergency Unemployment Compensation (EUC) program. Democratic Members of the Committee strongly support the immediate restoration of this critical lifeline for America's job seekers. Additionally, Democratic Members continue to support policies that will increase employment opportunities and job skills for the unemployed.

Democrats on the Committee also recognize the need to reauthorize the Temporary Assistance for Needy Families (TANF) program to better enable it to support struggling families and promote work. Furthermore, Democratic Members support continued efforts to promote the well being of children in the foster care system. Finally, Democrats on the Committee will continue to oppose slashing assistance for our most vulnerable elderly and most at-risk children, including past Republican proposals to completely eliminate the Social Services Block Grant.

Tax

The Democrats on the Committee support tax reform that expands the middle class, encourages economic growth and investment, and simplifies the tax code. We believe that for tax reform to be successful it must be developed on a bipartisan basis. In early 2013, the Committee took a first step in the process by creating bipartisan tax reform working groups to examine certain areas of our current tax code. Unfortunately, the Republicans decided to develop legislation on a strictly partisan basis.

The tax reform proposal presented by the Republicans (the "Republican tax reform plan") reflects major differences in our tax reform priorities. We believe tax reform should be driven by the policy considerations behind various provisions, and should not be driven by a desire to finance a specific rate reduction. We also are deeply concerned about the revenue impacts of the proposal, including the potential for revenue losses beyond the budget window, as well as the reliance on dynamic scoring to claim economic growth from the Republican tax reform plan that is very uncertain to materialize.

While Republicans aim at a tax code that promotes economic growth, the Republican tax reform plan eliminates or dramatically curtails many provisions specifically aimed at promoting growth in a variety of sectors, including provisions to encourage domestic capital investment, to help grow our nation's ability to produce energy from renewable resources, and to help spur investment in low-income housing.

While advocating simplification as an original goal, the proposal sets up a variety of complicated interactions among the provisions that are retained, resulting in complexities for taxpayers.

The Democrats on the Committee look forward to working on a bipartisan basis to examine the key provisions of the Republican tax reform plan and all of its interactions, and analyzing

whether the plan provides a tax code that is simpler, that promotes fairness, that encourages economic growth, and that ensures near-term and long-term fiscal sustainability.

Health

Committee Democrats will continue to protect the Affordable Care Act and its implementation. This law stands as major entitlement reform for Medicare. It lowers cost-sharing, extends Medicare solvency, improves benefits, slows program expenditures, and modernizes the health care delivery system. The law also slows growth in national health expenditures and shrinks the deficit by approximately \$100 billion in the first ten years and an average of 0.5 percent of GDP over the following decade. It substantially expands health coverage and protects individuals from insurance company abuses and denials of care. While the Republican letter sets forth a plan to oversee ACA implementation, it should be expanded to monitor progress in reducing the number of uninsured Americans, as absent the Affordable Care Act, their ranks will grow by 25 million.

The Republican letter describes the work the Committee plans with regard to Medicare, stating it will "look for ways to reform the Medicare program to ensure its sustainability for current and future beneficiaries." We fear that this suggests various efforts to cut Medicare benefits through increased beneficiary cost-sharing under the rubric of redesigning the fee-for-service benefit. Alternatively, this could allude to Budget Chairman Ryan's plan to eliminate Medicare's guaranteed defined benefits and convert it to a voucher program. We note that the Affordable Care Act strengthens Medicare's financial outlook for beneficiaries and taxpayers, improves benefits, advances program innovations to better reward high-quality and coordinated care, and authorizes new fraud-fighting tools. Committee Democrats will defend the Medicare program against any attacks that attempt to dismantle it, cut benefits or shift costs onto beneficiaries.

The Committee must also continue to pursue a permanent fix to the Medicare physician payment system, which faces a cut in payment rates of -24 percent on April 1, 2014. The bipartisan, bicameral legislation introduced by the Chairmen and Ranking Members of the Committee and Subcommittee on Health in February has garnered widespread support from the provider and beneficiary communities. This policy, as well as the historically low cost estimate, is our best hope to permanently repeal the sustainable growth rate (SGR) formula and replace it with a payment system that encourages more accountable, quality-driven care, advances alternative payment models, and recognizes the importance of primary care. Unfortunately, Republicans recently wasted an opportunity to pass this bill in a bipartisan fashion, instead opting to couple it with a proposal that would materially undermine the Affordable Care Act. According to CBO, the Republican offset for the bipartisan SGR bill would have caused 13 million people to lose health insurance and 10-20 percent premium increases for those who remain in the Exchange market. We will continue to work to pass this legislation in a way that does not burden beneficiaries with higher costs. Additional efforts of the Committee must focus on ongoing oversight of programs within our jurisdiction, including efforts to combat fraud, waste and abuse.

Trade

Democrats on the Committee believe the Committee should focus much of its attention on the Trans-Pacific Partnership negotiations, given that those negotiations are at a critical phase. The outcome of a long list of critical issues remains uncertain, and close and meaningful consultations with Congress and stakeholders will be essential to a successful outcome.

The Republican letter refers to trade promotion authority legislation. Democrats on the Committee do not share the view that HR 3830 adequately "empowers" Congress in the negotiating process. Much work remains to be done to develop strong consultation procedures and negotiating objectives, and other measures that strengthen US competitiveness also need to be considered.

Democrats on the Committee are also disappointed that the Republican letter does not express an interest in reauthorizing Trade Adjustment Assistance. For decades, that program enjoyed broad bipartisan support. In fact, just a few years ago, Chairman Camp described TAA as providing "a coherent, rational, accountable, and cost-effective system for training workers and putting them back to work quickly and at better jobs." Yet at the end of 2013, key provisions were allowed to lapse, meaning that workers, such as service workers and those losing jobs due to imports from countries like China, are no longer eligible for assistance to help them regain their competitiveness. Worse still, the entire program is at risk of expiring at the end of the year, meaning that the remaining manufacturing workers, farmers, fishermen, and firms currently eligible will also lose out. We urge our Republican counterparts to once again support this important jobs program.

Similarly, House Democrats believe we need to redouble our efforts to pass the Miscellaneous Tariff Bill, which has languished for far too long. We look forward to working with our Republican colleagues in the House, and our Democratic and Republican colleagues in the Senate, to pass that important legislation.

Social Security

Protecting and strengthening Social Security is a top priority for Democrats, as it is for the 160 million American workers who are paying into Social Security and the 58 million seniors, widows, disabled workers, and children who depend on Social Security's earned benefits now. We consider keeping Social Security's promise to Americans one of our highest obligations as elected officials, and will guard against any effort to deprive workers of benefits they earned through work.

Social Security currently has a Trust Fund surplus of \$2.8 trillion. We take seriously our responsibility to safeguard taxpayer contributions to Social Security, and have introduced a bill to prevent errors and fraud in Social Security, H.R. 4090, which we hope to move forward on a bipartisan basis. This bill invests in proven cost-saving activities that reduce overpayments and detect fraud and other improper payments, and ensures that those who participate in conspiracies

to defraud Social Security are punished. We also look forward to continuing our bipartisan efforts to protect Americans' Social Security numbers from identity theft.

We are, however, very concerned by our Committee's continued failure to hold hearings on the impact of multi-year operating budget cuts at SSA, which have led to office closings, reductions in office hours, fewer staff to serve the public when offices are open, longer telephone wait times, and delays in providing earned benefits, particularly for disabled workers. After several years of bipartisan efforts to provide SSA the necessary funds to reduce disability backlogs and waiting times – resulting in a drop in waiting times for a disability appeals hearing from 532 days in August 2008 to 340 days in October 2011 – the cutbacks in agency funding are eroding this improvement and wait times are again on the rise, reaching a projected 411 days, on average, in fiscal year 2014. In addition, SSA has pointed to budget cuts in justifying several specific service reductions which are very troubling, including suspending annual statements that are mailed to the millions of workers contributing to Social Security which show the benefits they are earning, and proposing to stop providing benefit verifications that many vulnerable individuals need in order to access other supports. Finally, we are troubled by the delays at SSA in developing policies, an outreach campaign, and instructions to its field staff to ensure that individuals in same-sex relationships receive the benefits they earned and are entitled to as a result of the Supreme Court's landmark decision in *United States v. Windsor*.

The Public Debt Limit

Past Republican brinkmanship about the debt limit reduced our GDP, cost us jobs, and caused an historic downgrade in our credit rating which will increase our borrowing costs for many years to come. We were pleased to see our Republican colleagues acknowledge our responsibility to uphold the full faith and credit of the United States, and we believe the current debt limit suspension will provide our economy with a much-needed period of stability that will spur investment and job creation.

Sincerely,

A handwritten signature in black ink, appearing to read "Sander M. Levin". The signature is fluid and cursive, with a large initial "S" and "L".

Sander M. Levin
Ranking Member

HOUSE OF REPRESENTATIVES

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Congress of the United States

JOINT ECONOMIC COMMITTEE

(CREATED PURSUANT TO SEC. 5(a) OF PUBLIC LAW 304, 79TH CONGRESS)

Washington, DC 20510-6602

March 25, 2014

The Honorable Paul Ryan
Chairman
Committee on the Budget
309 Cannon House Office Building
Washington, DC 20515

Dear Chairman Ryan:

Thank you for inviting me to submit my views on the *Budget Resolution* for fiscal year 2015 to the Budget Committee. As you know, the Joint Economic Committee is charged with reviewing and responding to the *Economic Report of the President together with the Annual Report of the Council of Economic Advisers* (ERP). The Joint Economic Committee is also charged by the *Full Employment and Balanced Growth Act of 1978* (15 U.S.C. 3101 *et seq.*) to provide the Budget Committee with views, recommendations, and appropriate analyses of the goals set forth in the ERP.

Yet again the Obama Administration has failed to submit both the *Budget of the U.S. Government for Fiscal Year 2014* and the *Economic Report of the President* on time. When both documents arrived on Capitol Hill, it became clear that the Obama Administration still hasn't left the campaign trail. The *Budget* is a political wish list, rather than a serious policy document that would contribute to a serious public discussion on how to put our nation's fiscal house in order. Although the ERP contains a few items that could form the basis for meaningful bipartisan actions, the ERP is, on balance, another attempt by the Obama Administration to shift the political blame for the weakest economic recovery in more than fifty years on anyone and anything except the Administration's economic and fiscal policies.

A fiscal crisis is at the doorstep of the United States. Continued inaction by Congress and the Administration threaten to turn a difficult challenge into an impossible obstacle. Our fiscal imbalances are rooted in certain biases identified by public choice economists. Among these biases are: (1) the combination of concentrated benefits and widely dispersed costs in most federal programs that make it easier for Congress to agree to special-interest demands for higher federal spending than to stand up for the general interest of spending restraint; and (2) the lack of a comprehensive federal spending cap to force Congress to make spending choices among competing federal programs. In recent fiscal years, these public choice problems of "concentrated benefits and widely dispersed costs" and a "lack of transparency of opportunity costs" have been exacerbated as federal spending as a percentage of gross domestic product (GDP) has increased far above its post-World War II average.

When I submitted my last Views and Estimates letter to the Budget Committee in March 2013, I discussed the anemic nature of the economic recovery from the "Great Recession" under which

the American people were suffering from substandard real GDP growth and lackluster private sector job creation.

Regrettably, the recovery remains as anemic today as it was last March. Lost output, lost job creation and lost income growth continue to mount. A change in course is badly needed. Yet the Obama Administration remains in denial.

It is important that Members of both the House and Senate have a clear understanding of what this economy has failed to deliver in terms of growth, jobs, family incomes, and economic opportunity. Strong economic growth can play a significant role in addressing our nation's fiscal challenges. Continued inadequate economic growth will only make our fiscal challenges more difficult.

According to the National Bureau of Economic Research's (NBER) business cycle dating committee, the "Great Recession" ended in June 2009. It is difficult to find an economic metric on which this recovery has outperformed the average of other post-1960 recoveries that lasted longer than one year. Before offering specific policy items that I believe the Committee on the Budget should consider, a review of the state of the U.S. economy is in order.

Economic Growth

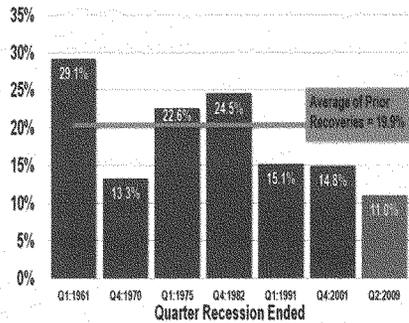
The current recovery ranks dead last on economic growth.

Since the recession ended in the 2nd-quarter 2009, the economy, as measured by real GDP, has expanded by a total of 11.0% over 18 quarters – or at an annualized rate of 2.3%.

Total growth in real GDP averaged 19.9% in other post-1960 recoveries – or 4.1% at an annualized rate. Had real GDP expanded at the average rate of the other recoveries over a comparable period, real GDP would be \$1.3 trillion (2009\$) larger. This growth gap is even larger when measured against the strong Reagan recovery of the 1980s when real GDP grew at an annualized rate of 5.0% over the comparable period.

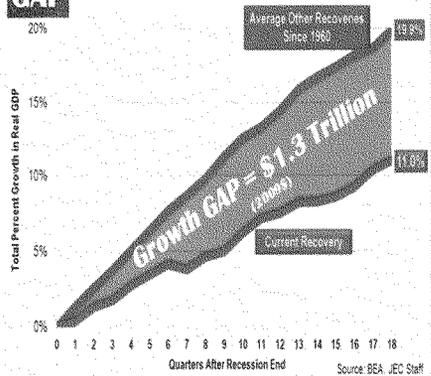
In total, the cumulative loss of real GDP compared to the average of other recoveries comes to a staggering \$3.7 trillion (2009\$). This loss of economic growth comes with a price that

GROWTH GAP Comparing Recoveries: Total Real GDP Growth Percent, 18 Quarters Following End of Recession



Source: BEA, JEC Republican Staff Calculations

GROWTH GAP Recovery's Growth Gap Remains Large



Source: BEA, JEC Staff

is measured not only in missing jobs and income, but in shattered dreams. Without economic growth, economic opportunities disappear.

Defenders of President Obama’s economic record are quick to suggest that the economic headwinds faced by this President have made the recovery difficult. Other President’s like Kennedy, Reagan and Clinton faced significant economic headwinds and overcame them.

It is time that this President recognized the degree to which his policies, including ObamaCare, discouraging the development of traditional energy sources, and an onslaught of anti-growth regulations are responsible for the anemic economic recovery.

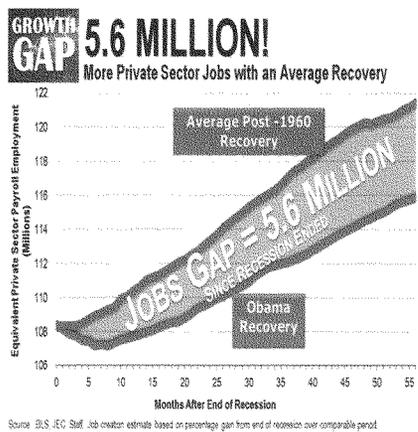
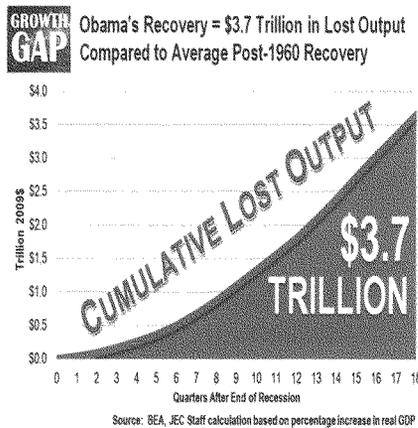
Private Sector Job Creation

Dr. Jason Furman, Chairman of the President’s Council of Economic Advisers (CEA) testified before the Joint Economic Committee on March 13, 2014. In his testimony, Chairman Furman noted that there had been 48 consecutive months of private sector payroll jobs gains amounting to 8.7 million new private sector jobs.

This amounts to a gain of 8.1% over 48 months. The White House uses the low point for private sector payroll employment that occurred in February 2010 in making its calculation. The average gain over the comparable period for other post-1960 recoveries was nearly half again as large at 12.1%. Using this comparison, the private sector jobs gap of this recovery compared to other post-1960 recoveries is 4.3 million private sector jobs.

If the comparison is made from the end of the recession, the current recovery has generated 7.3 million new private sector payroll jobs or a gain of 6.9%. This compares with an average gain of 12.1% in other post-1960 recoveries putting the private sector jobs gap from the end of the recession at a staggering 5.6 million.

If one uses the CEA’s “job years” concept that the ERP utilizes to defend the results of the *American Recovery and Reinvestment Act*, the so-called stimulus legislation, the current recovery has lost some 18.7 million job years since the end of the recession compared to the average of



other post-1960 recoveries. Even using the Obama Administration's favored starting point of the February 2010 cycle low leaves the current recovery with a loss in excess of 10 million job years.

The sad reality of this recovery is that as of March 2014 there are still fewer private sector payroll jobs than there were in January 2008 when private sector payrolls peaked as the recession was getting underway.

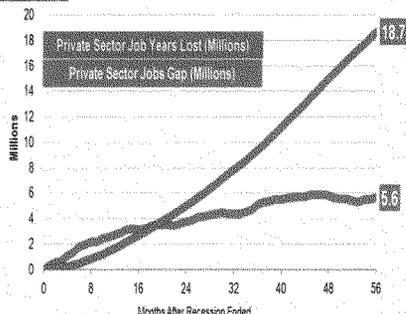
Employment and Unemployment

As you are aware, the Obama Administration has pointed to recent declines in the unemployment rate as evidence of its economic policy success. Unfortunately, the decline in the unemployment rate is, in large part, a mirage created by decreasing labor force participation. Had labor force participation not declined since the President took office in January 2009 to more than three decade lows, the unemployment rate would stand at 10.5%, not the officially reported rate of 6.7%.

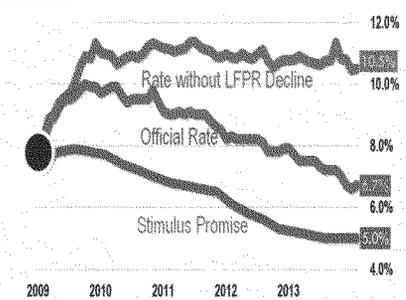
Defenders of the President's policies point to the aging of the population as the reason for the decline in labor force participation. To be fair, the staff of the Joint Economic Committee estimates that about half of the decline since the beginning of the recession in December 2007 can be explained by demographic changes. In any event, it is clear that the unemployment rate remains significantly above the rate of 5.0% that passage of the massive stimulus legislation in 2009 was promised to bring.

While demographic change does account for some of the decline, the changes in labor force participation by age groups is illuminating. Compared to December 2007 when the recession began, labor force participation has increased only by those aged 60 and older. It has declined for all other age groups. This is a disturbing trend

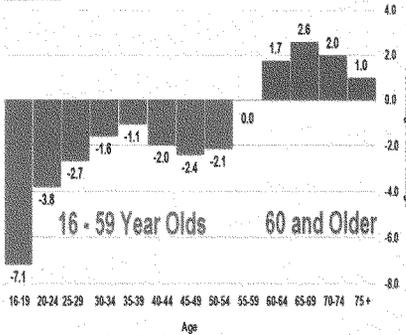
GROWTH GAP Private Sector Jobs Deficit Compared to Average of Other Post-1960 Recoveries



GROWTH GAP Unemployment Rate Decline A Mirage Driven by Declining Labor Force Participation



GROWTH GAP Change in Labor Force Participation Rate Dec 2007 - Feb 2014, 12 Month Moving Average



that has serious long-range implications for the output potential of the U.S. economy.

One can also look to the employment-to-population ratio as an alternative to the unemployment rate. The employment-to-population ratio measures the percentage of the adult civilian noninstitutional population that is employed.

It is hard to claim meaningful improvement in the labor market when a smaller percentage of adult Americans is employed today than was employed when the recession ended.

When the recession ended in June 2009, the employment-to-population ratio stood at 59.4% compared to the most recent reading of 58.8%. The present reading is more than four percentage points lower than when private sector payrolls peaked in January 2008 and nearly two percentage points lower than when President Obama took office in January 2009. In fact, the rate has only ticked up by 0.3 percentage point since the unemployment rate peaked at 10.0% in October 2009.

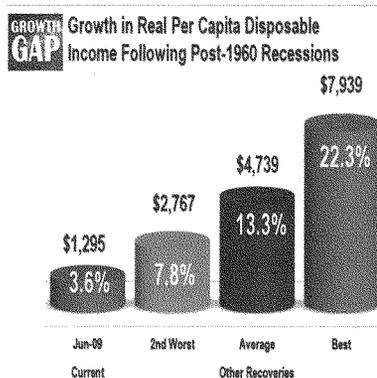
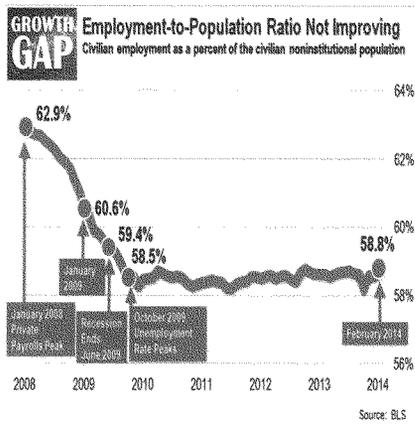
The reality is that Obama Administration policies, enacted and proposed, pose a serious risk of long-term damage to the economic potential of the United States.

Personal Income

Not surprisingly, inadequate economic growth and lagging private sector job creation have taken their toll on the pocket books of working families. In the more than 4 ½ years since the recession ended, real disposable personal income per capita has increased by merely 3.6%. This paltry increase is less than half the gain of the next worst economic recovery since 1960. In fact, the increase in real disposable personal income per capita is less than one-fourth the average gain in other recoveries.

The gap equates to \$3,444 (2009\$) per person or more than \$13,000 for a family of four.

The deficiency in income growth is, however, not a simple point in time estimate. Taken cumulatively since the end of the recession, the real disposable personal income per capita deficit comes to a staggering \$8,961.



Source: Bureau of Economic Analysis, Joint Economic Committee Staff Calculations based on percentage increase, 2009\$

An interesting facet of the data on real personal income growth is how small a share of the gain in pre-tax personal income has flowed through to disposable income during this recovery compared to prior recoveries. Looking at quarterly data reveals that only 50% of the gain in real personal income per capita has been reflected in disposable income gains.

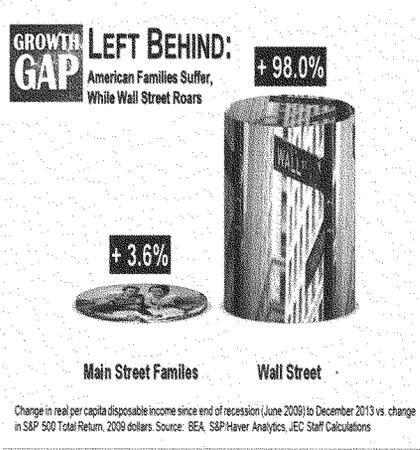
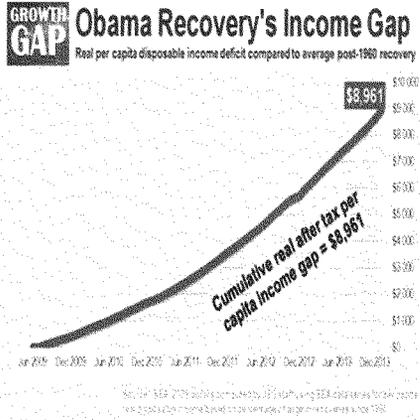
This should clearly represent a source of concern to an Administration that has built its economic strategy on increasing consumption. Income that is not disposable is not available for consumers to spend or to save.

While families and businesses on Main Streets across America continue to suffer through a lackluster recovery, the same is not true for Wall Street. Real disposable income per capita has increased a mere 3.6% since the end of the recession, but the S&P Total Return Index, adjusted for inflation, has increased by 98%. While the President argues that he is fighting for the middle class, his policies have disproportionately benefited Americans wealthy enough to invest on Wall Street.

Unfortunately, the Administration seems to fail to grasp the reality that well intended policy initiatives like increasing the minimum wage often do more harm than good. Instead of focusing on trying to determine outcomes and picking winners and losers, the Administration would be well advised to focus on increasing opportunity. No government program or policy can do that better than a free and vigorous economy.

Fiscal Policy Decisions

As you craft this year’s Budget Resolution, I implore you to focus on creating an economic policy environment that will increase the growth potential of the U.S. economy. Absent faster growth, not just in the near term, but over the long term, the American people will suffer the loss of opportunity and prosperity. I would also encourage you to rebut aggressively suggestions that spending restraint poses a threat to economic recovery and job creation. In doing so, it is important to focus on the right measurement of fiscal discipline. In general, spending levels should be viewed in relation to the size of the U.S. economy.



The simple fact is that one of the best possible ways to reduce the size of government is by growing the size of the private sector at significantly higher rates than we have experienced in the current recovery. Not only will this reduce federal spending relative to the size of the economy, but growing the private sector will have the ancillary effect of increasing significantly the revenues collected by the federal government without increasing tax rates.

In addressing the nation's fiscal imbalances, there has also been a tendency to focus on symptoms—federal budget deficits and federal debt—instead of the root cause of our fiscal problems. Excessive federal spending is the disease. Large, persistent federal budget deficits and an increasing federal debt as a percentage of GDP are merely symptoms of the disease.

To treat the disease, Congress should impose a comprehensive cap on federal spending expressed as a percentage of national income. The 10-year cap on discretionary spending enacted in the *Budget Control Act of 2011*, while a small step forward, is inadequate to put the federal government on a sound fiscal course because the discretionary cap excludes mandatory spending, which will account for almost all of the growth in non-interest spending over next 10 years and beyond.

But how should Congress design a comprehensive cap on federal spending? Based on research conducted by JEC staff, I propose a new formula in which non-interest spending is the numerator and potential GDP, which is the estimate of what GDP would be under conditions of full employment and stable prices, is the denominator.

Non-interest spending (i.e., discretionary and mandatory spending) is a better numerator than total spending because:

1. The current Congress can directly control discretionary spending through appropriations laws and mandatory programs by amending their authorizing laws. In contrast, the current Congress has a very limited ability to affect interest outlays. The amount of federal debt is largely a function of the collective spending and tax decisions of previous Congresses. Interest rates are largely a function of the monetary policy pursued by the Federal Reserve and market forces.
2. In the face of large and persistent federal budget deficits and an increasing federal debt as a percentage of GDP, Congress and the President may press the Federal Reserve for an overly accommodative monetary policy to reduce federal interest outlays and make it easier to adhere to the spending cap, but this would have bad economic consequences. The inevitable result of such political pressure on the Federal Reserve would be higher price inflation. In fact, this happened during and after World War II until the Accord was reached in March 1951, granting the Federal Reserve independence in determining monetary policy from the Treasury. Using non-interest spending instead of total spending as the numerator helps to preserve the independence of the Federal Reserve to pursue a non-inflationary monetary policy.

Potential GDP is a much better denominator than reported GDP because:

1. Using actual GDP as the denominator for calculating the spending cap makes the spending cap “pro-cyclical.” During a boom, the spending cap would increase rapidly,

allowing a spending surge; and the spending cap would fall during a recession, forcing deep spending cuts at the worst time in the business cycle.

2. Forecasting what actual GDP will be is obviously difficult, especially 10 years into the future.
3. For each quarter, the Bureau of Economic Analysis issues three “initial” estimates of quarterly GDP. Each July, estimates of GDP during the last three years are subject to annual revisions. Consequently, using the most recent estimate of GDP or an average of recent estimates of GDP as the denominator for calculating the spending cap creates a disruptive “bouncing ball” effect because GDP revisions may cause the spending cap to gyrate during the budget and appropriations process.
4. However, using potential GDP as the denominator for calculating the spending cap resolves these problems. Estimates of potential GDP are fairly stable and may be easily projected 10 years into the future. By definition, potential GDP is an estimate of what economic output would be at full employment without price inflation. Therefore, potential GDP is unaffected by the business cycle. This eliminates the problems of a spending surge during a boom followed by a large spending decline during the subsequent recession. While potential GDP is subject to annual revisions, the magnitude of revisions to potential GDP is much smaller than revisions to actual GDP.
5. And significantly, potential GDP is what the Congressional Budget Office (CBO) forecasts GDP during the back end of the 10-year budget window.

The *Budget* has become a political statement for the President rather than a management tool that both the President and Congress use to control spending. For the budget and appropriations processes to work, the President should be required to present a fiscally responsibly *Budget* that complies with the spending caps. At the same time, each House of Congress should be required to consider a *Budget Resolution* that complies with the spending caps.

In the *Budget*, the President should be required to prioritize all non-interest spending into five categories from most essential to least essential, with at least 12% of non-interest spending in each category. Moreover, if either Social Security or Medicare are not “sustainably solvent” over the next 75 years, the President should be required to submit a plan in the *Budget* to make these programs “sustainably solvent.”

Under these reforms, both Congress and the President would have to “lay their cards on the table.” Neither Congress nor the President would be able to avoid the tough choices necessary to reduce federal spending.

Another failure of the current budget and appropriations process is the threat of a government shutdown if Congress and the President cannot agree on appropriations bills. Instead, Congress should enact a permanent continuing resolution for discretionary spending at a reduced percentage of spending (e.g., 95%) in the previous fiscal year for programs that would otherwise be threatened by a government shutdown if Congress fails to enact the required appropriations bills. A permanent continuing resolution strengthens the advocates of spending restraint by ending the threat of a government shutdown and setting lower spending as the default position on

discretionary spending, while sparing federal contractors and workers the agony of not knowing whether they would be paid. A permanent continuing resolution would also minimize the likelihood of any spike in policy uncertainty around the end of a fiscal year that could harm economic growth by deterring business investment and major consumer purchases.

Despite President Obama's unwillingness to embrace smaller government as a policy objective, Congress should also enact an enhanced rescission authority designed to mimic the item-reduction veto authority possessed by several state governors.

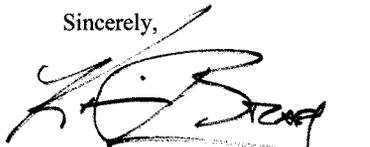
If we are willing to take these steps, we can balance the budget over the coming decade. And we can do so without higher tax rates.

An additional suggestion I would offer is to reform the budget process to recognize more fully the effects of long-term decisions. Utilizing the concept of present value savings in evaluating budget proposals is one way to do this. Given the fiscal challenges the nation faces, enacting policies with present value savings of \$20 billion will have greater long run effects than reducing outlays by \$10 billion in the current fiscal year.

Lastly, we should seriously examine the suggestions of the Council of Economic Advisers in the ERP for better program evaluation. The federal government should focus on achieving efficiencies in delivering benefits and services in much the same way the private sector does. There are a number of benefit programs that are designed to help those truly in need. Unfortunately, those programs are often inefficient and duplicative. Instead of reducing benefits to people, we need to focus on reducing the cost of delivering benefits to people. In a nutshell, we need to imbue the process with a "cut benefits for bureaucrats before people mindset."

Please know that I, and the staff of the Joint Economic Committee, stand ready to assist you in moving a *Budget Resolution* forward that will help restore the opportunity and prosperity the American people deserve.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. Brady', written over a horizontal line.

Kevin Brady
Chairman
Joint Economic Committee
United States Congress

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Darren M. Dick
 STAFF DIRECTOR

HEATHER M. MOLINO
 MINORITY STAFF DIRECTOR

March 18, 2014

The Honorable Paul Ryan
 Chairman
 Committee on the Budget
 United States House of Representatives
 Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to §301(d) of the Congressional Budget Act of 1974 and clause 4(f) of House Rule X, and in response to your request dated January 28, 2014, the Permanent Select Committee on Intelligence herewith provides its views and estimates on the President's budget for Fiscal Year 2015. The Committee is constrained in that it has not yet received major portions of the budget for programs within its jurisdiction. Further, the underlying details of the funding requested by the President within the Committee's jurisdiction remain classified. As a result, the Committee is unable to provide you with detailed, public recommendations as to the funding levels for Fiscal Year 2015.

While funding details for the U.S. government's intelligence activities are classified, the Committee notes that the Director of National Intelligence, in compliance with the law, has disclosed that the amount requested for the National Intelligence Program for Fiscal Year 2015 within the base budget is \$45.6 billion. The Committee has not received a budget request yet for the Overseas Contingency Operations (OCO). Within the National Intelligence Program, the funding levels for the Intelligence Community Management Account (ICMA) and the Central Intelligence Agency Retirement and Disability Program (CIARDS) are publicly available. The amounts requested for Fiscal Year 2015 for the ICMA and the CIARDS are \$510 million and \$514 million, respectively. In addition, the Department of Defense has disclosed that the aggregate amount requested for the Military Intelligence Program for Fiscal Year 2015 within the base budget is \$13.3 billion, with the OCO budget request still to come.

The Bipartisan Budget Act of 2013 provided much-needed relief from sequester levels in Fiscal Years 2014 and 2015, as well as a resulting measure of budgetary predictability and flexibility in these years. Even so, the Committee has concerns regarding the sufficiency of the

level of intelligence funding contained in the President's Budget. In addition, the Committee is concerned that critical and enduring intelligence programs continue to be funded in the OCO due to tight constraints on the base budget. The Committee looks forward to working with the Committee on the Budget to ensure proper funding levels are authorized for appropriation in Fiscal Year 2015.

Sincerely,

A handwritten signature in black ink that reads "Mike Rogers". The signature is written in a cursive style with a large, prominent "M" and "R".

Mike Rogers
Chairman