

MEMBERS' DAY

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

HEARING HELD IN WASHINGTON, DC, MARCH 8, 2001

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MEMBERS' DAY

THURSDAY, MARCH 8, 2001

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

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

Members present: Representatives Nussle, Spratt, Clement, and Holt.

Chairman NUSSLE. The Budget Committee will come to order. Today is an opportunity for what we call Members' Day. It is the one hearing that is, as I understand it, commanded by the Budget Act, and we are pleased to have a number of Members before us today. I believe that we will go in order. Mr. Gekas, I believe you are the first one. We will invite you to testify.

Just for the Members, we will include your entire testimony in the record, and you may summarize your testimony during the 5 minutes.

Mr. Gekas.

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

Mr. GEKAS. Thank you, Mr. Chairman, and to the members of the committee for this opportunity. I come today to repeat an old plea on my part. For every session dating back to 1988 now, I have introduced legislation to try to bring about prevention of government shutdown. Everyone is familiar with my forays into this particular arena.

Each time I meet all kinds of obstacles, until a few years back it finally was passed, but then President Clinton vetoed it. That is part of the problem, that the President of the United States, Democrat or Republican, has been, in my judgment, a problem in this regard, because they view it sometimes as if we were successful in implementing this antishutdown legislation, somehow the President would be robbed of dealing power, negotiating power.

So, I could understand that on the part of the President, President Clinton. Frankly, I thought that the same thing would happen when we started with this new session. But, guess what, Mr. Chairman? President Bush in his various statements on the campaign trail that dealt with budget process, with congressional procedures, and lately in the Blueprint for a New Beginning, which I know you are familiar with, a responsible budget for America's pri-

orities, they devote an entire section to government shutdown prevention.

On page 175, I want to quote this, because it has—it is better stated than any of my testimony could be. Under the President's proposal, if the appropriations bill is not signed by October 1st of the new fiscal year, funding would be automatically provided at the lower of the President's budget or the prior year's level. The President's proposal would remove incentives for the President or the congressional leadership to use the leverage of shutting down government to achieve spending objectives or to attach extraneous measures they could not otherwise obtain through the normal appropriations process.

My gosh, my testimony should end right there, but my ego will not let me stop. But it is an absolute perfect statement of what we have been trying to achieve.

The Chairman, to his credit and for my gratitude, has joined in every year that I have introduced this in trying in various ways to support the measure, but we have not been successful.

I have to hark back then to another organ of the government, the GAO. Back in June 6, 1991, back then I had only introduced it a couple of times. Since then it has been even more. But in their report on the budget procedures, et cetera, they make reference on the last page to a shutting down of the government during temporary funding gaps is an inappropriate way to encourage compromise on the budget. Very little has ever been said on this. But in a footnote they say this: As we were preparing this report, a bill was introduced in the House, H.R. And so forth, providing new authority for an automatic continuing resolution that, although broader in scope than our recommendation, is aimed at preventing government shutdowns.

The bill to which they refer was my predecessor to this bill on ending government shutdowns.

One worrisome feature about all this is the appropriators. We seem to run into an obstacle with the appropriators deeming it, just as Presidents have in the past, as a hindrance to their negotiating power at the end of the fiscal cycle. We believe we have to encourage everyone to understand that this does not rob them of any power. This still provides them with whatever incentives they have to mold a new budget after October 1st, while keeping the old budget intact, if indeed we had not completed the spending plans.

So we have some selling to do, I know, but for the first time we have the President of the United States eager to help, and Secretary Daniels—could I yield to the Chairman for one question? I would like to yield for him to answer. Is the Secretary due to testify before your committee soon?

Chairman NUSSLE. Actually, Director Daniels of OMB has testified this last Monday—excuse me, this last Thursday.

Mr. GEKAS. Did he touch upon this?

Chairman NUSSLE. He did not touch upon the budget process reform issue at length, but in part that is because we believe that budget process reform will be an issue that we take up as soon as the budget is done. So I think he was just keeping his powder dry until that time.

Mr. GEKAS. Thank you.

It is interesting to me also that Congressman Kleczka, who is a member of your committee, I believe—is he or is he not?

Chairman NUSSLE. Yes.

Mr. GEKAS [continuing]. Has been a cosponsor of my legislation throughout our joint careers in the Congress, and it is noteworthy that his State, Wisconsin, has a mechanism in place that does exactly what we are talking about here. So do several other States, by the way.

But the point is that for the first time we have a convergence of legislators, budget people, and the White House eager to prevent government shutdown.

I yield back the balance of my time.

[The prepared statement of George Gekas follows:]

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

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

As you may be aware, I have been introducing legislation to prevent government shutdowns since 1988. My current legislative effort, H.R. 29, the Government Shutdown Prevention Act, does the same thing as its predecessor bills: it removes the threat of the government shutting down due to an impasse in budget negotiations by providing for an automatic continuing resolution, at the previous year's spending level, if an Appropriations bill has not been passed.

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

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

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

Unfortunately, the last Administration was opposed to an automatic continuing resolution and vetoed a bill which contained this provision. But now we have an Administration which supports it. OMB Director Mitch Daniels has stated, "I believe a measure of this kind is needed to ensure that the continued operations of government programs are not threatened by political disputes." We now have a real opportunity to enact this "good government" provision.

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

It is also argued that implementing this kind of provision would take away the incentives for us to get our spending bills done on time. I strongly disagree. For nineteen out of the last twenty years, Congress and the President have not finished the budget process by the October 1st deadline. This past year only two of the thirteen spending bills were finished on time. As a result, Congress had to pass twenty-one separate continuing resolutions to prevent the government from shutting down. This provision will not remove any incentives, but will rather act as a "safety-net" while eliminating the need for awkward and partisan debates over passage of continuing resolutions.

Furthermore, enactment of an automatic continuing resolution is not some sort of grand experiment. The State of Wisconsin has taken this good-government approach to budgeting, and it has worked well. It has not diminished the power of the appropriators and it has not reduced the pressure to reach agreement on state bud-

et funding levels. An automatic continuing resolution has been proven effective and workable at the state level and it can be effective and workable at the Federal level.

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

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

Thank you for your time and indulgence.

Chairman NUSSLE. Mr. Gekas, there is nobody in the Congress that is any more tireless a champion of budget reform than yourself. You have been carrying this banner a long time. I am pleased to be on your team, and willing to help in many ways to try and adjust the budget process so we can fix some of these problems.

My commitment to you is that while we may not be able to make the adjustment in this budget because, of course, the budget does not have the force to accomplish what you and I would like to accomplish, I will tell you that as soon as we are done with the budget, we hope to have an exhaustive look and examination about the budget process so that we can improve it, and I would hope at that time that you could come back and maybe share some of your wisdom with us and maybe some of your ideas on ways to refine this to overcome the concerns that the appropriators have had.

As you and I have talked, they have some legitimate concerns that we need to address, and it is worth exploring that in the budget process reform debate. I thank you for your testimony.

Mr. GEKAS. I thank the Chair.

Chairman NUSSLE. Any other questions or comments?

If not, Mr. Allen.

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

Mr. ALLEN. Thank you, Mr. Chairman, Mr. Spratt, and other committee members. I appreciate the chance to testify before the committee about the budget resolution for the fiscal year 2002.

I want to speak on special education today, and I urge the committee to fully fund the Individuals With Disabilities in Education Act this year. No phase-ins, no excuses. With the budget surpluses that we see in front of us right now, this is the time to fulfill, at last, an old promise.

IDEA was enacted by the Congress in 1975, and it authorized the Federal Government to cover 40 percent of the cost of special education in order to provide all students with disabilities a free and appropriate public education. To date, however, the government has never funded more than 14.9 percent. We reached that level last year based on the third of three successive years in which we increased appropriations by about \$1 billion a year.

Last year's appropriation was \$6.3 billion through the grants to the States program. According to the Department of Education, all

we need to do is approximately \$17.7 billion. That would represent the full 40 percent funding formula for fiscal year 2002. This is an increase of about \$11.4 billion over current funding levels.

With the ongoing debate merely focusing on how to use trillions of dollars in surpluses, budgeting \$17.7 billion for special education is not asking too much. If we invest only a fraction of the estimated surplus, we can help States, towns and cities meet the needs of all their students in a way they choose.

I have been holding different forums in Maine with parents, with teachers, with administrators and some students, and the number one issue that comes up in all of those meetings is special education. The second has to do with the problems they face in attracting and holding teachers, and the third has to do with the cost of construction. But, by and large, it is the cost of special education that is most on their minds.

Everyone suffers because the Federal Government has reneged on its commitment to fund 40 percent of special education costs. Students with disabilities often do not receive necessary aid; students without disabilities miss out on programs that cannot be funded; and local property taxpayers experience a very high tax burden.

Here in Congress we talk a lot about fully funding this mandate, but we never put up the money to do it. We pass nonbinding resolutions on full funding to make us feel good, but we hang our local school districts out to dry.

Just last year we did it again. We passed H.Con.Res. 84 by a vote of 413 to 2 to urge Congress and the President to fully fund its obligations under IDEA. In fact, the language there made it clear that we should fully fund that program prior to authorizing or appropriating funds for any new education initiative.

Well, here we are again, it is another year, and this time, for a change, the first time since I have been here certainly, and probably the first time in anyone's memory, there is a surplus that is more than adequate to meet this particular need.

We don't need more resolutions, more phase-in bills. We don't need catchy reforms. We simply need \$17.7 billion for special education costs this year and make full funding of special education an old promise with a new future.

The bill can be paid, and our responsibility met, without pain, if you compare this modest investment here in Washington with the amounts proposed for other uses of the surplus, like the proposed tax cut of \$1.6 trillion.

Let me just say this in conclusion: If the tax cut passes at the level of \$1.6 trillion, there will be people back at this table next year saying we need to fully fund IDEA, but the opportunity will be gone because the surplus will be gone. That is why this is the only year in which we can do this. This is the only committee that can make that message clear right at the beginning of this Congress. A simple reduction of \$150 billion in the tax cut, and you fully fund IDEA. In the long run, keeping that promise is more important than anything else we can do with that money.

Thank you very much. I yield back the balance of my time.

Chairman NUSSLE. Thank you for your advocacy. We appreciate that.

[The prepared statement of Thomas Allen follows:]

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

Mr. Chairman, Mr. Spratt, and other committee members, thank you for allowing me this opportunity to testify before the Committee about the Budget Resolution for Fiscal Year 2002.

Today, I want to speak on special education, and urge the Committee to fund the Individuals with Disabilities in Education Act (IDEA) in full, this year. No phase-ins. No excuses. With these budget surpluses, the time is now to fulfill, at last, an old promise.

In 1975, Congress enacted IDEA, and authorized the Federal Government to cover 40 percent of the costs of special education in order to provide all students with disabilities a free and appropriate public education. To date, however, the government has never provided more than 14.9 percent.

In Fiscal Year 2001, Congress appropriated \$6.3 billion (14.9 percent) for special education assistance through the grants to states program. According to the Department of Education, approximately \$17.7 billion would represent the full 40 percent funding formula for Fiscal Year 2002. This is an increase of about \$11.4 billion over current funding levels. With the on-going budget debate in Washington focusing on how to use trillions in surpluses (\$5.6 trillion in surpluses and \$1.6 trillion (or more) in tax cuts), budgeting \$17.7 billion for special education costs is not asking too much. If we invest only a fraction of the estimated surpluses we can help states, towns, and cities meet the needs of all their students in a way they choose.

In conversations with teachers, legislators, families, and others in my home state of Maine, the number one challenge facing local school districts today is the cost of educating special education students. Everyone suffers because the Federal Government has reneged on its commitment to fund 40 percent of special education costs. Students with disabilities often do not receive necessary aid; students without disabilities miss out on programs that cannot be funded; and local property taxpayers experience a high tax burden.

Congress talks a lot about fully funding this mandate, but never puts up the money to actually do it. We pass non-binding resolutions on full funding to make us feel good, but then leave our local school districts out to dry. Last year, the House passed, by a vote of 413-2, H.Con.Res. 84, to urge Congress and the President to fund fully its obligations under IDEA. It specifically stated that the President and Congress must "give programs under the Individuals with Disabilities in Education Act (20 U.S.C. 1400 et seq.) the highest priority among Federal elementary and secondary education programs by meeting the commitment to fund the maximum State grant allocation for educating children with disabilities under such Act prior to authorizing or appropriating funds for any new education initiative."

Yet, what good are such feel-good resolutions when we consistently ignore them at budget time, and consistently ignore the promise we made to our states?

Today, we talk of education reform and how to leave no child behind. Proposals have been aired to cut funding for failing schools after 3 years. Well, Congress and the President should first look at its own track record regarding special education. We have been failing our obligations since 1975. But that does not mean we have to keep failing. We can succeed by meeting our 40 percent obligation, now.

There is one solution that achieves true reform. It is not more resolutions, or phase-in bills, or enacting "catchy" reforms. It is simply to budget \$17.7 billion for special education costs this year, and make full funding of special education an old promise with a new future. The bill can be paid, and our responsibility met, without pain, if you compare this modest investment with the amounts proposed for other uses of the surplus, like the proposed tax cut of \$1.6 trillion.

Again, thank you, Mr. Chairman, Mr. Spratt, and other members of this Committee for allowing me to testify. I look forward to working to ensure that the Federal Government finally meets its mandate of funding 40 percent of special education costs, and I urge the Committee to budget \$17.7 billion this year to make this mandate a reality.

Chairman NUSSLE. Mr. Goodlatte.

**STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF VIRGINIA**

Mr. GOODLATTE. Thank you, Mr. Chairman. I also want to endorse Mr. Gekas's budget reform efforts and fully funding special

education, but George told me if I endorsed his proposal, he would endorse mine. I thought that was a pretty good deal.

I would like to bring to the committee's attention three issues of nationwide import that I would hope you would take into account in your budgetary considerations and in the budget that you submit to the Congress. The first is legislation that I introduced and which passed the Congress last year and was signed into law by the President dealing with funding for the Rural Utilities Service within the Department of Agriculture to fund a loan guarantee program so that every community in the country can receive local-to-local television service. This is something that about the top 30 television markets in the country today are receiving, but nobody in rural Iowa or South Carolina is getting, and that is to allow satellite dish owners in your district and in my district and virtually every other district around the country to be able to get their local television stations by satellite.

Ultimately this will also mean the possibility of getting high-speed Internet service by satellite, because what this will allow is for private enterprise to construct a satellite. It could be a consortium of the small television stations in the nearly 150 smaller markets that will never get this without a loan guarantee, or it could be the rural electric cooperatives. And the loan guarantee is up to \$1.2 billion authorized by the legislation.

The cost to the Budget Committee in putting this into your budget is obviously substantially less than that. It depends on whose figures you use, but it is no more than \$200 million in terms of the cost of funding whatever risk there may be.

The legislation requires insurance that if the rocket is launched and blows up, the taxpayers don't get stuck holding the tab. There are other protections. Any loan guarantees have to be approved by a panel of the Secretary of Treasury, the Secretary of Commerce, the Secretary of Agriculture and the Federal Reserve Board Chairman. So it is going to undergo pretty tough scrutiny to qualify for one of these. But unless this takes place, the ability of folks to get their local news, weather, sports, emergency information, community information by satellite and end what has probably been, for you as for me, one of the largest generators of correspondence from constituents, that is their being upset about the fact they can't get their network programming on their satellite because of protection of local licensing requirements, is very important.

The second issue that I would like to bring to your attention is the need to fund efforts to combat crimes committed over the Internet. As the world becomes increasingly interconnected and reliant upon global telecommunications structures to provide these connections, a new vector for criminal activity has arisen. I support increased spending levels for programs that provide funding to investigate and prosecute individuals who commit illegal acts over the Internet.

Recent events have brought to light the serious problems surrounding security on the Internet. With an increasing number of consumers corresponding, conducting business and shopping online, it is critical that all Americans maintain their confidence to use the Internet as a means to live their daily lives. By providing law enforcement officials with the tools they need to combat the burgeon-

ing problem of cybercrime, Congress can help ensure that consumers and businesses will be protected and the Internet will continue to grow at its current pace. Therefore, I encourage you to strengthen resources for the government to investigate and prosecute crimes committed over the Internet.

The last area I would commend to your attention is the issue of combined sewer overflow problems. I have an eclectic group of issues to bring before you. There are many, many cities all across the country that are older and have older water and sewer systems and storm overflow systems that are combined that cause serious environmental problems. We have over the years tightened up the Federal regulations to deal with this. In many instances those regulations are very, very appropriate. But, nonetheless, the burden has been imposed upon these communities to change how they are operating based upon Federal mandates imposed upon them.

The community of Lynchburg in my district, and Richmond in Eric Cantor's district, are the two I am aware of in Virginia, but there are many others around the country as well. The rates that the users in those communities have to pay in order to make these hundreds of millions—in the case of Lynchburg, a city of 65,000 people, the cost of making these changes to their sewer system is in excess of \$200 million. So help from the Federal Government is very, very important, and the more you can allow for this, the better.

The 2-year grant program that is proposed would be administered by the EPA and is triggered by a \$1.35 billion appropriation to the Clean Water Revolving Loan Fund for wastewater treatment facilities. Grants will be awarded to facilitate the implementation of both combined sewer overflow and sanitary sewer overflow control programs, and the Federal share will be at least 55 percent. Priority consideration will be given to communities that have already invested local resources into their sewer improvement programs as well as financially distressed communities.

The condition of our Nation's wastewater collection and treatment facilities is alarming. In its 1996 Clean Water Needs Survey, the EPA estimates that nearly \$140 billion will be needed over the next 20 years to address wastewater infrastructure problems in our communities. In March 1999, the EPA revised its figures upwards, with infrastructure needs now estimated at \$200 billion. Other independent studies indicate that the EPA has undershot the mark, estimating that these incredible unmet needs exceed \$300 billion over the next 20 years.

Simply put, we are talking about a new generation of municipal water quality infrastructure. Given the great need in our Nation for wastewater infrastructure improvements and to protect the environment, I believe the Federal Government has a responsibility to assist communities trying to fix their problems and comply with Federal water quality mandates. Therefore, I strongly urge the committee to include full funding for the new sewer overflow grant program.

Thank you, Mr. Chairman.

[The prepared statement of Bob Goodlatte follows:]

PREPARED STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF VIRGINIA

I thank the Chairman and the members of the Committee for the opportunity to appear before the Budget Committee today to share with you several items that I believe deserve priority in the FY 2002 budget.

First, I want to express my support for full funding for the Rural Utilities Service within the Agriculture Department, specifically for the administration of the loan guarantee program enacted last fall to address the inability of many of our constituents in rural and smaller communities to receive their local network television signals over satellite.

The loan guarantee program will enable consumers outside the top 40 television markets (there are 211) to receive this "local-into-local" service. Since enactment of the Satellite Home Viewers Act over a year ago, consumers outside the top 40 markets have expressed their desire for this legislation to make available to them 'local-into-local' technology. I know my office received thousands of letters and calls from constituents concerned about this issue. This new law, when supplemented by the loan guarantee program, will allow satellite providers to become more effective competitors to cable operators who have been able to provide local over-the-air broadcast stations to their subscribers for years. It will also benefit American consumers in markets where local TV via satellite is made available by offering them full service digital television at an affordable price.

The bill is crucial for Americans in rural and smaller markets who rely on their local television stations for news, politics, weather, sports, and emergency information. Local television is often the only lifeline folks have in cases of natural disasters such as hurricanes, tornadoes, blizzards, earthquakes, or flooding. The bill's language to encourage the delivery of local television signals to these constituents in America will not only benefit consumers, it will save lives.

Next, I would like to discuss Congress' efforts to combat crimes committed over the Internet. As the world becomes increasingly interconnected and reliant upon global telecommunications structures to provide these connections, a new vector for criminal activity has arisen.

That is why I support increased spending levels for programs that provide funding to investigate and prosecute individuals who commit illegal acts over the Internet. Recent events have brought to light the serious problems surrounding security on the Internet. With an increasing number of consumers corresponding, conducting business, and shopping online, it is critical that all Americans maintain their confidence to use the Internet as a means to live their daily lives.

By providing law enforcement officials with the tools they need to combat the burgeoning problem of cyber-crime, Congress can help ensure that consumers and businesses will be protected and the Internet will continue to grow at its current pace. Congress has the opportunity to provide law enforcement officers with the tools they need to prosecute these crimes, and we should not merely blink our collective eyes at this issue.

Therefore, I encourage you to strengthen resources for the government to investigate and prosecute crimes committed over the Internet.

And lastly, I want to express my support for full funding—\$750 million—for a new sewer overflow control grant program which was authorized in the Consolidated Appropriations Act for FY 2001.

The new law authorizes a \$1.5 billion grant program to help local communities upgrade and improve their wastewater collection and treatment systems. The 2-year grant program will be administered by the Environmental Protection Agency, and is triggered by a \$1.35 billion appropriation to the Clean Water Revolving Loan Fund program for wastewater treatment facilities. Grants will be awarded to facilitate the implementation of both combined sewer overflow and sanitary sewer overflow control programs, and the Federal share will be at least 55 percent. Priority consideration will be given to communities that have already invested local resources into their sewer improvement programs as well as financially distressed communities.

The condition of our nation's wastewater collection and treatment facilities is alarming. In its 1996 Clean Water Needs Survey, the EPA estimates that nearly \$140 billion will be needed over the next 20 years to address wastewater infrastructure problems in our communities. In March 1999, the EPA revised its figures upwards, with infrastructure needs now estimated at \$200 billion. Other independent studies indicate that EPA has undershot the mark, estimating that these incredible unmet needs exceed \$300 billion over 20 years. Put simply, we are talking about a new generation of municipal water quality infrastructure.

Given the great need in our nation for wastewater infrastructure improvements, I believe the Federal Government has a responsibility to assist communities that are trying to fix their problems and comply with Federal water quality mandates. I strongly encourage you to include full funding for the new sewer overflow grant program which has already been authorized.

Again, I thank the Committee for allowing me to testify before you today.

Chairman NUSSLE. Just a quick question. Is that the Federal share that you are talking about in the estimates from EPA, 200- or 300-?

Mr. GOODLATTE. That is, I think, the estimate of the total cost of accomplishing it. I think the program provides 55 percent of that to be paid by the Federal Government.

Chairman NUSSLE. Thank you.

Mr. Underwood.

**STATEMENT OF HON. ROBERT UNDERWOOD, A DELEGATE IN
CONGRESS FROM THE TERRITORY OF GUAM**

Mr. UNDERWOOD. Thank you, Mr. Chairman. I am willing to endorse all these ideas if they endorse mine.

I appreciate the opportunity to raise an issue of concern to Guam and other territories. The Federal budget affects all Americans, no matter where they reside. So as Congress continues to debate deficit reduction and the size of our Nation's surplus and the level of tax relief for U.S. territories, I feel compelled to speak from the point of view of someone from Guam.

I am very concerned about the President's proposed budget on U.S. territories. Unbenownst to most Americans, and I think most Members of the House, while the Nation as a whole has experienced economic growth over the last several years, the U.S. territories have not fared as well and continue to face staggering double-digit unemployment rates and dismal economic conditions.

We do not have the luxury of talking about what portion of the national surplus should be used for tax relief like the States do. While I support the concept of a tax cut for the people of Guam and hard-working taxpayers across the country, especially for middle- and low-income families, the President's tax plan and the budget does not take into account the budgetary shortfall it will have on the U.S. territories, especially Guam and the Virgin Islands.

Unlike the rest of the Nation, Guam and the Virgin Islands are the only two U.S. jurisdictions which have tax systems which mirror the U.S. Internal Revenue Code. That means that Guam's tax law mirrors the Internal Revenue Code as required under the Organic Act. Whatever tax policies are implemented at the Federal level will take effect at the local level without any input from the people or Government of Guam. Unlike the States, however, the tax cuts for Guam will come from the Government of Guam, not the Federal Government, since the Federal revenues collected remain on Guam.

This will greatly disrupt the revenue stream for the Government of Guam since the territorial government has no surplus and will directly affect government services and the local economy. We anticipate a \$30 to \$50 million reduction in revenues from the President's tax plan, which is approximately 5 to 10 percent of total operating revenues for Guam.

Guam's economy is still rebounding from the Asian financial crisis, particularly since our tourism industry relies heavily on tourists from Japan and other Asian countries. Guam's unemployment rate is currently over 15 percent, which is a dramatic increase over the early 1990's when the Asian economies were doing well, when our unemployment rate was below 2 percent. Due to these circumstances, I am asking that special consideration be given to Guam and other affected territories for the fiscal year 2002 budget.

I have already requested White House and Treasury officials and the appropriate congressional tax committees to find ways to ameliorate the effects of the President's tax plan on the territories through actual offsets or through proposals that deal with tax equity for Guam, Federal obligations to Guam that have not been fully paid, mainly compact-impact aid, and other important issues that affect our Federal territorial relationship, like the child tax credit and the earned income tax credit.

On the budgetary front, I urge the Federal Government to start targeting some of its surplus toward economically distressed areas, including the U.S. territories, through economic incentives or recovery plans similar to those devised for rural areas in American Indian communities.

As an example of how hard it is to get anyone to pay attention to the territories, last Congress the territories had to fight continuously to be included in the President's New Markets Initiative which targeted distressed communities. Although the territories were eventually included in the conference report for this initiative, the policy struggle we faced throughout the process is emblematic of how we are treated by Federal policymakers in the executive branch or in the Congress on a daily basis.

The President has proposed \$9.8 billion for the Department of Interior, which is a 4 percent reduction from last year. The Department's budget includes the Office of Insular Affairs, which covers U.S. territories and Freely-Associated States. I strongly believe that the funding for the Office of Insular Affairs should not be cut, and as a matter of fact, it should probably be increased, particularly in the areas of technical assistance, in order to be able to allow the territories to find ways toward economic recovery.

An important funding issue facing Guam, more than any other territory or State, involves the unmonitored migration to Guam by citizens of the Freely-Associated States and Micronesia. These are three newly created nations in our region. According to their Compacts of Free Association, they are allowed free migration into the United States without any quotas and just simply show their passport.

The July 2000 report by the Department of the Interior Office of Insular Affairs on the compact-impact costs on Guam cited an Ernst & Young analysis which showed total costs for 1997 in Guam between \$16 million and \$17 million. Since the Compacts of Free Association were established in 1986, Guam only started to receive compact-impact aid in 1996, 10 years later. During this time, we have received \$4.58 million from the Department of Interior's Office of Insular Affairs budget.

In fiscal years 2000 and 2001, Guam received \$7.5 and \$9.58 million respectively. The Government of Guam continues to expend be-

tween \$15 and \$20 million annually to provide education and social services for migrants from the Freely-Associated States under compact agreements with the U.S. We are also proposing the consideration of raising the Medicaid caps for the U.S. territories and also asking that we think about what impact this newly implemented welfare reform legislation is going to have when the time comes up.

In welfare reform in Guam, it will have a dramatic impact on our economy. There are 11,000 people on welfare currently as a result of our economic downturn out of a total population of 150,000. We need to examine how the welfare reform initiative is implemented in economically distressed and geographically isolated areas.

The privatization of former military jobs on Guam has already impacted hundreds of families, who have been forced to move to Hawaii or the U.S. mainland for employment opportunities. Should Guam's economy continue to stagnate, I am concerned that the number of individuals who will be coming off of welfare will be unable to find employment opportunities on Guam. This is why I believe that Federal assistance in the form of economic and tax incentives and job training programs will be necessary to mitigate these circumstances.

Thank you very much.

Chairman NUSSLE. Thank you very much.

[The prepared statement of Robert Underwood follows:]

PREPARED STATEMENT OF HON. ROBERT A. UNDERWOOD, A DELEGATE IN CONGRESS
FROM THE TERRITORY OF GUAM

Mr. Chairman, I appreciate being given the opportunity to present my views on the FY 2002 Budget.

I think it is ironic that as the House considers the President's tax plan on the floor today, the Budget Committee is holding hearings on the President's budget, because it would be through these hearings that the Administration would have a better idea of how to gauge the views of the Congress on these important matters.

The Federal budget affects all Americans, no matter where they reside under U.S. jurisdiction. So as Congress continues to debate deficit reduction, the size of our nation's surplus, and the level of tax relief for U.S. taxpayers, I feel compelled to speak up for my home island—the territory of Guam—and the other U.S. insular areas.

BUDGET/TAX IMPACT ON GUAM

I am very concerned about the President's proposed budget on the U.S. territories. Unbeknownst to most Americans, while the nation as a whole has experienced economic growth over the last several years, the U.S. territories have not fared as well and continue to face staggering double digit unemployment rates and dismal economic conditions. We do not have the luxury of talking about what portion of the national surplus should be used for tax relief like the states. While I support the concept of a tax cut for the people of Guam and hard working taxpayers across the country, especially for middle- and low-income families, the President's tax plan in the budget does not take into account the budgetary shortfall it will have on the U.S. territories, particularly Guam and the U.S. Virgin Islands.

Unlike the rest of the nation, Guam and the Virgin Islands are the only two U.S. jurisdictions which have tax systems which "mirror" the U.S. Internal Revenue Code. That means that Guam's tax law "mirrors" the Internal Revenue Code as required under Guam's Organic Act of 1950. Whatever tax policies are implemented at the Federal level will take effect at the local level without input from the people of Guam or the Government of Guam. Unlike the states, however, the tax cuts for Guam will come from the Government of Guam, not the Federal Government since the Federal revenues collected remain in Guam. This will greatly disrupt the revenue stream for the Government of Guam, since the territorial government has no surplus, and will affect government services and the local economy.

The Government of Guam anticipates a \$30-\$50 million reduction in revenues from the President's tax plan. Considering that the Government of Guam is projecting \$243 million in income tax revenue for 2001, such a decrease in revenue will

greatly impact Guam's economy. Guam's economy is still rebounding by the Asian financial crisis, particularly since our tourism industry heavily relies on tourists from Japan and other Asian countries. Guam's unemployment rate is a reported 15 percent, more than three times the national average.

Due to these circumstances, I am asking that special consideration be given to Guam and other affected territories for the FY 2002 Budget. I have already requested White House and Treasury officials, and the appropriate Congressional tax committees, to find ways to ameliorate the effects of the President's tax plan on the territories through actual offsets or through proposals that deal with tax equity for Guam, Federal obligations to Guam that have not been fully paid, or other important issues that affect our federal-territorial relationship like the Child Tax Credit and the Earned Income Tax Credit.

On the budgetary front, I urge the U.S. government to start targeting some of its surplus toward economically distressed areas, including the U.S. territories, through economic incentives or recovery plans similar to those devised for rural areas and American Indian communities. As an example of how hard it is for the territories to get anyone to pay attention to them, last Congress the territories had to fight continuously to be included in the President's New Markets Initiative which targeted distressed communities. Although the territories were eventually included in the conference report for this Initiative, the policy struggle we faced throughout the process is emblematic of how we are treated by Federal policymakers in the Executive Branch or the Congress on a daily basis. Federal and budgetary policy should simply not be developed in this fashion.

DEPARTMENT OF INTERIOR OFFICE OF INSULAR AFFAIRS

The President has proposed \$9.8 billion for the Department of Interior for FY 2002, a 4-percent reduction from FY 2001. The Department's budget includes the Office of Insular Affairs which covers the U.S. territories and the freely associated states. I strongly believe that funding for the Office of Insular Affairs should not be cut. Funding for the Office of Insular Affairs has seen a dramatic decline in funding over the past 10 years despite the increased responsibilities that the office has incurred and the anticipated accountability role it expects to play as a result of the U.S. Compact negotiations with the Federated States of Micronesia and the Republic of the Marshall Islands. Moreover, it makes logical sense for the Technical Assistance Program in this office, whose job it is to address economic and fiscal conditions in the territories, to actually see an increase in funding. It is cost efficient and promotes economic self-sufficiency.

An important funding issue facing Guam, more than any other territory or state, involves the unmonitored migration to Guam by citizens of the Freely Associated States in Micronesia that continues to have significant financial and social impacts on our island. A July 2000 report by the Department of the Interior Office of Insular Affairs on the Compact Impact costs on Guam cited an Ernst & Young analysis which showed total costs for 1997 in Guam between \$16.1 million to \$17.7 million.

Since the Compact of Free Association was established in 1986, Guam only started to receive Compact Impact Aid in FY 1996. During the FY 1996-FY 1999 period, Guam received \$4.58 million annually from the Department of Interior's Office of Insular Affairs budget. In FY 2000 and FY 2001, Guam received \$7.58 million, and \$9.58, respectively. However, the Government of Guam expends between \$15-\$20 million annually to provide educational and social services for migrants from the Freely Associated States under the Compact agreements. I request that Guam be adequately reimbursed by the Federal Government for the actual costs incurred under the Compact of Free Association for FY 2002.

RAISING THE MEDICAID CAPS FOR THE U.S. TERRITORIES

I also request support for legislation to provide Medicaid relief to the territories by removing the Medicaid caps imposed on the territories and adjusting the Federal matching rate, tying it to that of the poorest state.

As part of the 1997 Balanced Budget Act negotiations, the previous Administration proposed a phase out of the caps. While Congress appropriated the initial increase of 20 percent for FY 1997, no other increases were appropriated in the following years. I request that we follow through with this phase out.

The territories have the highest unemployment rates, the highest poverty levels and the lowest per capita incomes in our nation. Their ability to meet the Medicaid needs of their residents is further constrained by their economic situation. Faced with depressed economic conditions and rising health needs of growing indigent populations, the reliance on Medicaid assistance has grown beyond the Federal caps and beyond the territorial governments' abilities to match the funds. Lifting the cap

or even following up on the FY 1997 commitment to raise the Medicaid caps for the territories by 20 percent each year until all achieve parity with the rest of the nation is vital to insuring that all American citizens and children who depend on Medicaid support are not limited by geography when it comes to meeting basic health care needs.

WELFARE TO WORK IN GUAM

Lastly, welfare reform in Guam will have a dramatic impact on our economy. There are 11,000 people, out of a total population of 150,000, who are on welfare. We need to reexamine how the welfare reform initiative is implemented in economically distressed and geographically isolated areas. The privatization of former military jobs through the Navy's A-76 Program on Guam has already impacted hundreds of families on the island who have been forced to move to Hawaii or the U.S. mainland for employment opportunities. Should Guam's economy continue to stagnate, I am concerned that the number of individuals who will be coming off of welfare will be unable to find employment opportunities on Guam. That is why I believe that Federal intervention in the form of economic and tax incentives and job training programs will be necessary to mitigate these circumstances.

I appreciate the opportunity to present my views today.

Chairman NUSSLE. Thank you to all the Members who have testified. We hope that this budget is a much more realistic product than what we have seen in the last couple of years and it can be enforced. We look forward to your continued involvement in that process as it goes through.

Are there questions for the panel?

Thank you very much for coming.

Mr. Akin, Mr. Castle, Mr. Hoyer, Mr. Cummings, Mr. Baird and Mr. Clement. We realize because of the votes we are taking this a little out of order and hopefully not too far out of context. We want to accommodate those of you who have shown an interest to come, so we welcome you.

Mr. Hoyer, would you begin? We appreciate all of you coming, and you have certainly been involved in this process many times in many ways. We appreciate your continued involvement, and welcome, and we would be pleased to receive your testimony.

All Members, by the way, your testimony is in the record. We would invite you to summarize during the 5 minutes. Thank you.

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

Mr. HOYER. Thank you very much, Mr. Chairman. I appreciate this opportunity. I am pleased that my full statement will be included in the record.

Let me focus on five issues, if I can: First, budget reality; second, Federal employees; third, election reform; fourth, education reform; and last, but certainly not least, Treasury-Postal appropriations. As you know, I am the Ranking Member on the appropriations subcommittee and used to chair that subcommittee.

First, Mr. Chairman, we are involved in a debate about a tax cut. Some of us lament the fact that we are involved in that debate prior to the adoption of a budget plan where we are going fiscally. On top of that, many of us believe the tax cuts we are debating will not leave necessary funding for national priorities such as defense, prescription drug coverage for seniors, education, and debt reduction.

The President's budget provides growth for 4 percent, much lower than CBO deemed necessary to maintain purchasing power.

Frankly, Mr. Chairman, from the perspective of many, it is hard to figure out how the budget will accommodate increases for prescription drugs, defense, education, conservation, and law enforcement.

I would urge the committee, as you and I have done privately in discussions, Mr. Chairman, to come up with a budget that is realistic so the Appropriations Committee can realistically implement that budget. We will have disagreements on the numbers, but at least if we believe they are real, and asset parameters that can, in fact, be adopted, then I think the appropriations process as well as the budget process will be more real.

Secondly, Federal employees. Recruitment and retention is a serious issue, Mr. Chairman, for both the military and civilian employees. The pay gap between the military and the private sector is estimated to be 10 percent by the Bureau of Labor Statistics. That is between the military and the private sector. The pay gap between the Federal civilian work force and the private sector is estimated by the BLS to be 32 percent. Human capital is the latest buzzword in government. Fifty-three percent of the Federal work force will be eligible to retire by 2004. We need to be able to recruit and retain our most valuable employees.

Therefore, Mr. Chairman and Mr. Spratt, I would urge you to focus on the provision for Federal pay. The President's budget includes funding for 4.6 percent for the military and 3.6 percent for civilians. For the most part, we have achieved parity in pay adjustments between the military and civilian work force, and I would hope we would do the same in 2002. We will not be able to, in either the military or the civilian, eliminate the gap.

Frankly, under the Federal Employee Pay Comparability Act, which I sponsored and added to the Treasury-Postal bill in 1990, and which President George Bush signed, after working with his administration to get it, we have not cut the gap. We must continue to do that, and I would ask your committee to pay very close attention to that and hopefully come up with a recommendation for parity between the military and the civilians at the 4.6 percent level. That is not what it ought to be, but parity is what I think realistically can become.

Thirdly, election reform. Mr. Chairman, I think this is a critical issue. It affects the budget as well. I might say that many of your committee members are on a bill I am sponsoring, the Voter Improvement Act, introduced last week. We need election reform. We need it now; not in 2004, 2006, or 2008, but by 2002.

Last week Congressman Horn and I introduced, along with many others, over 66 cosponsors, the Voter Improvement Act. This legislation would provide up to \$6,000 per precinct to replace punch card systems. This would be, if every precinct that has punch cards was replaced, \$432 million. Thirty percent of the voters in America use punch cards, so it is not a problem of Florida, it is a problem that we have nationally. As a matter of fact, California and New York, two of our biggest States, use the punch card system.

In addition, the bill that I have sponsored would provide \$150 million in annual grants for voter education, poll worker training, equipment purchases and R&D, and would establish a bipartisan election reform commission. I think this is critically needed.

The President has observed that every American has the right to vote. That, of course, I think, is without disagreement. But the fact of the matter is every American also has the right to have their vote counted properly. I don't perceive this as a partisan issue, I perceive it as an issue for our entire democracy in a bipartisan fashion.

Fourthly, education reform. I applaud the President and all who are proposing that all States develop comprehensive systems of standards and accountability. That is needed. We must also ensure that our school systems have the capacity to provide effective teachers, a strong curriculum and swift academic intervention. Once a school has been identified as failing, we must have interventions in place to improve schools' outcomes.

Soon I will introduce the Full Service School Act of 2001, a bill that will provide support for our children in many different disciplines, including, but not limited to, education. The Full Service School Act will create a \$200 million annual grant program for States and local education agencies to encourage community organizations to coordinate their services within a school setting.

We spend a lot of capital money on schools. They ought to be utilized fully not only for education, but for health, recreation, before- and after-school care, kindergarten, Head Start, all sorts of programs that can be school-based and cited. I urge you to consider this important legislation.

Lastly, Mr. Chairman, within the limited time frame, let me speak about the Treasury-Postal appropriations bill. I am concerned the level of funding included in the President's budget for the Department of Treasury is not adequate. It provides for \$700 million over a \$14 billion budget, approximately 5 percent. Included is \$325 million for IRS's Information Technology Investment Account. There is bipartisan agreement on the fact that we need that.

Let me speak briefly, because I see my time is running out, on courthouse construction. Mr. Chairman, that is looked at by some as a pork-barrel project. I look at it as a law enforcement-justice challenge. We have a tremendous backlog. Jim Kolbe, the Chairman of the Treasury-Postal Committee, led us in going strictly by the Administrative Office of the Courts' and GSA's recommendation. There were no political favors done. We went by the book, but we created a big backlog.

The President has not included sufficient funds in the budget; he is about one-third low. GSA says we need about \$665 million to keep even with the need. This is the Administrative Office of the Courts and GSA, not any of the Members who are saying this. It is the people who have the responsibility of daily providing for the administration of justice.

Mr. Chairman, my time has expired. My full statement is in the record. I look forward to working with you. I would emphasize at the end I would hope that this committee would not simply expect agencies to absorb pay raises, but would look at that as a cost that ought to be set aside and identified in an honest way to reflect what we need to have to pay our people properly.

Thank you, sir.

Chairman NUSSLE. Thank you very much.

[The prepared statement of Steny Hoyer follows:]

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

Mr. Chairman, and Members of the Committee: I would like to thank you for the invitation to appear before the committee this afternoon to discuss several critically important issues related to the Federal budget for fiscal year 2002.

I would like to focus on five important subjects: Budget reality; Federal employees; election reform; education reform; and Treasury-Postal appropriations.

BUDGET REALITY

The budget for the next fiscal year, in my opinion, should continue the fiscal framework that this Congress and the previous Administration established over the last 8 years. The American people deserve a budget that incorporates a balanced and responsible approach to meeting those needs. We can give the American people a sizable and affordable tax cut, and still have surplus funds to pay down the debt; invest in priorities such as education and a prescription drug benefit under Medicare; modernize our national defenses; and extend the solvency of Social Security and Medicare.

The Administration is unfortunately taking a different course. President Bush wants us to enact a \$1.6 trillion tax cut, but the numbers just don't add up. When you factor in the higher interest cost associated with the revenue reduction and changes to the Alternative Minimum Tax, the cost increases to \$2.3 trillion.

Practically the entire non-Social Security and non-Medicare surplus will be allocated to tax cuts, leaving next to nothing for crucial national priorities such as defense, prescription drug coverage for seniors, education and debt reduction.

In the President's budget "Blueprint," he calls for growth of non-defense programs that is lower than the amount the Congressional Budget Office has deemed necessary to maintain purchasing power. In light of this fact, I am at a loss as to where the funding is going to come from to pay for programs that the American people demand.

Mr. Chairman, your counterpart on the other side of the Capitol, Senator Pete Domenici has said that "It will be very hard to live on 4 percent with all the priority items that our president wants." I hope that this Committee will construct a budget framework that is responsible, realistic, and workable for the American people.

FEDERAL EMPLOYEES

The next issue that I would like to address, Mr. Chairman, is pay for Federal employees.

The recruitment and retention issues in the military that have received so much attention are also occurring in the Federal civilian sector. The pay gap between the military and the private sector is approximately 10 percent, according to the Bureau of Labor Statistics. The same survey estimates that the Federal civilian workforce and the private sector gap has grown to 32 percent. If our civilian workforce is going to be successful in the future they, just like the military, will have to compete for talent in a competitive market.

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

In 1990, I worked to enact the Federal Employee Pay Comparability Act which was intended to reduce the pay gap between the private sector and Federal employees to 5 percent. Unfortunately, that disparity has not been reduced.

This year, the administration has proposed only a 3.6 percent adjustment for the civilian workforce. This is far less than they are entitled to under the Federal Employee Pay Comparability Act and lower than the 4.6 percent estimated for the military.

In 1967, Public Law 90-207 required that military pay be increased by the same proportion as pay for Federal employees. For the most part, we have historically achieved parity between the military and civilian workforce and we should continue that trend in 2002. Given this historic parity and the widening pay gap I ask that when you draft the budget resolution you include 4.6 percent for the Federal civilian workforce.

ELECTION REFORM

Mr. Chairman, another issue that clearly affects our budget but has far broader implications for the integrity of our political system and democracy itself is the national imperative of election reform.

I don't intend to revisit last November's election debacle here. But I feel compelled to note that an estimated 2 million votes nationwide went uncounted last November. That's 2 million voices silenced. That's 2 million Americans essentially disenfranchised.

That's totally unacceptable in the greatest democracy the world has ever known. And it cries out for a remedy that includes the infusion of Federal assistance to the States to ensure that it never ever happens again.

Practically every Member and citizen that I have spoken with on this topic over the last few months agrees: We need election reform and we need it now not four, six, or 8 years from now.

To that end, let me add that last week I introduced the "Voting Improvement Act of 2001," with Congressman Horn. This is a bipartisan election reform bill that currently has 66 co-sponsors in the House, including several Members of this Committee. Unlike any other Federal legislation introduced to date, this bill proposes a Federal buyout of all punch-card voting systems nationwide. Punch cards, which gained so much notoriety in Florida, have proven particularly prone to error and must be replaced by more reliable equipment.

The Voting Improvement Act would provide up to \$6,000 per precinct to replace punch-card systems. If every precinct in America that currently uses punch cards took advantage of this Federal buyout, the total cost would be approximately \$432 million.

In addition, the bill would provide \$150 million in annual grants for voter education, poll worker training, equipment purchases, and research and development. It also would establish a bipartisan Election Reform Commission that would study and make recommendations on improvements to our election system.

Mr. Chairman, I know that budgeting is all about setting priorities. And I know that this is far from easy because there are so many worthy endeavors that deserve Federal funding.

However, election reform strikes at the core of our political system and our democratic values. Whether or not it's the Voting Improvement Act or other election reform legislation, I urge you and the Members of this Committee to do all that you can to address this issue.

EDUCATION REFORM: FULL-SERVICE SCHOOLS

Improving education is the top priority in America today. Educators, parents, students, elected officials, community organizations, the private sector and others are all searching for ways to ensure excellence in our schools. I applaud the President for proposing that all states develop comprehensive systems of standards and accountability. However, it is not enough to set high standards and then measure students' progress toward them. We must ensure that our school systems have the capacity to provide effective teachers, a strong curriculum, and swift academic interventions. And most importantly, once a school has been identified as failing, we must have interventions in place to improve the school's outcomes.

Soon, I will introduce the Full-Service Schools Act of 2001, a bill that will provide the support our children need to be successful in school. A Full-Service school actively partners with community organizations and agencies to create a united movement for our schools. The Full-Service Schools Act will bring services such as after-school care, head start, health care, job training, and juvenile justice right into our schools, so that when our children first sit down at a desk, they are ready to learn. We cannot expect our children to achieve high academic standards if they do not have their basic needs met. The Full-Service Schools Act will create a \$200 million annual grant program for states and local education agencies to encourage community organizations to coordinate their services within a school setting. I urge you to consider this important legislation when determining the budget for the Departments of Education and Health and Human Services.

TREASURY-POSTAL APPROPRIATIONS

Finally, Mr. Chairman, I am concerned with the level of funding included in the President's budget for the Department of Treasury. The budget includes a \$700 million increase over fiscal year 2001 spending. Of that amount, \$325 million is for the Internal Revenue Service's (IRS) Information Technology Investment Account. I am pleased to see that this Administration is committed to modernizing the IRS, which

is an essential effort mandated by Congress and one that must continue. However, the rest of the Treasury Department would be required to operate under a 2.67 percent increase for fiscal year 2002, well below the amount the Congressional Budget Office identifies as necessary to maintain purchasing power for current programs. It is hard to envision how this meager increase could possibly support the essential Treasury law enforcement programs that make up one third of all Federal law enforcement.

In particular, the U.S. Customs Service must continue to modernize their import processing system, called the Automated Commercial Environment, or "ACE." This is a \$1.3 billion, 5-year effort, which Congress appropriated \$130 million for in FY 2001, yet the Administration's budget does not appear to provide an increase to meet the 5-year development plan.

It does not appear that the Secret Service will have the resources to continue an essential recruitment and retention effort that is necessary to reduce overtime levels among agents that have reached as high as 90 hours per month or to provide security support for the 2002 Winter Olympics.

Mr. Chairman, we depend on the Department of Treasury to be a tax administrator, a revenue collector, a law enforcer, and a financial manager. They deserve a budget that appropriately reflects these priorities.

Finally, the President's budget includes \$500 million for the Federal Courthouse Construction program, which is funded under the General Services Administration. This number includes approximately \$276 million in advanced appropriations, so the new funding level for courthouse projects is \$224 million. What is worrisome is that the request made by the Administrative Office of the Courts totals \$665 million, a \$441 million difference. We have a serious crisis going on across the country in terms of adequate Federal courthouses. Congress has spent billions of dollars over the last 10-15 years on the war against drugs and crime. This has resulted in an enormous increase in the judiciary's caseload. Over the past 5 years for example, the number of appeals filed per authorized three-judge appellate panel increased 5 percent; criminal case filings grew 30 percent and bankruptcy filings rose 14 percent. I am a strong supporter of the Courthouse Construction program and hope that this committee will recognize the need to provide sufficient funding to meet the demand for Federal courthouses.

Mr. Chairman, this concludes my statement. I would be happy to answer any questions at this time.

Chairman NUSSLE. I also understand you have a time constraint, so if we have further things to discuss, I am sure we will have that opportunity.

Mr. HOYER. I look forward to it.

Chairman NUSSLE. My understanding is that Mr. Baird and Mr. Clement, a member of the committee, would like to testify together today. I welcome you both. As I said, your testimony is in the record, and you may proceed.

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

Mr. BAIRD. Thank you, Mr. Chairman, and Ranking Member Spratt and Members. We are here today to speak about a simple matter of fairness that involves the Tax Code. Seven States in our Nation have no income tax, but pay their States' taxes through sales tax. The challenge is that the Tax Code currently disadvantages those States in a manner we consider unfair and quite costly. States under the Tax Code—residents of States with income taxes are allowed to deduct their State income taxes from their Federal returns, but those with State sales taxes are not allowed to do so.

We have drafted a simple and fair bill which would allow residents to elect to deduct either their State income tax or their State sales tax. This has recently been scored, a fairly modest cost over 10 years of about \$23 billion. It would be a simple reform; it would not complicate the Tax Code. What we have proposed is to ask the IRS to develop a simple table for each State.

Taxpayers would look at the total income for the family, the family size, find the column on the proper chart, insert that number on their return, and that would be their deduction. It would add about 60 seconds at most, I would think, to preparing a tax return. We would encourage this committee to include that in their budgetary plans.

I want to commend my good friend Bob Clement for his great leadership and work on this. The seven States directly involved are Florida, Texas, Tennessee, South Dakota, Wyoming, Nevada, and did I leave any out—

Mr. CLEMENT. Did you mention your State?

Mr. BAIRD. Washington State. Thank you.

It is about fairness. There is no reason if we are looking at restoring or correcting fundamental inequities and saying you shouldn't penalize someone for getting married, my goodness, we shouldn't penalize people for living in those seven states I identified.

[The prepared statement of Brian Baird follows:]

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

Mr. Chairman and members of the Committee, I'm honored to be here today with my good friend Representative Bob Clement for this extremely important hearing, and I truly appreciate the opportunity to share some specific tax and budgetary concerns that have put a strain on my constituents in the state of Washington and in Bob's home state of Tennessee.

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

I'm sure, Mr. Chairman and members of the Committee, that you are well aware of the problem. Simply put, residents of states with income taxes can take a deduction on their Federal taxes. Residents of states with sales taxes and no income tax cannot. That differential treatment of taxpayers is a profound inequity that this Congress should rectify.

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

It's not that Washingtonians pay less in taxes. On the contrary, we're in the top quarter of states in amount of our personal income that goes to taxes. The question becomes, should residents of my state pay hundreds more dollars per year to the Federal treasury for nothing more in return, than those individuals living across the river in another state. I believe that they should not.

To remedy this situation, I have proposed H.R. 322, the Tax Deduction Fairness Act of 2001, along with about 50 cosponsors, including several members of this committee, that will restore the sales tax deduction for taxpayers in states that do not have an income tax. My measure would allow taxpayers to deduct *either* their state income tax *or* state sales taxes paid in a given year. By giving a choice of deducting either sales or income tax, the budgetary scoring is kept to a minimum, but equity and fairness are restored across states.

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

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

I, like all of my colleagues in this body, am committed to maintaining a balanced budget, and I am also committed to the principle of equal taxation as dictated by the Constitution. But, as we wrestle with the options for spending projected budget surpluses in the foreseeable future, I ask my colleagues to put themselves in the position of more than 50 million taxpayers who live in states with no income tax and no means of deducting sales taxes; and I ask that we prioritize the restoration of fairness for taxpayers nationwide.

So, as you review the many proposals before you today and as the committee develops a budget resolution, I strongly encourage you to consider this common-sense proposal, for the simple reason that it is the right thing to do.

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

Mr. BAIRD. I would like to yield time to my good friend Bob Clement from Tennessee.

**STATEMENT OF HON. BOB CLEMENT, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TENNESSEE**

Mr. CLEMENT. Thank you, Mr. Baird, and thank you, Mr. Chairman and Mr. Spratt. It is a great honor to say a few words before my committee, the Budget Committee, which I think a lot of and its various members.

What Mr. Baird said is true. You do have about 50 million people that are really being penalized today that live in those seven States that have already been mentioned, and it is a fairness issue, but it is also a States rights issue. We shouldn't be forced to enact a State income tax in those seven States if we don't want a State income tax, if we want to have some other type tax structure. But in 1986, because of the 1986 tax reform, we no longer can deduct our State sales tax from our Federal income tax return.

If you happen to live in a State with a State income tax; you can deduct that from your Federal income tax. It was an oversight. It should have been a technical correction over these years, yet it has not been corrected yet, and it should be now.

Tennessee, as well as the other States, really wants this corrected as soon as possible. We have a golden opportunity in the 107th Congress to accomplish that goal and objective. I would like to see it in the Bush tax plan. I would like to—I know that in this last session of Congress, in the 106th Congress, it was in the Democratic substitute. It is becoming more and more of a political issue in the various States. We have already been over to the White House. We have had the opportunity to speak with Dr. Larry Lindsey, the chief economic officer. We have had the opportunity to speak with the Vice President Dick Cheney. We have also had the opportunity to talk with the Secretary of the Treasury as well as the Director of OMB.

This is a serious matter. I hope that the 107th Congress in its wisdom will look at this very seriously and act on it, because it is tax fairness, it is a States rights issue, and we need to face up to it once and for all. And as a matter of fact, we have had it scored as well, and it is \$23 billion over a 10-year period of time. Surely in a \$1.6 trillion tax cut proposal that is before Congress now, we can find a place for this \$23 billion to bring about tax fairness once and for all.

Thank you, Mr. Chairman.

[The prepared statement of Bob Clement follows:]

PREPARED STATEMENT OF HON. BOB CLEMENT, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF TENNESSEE

Thank you, Mr. Chairman. It is a privilege for me to testify before this Committee today with my colleague, Congressman Brian Baird from the state of Washington.

I am here today to urge you to include in this year's budget resolution an issue of tax fairness and tax equity. Congressman Baird and I have introduced H.R. 322 which would restore the sales tax deduction to the Federal income tax code. This is an issue of tax fairness that has been wrongly denied to the citizens of Tennessee and six other states for 15 years. I am pleased that about 50 of my colleagues—including several members of this Committee and the entire Tennessee delegation—have joined us in cosponsoring this bill.

In 1986, the state sales tax deduction was eliminated from the Federal tax code in an effort to expand the tax base. While probably well-intentioned, the elimination of the sales tax deduction is not well-received by my fellow Tennesseans who continue to be unfairly taxed. This poorly evaluated change in the tax code created a fundamental inequity between those states that have instituted a state income tax and those that have not. This is because, under the current tax code, taxpayers living in states that have an income tax can deduct their state taxes from their Federal tax bill. However, the 50 million Americans living in states without an income tax, such as Texas, Florida, Wyoming, Washington, South Dakota, Nevada and Tennessee, do not have an equivalent tax deduction. As a result, they end up paying significantly more in taxes to the Federal Government than a taxpayer with an identical profile in a different state.

Mr. Chairman, like many of my colleagues on this panel, in this era of unprecedented budget surpluses, I support tax cuts. I think it is only fair that we return some hard-earned money to our hard working Americans. However, I think we must prioritize tax fairness. Sales tax deduction is an issue of tax fairness.

In 2000, the citizens of Tennessee paid an average of \$730 in state sales taxes, but could not deduct one dollar of it from their Federal income tax returns. So, basically, Tennesseans are being forced to pay taxes on their taxes. This is not right! It is unfair, it is unjust and it must be corrected here in the 107th Congress! The citizens of Tennessee and Washington and the other states are being discriminated against simply because they live in a state that has chosen not to enact a state income tax.

Mr. Chairman, I think we all agree here, that the Federal Government should treat all taxpayers equally, regardless of the system of taxation that their state employs. I have some friends back home in Nashville who just had two beautiful twin daughters who I know would agree. With a combined income right around fifty thousand dollars, they would save \$358 with the passage of this tax equality bill. That, Mr. Chairman, is a lot of diapers.

This bill is very simple. It would allow taxpayers to deduct their state income tax returns from their Federal income tax returns. Those living in a state that has an income tax would still be able to take an income deduction as they do today. However, residents of states that do not have an income tax would be provided with the opportunity to take a similar deduction.

We, as Federal officials, have no right to suggest to a state how best to tax its citizens. H.R. 322 is an opportunity to limit the Federal Government's influence on the methods of taxation across this country. It does so by taking away the incentive for a state to impose a state income tax on its citizens. Regardless of your views on income taxes, sales taxes or some alternate tax structures, I'm sure my colleagues on both sides of the aisle would agree that states should have the right to decide for themselves how they want to collect their revenues without interference from the Federal Government.

In closing, I would like to thank my friend, Congressman Brian Baird, for his hard work on this issue that we have been working years to enact. We have an opportunity to restore fairness and equity to the tax code in this Congress without making the tax code more complex and without abandoning our fiscal discipline.

I urge my colleagues to support the inclusion of this provision in the budget resolution and reinstate the sales tax deduction.

Mr. BAIRD. If I might, I would just like to add that this proposal has been endorsed by the National Council of State Legislators. They emphasize there are even States that are not directly affected which have endorsed the proposal, largely on the grounds that my colleague Mr. Clement mentioned, that it is a States rights issue. It should not be left to the Federal Tax Code to dictate to local

States the manner in which they should choose to tax their citizens. Neither should residents of one State be unfairly disadvantaged in comparison to residents of other States.

Again, let me just reiterate finally, it is fair, it is simple, it is affordable, and its time has come. We appreciate this committee's support, and we continue to lobby vigorously on behalf of what we think is a common-sense tax reform.

Chairman NUSSLE. Thank you very much for your testimony. We appreciate both of you testifying. We will take it under advisement.

Mr. BAIRD. Thank you, Mr. Chairman, Ranking Member Spratt.

Chairman NUSSLE. If the other Members, Mr. Gonzalez and Mr. Pascrell, if you would like to come up to the table.

Mr. Castle, you may proceed while they are joining us as well.

**STATEMENT OF HON. MICHAEL CASTLE, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF DELAWARE**

Mr. CASTLE. Thank you very much, Mr. Chairman. I feel sort of like a broken record. You have heard what I am going to say before, and Mr. Spratt and Mr. Holt probably have heard it before also. In some ways I wish I were testifying before the Appropriations Committee instead of the Budget Committee, because I think they are the ones to listen to the message which I am trying to convey since I have been in the Congress of the United States.

But I believe very strongly we need a budget reserve account each year to properly plan for and pay for natural disasters and other emergencies. I will introduce my budget reserve account legislation, which I had in the 106th Congress, again shortly. Basically to boil it down, it really has the Federal Government prepare for emergencies in the same manner as practically every State and local government, which I know now does by basically budgeting for them.

Under current law, emergency spending is not subject to annual budget limits and deficit reduction requirements. When a disaster strikes, Congress simply appropriates emergency funds, which are most times not covered by offsets and other cuts, and thereby we are adding to the debt or spending the surplus. In addition, as we all know, that is a perfect opportunity for Members to add unrelated nonemergency pork-barrel projects. It is probably the single best opportunity to add such that we have in the Congress of the United States.

This practice adds up to more money each year than probably most Members realize, which obviously erodes the work of this committee, which pays a lot of attention to every dollar which is spent. In fact, according to the Congressional Research Service, the average cost of emergency appropriations bills from 1991 to 1999 was \$9 billion a year. It excludes special significant items such as the Persian Gulf War, but for the basic emergencies we have.

The legislation would require the President to submit a budget and Congress to appropriate these average funds annually in a budget reserve account to offset the costs of natural disasters or other emergencies. These funds would be included under the annual discretionary spending cap set by the budget resolution, and if it is not used during a particular year, it would be used for debt reduction.

Finally, the Office of Management and Budget would be required to report to Congress each year on how the emergency funds from the reserve account were spent, which is not insignificant because of the pork-barrel spending that goes on now.

I was pleased to work with you, Mr. Chairman, and I cannot thank you enough for the work you have done on this, and Representative Cardin, in the 106th Congress to include a budget reserve account in your omnibus budget process reform bill. As you know, this committee supported its passage, but we were unable to secure the support of the full House of Representatives.

Now we have a new ally, now that the 107th Congress has begun. OMB Director Mitch Daniels has indicated to me his interest in a budget reserve account. On February 22nd of this year, I sent President Bush and carbon copied Director Daniels a letter requesting that he include a budget reserve account in the fiscal year 2002 budget proposal. I would, with your permission, like to submit a copy along with my statement here today.

Chairman NUSSLE. Without objection.
[The information referred to follows:]

MICHAEL N. CASTLE,
HOUSE OF REPRESENTATIVES,
Washington, DC, February 22, 2001.

President GEORGE W. BUSH,
The White House, Washington, DC.

DEAR PRESIDENT BUSH: I am writing to request your support for setting aside funds in your Fiscal Year 2002 Budget for emergencies, particularly natural disasters. Although the timing and circumstances of natural disasters cannot be predicted, our government must respond to disasters and other emergencies on an annual basis. We should plan for these inevitable expenses by setting aside funding within the budget to respond in a timely and fiscally responsible manner.

As you know from your service as Governor of Texas, many states set aside funds in preparation for natural disasters in a "rainy day" or "budget reserve" account. Many families budget a percentage of their income for family emergencies. In sharp contrast, the Federal Government does not set money aside before hand, but simply appropriates emergency funds above and beyond annual budget limits. In times of budget surpluses, this erodes the surplus that could be used for tax cuts, debt reduction, education, and defense priorities. From 1991 to 1999, emergency funding averaged \$9 billion a year. Setting aside that figure within the budget each year would be a common-sense budget reform and go a long way toward paying for the natural disasters that are bound to occur.

Last year, I introduced legislation, H.R. 537, to create a budget reserve account, which passed the House Budget Committee as part of a package of reforms. New legislation will be introduced again this year. To aid in this effort to bring more fiscal discipline to the Federal budgeting process, we respectfully request that the White House provide leadership by setting aside funds for emergencies in the Fiscal Year 2002 Budget. It is not only common-sense budgeting, but it will help clarify the level of funds available for surplus-related initiatives.

Again, your leadership on this important issue would go a long way in bringing Washington, D.C. budgeting in line with the common-sense budgeting followed by most state governments and many family budgets. I hope you will include this reform in your Fiscal Year 2002 Budget proposal.

Sincerely,

MICHAEL N. CASTLE,
Member of Congress.

Mr. CASTLE. Thank you, sir. I am hopeful when the President submits his detailed budget proposal, he will take a step toward reserving funds for annual emergencies.

Again, thank you, Mr. Chairman. You have been supportive of this from the very beginning. I know you have been advocating

similar reforms ever since you have been here as well, and I am pleased to work with you again this year.

I would say in closing, most families, most States, most local governments, practically all of them, including my State of Delaware, set aside funds for emergencies. It is time for the Federal Government to join them.

[The prepared statement of Michael Castle follows:]

PREPARED STATEMENT OF HON. MICHAEL N. CASTLE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF DELAWARE

Chairman Nussle and respected members of the House Budget Committee, thank you for giving me this opportunity to testify on the need to create a budget reserve account in order to plan for natural disasters and other emergencies.

Shortly, I will reintroduce my "Budget Reserve Account" legislation from the 106th Congress (H.R. 537). It would require the Federal Government to prepare for emergencies in the same manner state and local governments do—by budgeting for them. Briefly, here is how the account would work:

- Under current law, "emergency" spending is not subject to annual budget limits and deficit reduction requirements. When a disaster strikes, Congress simply appropriates emergency funds which are often not offset by other cuts, thereby adding to the debt and spending the surplus. In addition, funds are often added for unrelated, non-emergency "pork-barrel" projects.

- This practice adds up to a significant amount of money each year, thus eroding the discipline of this committee's budget plan. According to the Congressional Research Service, the average cost of emergency appropriations bills from 1991 to 1999 was \$9 billion a year (excluding the Persian Gulf War).

- My legislation would require the President to submit a budget and Congress to appropriate these average funds annually in a budget reserve account to offset the costs of natural disasters or other emergencies.

- These funds would be included under the annual discretionary spending caps set by the Budget Resolution.

- If the reserve funds are not used during a particular year, they would be used for debt reduction.

- Finally, the Office of Management and Budget (OMB) would be required to report to Congress each year on how the emergency funds from the reserve account were spent.

In the 106th Congress, I was pleased to work with Chairman Nussle and Representative Cardin to include a budget reserve account in their omnibus budget process reform bill (H.R. 853). As you know, this committee supported its passage, but we were not able to secure the support of the full House of Representatives.

However, as the 107th Congress begins, we have a new ally. OMB Director Mitch Daniels has indicated to me his interest in a budget reserve account. On February 22, 2001, I sent President Bush (and carbon copied Director Daniels) a letter requesting that he include a budget reserve account in the Fiscal Year 2002 Budget Proposal. With your permission, I would like to submit a copy of this letter into the committee record. I am hopeful that when the President submits his detailed budget proposal, he will take a step toward reserving the funds for annual emergencies.

Chairman Nussle, I thank you for your past support on this issue. I know you have been advocating this reform since you first came to Congress in 1991. I would be pleased to work with you again this year to develop strategies for enacting this common-sense reform to our emergency spending process. Many families and States, including my state of Delaware, set aside funds for emergencies. The Federal Government should join them.

Chairman NUSSLE. Mr. Castle, you have been carrying this ball longer than anybody else, and I appreciate your advocacy. We do have a new ally in all of this with the President being on board. This is a bipartisan issue. We have a number of members on this committee that will be very interested in that. I believe the time has come, and I believe this will be part of this budget.

One thing I would request is in the next couple of weeks as we are trying to put that budget together, we may need your help to work on some of the definitions and mechanisms to make sure we do it right. But I think you will find bipartisan agreement, one of

the areas we might not have any disagreement on in the budget, and that is to plan for the rainy day as we both discussed. Thank you very much for your work. We finally got to the goal line.

Mr. CASTLE. I stand ready to help. I hope we can put the points up on the scoreboard.

Chairman NUSSLE. I hope so. Thank you very much.

Mr. Pascrell.

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

Mr. PASCRELL. Mr. Chairman, Mr. Spratt, Mr. Holt, et al.

Chairman NUSSLE. Just so Members know, your entire statement will be made part of the record, and you may summarize during the 5 minutes, please.

Mr. PASCRELL. Mr. Chairman, also Congressman McGovern is here to talk on one of the things I am going to be talking about. I want to bring that to your attention.

Last week the President delivered his Blueprint for a New Beginning. There are several aspects of this blueprint that compelled me to come here today, Mr. Chairman.

First I would like to speak to you about the importance of an appropriation for the second year for the Firefighter Assistance Grant Program. Last year we succeeded in adding this legislation, the Firefighters Investment and Response Enhancement Act, the FIRE Act, to the Department of Defense appropriations bill.

I say "we," because two-thirds of the members who were on this committee last year signed that legislation, signed on to that legislation, including the Chair, and the Ranking Member, who both supported this bipartisan legislation.

The legislation established a program through the Federal Emergency Management Agency, because we thought this was the least bureaucratic of the agencies, that could run it and provide dollars directly to the municipalities and not to the States. It is authorized for fiscal years 2001-2002, in the amounts of \$100 million and \$300 million respectively.

Delightedly, we received funding for the first year of the program, \$100 million, and are seeking \$300 million for the second year in the fiscal year 2002 appropriations cycle. It provides grants for purchasing new and modernized equipment, fire prevention and education programs, wellness programs for our firefighters, modifying outdated fire stations, et cetera. These grants go directly to paid departments, as well as part-paid and volunteer departments and emergency medical technicians.

These days I have been busy fielding many phone calls from excited firemen and from fire departments all over America asking when the applications for the program will be available, and we have been speaking to FEMA every day to monitor its progress in getting the necessary program up and running.

This program has been endorsed by the seven major fire service organizations in the Nation, and the supporting legislation had 285 bipartisan cosponsors in the House and 33 cosponsors in the Senate. It was comprehensive legislation long overdue.

When firefighters go into a burning building, Mr. Chairman, you know just as well as I do they don't ask folks inside whether they

are Democrats or Republicans. They just do their job. In light of the overwhelming support, I was shocked when I saw that the President, his blueprint, includes the explicit cut of this critical new program. President Bush thinks that this program does not, quote/unquote, represent an appropriate responsibility of the Federal Government, on page 153 of the blueprint. With all due respect to the President, Mr. Chairman, I am here today to make it clear why it does.

First of all, there is a tremendous need for additional funding for fire departments around the country. Mr. Chairman, when we first went into this legislation, the beginning of this attempt 2-1/2 years ago, my position was this is either needed or it is not needed. My position has always been, and particularly when we look at the budget where there is over \$11 billion for one-half of the public safety equation, that it is our police officers which we all support here, and very, very little on the other side for our firefighters in the 31,000 fire departments throughout America, almost 1 million firefighters.

In my district we found that 75 percent of the departments were understaffed, some terribly understaffed, by as many as 40 firefighters in the bigger cities in my district. Jersey City, right on the coast of New Jersey, has 100 less firefighters than they had a decade ago, and yet they have six new tall office buildings. Many departments in cities and suburbs and rural areas all over America, we have done our homework, as you know, simply cannot afford even the most basic equipment upgrade because of funding shortfalls.

Secondly, I challenge the President's assertion that supporting our firefighters is not an appropriate use of Federal funds. I strongly believe that there is a Federal role here. Current spending for fire services is \$40 million in the Federal budget. The level of funding for Firefighters Assistance Grant Program is appropriate. The funding is an investment in the safety of our firefighters and confirmation to the communities across America that the Federal Government will work to provide our fire service personnel with the best equipment and resources available.

We know that this is primarily a local decision, a local responsibility, but, as in so many other appropriate areas, the Federal Government should have a role. There is no selective assistance here. Every fire department imaginable was in here, except, of course, Federal firefighters.

Let me also remind colleagues that the role of firefighters is expanding and has changed over the past 20 to 30 years. Several fire departments in this Nation reach across the State, their counties, their city lines, to assist each other with natural disasters and incidents of domestic terrorism.

As you know, there are two fire search and rescue units that have responded to international disasters on behalf of the United States. The Miami-Dade Fire Rescue Department and the Fairfax County Search and Rescue teams have traveled to several countries, Colombia, Turkey, Mexico, Mozambique, and provided disaster relief. Natural and manmade disasters do not discriminate when and where they arise. Proudly, the firefighters of this great Nation do not discriminate when and where they provide help.

This Congress spends billions and billions on law enforcement. We support that critically needed investment. But this is a minuscule amount of money for our firefighters. When six firefighters died in Worcester, Massachusetts, which my good friend and colleague Congressman McGovern will address, this tragedy highlighted the need for more funding for our fire services. For these fallen heroes, we owe this grant program, Mr. Chairman, so that one more unnecessary death can be prevented. We should fund the Firefighters Assistance Grant Program for fiscal year 2002 and demonstrate that the Congress is fully committed.

Very briefly, Mr. Chairman, I know my time is up, I wanted to bring to your attention the fact that in that same blueprint, in the Small Business Administration, it was cut 43 percent.

We worked hard over the last 4 years on a bipartisan basis to bring programs that are productive and, where we can, monitor where those dollars are being spent. We ask you to please examine that draconian cut in the Small Business Administration. Is the idea to make up for these monies through fees? I would question that. We opposed it 4 years in a row, Democrats and Republicans. As you remember, the Clinton administration wanted to propose fees in order to relieve some of the dollars that the Federal Government was putting up. We opposed it then, we oppose it on a bipartisan level now, and we can't allow the SBA to fall apart. It has provided such a tremendous amount of help to our work force in America. Whether it is the New Markets Program, or whether we are talking about the loan programs, these are dollars that have gone to worthwhile situations.

Finally, just one other thing, I want to commend the budget, and you folks on the Budget Committee and the President, for leaving in the budget the dollars to support the newly authorized sewer overflow control grants. Our communities cannot afford, in terms of the CSOs, what is going on in America. I really commend you for that. It was based upon H.R. 828, which I worked on with Congressman Barcia and Congressman LaTourette, and we had passed last year. It is so helpful in trying to really support and uphold the Clean Water Act.

Mr. Chairman, thank you so much for your time. I am available for questions. I feel this in my bones about our firefighters. I hope you do, too.

Chairman NUSSLE. As a former volunteer firefighter, I do. I appreciate your advocacy.

[The prepared statement of Bill Pascrell follows:]

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

Thank you Chairman Nussle and the entire Budget Committee for allowing me to speak with you today. Last week President Bush delivered his "Blueprint for a New Beginning" to our offices. There were several aspects of this budget proposal that compelled me to come before you today.

First, I would like to speak to you about the importance of an appropriation for the second year of the Firefighter Assistance Grant Program.

Last year, we succeeded in adding my legislation, the Firefighters Investment and Response Enhancement Act or "FIRE" Act to the Department of Defense Authorization bill. This legislation established the Firefighters Assistance Grant Program that is now administered through the Federal Emergency Management Agency.

The program is authorized for fiscal years 2001 and 2002 in the amounts of \$100 million and \$300 million respectively. Delightedly, we received funding for the first

year of the program—\$100 million—and are seeking \$300 million for the second year in the fiscal year 2002 appropriations cycle.

This program will provide grants for purchasing new and modernized equipment, fire prevention and education programs, wellness programs for our firefighters, modifying outdated fire stations, and more. These grants will go directly to paid departments as well as part-paid and volunteer departments and emergency medical technicians as well.

I am busy these days fielding phone calls from excited fire departments around the country asking when the applications for this program will be available. I am also speaking with FEMA every day to monitor its progress in getting this necessary program up and running successfully.

This program has been endorsed by seven major fire service organizations in the nation, and the supporting legislation had 285 bipartisan cosponsors in the House and 33 cosponsors from both parties in the Senate.

I am very encouraged that Members have supported this legislation on its merits and have refused to make this a political or partisan issue. After all, when fire fighters go into a burning building they do not ask the inhabitants whether they are Democrats or Republicans.

In light of this overwhelming support, I was shocked when I saw that President Bush's "Blueprint" includes the explicit cut of this critical new program. President Bush thinks that this program does not, "represent an appropriate responsibility of the Federal Government." (p.153)

With all due respect to the President, I am here today to make it clear why it does. First of all, there is a tremendous *need* for additional funding for fire departments around the country.

A fire department in this country responds to a fire every 18 seconds. And there is a civilian fire death every 2 hours. A survey I did in my district found that 75 percent of departments are understaffed—some terribly understaffed by as many as 40 firefighters in the bigger cities.

Our state's second largest city—Jersey City—has seen its fire personnel be reduced by 200 in just the last decade. And many departments—in cities and suburbs alike—simply cannot afford even the most basic equipment upgrade because of funding shortfalls.

Secondly, I challenge the President's assertion that supporting our firefighters is *not an appropriate use of Federal funds*. I strongly believe that the Federal role in the fire fighting service can and should be increased. Current spending for fire services is roughly \$40 million, which is dreadfully inadequate.

The level of funding for the firefighters assistance grant program, however, is appropriate. This funding is an investment in the safety of our fire fighters and confirmation to our communities that the Federal Government will work to provide our fire service personnel with the best equipment and resources available in order to ensure public safety.

Furthermore, there is no selective assistance in this bill—all 31,000 plus departments are recognized and included. And, it sends the dollars directly to the departments to the communities in need through competitive grants, therefore bypassing potential red tape at the state level.

Let me also remind colleagues that the role of fire fighters is expanding. Several fire departments in this nation reach across state, county and city lines to assist each other with natural disasters and incidents of domestic terrorism. For instance, Oklahoma City.

As you know, there are two fire search and rescue units that have responded to international disasters on behalf of the United States. Collectively, the Miami-Dade Fire Rescue Department and the Fairfax County Search and Rescue teams (SAR) have traveled to several countries—including Colombia, Turkey, Mexico City and Mozambique—in order to help with disaster relief.

Natural and man made disasters do not discriminate when and where they arise; proudly, the fire fighters of the United States do not discriminate when or where they provide help. The role of our fire fighters is ever changing, and it is my belief that the role that the Federal Government plays during these changes must be commensurate.

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

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

When six firefighters died in Wooster, Massachusetts in 1999—this tragedy highlighted the need for more funding for our fire services. These deaths could have been prevented if the Wooster firefighters had been using certain fire-fighting protection

equipment. Unfortunately, their department could not afford the equipment that could have saved their lives.

For these fallen heroes—and all those who lost their lives in the pursuit of our safety—we owe this grant program. So that one more unnecessary death can be prevented.

We should fund the firefighters assistance grant program for Fiscal Year 2002 and demonstrate that the Congress is fully committed to fire safety in America. Our firefighters—and the communities we represent here—deserve nothing less.

Next, I'd like to talk to you about the proposed cuts to the Small Business Administration that President Bush included in his "Blueprint." We all know how important small businesses are throughout America. But we sometimes forget that small business accounts for 99.7 percent of America's employers and employs 52 percent of the private work force. Small companies account for 47 percent of all the nation's sales.

Over the last decade, America has experienced a period of growth unprecedented in our history. We reached all time highs in small business growth, job creation and all-time lows in loan interest rates and unemployment. But the economic boom is slowing down.

Financial losses for many companies are mounting and job cuts are affecting every industry in America. As a result, the need to help our communities deal with these signs of economic slowdown are more critical than ever.

Unfortunately, President Bush's proposed budget goes against all these signs with a slap in the face to the Small Business Administration and its critical programs. President Bush has announced a budget that will cut the Small Business Administration's budget from \$900 million to \$540 million. This represents a 43 percent cut!

This budget pushes aside the collective futures of women-owned and minority owned small businesses while at the same time assuring that other small businesses will lose access to vital capitol resources offered by the agency. Much of the shortfall will be through terminating programs serving low-income areas and by charging fees.

Not only do small businesses get no tax break in the Bush plan, they will be taxed to pay for tax cuts that go mainly to the wealthiest of the nation. Small businesses will pay for the President's tax cuts through higher loan costs and newer taxes designed as fees, while critical programs spurring investment in low and moderate income areas and helping minority businesses will be eliminated.

For example: The "New Markets Venture Capital" program, which provided technical assistance and financing to businesses in low-income areas will be zeroed out. As well as the "PRIME" program, which provided seed capitol to the absolute smallest of small businesses.

The 7(a) loan program will now be totally fee funded. This will make the cost of a loan to businesses much higher. Even though the administration acknowledges that some small businesses will have trouble accessing private capital in the absence of a Government guarantee, it still doesn't want the Government to subsidize the cost of borrowing.

This is unfortunate in my view. I think the Bush administration is sending the wrong message to our nation's small businesses. If the President insists on these cuts, small businesses will no longer have a real voice or champion to protect their interests.

And finally, one segment of the proposed budget I was pleased with was where the President expressed his support for the newly authorized sewer overflow control grants. Through the important Clean Water Act, the Federal Government mandates that municipalities address large wastewater projects to ensure clean water.

As part of the Omnibus appropriations bill last year, Congress passed H.R. 828, a bill that combined legislation by my friend Mr. Barcia from Michigan with legislation introduced by Mr. LaTorrette and myself. HR 828 authorized \$750 million in fiscal years 2002 and 2003 for a grant program to states to address combined sewer overflow (CSO) systems.

The bill also codified the U.S. Environmental Protection Agency's policy on Combined Sewer Overflows (CSOs), requiring the development and implementation of long-term control plans to meet applicable water quality standards. Pending appropriations are set to start this year, and the President's support has given us a boost. Hopefully, the grant funds will be issued to the states and passed onto municipalities for the development of treatment systems that will lessen the mixing of untreated wastes with stormwater.

This grant program gives cities and towns the resources they need to clean up their sewers and comply with the Clean Water Act. It also authorizes \$45 million in grants for demonstration projects on the use of watershed management for wet weather control in urban areas and to determine the most cost-effective manage-

ment practices for wet weather flows. This additional money will allow cities and towns to comprehensively address the complex issue of stormwater runoff.

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

Chairman NUSSLE. Mr. McGovern.

**STATEMENT OF HON. JAMES McGOVERN, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MASSACHUSETTS**

Mr. MCGOVERN. Mr. Chairman, speaking of firefighters—

Chairman NUSSLE. Is that the reinforcements you are calling for? You are good.

Mr. MCGOVERN. Mr. Chairman, I appreciate the opportunity to testify today. I am not going to take up the full 5 minutes, and I am going to submit my statement for the record.

I just want to associate myself with the remarks of my classmate from New Jersey Mr. Pascrell and thank him for his leadership on the FIRE Act, which really is very important to our fire departments all across the country.

As he mentioned in his statement, I am from Worcester, Massachusetts, and in December 1999, we lost six brave firefighters who were fighting a fire in an abandoned building and looking for homeless people. They lost their lives, and many of their colleagues believe that with better equipment, the loss of life would not have been so great.

I don't know whether we can predict that with any accuracy or not, but the fact of the matter is that our fire departments are lacking in the state-of-the-art equipment, much of what is available right now on the market, because of lack of resources and lack of funding, and it just seems to me if we expect them to protect our communities and to save lives, that we need to make sure they have the resources to do their job.

I know that, speaking for the firefighters in Worcester who came down here and lobbied very hard for Bill Pascrell's bill, that they were somewhat disappointed to say the least when they saw the budget blueprint and saw that future monies for this program were basically eliminated. It was determined in his budget blueprint this was not an effective use of Federal resources. Well, you know, protecting our communities is an effective use of Federal, State and local resources. We are all in this together.

I think that we need to do more to support our firefighters in the same spirit we have done more to support our police officers, which I think has been a great success story. Our police departments all across the country have benefited from the Federal resources we have funneled back home.

In addition, in the budget blueprint, the administration also eliminated funds for this program called Project Impact, which is another program which is part of FEMA. Project Impact has saved many lives and billions of dollars by ensuring that communities all across the Nation are as resistant to disaster as possible, from earthquakes in California, to hurricanes in South Carolina, to the tragic fires that plagued my home State of Massachusetts.

Ironically, on the same day that this budget blueprint was published, we had a massive earthquake in Seattle, Washington, in a city that has benefited greatly from Project Impact, and Washington Governor Gary Locke has said that as a result of Project Im-

fact dollars, earthquake preparedness offered by FEMA had a tremendous amount to do with minimizing the damage and injury of that recent earthquake.

You know, both of these programs, I think, are vitally important for the safety of our communities, and I am hoping that what was printed in the budget blueprint of this administration was basically a recommendation that maybe wasn't very well researched, and people maybe thought that these were programs that were expendable. What I am hoping is that this committee will make it clear that these are priorities of the Congress, that they deserve to be funded, that this is in part a responsibility of the Federal Government, and we need to do much more, much more than, quite frankly, has been allocated for these programs to help our firefighters and to protect our communities.

With that, I will submit the rest of my testimony for the record. But, again, I urge that you listen to Mr. Pascrell's words and that we reinstate these programs.

[The prepared statement of James McGovern follows:]

PREPARED STATEMENT OF HON. JAMES P. MCGOVERN, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MASSACHUSETTS

Thank you for allowing me to testify here today. I am here today to strongly urge this committee to reinstate full funding for the FIRE act and FEMA's Project Impact in the FY 2002 budget. Every year, across this nation, over 100 fire fighters are killed in the line of duty. In 1999, the number of fire fighter deaths was up by over 20 percent. The time to address the nationwide lack of proper funding for fire personnel and facilities is NOW. Just as important, Project Impact has saved dozens of lives and billions of dollars, by ensuring that communities all across the nation are as resistant to disaster as possible, from earthquakes in California, to Hurricanes in South Carolina, to tragic fires in my home state of Massachusetts.

Despite their proven effectiveness, these two programs were summarily dismissed in President Bush's FY 2002 budget blueprint. Ironically enough, the proposed FEMA cuts were printed in the Budget Blueprint the same day a massive earthquake hit Seattle, Washington—a city that has benefited greatly from Project Impact. Washington Gov. Gary Locke has said that as a result of Project Impact dollars, earthquake preparedness offered by FEMA had a tremendous amount to do with minimizing damage and injury in the recent quake. Project Impact is more than just money, it brings communities together. As former Director James Lee Witt said recently, "The big thing is that it gets people in the community involved in eliminating the risks themselves."

The FIRE Act is equally important. Last year, 285 members of congress co-sponsored the FIRE Act before it was added to the FY 2001 Department of Defense Appropriations Bill. This tremendous outpouring of bipartisan support for one piece of legislation is proof of the importance of this issue. Fire departments all over this nation, and in each one of our districts, are in dire need of updated equipment, increased safety measures, and heightened training. In December 1999, my hometown of Worcester lost 6 brave fire fighters in a tragic blaze in an abandoned cold-storage warehouse. The city of Worcester is currently applying for a FIRE Act Grant to build a new fire training facility to better train our fire fighters in dealing with on the job conditions. In an effort to avoid similar tragedies in the future, FEMA Director James Lee Witt visited Worcester and granted the city \$100,000 in Project Impact funding to kick off a pilot program to deal with the problem of abandoned buildings, a problem that is plaguing many of this country's cities and towns. From Boston to Los Angeles, abandoned buildings across America are creating death traps for fire fighters and homeless citizens in urban areas. The Worcester pilot program, funded by Project Impact dollars, will be a national model for the handling of these dangerous structures. In President Bush's budget blueprint, both the Fire Act and Project Impact are dismissed as ineffective, and beyond the scope of the Federal Government. As the Worcester experience shows, nothing could be further from the truth. Tragedies can be prevented, but not if vital FEMA programs such as these are eliminated in the name of a huge tax cut. We must learn from the past, so that we are not condemned to repeat it.

I strongly urge each of you to reconsider this dangerous elimination of vital FEMA funding. Both Project Impact and the FIRE Act are crucial to safety of our citizens across the nation, and their complete elimination from the budget do nothing but make our communities more dangerous places to live.

Chairman NUSSLE. I appreciate the advocacy of both of you on this. Regardless of whether somebody may believe it is a Federal function or not, I think we all know that—and I supported your FIRE Act—that there are unfunded mandates that also go back; that in part this was an attempt to try and meet that obligation as well, and that needs to be responded to. If, in fact, it is not a Federal responsibility, then why do we have all of the mandates and regulations that come down from our all-knowing bodies that seem to know quite a bit about it, even though it is not a Federal function?

So I think you have a powerful argument, and we will certainly take a look at it.

Mr. MCGOVERN. Thank you very much.

Chairman NUSSLE. Mr. Gonzales.

**STATEMENT OF HON. CHARLES GONZALEZ, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS**

Mr. GONZALEZ. Good afternoon, Mr. Chairman. Thank you very much, and to Ranking Member Spratt. It is a real pleasure to appear before you this afternoon and discuss some of the budget priorities for my district, which is half of San Antonio, the eighth largest city in the Nation, as well as the impact for all of south Texas.

I will briefly go over the six points I was going to cover and that are covered in more detail in the paper, in the statements that I have presented formally. Please do not interpret the brevity of my summary with the importance of the matters.

First is Kelly Air Force Base. You would wonder, how could one Air Force base loom so large in a city's future? Kelly Air Force Base in the first round of BRAC has been scheduled for formal closing this coming July. We will realize a loss of 19,000 jobs. At the present time we have a nonprofit entity that is attempting to redevelop Kelly and has been able to recapture about 4,000 of those jobs.

The problem with the BRAC process has been—and I think other bases which have been closed have also encountered—is that those promises have not really been kept, and that is there has not been the kind of support that the Federal Government indicated would be there for the redevelopment of these bases.

Much of the prime equipment has been removed from the base. You are left with some of the older buildings, which require either demolition or vast improvement. Even the runway, which we have been guaranteed the private sector's joint use with the military, has been co-opted to some extent and really deprives us of a valuable asset. The infrastructure and the environmental remediation that is necessary is immense, as I have told you about the buildings.

But I need to tell you about a serious and pressing problem for a large section of my district, and that is the environmental damage left behind by the military after years of use. As you understand and everyone would know, Air Force bases did not have to comply with certain State and Federal mandates and regulations,

and therefore today we have pollution that extends far beyond the base. It now has a tremendous impact on our local health services in San Antonio, and the Federal Government definitely has a responsibility.

Priority number two is the infrastructure needs arising out of increased trade with Mexico. I am a supporter of NAFTA, and I welcome it and the great opportunities it poses for the entire State and the Nation. Cross-border trucking will soon be a reality. That means there is no doubt we will have increased accidents and more air pollution, along with all its benefits. More roads will need to be constructed. We will need more safety personnel and inspection stations, and the State will require some assistance from the Federal Government. We will also have the tremendous impact on Customs resources.

Number three, increased law enforcement and judicial resources in the south Texas border area. Because of NAFTA and the increased traffic, you would have to be there to believe the tremendous increase in traffic, we will need more judges along our border States, and especially in the Laredo and Del Rio areas of Texas, for the drug-related and immigration cases which currently are backlogging all of the dockets. We will need more Customs agents for all of the obvious reasons and a tremendous investment in technology when it comes to the Customs outposts throughout the border areas.

Number four is school construction. San Antonio may be the eighth largest city in the United States, but it also happens to be the second poorest large city in the United States. Where you have a school system district that relies on property taxes, you have serious problems where you have a very poor tax base.

We are talking about school construction. There is not a school district in San Antonio among the poorer ones that have not had a recent bond election for school construction. We know of past plans regarding the Federal assistance with those endeavors, and I think it is important for us to step up to the plate and do our part.

Number five, increased needs of veterans. As indicated, Kelly may be closing, but we still have four other bases. Along with that means we have a tremendous number of retired military personnel in the area, and with their increasing age comes increasing needs, and they must be addressed immediately.

Number six, increased needs of active duty military personnel. We still have those four bases which we are very grateful for, but we have neglected those buildings and the facilities. What we are talking are quality-of-life issues for the personnel, the Armed Forces as well as their families.

We have base schools—we have three base schools in San Antonio. That means we have schools that are contained within the confines of a base. These are independent school districts which rely on Department of Education funds for funding because they do not have a property tax base like other school districts.

We now have buildings that have been in existence for a period of 50 years, when truly they were only planned to serve their purposes for 30 years. We are talking about the education of the children of our men and women in uniform.

I have gone over briefly and summarized important issues, but truly they are not unique to San Antonio, and there are many Members in the House of Representatives that will face the same dilemma with the other round of BRAC closings or have already been the targets of closing.

Also, please note that five of the six areas I have covered are all a direct result of Federal Government activities in my District. We are grateful for the Federal Government's activities and the benefits that it produces, but the Federal Government also has a responsibility to assist the local government and the State governments in making sure that we can adjust and do the necessary repairs, remediation and make sure that when the military leaves that they do leave it in better shape than they found it.

Thank you very much, and I appreciate your consideration.

Chairman NUSSLE. Thank you very much for your testimony.

[The prepared statement of Charles Gonzalez follows:]

PREPARED STATEMENT OF HON. CHARLES A. GONZALEZ, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, Ranking Member and members of the Budget Committee, thank you for giving me this opportunity to present to you the budget priorities for San Antonio the nation's 8th largest city, my constituents and many of the citizens of South Texas. First let me outline the basic issues we are facing in my part of the country, namely: (1) Kelly AFB closure and the subsequent redevelopment and environmental contamination issues; (2) Infrastructure needs arising out of increased trade with Mexico; (3) Increased law enforcement and judicial resources in the South Texas border area; (4) School construction and teacher retention in the region; (5) Increased needs of veterans living in this area; (6) Increased needs of active duty military personnel living on the remaining bases in the area, especially, housing and base schools. I should begin by pointing out that all of these issues are interrelated and have a direct effect on the economic development of our region.

1. **Kelly AFB Issues.** In the first round of BRAC, Kelly AFB in San Antonio was slated for closure. This closure will take place this coming July. There has been a great deal of redevelopment activity that has taken place over the last few years as the city prepares for the economic fallout from the closure. The city has formed a non-profit entity to oversee the development, and to date about 4,000 jobs have been created, but the job loss from the base closure will be closer to 19,000.

When BRAC was originally presented to Congress there were promises made, especially with regards to the closure of Kelly, that led the people to believe there would be a substantial amount of assistance in the redevelopment process. For Kelly this has not been the case, and as far as I can tell, it has not been the case for the other closed bases. Kelly is not necessarily asking for more money, but in this case the military has chosen to keep most of the prime equipment and transfer it to an adjoining base, leaving Kelly with only the older equipment and buildings. In addition, Kelly is guaranteed joint use of the runway, but the military needs have impacted the private sector's ability to fully utilize this valuable asset.

The military has also left Kelly with huge infrastructure and environmental remediation needs, to the tune of some \$100 + million. Roads need to be built, old buildings need to be demolished, noise abatement work needs to be done to comply with local and Federal laws, and a new hangar needs to be built.

Added to this is the tremendous amount of environmental damage left behind by the military after decades of use. The pollution extends far beyond the base. With this pollution comes the incumbent health concerns, meaning the city has to provide screenings for individuals who may have been affected by contaminants.

2. **Infrastructure Needs Arising Out of Increased Trade With Mexico.** With the impending implementation of the cross border trucking provisions of NAFTA over the next few months, South Texas will feel the full brunt of the increased traffic that accompanies the increased trade promised by NAFTA.

The infrastructure needs stemming from this increased traffic are tremendous. San Antonio, Laredo, and many other cities along the border are already facing huge traffic problems, increased accidents and more air pollution. More roads need to be built and truck checkpoints need to be established to help control traffic, ensure safety regulatory compliance and preserve the integrity of our roadways.

3. Increased Law Enforcement and Judicial Resources in the South Texas Border Area. Another NAFTA related need is increased law enforcement resources for the border. We need more judges, because our courts are overrun with immigration and drug-related cases as well as other issues arising out of the increased traffic along the border.

In addition, to keep traffic flowing, more customs agents are needed to inspect trucks more quickly and keep them from backing up at the customs check points. From the standpoint of Customs, adding the latest technology is also vital to this mission. Finally, we also need additional public safety officers on the highways looking out for potential hazards.

4. School Construction. As one of the poorest regions in Texas, the border area has many educational issues to contend with, chief among these is school construction. As with most other localities, school funding is based solely on property taxes, meaning poorer school districts often lack the resources to make needed repairs or to build new schools. San Antonio, like many other cities, has not built many new schools in the last 30+ years. But, unlike many other parts of the country, San Antonio's population has grown exponentially due to immigration, causing our schools to be severely overcrowded. Almost every school district in San Antonio has issued a bond to construct new schools. Any significant Federal help is greatly needed in these poorer, property tax based school districts.

5. Increased Needs of Veterans. As with most other cities San Antonio has many veteran issues. But unlike most other cities, San Antonio has five military bases, meaning the number of retired military personnel in our area is greater than most other cities. We need additional funding to meet the ever increasing needs of the veterans living in San Antonio.

6. Increased Needs of Active Duty Military Personnel. With our now four remaining bases, San Antonio has a large active duty military population, including dependents. Due to the severe neglect they have faced over the last 30 to 40 years, there are tremendous needs that must be met. The first and most important of these are the conterminous school districts. These are base schools that serve military dependents, but are independent of the military. They receive their funding from the Department of Education, but get little in the way of funding. Consequently, the schools which were built to last 30 years are now in their 50th year of service. This is no way to treat our military personnel and their families.

Finally, I want to add that we must address the military housing crisis that exists on our bases. Just as with the schools, we must ensure that our service men and women have decent accommodations for them and their families.

I know I have given you a lot to think about and I know not everything will be able to be fully funded, but as you prepare your outline of budget priorities, I hope you will give these issues serious consideration. I have also included recent news articles discussing these issues to further help you understand some of our problems.

Thank you.

Chairman NUSSLE. Ms. DeLauro, we don't mean to stick you behind the corner there. If you would like to move over.

Ms. DELAURO. All right. Let me do that.

Chairman NUSSLE. It is just such a big table that that ends up happening.

Welcome. Your full testimony will be made a part of the record, and you may summarize.

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

Ms. DELAURO. Thank you so very much, Mr. Chairman.

I appreciate the opportunity to testify this afternoon, and I thank you for the invitation. I thank the ranking member, Mr. Spratt. It is always a pleasure to work at your side. And I am delighted to be here with my colleague, Rush Holt.

I think that this is a critical turning point for this Nation, and I believe that the budget resolution that we adopt for this fiscal year can either start us on the road back to past failures or on to a successful future.

When the President presented his budget to the Congress last week, I applauded him for setting a positive tone for the country, for trying to find areas of agreement—

Mr. SPRATT. Could you pull the mike a little closer?

Ms. DELAURO [continuing]. And where we can make—I usually have a very loud voice, John—so, anyway, areas of common ground, if you will, and areas of agreement where we can make progress.

While I agree with many of the President's priorities, I am concerned about the overall budget and, quite frankly, the lack of detail provided so far. I am also concerned about the fiscal discipline that is potentially at risk because this has been so important to our strong economy and the need to make investments for our families.

Just one point, and I won't belabor this because there is agreement and disagreement, I am concerned that the tax plan that has been presented doesn't provide tax cuts for those who need it the most and crowds out areas where we need to make a real investment.

Since I came to the Congress, I have spent a lot of time trying to advance two critical areas, child care and development and women's health; and I think that this is where the budget raises a number of serious concerns.

Consider that more than five million American children under the age of 3 are in the care of other adults while their parents work outside of the home; 25 percent of these children, three million, are living below the poverty line. These are children who are too often left behind. They are less likely to receive the care that they need from parents or other child care providers to be able to grow and develop as healthy and thriving youngsters; and by the time they get to school, they are disadvantaged.

Head Start and the Child Care and Development Block Grant Program are critical parts of the solution. Last year, Head Start received a boost of about \$1 billion. Yet Head Start serves currently little more than half of the 4-year-old children that are eligible for the program. A similar increase this year would allow for the enrollment of another 82,000 children.

The budget outline, however, does not address future funding for Head Start. In fact, the words "Head Start" do not appear in this budget blueprint at all. Quite frankly, that is not exactly reassuring; and I urge the committee to make room in its budget resolution for this critical program.

Access to child care is critical for low-income families who are struggling to make ends meet. The Child Care and Development Block Grant Program focuses on improving child care quality and access for those families who need it to work and to remain self-sufficient. While the President's budget claims to increase the block grant program by \$200 million this year, it actually creates a set-aside within the program of \$400 million for a new after-school care initiative. So this "increase" is, in fact, a \$200 million cut below last year's level. I support after-school programs, but it should not come at the expense of the core mission of the Child Care and Development Block Grant Program.

We need to focus in on child care from zero to three. The President's blueprint is so general it doesn't focus in on this area. We have so many studies on when kids are learning. It is zero to three,

zero to five. I truly do believe that we are criminally at fault, given the amount of information that we have about when youngsters are learning and what our mission needs to be in terms of doing something for them.

Let me just quickly mention the area of women's health research. There is nothing by way of detail in this area in the President's budget plan. Again, significant cause for concern due to the lower than needed increase in the budget for meeting what is a bipartisan goal of doubling the National Institutes of Health budget. By including only a \$2.8 billion increase in this year, a \$4.2 billion jump would be required to meet the goal in 2003. This is a massive budgetary hurdle that will be difficult to clear in a single year.

Let me just mention one or two items that are specifically of concern to the challenges in my community. This has to do with defense policy and, again, I think some flawed direction in terms of the kind of commitment we are trying to make to missile defense which puts in jeopardy important weapons programs such as the F-22 and the Joint Strike Fighter. These are systems that are—do look to the future and look to the future both in terms of our needs and in terms of our threats.

Let me just conclude by just thanking you again for the opportunity to be here. I am hopeful that we can come together on a fiscally responsible budget that does cut taxes for all families, that it does invest in education and Social Security and Medicare, as we have been talking about, and keeps us on track to paying off the debt.

I think we have a chance to work together to put together a blueprint that sets us on the right course for this fiscal year and that takes into consideration some of the issues that are so critical to our families today. I believe that government has an obligation to reflect what is going on in the lives of families today, and the public policy that we engage in needs to reflect that. I think in terms of where families are working today, two people in the workplace, everybody giving it their all, that our public policy has—in terms of families today has lagged behind their needs and their efforts.

Again, thank you for letting me come before you this afternoon.

Chairman NUSSLE. Thank you. And, as a classmate, I have always appreciated your passion that you bring to the arguments; and we appreciate that.

Ms. DELAURO. Thanks so very much.

[The prepared statement of Rosa DeLauro follows:]

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

Good afternoon. I would like to thank Chairman Nussle for extending an invitation to Members to come before the Committee to share their thoughts and views on the Budget Resolution for Fiscal Year 2002. I believe we stand at a critical juncture in the debate over fiscal policy in America and I am grateful the Chairman has made this time available.

Let me also thank Ranking Member John Spratt, a good friend and one of the most thoughtful Members of the House. Members of the Democratic Caucus know they can count on John Spratt's insightful advice and candid counsel on so many issues related to the nation's budget. It is always a pleasure to work by his side.

As I stated, I do feel that we are at a critical turning point for the nation, and given the scope of the changes in spending and tax policy that are being debated, there is a great deal at stake. The Budget Resolution adopted for this fiscal year can either start us on a road back to past failures or on to a successful future.

When the president presented his budget to Congress last week, I applauded him for setting a positive tone for the country and for trying to find areas of agreement where we can make progress.

While I agree with many of the priorities that the president outlined, I am very concerned about his overall budget and the lack of detail he has provided thus far. It risks the fiscal discipline that has been important to our strong economy. And it fails to make the investments that our families need.

The president's tax plan could weaken our economy and fails to provide fair and significant tax cuts for those who need it the most. Instead of cutting taxes for working and middle class families, the president's budget gives 43 percent of the benefit of his tax cut to just the top 1 percent of earners.

If we act responsibly, we can have significant tax cuts for all Americans and still meet the nation's other pressing needs, such as education, Social Security, a Medicare prescription drug benefit, and national defense. Yet by pressing forward with such a large, inequitable tax cut, the president makes it impossible to meet these other priorities.

The president's budget will put American families in double jeopardy. If his tax cut should pass, the president must either dip into Social Security funds to pay for his other stated priorities or begin deficit spending, returning us to the days of higher interest rates and slow growth.

Not only would the president's budget fail to provide tax cuts for all American families, it increases the chance for higher interest rates and an economic slowdown that would hit working families the hardest. The president's plan provides the least benefit for working families, but leaves them the most at risk.

Additionally, and contrary to the president's statement, his tax cut would not provide any immediate stimulus to spur our economy. The majority of the tax cuts do not go into effect for years. In fact, seventy-one percent of the tax cuts would occur after 2006.

This fact represents a critical misstep if the tax cut's intent is to provide economic stimulus. Even Alan Greenspan has agreed that the president's tax plan provides little or nothing in the way of a boost for our economy. We would do better to provide greater relief, faster, and make sure that it helps working and middle class families.

I also strongly agree with the position of my Blue Dog colleagues that we should act on a budget resolution before voting on tax or spending legislation. No family or business would make a decision that would have a major impact on their finances for the next 10 years without first sitting down and working out a budget to figure out what they can afford. It would be like writing checks without balancing your checkbook.

This is not just an argument about process or arcane budget rules, although these processes and the work of this committee are a vitally important part of how the Congress accomplishes its work. This is about an important principle about acting responsibly to balance priorities important to our constituents. It is impossible to balance these needs unless we see the big picture.

In the remaining time I have, I would also like to briefly present my concerns about how this year's budget could affect a number of programs that I believe are important nationally, as well as in my own district.

Since I came to the Congress, I have spent a great deal of time and effort trying to advance proposals in two critical areas: child care and development and women's health. The president's budget raises a number of serious concerns about the president's commitment to these two critical issues.

Consider this: more than 5 million American children under the age of 3 are in the care of other adults while their parents work outside of the home. Twenty-five percent of these children—3 million nationwide—are living below the poverty line. These are the children who are too often left behind. They are less likely to receive the care they need from parents or other child care providers to grow and develop healthy and thriving. By the time they arrive in school, they are already at a monumental disadvantage.

Head Start and the Child Care and Development Block Grant Program are critical parts of the solution. Last year, Head Start received a big boost with a one billion dollar increase. Yet Head Start currently serves only a little more than half of the 4 year old children eligible for the program. A similar increase this year would allow for the enrollment of another 82,000 children.

The president's budget outline, however, does not address future funding for Head Start. In fact, the words "Head Start" do not appear in his budget blueprint at all; not exactly a reassuring development. I urge the Committee to make room in its budget resolution for this critical program.

Access to child care is critical for low-income families struggling to make ends meet. The Child Care and Development Block Grant program focuses on improving child care quality and access for those families who need it to work and remain self-sufficient. While the president's budget claims to increase CCDBG by \$200 million this year, it actually creates a set-aside within the program of \$400 million for a new after-school care initiative. For CCDBG, this 'increase' is in fact a \$200 million cut below last year's levels. While I support after-school care, it should not come at the expense of the core mission of CCDBG.

In the area of women's health research, the president has thus far provided nothing in the way of detail. There is, however, significant cause for concern due to the lower than needed increase his budget provides to meet the bipartisan goal of doubling the National Institutes of Health budget. By including only a \$2.8 billion increase this year, a \$4.2 billion jump would be required to meet the goal in 2003. That is a massive budgetary hurdle that will be difficult to clear in a single year.

In addition to these critical national needs, my constituents are also concerned about what the president's budget will mean for a number of critical challenges our community faces.

Defense policy and spending is also a critical priority. While I was pleased with the president's stance during the recent campaign, I was very disappointed that his budget failed to make necessary investments. In recent years, we have worked on a bipartisan basis to address quality of life issues for men and women in uniform. I am pleased that the president seeks to continue this commitment. However, our budget resolution must address what I see as critical shortcomings in the president's plan.

The president's desire to continue to pursue a flawed missile defense policy would require cuts of important weapons programs such as the F-22 and Joint Strike Fighter (JSF).

The F-22 is the Air Force's fighter for the next century. This stealth aircraft is designed to penetrate enemy airspace, and achieve first-look/first-kill capability against multiple targets. The JSF is being developed to be an affordable, lightweight, stealth fighter/attack plane for the Navy, the Marines, and the Air Force. Both programs are vital if we are to address the threats of the near future.

Let me once again thank Chairman Nussle and Ranking Member Spratt for providing me with the opportunity to speak with you. I am hopeful that we can come together on a fiscally responsible budget that cuts taxes for all families, that invests in education, Social Security and Medicare, and keeps us on track to paying off the debt. While I was disappointed with the budget outline the president provided, we have a chance now to work together to craft a bipartisan budget roadmap that sets us on the right course for the coming fiscal year and those that follow. Thank you.

Chairman NUSSLE. Ms. Pelosi, welcome. Your testimony will be made part of the record, and you may summarize.

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

Ms. PELOSI. Thank you, Mr. Chairman, Mr. Spratt, Mr. Holt. Thank you for the opportunity to testify this afternoon.

Before I begin my testimony, though, I want to thank this committee for early recognizing the challenge that AIDS would be presenting to our society. That is where I am focusing my testimony today.

As a member of the Subcommittee on Appropriations with Congresswoman DeLauro, I fully support all the priorities she talked about and hope that the—we are anxiously awaiting the budget resolution and hope that it would provide us with the resources necessary to meet the priorities of all of America's families. As I said, though, today I will focus on the AIDS epidemic.

To define the problem, for over a decade new HIV infection in our Nation has remained steady at approximately 40,000 each year. It is estimated that of these new infections half occur in young people under the age of 25. In addition, people of color now represent a majority of new AIDS cases; and the proportion of new

AIDS cases among women has grown from 11 percent in 1990 to 23 percent in most recent statistics.

Internationally, the extent of the AIDS-HIV epidemic is staggering. In 2000, an estimated 5.3 million were newly infected; and three million people died of AIDS, the highest annual AIDS death total ever.

I won't read my entire testimony, Mr. Chairman and members of the committee, Ranking Member Spratt and members of the committee, but I will walk through it with you.

The recent investments that have been made domestically and internationally in HIV care treatment and prevention and research have significantly strengthened our ability to combat this global pandemic and dramatically improve the lives of millions of people who are living with HIV and AIDS. It is imperative that we do not abandon this important commitment that this Budget Committee made so many years ago at the start of the AIDS epidemic.

Domestically, basically, we talk about AIDS and HIV in three categories, research, care and prevention. Domestically, the substantial increase in funding of the National Institutes of Health contained in the President's budget outline is an important part of the research investment. By advancing scientific knowledge of the immune system and viral infections, HIV and AIDS research has also yielded significant benefits for people living with other diseases such as cancer and hepatitis, indeed any disease that is related to the immune system.

Research is a good investment. We received estimates, however, that nonNIH discretionary health spending will need to be cut by 5.4 percent to account for the President's tax cut and other spending priorities in the Bush outline. Given the significant level of unmet needs in HIV-AIDS treatment, prevention and housing, cuts of this magnitude would be disastrous.

Some of the ways that we invest in our research must be matched with a commitment to our public health infrastructure in order to ensure that the knowledge that we gain through research is translated into improved health care for people living with HIV-AIDS and stronger HIV prevention. So I would hope that we would include substantial increases for these programs in the budget resolution.

Among them are—and turning to care, the Ryan White Care Act administered by HRSA was modelled on a system of community-based care that San Francisco developed to face the AIDS crisis in the '80's. I want to address the changing nature of the HIV-AIDS epidemic along with the continuing impact of HIV-AIDS in traditionally affected communities, that has created new challenges. So we have to address the research and the care in ways that recognize the changing faces of AIDS.

But most important in that is prevention. Prevention is important not only from a public health perspective but also from an economic perspective. The CDC estimates that there are 6 to 700,000 people living with HIV in the U.S. Lifetime treatment for these people is \$155,000. So from a strictly financial standpoint it saves lives, but it also saves money to prevent. And how we deal with that is to prevent, obviously, transmission.

CDC programs are reaching individuals and helping them change risky behaviors. We also see a risk significant link between substance abuse and the HIV epidemic. Therefore, funding for the Substance Abuse and Mental Health Services Administration, SAMHSA, is very important. Numerous studies have demonstrated the effectiveness of drug and alcohol treatment and education in relationship to this.

I want to call your attention to the Minority HIV-AIDS Initiative, because significant progress must and has and must continue to be made to develop the capacity to combat HIV-AIDS within communities of colors.

My statement goes into further detail there, but in the interest of the committee's time I will proceed to talk about another area of concern in terms of AIDS, and that is AIDS housing for people living with HIV and AIDS. The Department of Housing and Urban Development's OPWA program, the needs are greater now than ever; and my statement goes into detail there. I am hoping that as I keep my comments shorter the budget allocation will be larger.

I would like to also just talk—spend a moment to talk about Medicaid expansion for HIV positive A systematic individuals as the next critical step in meeting the needs of communities that are disproportionately impacted by this epidemic.

Mr. Chairman, Ranking Member Spratt and Mr. Holt, right now, in order to go on to Medicaid, you have to have a full-blown case of AIDS. The science tells us that you can save lives, improve the quality of life if you intervene sooner when somebody has HIV. So it is very important to get people with HIV onto Medicaid and not wait until they are full-blown case of AIDS. That is what Mr. Gephardt and I are proposing in our legislation, and we are asking for funding in this bill for HIV-infected people to be on Medicaid. It is a savings even in the short but certainly the long run.

I just want to turn to internationally for a moment. We hope that we can double to \$465 million our international funding for HIV-AIDS. The figure we really need is \$7 billion, just to give you a perspective on far we have to go. We also must develop a vaccine.

The international is part of our conscience that we should do this. We have the resources here in terms of research, care and treatment but—and prevention, but the fact is, members of the committee, it is in our interest to prevent the spread of AIDS internationally for economic reasons, for national security reasons and in terms of research. We cannot do the research effectively unless we have this broader base.

My time has expired, so I will thank you for the opportunity to testify today. I thought I was reducing my statement down, but it is a big issue, a big problem. This committee has been there from day one. I am grateful for that. Again, thank you for the opportunity to testify today.

Chairman NUSSLE. Ms. Pelosi, this is a very important area. We may be able to find an opportunity later on this year—I mentioned it to Ranking Member Spratt—to have a hearing to discuss this in a little bit more detail.

Ms. PELOSI. Wonderful.

Chairman NUSSLE. But it probably could or should include a number of infectious diseases, that maybe—Mr. Spratt informed

me that possibly hepatitis C is another area of concern that we need to keep an eye on; and it may have some very dramatic budgetary and fiscal impact as the years go on. So I would be interested in working with you to see if—how we might facilitate something like that.

Ms. PELOSI. Thank you Mr. Nussle. All of these are connected— hepatitis C, tuberculosis. All of the infectious disease issues are connected. I appreciate your comments and Mr. Spratt's input into that. His leadership over the years has been magnificent. And thank you, Mr. Holt, for your courtesy today.

Chairman NUSSLE. Thank you.

[The prepared statement of Nancy Pelosi follows:]

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

Mr, Chairman, Ranking Member Spratt, thank you for this opportunity to testify today. As a Member of the Appropriations Committee, I will be closely following the development of the Budget Resolution in the hope that we will be provided with the resources necessary to meet the priorities of all American families. Today, I will focus on the AIDS epidemic.

For nearly a decade, new HIV infections in our nation have remained steady at approximately 40,000 each year. It is estimated that of these new infections, half occur in young people under the age of 25. In addition, people of color now represent the majority of new AIDS cases and the proportion of new AIDS cases among women has grown from 11 percent in 1990 to 23 percent in the most recent statistics. Internationally, the extent of the HIV/AIDS epidemic is staggering. In 2000, an estimated 5.3 million were newly infected and 3 million people died from AIDS, the highest annual total of AIDS deaths ever.

The recent investments that have been made, domestically and internationally, in HIV care, treatment, prevention, and research have significantly strengthened our ability to combat this global pandemic and dramatically improved the lives of the millions of people who are living with HIV and AIDS. It is imperative that we do not abandon this important commitment.

Domestically, the substantial increase in funding for the National Institutes of Health (NIH) contained in the President's budget outline is an important part of that investment. Research at the National Institutes of Health (NIH) has yielded great results. AIDS research has doubled the survival time of a person with AIDS and vastly improved the quality of life for thousands of Americans and their families. By advancing scientific knowledge of the immune system and viral infections, HIV/AIDS research has also yielded significant benefits for people living with other diseases such as cancer and hepatitis.

Research is a good investment. However, we have received estimates from Mr. Spratt that non-NIH discretionary health spending will need to be cut by 5.4 percent to account for President Bush's tax cut and the other spending priorities that are presented in the Bush budget outline. Given the significant level of unmet need in the areas of HIV/AIDS care, treatment, prevention, and housing, cuts of this magnitude—in fact, any cuts at all—would be disastrous.

The investment in NIH research must be matched with a similar investment in our nation's public health infrastructure in order to ensure that the knowledge that we gain through NIH research is translated into improved health care for people living with HIV/AIDS and stronger HIV prevention efforts. The Health Resources and Services Administration and the Centers for Disease Control and Prevention are the NIH's essential public health partners in the effort to combat HIV/AIDS. Unfortunately, President Bush's budget outline did not emphasize the need for strong investments in the HIV/AIDS programs administered by HRSA and the CDC. These investments are a vital complement to NIH research, and I urge my colleagues on the Budget Committee to include substantial increases for these programs in the budget resolution.

The Ryan White CARE Act, administered by HRSA, was modeled on the system of community-based care that San Francisco developed to face the AIDS crisis in the 1980's. Today, CARE Act programs provide the foundation for care and treatment for low income individuals with HIV and AIDS. The recent declines we have seen in AIDS deaths are a direct result of the therapies and services that have been

made more widely available through the CARE Act to large numbers of uninsured and under-insured people with HIV and AIDS.

Although great strides have been made, there is much more to be done. The combination therapies that have brought so much hope are still not reaching all of those in need. And the changing nature of the HIV/AIDS epidemic, along with the continuing impact of HIV/AIDS in traditionally affected communities, has created new challenges for the CARE Act.

In addition, new HIV infections have remained constant at 40,000 per year. These new infections combined with the decline in AIDS deaths means that more individuals than ever before are living with HIV and in need of treatment regimens that are costly, complicated and lifelong. As a result, the demands on HIV care providers have grown.

The changing nature of the HIV/AIDS epidemic, along with the continuing impact of HIV/AIDS in traditionally affected communities, has created new challenges for our HIV prevention efforts. And increases in the number of people living with HIV/AIDS mean that there are more opportunities for transmission of the virus. Although we have made HIV/AIDS research a high priority in recent years, a cure or vaccine is still many years away. As a result, HIV prevention efforts take on an even greater importance for helping stem the tide of this epidemic.

Prevention is important not only from a public health perspective, but also from an economic perspective. The CDC estimates that there are 600,000-900,000 people living with HIV in the US. The lifetime medical cost of treating each person infected with HIV is estimated at \$155,000. So each HIV infection that we prevent saves our health care system a great deal of money, in addition to preventing other costs including loss of earnings due to premature death from AIDS. Prevention is clearly a cost-effective investment.

HIV transmission, like many health problems, is the product of many factors. In order to reach as many people at-risk as possible, HIV prevention programs at the CDC are addressing these factors through a community planning process that allows localities to guide HIV prevention efforts in their neighborhoods and communities.

CDC programs are reaching individuals and helping them change risky behaviors. Studies have shown that the availability of counseling and testing has a direct impact on the spread of this epidemic, particularly among young people. The CDC recently reported that 90 percent of young people changed their sexual behaviors after discovering they had HIV. When HIV is diagnosed, people do take action to protect themselves and others. Unfortunately, current resources do not allow counseling and testing programs to reach all those in need, and one-third of the HIV infections in this country still go undiagnosed.

There is also a significant link between substance abuse and the HIV epidemic. Over two-thirds of all reported AIDS cases among women, nearly two-thirds of the cases among children, and nearly one-third of all cases among men are associated with substance abuse. In addition to the dangers associated with needle sharing and injection drug use, individuals who abuse alcohol, cocaine, or other non-injected drugs are more likely to contract HIV than the general population because of the link between drug use and unprotected sex.

The Substance Abuse and Mental Health Services Administration (SAMHSA) supports HIV/AIDS prevention and outreach through demonstration programs and the HIV/AIDS set-aside in the Substance Abuse Prevention and Treatment Block Grant. Numerous studies have demonstrated the effectiveness of drug and alcohol treatment and education. SAMHSA's HIV programs must be strengthened in order to address the dual epidemics of AIDS and substance abuse found in many communities.

Significant progress has been made in the effort to develop the capacity to combat HIV/AIDS within communities of color through the Minority HIV/AIDS Initiative. While African Americans make up approximately 12 percent of the total U.S. population, they account for nearly 37 percent of AIDS cases. In addition, nearly two-thirds of all women living with AIDS are African American. Hispanic Americans are also disproportionately impacted. Hispanic Americans represent 13 percent of the total U.S. population, but account for 20 percent of all new AIDS cases.

These demographic changes have created many challenges for our nation's response to the epidemic. The Minority HIV/AIDS Initiative provides the funding needed to enhance existing systems of HIV/AIDS care in communities of color and to develop the service and infrastructure capacity that these communities need to effectively fight AIDS. Nearly all of the areas that I have discussed today are impacted by the resources provided to this important initiative because we must strengthen all aspects of HIV/AIDS programs in communities of color, including prevention, care, and substance abuse treatment.

The need for housing assistance for people living with HIV/AIDS through the Department of Housing and Urban Development's Housing Opportunities for People with AIDS (HOPWA) program is greater now than ever. The new treatments that are extending so many lives involve a complicated regimen of medications, requiring certain medications to be taken at certain times, certain medications to be taken after eating, and still others on an empty stomach. This makes adherence very difficult, and nearly impossible without stable housing.

As the number of people living with HIV/AIDS increases, so do the number of cities and states qualifying for HOPWA formula grants. At the same time, the rising costs of housing across the country, particularly in urban areas where a large proportion of people living with HIV/AIDS live, make it difficult for HOPWA to maintain current services without funding increases. Increases in the number of eligible jurisdictions means that without a significant increase in HOPWA funds, the funding available for each HOPWA jurisdiction will be cut. I urge the Budget Committee to include the resources necessary to meet this growing need in the budget resolution.

I would also like to add that Medicaid expansion for HIV positive asymptomatic individuals is the next critical step in meeting the treatment needs of the communities that are disproportionately impacted by this epidemic. Medicaid must play an expanded role in HIV care. With the advent of powerful new therapies, it is unconscionable that people cannot become eligible for Medicaid until they have lost the opportunity for early and effective treatment of HIV. Representative Gephardt and I introduced the Early Treatment for HIV Act in the last Congress, and CBO estimated a first year implementation cost of \$100 million. I urge you to include funding for this expansion of Medicaid to include people with HIV in the budget resolution.

Now, to turn to the global epidemic. Over the course of the past year, the world has finally, albeit belatedly, started taking notice of the global AIDS pandemic and the havoc it is creating in the developing world. I respectfully urge the Members of the Budget Committee to provide the highest possible funding levels to combat global HIV/AIDS, which is the world's most deadly infectious disease ever. The social, economic, security and human costs of this crisis are devastating entire nations. Increased funding for global AIDS programs must be provided as part of a renewed commitment to a comprehensive and adequately funded development assistance strategy addressing the new challenges facing the developing world as a result of HIV/AIDS.

The United States must take the lead. Our investment in the fight against the global AIDS pandemic not only has a direct impact, but it also leverages significant funds from other countries and multilateral institutions. Non-governmental organizations working to fight global AIDS believe that the U.S. funding for global AIDS programs should be doubled this year, to a total across all U.S. agencies and programs of \$464.5 million. Just to put this number in perspective for you, the Joint United Nations Programme on HIV/AIDS (UNAIDS) estimates that \$3 BILLION is needed annually for Africa alone to provide minimal care, anti-viral drugs, and HIV prevention. Estimates of costs for an effective response to the epidemic worldwide start at \$7 BILLION annually.

In FY 2001, Congress and the Administration significantly expanded funding for global HIV/AIDS efforts with the LIFE (Leadership and Investment in Fighting an Epidemic) initiative. The Foreign Operations Appropriations Subcommittee, on which I have served as the Ranking Democrat, succeeded in our effort to dramatically increase funding for global AIDS at the United States Agency for International Development. Programs which last year received \$190 million for international prevention, care, and education efforts, including programs to prevent mother-to-child transmission and address the needs of the growing population of AIDS orphans, will receive \$315 million in the current fiscal year.

So much more needs to be done.

Comprehensive prevention efforts have turned around HIV epidemics in Uganda and Thailand, and averted an epidemic in Senegal. We know that prevention and education programs work. The United States must now demonstrate leadership in providing needed funding so that effective programs can be expanded and replicated.

We must also invest in the efforts to develop a vaccine. Vaccines are our best hope to bring this epidemic under control, and we must do all we can to facilitate cooperation between the public and private sectors in order to bring together the necessary resources and expertise.

Unfortunately, these challenges are only the beginning. India already has more infected people than any other nation, over 3.5 million. Experts are predicting that without significant efforts to treat those with HIV and prevent new infections the

number of people living with HIV/AIDS in India could surpass the combined number of cases in all African countries within two decades. Asia already accounts for one out of every four infections worldwide. The Newly Independent States in the former Soviet Union are also seeing significant increases in their HIV infection rates. There has been a six-fold increase in the number of HIV infections in Eastern Europe and Central Asia in the last 4 years.

Developing nations will be unable to turn the tide on this epidemic if even the most basic health care is unavailable or out of reach for most of their citizens. Yet despite such scarcity, community-based organizations in villages are doing much with little. People must be educated about HIV and how to prevent its spread. Increased testing and counseling opportunities are desperately needed. Basic care and treatment that can be delivered in homes or makeshift clinics is essential. And the need for support for the growing number of children orphaned by AIDS looms large.

We are attacking HIV on many fronts: primary prevention and surveillance through the CDC, strengthened health infrastructure in developing countries through USAID, care and treatment provided through the Ryan White CARE Act, adequate housing through HOPWA, a strong commitment to research at the NIH, and substance abuse treatment programs through SAMHSA. I hope that the budget resolution will include adequate funding for each of these vital areas of public health.

Thank you again for the opportunity to testify today. I look forward to working with you as the Budget process moves forward to provide sufficient resources to move quickly toward the ultimate goal that we all share, the end of the AIDS epidemic.

Chairman NUSSLE. Mr. Meeks, welcome to the committee. Your testimony will be made part of the record, and you may summarize.

**STATEMENT OF THE HON. GREG MEEKS, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. MEEKS. Thank you, Mr. Chairman and Ranking Member Spratt. I thank you for the opportunity to testify before the committee today.

I must say at the outset that I do testify somewhat out of frustration. Given the process that we are currently engaged in, the setting of budget priorities, I don't know if making a priority of tax cuts first without having set the budget follows our process. As a result, I have some problems with reference to how we set what our priorities are, but I will talk about that when I submit my statement.

You know I support the proposal to revive the American people with a hard-earned tax cut, but I am equally concerned about the established spending process which has to be governed by this body for many years.

Today we are engaged with each other on the floor of the House about the merits of a tax cut and which group of taxpayers stand to benefit the most. We have wholly ignored a most vital part of our democratic system. We have completely overlooked the people's agreed upon process by selecting representatives to set budgetary parameters and priorities. My concern about the process represents my first thoughts in reference to current fiscal issues before the House. However, I am equally concerned about other budgetary issuance I would like to present to the committee and hopefully get some clarity on how we as a body will approach them.

Many issues relate directly to the current administration's budget, and this far-reaching tax cut essentially relies on far too many uncertainties and projections. I am concerned, Mr. Chairman, about the extent to which we rely on the CBO projections as a basis for projected surplus. Forecast of economic performance is risky at best as a planning tool and is subjected to constant revi-

sions, and even the best market prognosticator already with estimates of over \$2 trillion are floating as well as a result of the Ways and Means Committee's decision to accelerate the proposed 10 percent bracket ahead of the President's own timetable. I feel that the Congressional Budget Act will result in tax cuts at the expense of every other potential priority we may identify as we conduct the normal budgetary process in the House of Representatives.

Our foremost concern has been and must be to retain the sanctity of the Social Security and Medicare surpluses. The baby boomer generation is rapidly becoming our next wave of Social Security recipients, and we must protect the surpluses which rightfully belong to them.

The Congressional Budget Act grants the right and privilege of the Congress to use the budget process to set the priorities. In the absence of that process we are merely responding or reacting to established parameters which have little or nothing to do with the priorities established by the process itself.

The tax cuts as well as the repayment in nondiscretionary spending must be part of a greater inclusive budget process. Whether or not we agree on some of the established priorities, is hardly the issue. The issue is that we have a process in place, and the American people deserve the benefit of full and inclusive debate about U.S. budget priorities.

The helping hand program for prescription drugs is a valuable component. Medicare reform is beneficial to all, and tax cuts are the legitimate award of a fiscally responsible Nation. But I submit to you, Mr. Chairman, they, too, must take their rightful place in the context of all of our national priorities.

I join my colleague, Nancy Pelosi, in talking about HIV-AIDS. I think that is a priority that we need to make sure that is included in the budget.

When I look at public housing and economic development and saving section 8s so more people in this country can benefit from the great surpluses that we have, I think that needs to be a budget priority that this committee should consider when we move forward.

When we talk about school construction and an additional hundred thousand teachers or more in technology so that our students and our young people are able to keep up, that should be a budget priority, and I think all of that has to be taken in context. We should not just have tax cuts as our only budget priority, but these other items need to be considered. I think rightfully they stand side by side with a tax cut priority, and they need to be done proportionately.

I just think that the process is flawed because we are doing tax cuts without looking at the other priorities; and this committee has to do it after the fact, as opposed to doing it alongside with the other priorities that the committee should be able to set and put in place.

I thank the chairman for the time. I yield back the rest of my time.

Chairman NUSSLE. Thank you very much for coming and testifying.

[The prepared statement of Greg Meeks follows:]

PREPARED STATEMENT OF HON. GREGORY W. MEEKS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, I welcome the opportunity to offer testimony before your Committee today. I would like to extend appreciation and commendation to the distinguished ranking member, Congressman John Spratt, Jr. of South Carolina, for his diligent and consistent work toward a sound and bi-partisan approach to setting budget priorities for the 107th Congress.

Mr. Chairman, it is with great concern for process and convention that I address you today. The House is scheduled to begin debate on perhaps the most broad sweeping and profound tax rate reduction measure since the creation of the current tax structure. To even consider a tax cut prior to setting budget priorities and budget parameters is philosophically adolescent and risky at best.

While I support the proposal to provide the American people with a hard earned tax cut, I am equally concerned about the established spending process which has governed this body for many many years. Today, as we engage each other on the floor of the House about the merits of a tax cut and which group of taxpayers stand to benefit the most, we have wholly ignored a most vital part of our democratic system. We have completely overlooked the people's agreed upon process by its elected representatives to set budgetary parameters and priorities.

Mr. Chairman, my concerns about the process represent my first thoughts on the current fiscal issues before the House, however, I am equally concerned about other budgetary issues, and I would like to present those to the Committee and hopefully get some clarity on how we, as a body, will approach them.

Having addressed the lack of process, I would like to outline budget priorities:

Mr. Chairman, as we continue to strive toward urban revitalization, economic development has become the cornerstone of the recovery of the most depressed areas in the country. We must support and increase empowerment zones. Community Development Financial Institutions, The Prime Act and other programs contribute to our ability to foster economic development in areas of greatest need. We must continue to support the entrepreneurs who are willing to invest their time, energy and expertise in urban America. We must target funds to expand those opportunities and make it possible for the nation's community economic revitalization to flourish.

When I think of the devastating AIDS epidemic and the impact it is having on the economy; the family; the health care system; and the very fibers of our nation, I am humbled by the task before us. We must devote resources to the education, prevention and cure of AIDS. The rise in the infection rate among teenagers is calamitous. We must remember that the youth are our future. No greater investment or return can we find than in the youth of today. The amount of funds devoted to youth AIDS is inadequate. Faced with statistics which suggest that almost half of new infections occur in Americans under the age of 25, we must meet this challenge head on.

The majority of new cases of AIDS infection is among people of color. AIDS cases among women have reputedly doubled in the last 10 years. The AIDS epidemic has cast a wide net internationally and that is of paramount concern to the United States. There are many community based, direct care programs helping to improve the lives of those living with AIDS who receive the bulk of or their total funding from Federal programs. Title I and Title III program must not be neglected or reduced in this effort. They must receive our greatest support and funding in order that we can continue to improve the quality of life for those living with AIDS. Making our "War on AIDS" a budget priority is in the best interest of this country. Mr. Chairman, we must support and fund the NIH initiatives to expand and strengthen science-based HIV prevention research for African-Americans, Latinos, Native Americans, Asian Americans, Native Hawaiians and Pacific Islanders.

I cannot begin to highlight each and every aspect of the AIDS crisis to which we must devote both our time and resources. I can only say that as we look around us and see an entire generation of young people succumb to this disease we know it is a priority. As we watch scores of minority women and men leave children, families and jobs, we know it is a priority. Our commitment to this plague-like malaise must be met with due diligence.

On education, Mr. Chairman, the current administration's budget, while representing an increase, does not go far enough. We must not abandon the nation's public schools because we say we cannot afford to improve them. We must reward the nation's teachers commensurate with the job they are doing. Mr. Chairman, I am not making a case for merit based teaching. I am making a case for making teaching a meritorious and financially rewarding occupation. We are a nation where ball players are paid one quarter of a billion dollars and we squawk at a 10 percent raise for teachers. I take my hat off to the agent who secures the high salaries for

athletes, however, as the agent and caretaker of the nation's education system, we must do a better job by the dedicated men and women playing in our education field. I am proposing an increase in the education budget and a real commitment to the nation's public school system.

As we move through the digital age, many small businesses are playing catch up. I am convinced that our economic future is linked to the prosperity of the nation's small businesses. The techno-revolution cannot pass by the small business community. We must invest in their dream and make it our dream. We must set a standard for providing start up capital to the nation's small business community not to make them competitive with the giants, but rather to provide a complement to the giants. Mr. Chairman, we must increase the funds available to the small business community.

I believe that we, as a nation, must seek to make adequate and available housing a major priority. Too many Americans wait far too long before they can find the right help, funding, or units in our communities. Housing spans the spectrum of our national neglect. Impoverished families living on the street have become more prevalent; AIDS patients who can no longer sustain employment and must live in inadequate situations makes our requested funding level of \$300 million dollars for the Housing Opportunities for Persons with AIDS (HOPWA) program a national priority. The issue of homelessness has far reaching implications for an individual's employability. As the richest nation in the world, we must lend Federal support to communities trying to build on vacant lots; trying to revitalize retailers; and improve the nation's infrastructure.

In the area of health and social services, we must respect and reserve the hard earned surplus in Social Security and Medicare. The medically under-served in the United States benefit from many Federal programs. We must exercise compassion and caution as we try to trim spending. There are children in this country who would live without health care but for the largess of Federal programs. Mr. Chairman, in my District, we strive to maintain those programs providing direct health care services to children. Our national list of priorities must include keeping children healthy as well as making preventative care available, accessible and affordable; if we can do this, Mr. Chairman our Federal dollars will be well spent.

I would be remiss, Mr. Chairman, if I did not include on my list of budget priorities, a tax cut. The people of this country have earned and deserve a tax cut and I am convinced that in the grand scheme of things, we can give them one. I believe that fiscally sound policy, based on real numbers will show that a tax cut is plausible and expected.

On the international front, our commitment to global peace and cooperation should be reflected in our allocations to the 150 account. As the world's leading industrialized nation, we commit less than 1 percent of our GNP to our foreign policy agenda. We are often time viewed as stingy to the rest of the world when it comes to fulfilling our obligation as international partners in world affairs. We, however, wield a great deal of power and influence in the resolution of conflict around the world. We must resolve, once and for all, our level of commitment to the international peacekeeping effort and support that commitment with the appropriate resources. It is imperative that we continue to encourage and implement debt relief programs so that our global partners can begin to restore their internal fiscal mechanisms.

Mr. Chairman, as we look toward spending patterns which reflect our national priorities, we must include the repayment of the national debt. This body has been a willing partner in the budget development which has lead to the comfort we now enjoy. We must continue to service our debt repayment scheme in a timely and satisfactory manner.

I have listed for you, Mr. Chairman, those issues I believe to be paramount on our list of priorities for this year's budget. It is my hope that in your attempt to proceed with this budget process, we have the opportunity to weigh all of our concerns. I ask that we are given the opportunity to decipher what our coffers contain and then decide where the funds will go. We may not see eye to eye on all issues. However, at least we will have an open, honest and inclusive debate on those items on the table.

Many issues relate directly to the Bush Administration budget and this far reaching tax cut essentially relies on far too many uncertainties and projections.

I am concerned, Mr. Chairman, about the extent to which we rely on CBO projections as a basis for projected surplus. Forecast of economic performance is risky at best as a planning tool, and is subjected to constant revisions with even the best market predictors. Already, estimates of over \$2 trillion are floating as a result of the Ways and Means Committee's decision to accelerate the proposed 10 percent bracket ahead of the President's own time table.

Mr. Chairman, I fear that this attack on the Congressional Budget Act will result in tax cuts at the expense of every other potential priority we may identify as we conduct the normal budgetary process in the House of Representatives. Our foremost concern has been and must remain the sanctity of the Social Security and Medicare surpluses. The baby boomer generation is rapidly becoming our next wave of Social Security recipients and we must protect the surpluses which rightfully belong to them. The Congressional Budget Act grants the right and privilege of the Congress to use the budget process to set the priorities. In the absence of that process, we are merely responding or reacting to established parameters which have little or nothing to do with the priorities established by the process itself.

Tax cuts, as well as debt repayment and non-discretionary spending must be a part of a greater inclusive budget process. Whether or not we agree on some of his established priorities is hardly the issue. The issue is that we have a process in place. The American people deserve the benefit of a full and inclusive debate about US budget priorities. The "Helping Hand" program for prescription drugs is a valuable component; Medicare reform is beneficial to all; tax cuts are the legitimate reward of a fiscally responsible nation; but I submit to you Mr. Chairman that they too must take their rightful place in the context of all of our national priorities. We must make those decision in a bi-partisan, compassionate and fiscally responsible way.

Mr. Chairman, as we speak, the hospital industry in New York is still reeling from a 1997 Balanced Budget Act provision which was based in part on predictions, projections and forecasting. While some of the impact has been remedied by a partial restoration of funds, it is an ideal example of what happens when we make predictions. It should be a lesson about what can happen when we abrogate process and turn our backs on the tried and tested.

I am encouraged by the fact that we are engaging the budget process and hopefully we can catch up to the tax cut process before it becomes an Achilles heel for years to come. It is my sincere wish, as the voice of the people, that we restore order, balance and legitimacy to our proceedings. Then and only then can we really set our budget priorities in a fair and inclusive way.

Chairman NUSSLE. Mr. Weldon.

STATEMENT OF THE HON. CURT WELDON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. WELDON. Thank you, Mr. Chairman.

Chairman NUSSLE. We heard a siren a little while ago, and we were all speculating that it was you arriving to talk about what Mr. Pascrell and Mr. McGovern were here to talk about earlier. So we kind of heard you coming, I guess is what we are saying.

Mr. WELDON. Well, you heard us coming long before we got to this hearing, because we all know that your background was in the fire service, and you are one of us, and we appreciate that personal relationship you have had with the fire service of this country.

Mr. Spratt has been equally supportive. He has a strong fire service community in his State. I have spoken to them numerous times, and they have nothing but solid praise for the work he has done in supporting their efforts in the State.

I am here to basically support—and I could come for many issues, as you all know, but I am coming for one and one only, and that is for a modest amount of money to provide assistance for our domestic defenders. We are asking these people—32,000 departments across the country representing 1.2 million people, 85 percent of whom are volunteers, we are asking these people to do more and more in the way of protecting our homeland. It is not just fighting fires. They are now being trained to handle chemical and biological incidents. They are the first in on floods, hurricanes, tornadoes. They are the first to respond to HAZMAT incidents. They are the first to be called, not FEMA, not the National Guard, not

the Marine Corps sea berth teams. They are the first to be called to respond in every incident in America involving terrorism.

The problem is that with all of these new responsibilities and with the pressures, especially with the volunteers, they are spending more and more of their time raising money to buy very expensive equipment, which means they can't do the job of protecting the communities. If we don't help these people out, especially the volunteers, you are going to see more and more communities go to the paid departments, which is going to cause a huge problem for the taxpayers of this country.

What we are trying to do is not to federalize the Nation's domestic defenders. We are trying to give them the basic tools and equipment they need with matching funds that they provide to buy equipment, turn out gear, to do training, to do the kinds of things that they need to do to protect their communities.

Now, some say—when we had the initiative that we successfully added on to our defense bill last year, the appropriation for that which I opened up on the House floor in the form of \$100 million passed by a vote of 386 to 28. There was hardly anybody who opposed it.

Those who opposed it said, well, wait a minute. You know, this is not the role of the Federal Government. This is the role of local government.

I don't disagree with that as a former mayor and a county commissioner, but wait a minute. We spend over \$3 billion—it is going to be in your budget this year, for police—we paid for half the cost of police vests.

We want to put 100,000 teachers on the street. Well, the last time I checked there weren't a hundred teachers killed every year in the line of duty.

Every year in Evansburg at the national Fallen Firefighters Memorial we pay special recognition to over 100 fire and emergency services personnel who give their lives in protecting their communities. We don't have anywhere near that number in teachers. It is very close to what we have in police, and they are all fully paid, and yet we do nothing at the Federal level except this last year in providing support and assistance to them.

What we propose is a modest program. It was authorized at \$100 million the first year, and we appropriated. In the second year, we are asking for \$300 million to be matched with local dollars from local communities to buy equipment and resources to assist these domestic defenders in meeting the challenges that they are being asked to provide for our country. It is not out of line.

Again, I don't want to create a national Federal Emergency Response Force. I am simply asking the Budget Committee to recognize these important people and to allow us to try to provide some assistance and incentives for the States to do more.

In my State of Pennsylvania, we have a great program, which is currently at \$25 million. That money is used to buy every piece of fire equipment in the State. The firefighters pay off the loan, but they get a low interest rate. We have another grant program. We need to encourage the States and local governments to do more in this area, and some small amount of Federal funds will help this happen. There could be no better return on our dollar than to help

the domestic defenders of America by providing a small amount—a relatively small amount of funds.

So I plead with you, in your budget deliberations, as tight as things are, to assist us in recognizing this vital need. We have organized this group of people nationwide. They are ready to go. They were grossly disappointed that the President's budget did not include a request for funding here.

I am meeting with the budget director next week, and I will personally convey to him, along with a number of my colleagues, our concern with the President's request.

I introduced President Bush in a fire house. He spoke about the need of these people. And for the budget to come out and not have any money in the budget to me was not only shortsighted, it was contradictory. We are going to work with the administration and attempt to change that and get their support, but the Budget Committee can really kind of lead the path here in terms of providing some suggestions to Congress that this is an area we should in fact be supportive of.

So I would ask my colleagues to assist us in this effort. I know you have a very difficult time in all the numbers you have to crunch to come up with a budget on defense issues, health care issues—but I can tell you this. This is an area where the money will be well spent and in the end will save taxpayers money. Because most of these people are volunteers. I mean, I would love to see our police Departments go out and run tag days and chicken dinners to buy police cars. I would love to see that day. That ain't going to happen. Fire companies do it every day across America, tag days and chicken dinners, to pay off loans to buy \$500,000 fire trucks. The least we can do is help them afford to buy those pieces of equipment to continue to serve their communities.

You also mentioned the issue of hepatitis C. Last year, I included a package in the defense bill of a series of bills to help the fire and emergency service people. Bob Brady had legislation, which I was the original co-sponsor of, to authorize a \$10 million pilot program dealing with hepatitis C as it relates to emergency responders. That is now law.

So if you want to do something in that area, you could simply request the \$10 million that has already been authorized to implement the \$10 million initial program as a pilot program in looking at hepatitis C and how emergency responders in this country were suspected of being afflicted with this because of the incidents where they have to go into unknown situations and rescue people, whether it is in a hostile environment, a fire, a HAZMAT incident or whether it is in an accident on the street corner.

So I would ask you to consider this, both the general funding and the hepatitis C program.

Thank you for your support. I thank both of you for your sensitivity to the domestic defenses of this country and look forward to working with you as you unfold your process. Thank you.

[The prepared statement of Curt Weldon follows:]

PREPARED STATEMENT OF HON. CURT WELDON, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF PENNSYLVANIA

CRUCIAL FUNDING FOR AMERICA'S FIREFIGHTERS

First of all, I would like to thank Chairman Nussle for allowing me to speak today. The chairman, like me, is a former firefighter, and I know him to be an individual who is deeply committed to providing our nation's first responders with the means necessary to do their job. And their job is, of course, to protect us all, at great risk to themselves.

Chairman Nussle's leadership this year will be critical to the success of the fire service. I look forward to working with him in the future on this issue.

Last year, Congress passed unprecedented legislation designed to help needy local fire departments. Attached to the FY2001 Defense Authorization bill, this legislation established a grant program to be administered by FEMA. These grants would be awarded based on need, and would go directly to local departments, bypassing intermediate bureaucracies. The grant program was authorized at \$100 million for FY2001 and \$300 million for FY2002. Another major victory was had when we achieved the full \$100 million appropriation last year, and cash-starved fire departments nationwide are eagerly awaiting FEMA's implementation of the program. The application process is expected to begin in April.

Unfortunately, President Bush's recently released budget blueprint did not include funding for the program in FY2002. It based this decision on the rationale that this is a local responsibility, not a Federal one. While there was a time that this may have been true, such is no longer the case. Fire companies are becoming increasingly involved in the planned response to terrorist attacks and potential events involving weapons of mass destruction. Our brave firefighters are referred to as first responders for a reason, whether it be a fire or an earthquake, a terrorist attack or a rescue operation, firefighters, often volunteers, are the first on the scene. The situations to which they respond are often federally managed, and yet fire departments have been neglected by the Federal Government. Last year we changed that. This year, as we anticipate massive spending increases in traditionally local matters such as education, let us not turn our backs on the 32,000 fire departments nationwide, and 1 million firefighters who serve them. Let us not forget the 100 people every year who suit up in their firefighting gear, and never come home. They are our responsibility.

There can be no doubt that our nation's first responders are in dire need of help. Many volunteer fire departments face a manpower crisis. Even worse, declining budgets force many firefighters to put their lives on the line with aging and outdated equipment. New responsibilities and larger populations mean that we are asking them to do more with less. At the same time, fire service personnel have to hold pot-luck dinners to pay for equipment, or have to stand on street corners holding the donation boot to keep fire trucks running. This simply is not right. Would we ask the police or the military to submit to this?

I am proud to support the grant program for our local fire companies, and my discussions with other members lead me to believe that this support is very widespread. This is not a partisan matter. Republicans and Democrats alike contributed to this program's realization. My good friend Steny Hoyer has been a great partner over the years in helping to promote congressional awareness of the needs of the fire service, and Members on both sides helped us achieve victory last year.

Local fire departments serve every town in every congressional district in America. In many communities, the fire station is the center of civic participation. I urge all members of this committee to support full funding for the firefighter assistance program. It's time to answer our firefighters' call for help, as they have done for us for so long.

Mr. Chairman, thank you for letting me appear before you today.

Chairman NUSSLE. Would you let me know what you hear back from Mr. Daniels? Because I would be interested in talking to him about this as well.

Mr. WELDON. I will absolutely let you know. We are planning a major parade, as we did once before, down Capitol Street to the White House; and we are going to surround the White House with fire trucks. So I am sure he is going to get the word one way or the other.

Mr. SPRATT. Take it all the way down to the executive offices.

Mr. WELDON. We already did the Capitol Building, and the Congress responded. Thank you.

Chairman NUSSLE. Thank you for your advocacy.

I ask unanimous consent that members have 7 legislative days to submit statements. The statements that we have already received from members who have not testified will be made part of the record, and we will continue to accept statements for 7 more legislative days.

[The information referred to follows:]

PREPARED STATEMENT OF HON. TODD AKIN, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF MISSOURI

Chairman, ranking member, members of this committee, I want to thank you for the opportunity to share my budget priorities.

I know this committee and this Congress must balance many competing priorities. However, there are two top priorities—taxes and national security—that I believe must receive our highest attention.

America has a tax surplus. The tax surplus comes from a direct tax rate on the average American family greater than the cost of food, clothing, shelter and transportation combined! We have a tax surplus; it is time to give the money back to where it belongs—to the people!

At the same time, the American economy is in need of immediate attention. Our economy reacts to a number of forces, including high taxes, a non-existent energy policy and a troubled stock market.

The solution is simple: return the money back to the people in order to jump-start our slowing economy.

Through Republican leadership, Congress now has a standard operating procedure to balance the budget and lockbox Social Security and Medicare revenues. With those safeguards in place, Congress must return the tax surplus to the people to stimulate critical sectors of the economy.

I fully support President Bush's modest \$1.6 trillion tax cut over the next 10 years, but I feel we can do more. There are six steps I believe this Congress must take to provide meaningful tax relief and aid our slumping economy.

First, spending must come under control. In developing the budget, we must target a few crucial trouble areas—particularly the need for a tax cut and increased defense spending.

Second, I support eliminating the marriage penalty altogether, which will cost \$250 billion over the next 10 years.

Third, the capital gains tax must be greatly reduced to encourage, not penalize, free enterprise and savings.

Fourth, the 1993 Clinton Tax on Social Security must be repealed, which will cost \$45 billion over the next 5 years.

Fifth, the U.S. tax code must be simplified so more individuals and families can file their own tax returns.

Sixth, the contribution limit on Individual Retirement Accounts must be increased to \$5,000 and indexed to inflation. Furthermore, 401 (k) plans must be expanded to encourage individual retirement savings. These two retirement savings steps will cost \$55 billion.

With the Congressional Budget Office (CBO) projecting a \$5.6 trillion surplus over the next 10 years, it is unconscionable for the government to deny a tax cut to taxpayers. The government is collecting more than it needs, while the average taxpayer is giving over one-quarter of all of their earnings to the government. This is absolutely the right time to return our constituents' hard-earned money.

A robust economy sets the stage for the proper funding for our armed forces.

And just as we have a debt to pay down regarding taxes, we have both a moral and ethical obligation to pay down the debt we have accumulated in terms of worn out and outdated military equipment, research and development that never took place, and rigorous field training that took place too infrequently over the past 8 years.

It is imperative that we accomplish the following:

We must pass a Fiscal Year 2001 Supplemental Appropriations bill this spring to address the most pressing shortfalls in the current year's budget. While I much appreciate the political difficulties associated with such legislation, I think it essential that we make good on our responsibilities to our service men and women. Should we fail to do so, our Service Chiefs, as they reported only a few days ago, will have

to cut deeply into third and fourth fiscal quarter operating budgets in order to fund current operations and programs.

Contrary to what you may have heard, there are countless readiness-related programs that require funding immediately. Seemingly mundane, but vitally important, programs that fund training and procure spare parts do not require the completion of a strategic review.

In addition, we must pass a Fiscal Year 2002 Budget Resolution that fully meets our national security requirements. While Budget Resolutions typically deal only with aggregate sums rather than specific programs, we should keep in mind that defense spending must address both our immediate requirements relating to readiness, or combat preparedness, and quality-of-life issues—and our longer-term modernization, and research and development.

Despite talk of a “strategic pause,” or a “threat trough,” extending out over the next 10 to 15 years, the fact is that our Services must be ready today, tomorrow, next year and beyond. As former Army Chief of Staff, General Gordon Sullivan, stated a few weeks ago, “We can not take a pass on readiness.”

We have, however, ‘taken a pass on readiness’ over much of our nation’s history. Unfortunately, we have a nearly perfect record of not being prepared for military conflict—from the War of Independence and War of 1812, all the way to the Korean and Vietnam wars. In an era of increasingly deadly weapons, and with conflicts more likely to be come-as-you-are affairs, a lack of preparedness could come at a tragically high cost.

Therefore, we must do the following:

First, we must fully fund our training accounts, which directly support our ability to execute our national military strategy. Absent robust and ongoing training programs—there is no readiness. Readiness should be increased by \$5 billion per year.

Second, we must properly fund modernization. Even former President Clinton’s Secretary of Defense, William Perry, testified before the House Armed Services Committee last year, stating that we are underfunding procurement by \$20 billion per year. His testimony, in fact, represents the low end of the spectrum. We should, at a minimum, increase procurement by \$20 billion per year.

Third, long-term military readiness is maintained through adequate research and development. This portion of the defense budget could quite easily and responsibly utilize an additional \$5 billion per year.

Fourth, our military construction accounts have been underfunded for years. Many of our facilities, to include much of our housing stock, should have been replaced years ago. Our service men and women put up with substandard housing because they love what they do. We should increase military construction by nearly a \$1 billion per year.

Finally, the President’s personnel and quality-of-life package will require approximately \$5.7 billion. If we are to close the pay gap in a timely manner and address health care concerns—and we must do both—then this must be part of the mix.

We should, therefore, pass a Fiscal Year 2002 Budget Resolution that increases defense spending by at least \$40 billion per year over current spending levels.

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

Mr. Chairman, Members of the Budget Committee, I appreciate this opportunity to testify on the fiscal year 2002 budget.

I am here today to urge you to maintain the Federal Government’s commitment to scientific research and development by increasing funding for the Department of Energy’s (DOE) Office of Science. Scientific research may not be as politically popular as health care and education right now, but science is as important to progress in these two areas as it is to America’s continued economic growth and national security. I hope my testimony today can shed some light on this fact.

Economic experts maintain that today’s unprecedented economic growth would not have been possible were it not for the substantial investment in research made by the public and private sectors over the past several decades. For America to continue to benefit from this kind of investment, we must provide strong financial support for basic research across all of the scientific disciplines - including the DOE’s Office of Science.

The Office of Science is the nation’s primary supporter of the physical sciences, providing an important partner and key user facilities in the areas of physics, mathematics and advanced computing, chemistry, geology, biology, environmental sciences, and engineering. The Office of Science supports a unique system of programs based on large-scale, specialized user facilities and large teams of scientists focused on national priorities.

This makes the Office of Science unique among, and complementary to, the scientific programs of many other Federal science agencies, including the National Institutes of Health (NIH) and the National Science Foundation (NSF). I applaud the strong support shown by Congress in recent years for research conducted within the NIH and NSF, and I commend President Bush for supporting efforts to double NIH funding by 2003.

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

Unfortunately, the reality of the situation is that while federally supported medical research like that conducted by NIH has skyrocketed, funding for research in the physical sciences has remained stagnant. During the past decade, funding in constant dollars for the DOE Office of Science was reduced by approximately 13 percent.

It is the research itself that has been most significantly impacted, since the costs of maintaining existing facilities and their associated staffs continue to rise with inflation. This has prevented the Office of Science from fully participating in technical areas important to DOE's statutory mission, such as high performance computing and nanotechnology.

This erosion of resources has also reduced the number of scientists and students conducting physical science research at DOE's national user facilities and America's colleges and universities. This aspect alone could have a disastrous long-term effect.

Already, doctoral candidates are choosing life sciences over physical sciences. In 1999, the number of doctorates awarded in science and engineering was the lowest figure in 6 years. This trend is reflected in undergraduate degrees as well, which over the past decade have declined significantly.

Doubtless this exacerbates a shortage of highly skilled labor, posing a serious dilemma for academia, business, and government leaders alike because of the potential effect it could have on America's continued economic growth.

This shift in human capital and resources to the life sciences has had a dramatic impact on America's ability to engage in cutting edge physical sciences research. It also poses a threat to our national security, but you don't have to take my word for it.

According to the Hart-Rudman Report on National Security, and I quote " * * * the U.S. government has seriously underfunded basic scientific research in recent years. The quality of the U.S. education system, too, has fallen well behind those of scores of other nations. * * * *the inadequacies of our systems of research and education pose a greater threat to U.S. national security over the next quarter century than any potential conventional war that we might imagine.*"

The report goes on to recommend doubling the Federal Government's investment in science and technology research and development by 2010. While I understand that it may not be practical to double the Federal research and development budget this year, I believe Congress should take the necessary steps to move in that direction. One of the first steps should be to increase Federal funding for the research and development conducted by the DOE Office of Science.

This Committee is the key to taking that first step forward. By recommending that the Office of Science receive a substantial FY 2002 budget increase, this Committee can begin to reverse this troubling situation and help the DOE attract the best minds, support the maintenance and construction of modern facilities, and continue to provide the quality of scientific research that has been its trademark for so many years. As Congress continues to work through the budget process, I encourage you to support the research that has been crucial to America's economic success and national security.

Thank you again for this opportunity to testify.

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

As you begin work on the Budget Resolution for Fiscal Year 2002, I urge the Budget Committee to include budgetary authority sufficient to remedy the inequitable offset of military retirement pay and VA disability compensation.

As you may know, some military retirees—individuals who are eligible for military retirement benefits as a result of a full service career—are also eligible for dis-

ability compensation from the VA based on a medical problem they incurred while in the service. Under present law which dates back to the 19th century, these service-disabled retirees must surrender a portion of their retired pay if they want to receive the disability compensation to which they are entitled.

Think of two soldiers who joined the Army together and were wounded in the same battle. Joe left the Army after his 4-year stint and joined the Department of Justice as a civilian employee. Jim stayed on and made a career in the military. Thirty years later, both men are receiving Federal longevity retired pay based on their careers. Both are also eligible for VA disability compensation as a result of the injuries they sustained while in the Army. The difference is that in order to get his disability compensation, Jim must forfeit an equal amount of his retired pay, while Joe collects the full amount of both benefits without a deduction in either.

Why should the individual who chose a military career be penalized? One benefit is based on longevity in a career, the other on an injury sustained while in the service. Joe in our example can even receive civil service retirement credit for his 4 years in the military. Yet, Jim is branded a "double dipper." This simply is not fair.

Nationwide, more than 400,000 disabled military retirees must give up their retired pay in order to receive their VA disability compensation. In effect, they must pay for their VA disability out of their military retirement—something no other Federal retiree must do. How can we possibly expect to maintain a viable national defense if service members realize that if they experience a service-connected disability, they cannot receive both VA disability compensation and military retired pay?

I have once again introduced legislation, H.R. 303, to eliminate this inequitable offset. My legislation has already received strong bipartisan support with over 200 cosponsors in the House of Representatives. I am pleased to report that 18 members of the Budget Committee are cosponsors of H.R. 303. In the 106th Congress, 31 members of the Committee cosponsored my legislation.

H.R. 303 is also strongly supported by the American Legion, the Disabled American Veterans, the Veterans of Foreign Wars, the Retired Officers Association, the Retired Enlisted Association, Uniformed Services Disabled Retirees, the Military Order of the Purple Heart, the Non-commissioned Officers Association, the Reserve Officers Association, the Fleet Reserve Association, the Air Force Sergeants Association, the National Military Family Association, the National Association for Uniformed Services, AMVETS, and the Jewish War Veterans.

Retirement pay is based on the number of years a servicemember has on active duty service and is earned for 20 years or more of faithful service. VA disability compensation was established to replace the loss of earnings attributable to a service-connected or service aggravated injury. Disability compensation also serves to compensate the disabled veteran for reduced ability to compete for civilian employment. Clearly, DOD retirement pay and VA disability benefits are vastly different. Yet, current law ignores any distinction.

The 106th Congress took the first steps toward addressing this inequity by authorizing the military to pay a monthly allowance to military retirees with severe service-connected disabilities rated by the Department of Veterans Affairs at 70 percent or greater. In this era of dramatic surplus projections, it would be unjust not to seize the opportunity to end the unfair practice of offsetting military retirement pay and VA disability compensation once and for all. We have a unique opportunity to show our gratitude to the men and women who have sacrificed so much for this great country of ours, and we must not squander it.

As the sponsor of H.R. 303, I strongly urge your Committee to include the budgetary authority necessary to remedy the inequitable offset of military retirement pay and VA disability compensation in the Fiscal Year 2002 Budget Resolution.

PREPARED STATEMENT OF HON. WILLIAM LACY CLAY, JR., A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MISSOURI

Chairman Nussle and Congressman Spratt, thank you for the opportunity to come before your committee today to offer my thoughts on the Administration's budget proposals.

I would like to specifically address a number of President Bush's HUD proposals, which I believe are fundamentally flawed and critically under-funded.

The Administration would have Americans believe that its overall HUD spending proposals will actually increase that department's budget by \$1.9 billion. But in real terms, if you do not count the Administration's \$3.63 billion increase in technical budget authority—increases that have virtually no impact on outlays or on assisting families—the Bush Administration's HUD budget actually cuts spending in fiscal year 2002 by \$1.3 billion. And when adjusted for inflation, these cuts total \$2.2 billion, which represents an 8 percent cut in the total HUD budget.

The fact is, President Bush's proposed funding levels for HUD housing programs are so regressive, they are actually \$1.8 billion below HUD housing funding levels for Fiscal Year 1995.

These severe cuts encompass housing and economic development programs that are vital to senior citizens and low-income families struggling to find safe and affordable housing. As an example, the Administration proposes cutting \$700 million from the Capital Fund, a program that provides critical housing resources for the repair and rehabilitation of homes in depressed communities. Additionally, the President's budget calls for a dramatic 11 percent cut in the HOME affordable housing program.

The Administration also proposes cutting \$422 million from the Community Development Block Grant Program, and terminating the \$309 million Drug Elimination program. Both programs provide cities with important resources for revitalizing communities, combating crime, and for providing needed job training skills.

And just as critical is the Administration's proposal to cut \$640 million in Section 8 housing reserves and limit the number of new Section 8 vouchers to 34,000 nationwide.

These cuts, if approved, would have a devastating effect on my own District. The Administration's proposed housing cuts would in effect "turn back the clock" on my District's efforts to expand access to affordable housing for seniors and low-income families. In both the City of St. Louis and in St. Louis County, we have made great strides over the last decade to increase affordable housing in the area, but we are still far from resolving the problem.

Five years ago, we had over 10,000 people in both the county and the city on Section 8 voucher waiting lists. Today, those numbers stand at 5,600 and 2,500 respectively. However, if the Administration's Section 8 voucher limit of 34,000 nationwide is allowed to stand, cities like St. Louis will see an immediate and dramatic increase in the number of people forced to wait for Section 8 housing. In New York City alone, over 215,000 families are currently on waiting lists for Section 8 vouchers.

In an era of record budget surpluses and shrinking affordable housing options, we should be increasing—not cutting—our investments in affordable housing. The Administration's HUD budget proposals would deny millions of families any hope of finding safe and affordable housing in the near future and make it even more difficult for us to effectively address our nation's growing affordable housing needs. Given that fact, I believe the Administration's HUD budget is wholly inadequate and must be rejected.

PREPARED STATEMENT OF HON. BARON P. HILL, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF INDIANA

The annual Budget Resolution is Congress' opportunity to present to the American taxpayers its version of the "big picture." It is the moment when Congress looks at all the competing interests in our nation and our Federal Government and decides what is really important.

Without a budget framework, we politicians can remain detached from financial realities and promise everything to everybody. The budget resolution forces us to make the difficult choices we always have to make when there are not enough resources to satisfy everybody's needs. It requires us to acknowledge that governing involves tough choices. We politicians do not like saying no to anybody, but it is part of our job. I commend all of the members of this committee for the hard work they do to produce the budget resolution. I look forward to studying this committee's view of the "big picture."

Unfortunately, the leadership of the House of Representatives appears to have decided that it would rather put off the tough choices for a later time. They have decided to eat their dessert before their dinner. This week they are sending to the House floor a bill involving almost one trillion dollars of current and projected future tax revenues, but have not shown the American people how this bill will affect our other priorities, such as eliminating the marriage penalty and the estate tax, protecting the surpluses in the Social Security and Medicare HI Trust Funds, and paying down the national debt.

Politics always has been and always will be part of the budget process, but unfortunately it looks as though this year politics has completely replaced the budget process. The leaders of the House have decided to go out and buy a fancy new car without first figuring out if they can afford one. Responsible American businesses and families would never do what House leaders are doing this week. I urge them to restore "regular order" to our budget process and allow your committee to do its important work.

President Bush has acted more responsibly. He sent us his budget framework just 1 month after he took office. The President's "Blueprint for New Beginnings" is a very admirable first effort at laying out the new Administration's budget priorities. Although I can find places in President Bush's 200-page document where I disagree with him and see places where we he will have to produce more details in a later budget submission, I share most of President Bush's priorities. I believe the Federal Government should give Americans significant tax relief, it should continue paying off the national debt, it should take steps to strengthen the Social Security and Medicare programs, and it should commit more resources to important national priorities such as our armed forces and our schools.

I believe this year's budget framework should commit to both short-term and long-term tax relief. We can help today's families and businesses by devoting some of our budget surpluses to tax cuts, and we can help our children's families and businesses by devoting a significant amount of our surpluses to paying down the national debt. Paying off the national debt helps lower long-term interest rates and eliminates the billions of dollars the government spends every year to service the debt.

I support the Blue Dog Democrats' "50-25-25" budget plan, which makes a greater commitment to debt reduction than President Bush's budget. It reserves all of the Social Security and Medicare HI Trust Funds for debt reduction, and devotes one-half of all remaining surpluses to debt reduction. As USA Today pointed out in a March 2nd editorial, President Bush's budget would slow down debt repayment by \$590 billion over the next 5 years.

This year's budget framework should also recognize the uncertain nature of 10-year budget estimates. In its most recent budget outlook, the Congressional Budget Office (CBO) offered a harsh critique of its own estimates. It projected that its fiscal year 2002 surplus estimate has a 50 percent chance of being wrong by more than \$97 billion and that its 2006 estimate has a 50 percent chance of being off by more than \$245 billion. It also said its estimates for the sixth through the tenth years are likely to be even more inaccurate.

Our budget framework should acknowledge that the projected \$5.6 trillion 10-year surplus is a highly speculative forecast and is likely to be wrong. It should take into account that two-thirds of the projected surplus (\$3.68 trillion) would occur in the second 5 years, the period for which CBO admits it can do little more than guess what will happen to our economy and our budget.

I believe your committee and all Members of Congress should not act as if the projected surpluses are already in the bank. We should create a budget framework that commits the budget surpluses that materialize over the next 10 years to our important priorities, but does not lock us in to policies that depend on speculative 10-year budget estimates. Writing a budget this year that depends on revenue that we may or may not have in future years is not responsible fiscal policy and risks taking us back to the era of deficit spending and accumulating national debt.

PREPARED STATEMENT OF HON. EDDIE BERNICE JOHNSON, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TEXAS

Chairman Nussle and Ranking Member Spratt, I want to thank you for the opportunity to speak today to express my principal interests regarding the Budget Resolution for FY2002.

First, I need to express my deep concern about the President's decision to hold the rate of growth in discretionary programs to 4 percent. I must align myself with the concerns expressed by Senate Budget Chairman Pete Domenici who has repeatedly stated that a 4 percent rate of growth is not enough. These discretionary programs represent many of the government programs which people relied upon in their everyday lives. When the rate of growth for those who need the services provided by a program is greater than the rate of growth in program funding, there is a reduction in the amount and type of services. A failure to keep pace with growth means that someone will not be served or will receive far less than they need. We must stop engaging in "fuzzy math." These are not mere numbers. These are real people. And as their elected representatives we have a duty to ensure their well-being. We fail in that duty if we do not provide the resources they need.

Now with that general overview, let me share my specific concerns with you:

The priorities of the Administration include several proposals concerning the National Science Foundation (NSF). Chairman Greenspan stated that "On the issue of research, there is just no question that if you're going to have technology as the base of your economy, which we do, research is crucial." We simply cannot expect our Nation to continue on its path of superiority if we do not provide the proper tools for our students to do so. These include a Math and Science Partnership Initiative, a study of the effect of NSF grant size and duration on possibly creating inefficiencies

in the academic research enterprise, language requiring NSF to develop improved procedures for managing large facility projects and language to set up a blue ribbon panel to determine the pros and cons of transferring all of NSF's astronomy programs to NASA. These proposed initiatives have so much to do with increasing the present budget of the National Science Foundation (NSF).

To succeed in this effort, it is necessary that we pass a budget that provides at least a 15 percent increase for the NSF. The present increase of 1.3 percent by the Administration is inadequate. The Administration has requested a 20 percent increase for NIH, while providing so little for NSF, its fellow science entity. The current proposal suggested by the Administration cuts programs such as basic science, renewable energy and oil and gas research and development by about \$1 billion.

Second, I have a great concern about education funding. It is clear that America needs to increase its efforts to improve the competence of our students. Such an initiative is said to cost the nation around \$200 million (\$1 billion over 5 years). Unfortunately, the Administration has not included this in its budget. It is impossible for NSF to continue its work if it is unable to increase the number of grants across the nation.

Further, an increase in education funding must include additional funding for Historically Black Colleges and University and Hispanic Serving Institutions. If this nation is truly supposed to provide opportunity for all people, we must adequately fund the academic, research and capitol projects of these institutions.

Thirdly, we must assure that our veterans receive competent care in sound facilities. That is why I believe we must increase funding for the Veteran's Administration's capital construction projects in the areas with greatest demographic growth. As we all know, Texas and other areas of the South and West are experiencing phenomenal population growth. We must have enough forethought to dedicate resources for capital funding to those areas of growth.

Fourth, we cannot forget the important role played by transportation in the commerce of this nation and our obligation to assure that travel by air and road is safe. Therefore, we must assure full funding for Aviation programs consistent with AIR-21 and especially FAA's Facilities and Equipment Account which would permit air traffic control modernization. I can assure you that every member of the traveling public would consider this money well spent.

Fifth, we cannot forget the necessity to engage in responsible conservation and infrastructure improvement. We should fund the Land Conservation, Preservation, and Infrastructure Improvement Program and \$1.76 billion and full funding for the Land and Water Conservation Fund at \$900 million (consistent with last year's agreement in the interior appropriations bill).

Finally, we must assure an across the board increase in funding of at least 10 percent for the U.S. Civil Rights Commission, and all Federal agencies which handle discrimination issues, including the EEOC; OFCCP and the Offices of Civil Rights in each Federal agency and department. These agencies have not had an increase in funding for 6 years. We must assure that the agencies which investigate, monitor and remedy the evil of discrimination have adequate funds to do the job. Each person who lives and works in this country should have the assurance that they will not be denied opportunity based on race, gender, religion and national origin. If discriminatory activities occur, we must assure that people have access to a remedy. We must put our money where our rhetoric is. If we hate discrimination, we must fund those agencies charged with protecting its victims.

Again, Chairman Nussle, Ranking Member Spratt and Members of the Committee, I thank you for this opportunity. I want to place my complete statement in the record and would be happy to answer any questions.

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

Our country is facing a crisis in our infrastructure. It is something we see every day when we sit in traffic bound by orange barrels that line our highways. It is something that schoolchildren experience at their desks, crowded together under leaking roofs. Right here in Washington, municipal sewer systems overflowed last year, washing millions of gallons of raw sewage into the Potomac and Anacostia rivers into the Chesapeake Bay. These incidents happen every year and happen with increasing regularity as systems age. Infrastructure problems threaten our productivity, our economy, our environment and our health.

What will it take to fix these problems? Nationally, it would take more than \$1 trillion to bring our country's roadways up to speed according to a report released yesterday by the American Society for Civil Engineers. It would take \$127 billion to repair and renovate our schools according to the National Center for Education

Statistics. And in a recent study completed by the Water Infrastructure Network, it would take \$1.3 trillion over 20 years to build, operate and maintain drinking water and wastewater facilities.

With these kinds of extraordinary needs, it is no wonder that municipalities have not been able to make up the difference as the Federal Government has gradually decreased infrastructure support. Current Federal water and wastewater funding is about \$3 billion per year, and TEA-21, which passed in the 105th Congress to fund surface transportation, did not meet half of the funding needs.

My bill would create a low-cost Federal financing mechanism to administer \$50 billion in zero-interest loans every year to localities for infrastructure projects for 10 years. Twenty percent of these funds would be targeted for school construction and repair. States would be totally responsible for choosing which projects to fund with the loans according to their specific needs.

This bill would create the Federal Bank for Infrastructure Modernization (FBIM). The bank, as an extension of the Federal Financing bank under the Treasury, would administer the loans. The loans would bear a small fee of one-quarter of 1 percent of the loan principle to cover the administrative costs of the FBIM.

In order to provide the money for the loans, the FBIM would hold a portion of the Treasury securities that the Federal Reserve normally holds. The Fed currently holds about \$300 billion in Treasury securities. By transferring about \$50 billion annually to the FBIM, it would still allow the Fed to operate as it does now to add liquidity to the system. The Fed, instead of buying securities, would buy the mortgage loans of the states. This way, the FBIM's finances would be integrated by the Federal Open Market Committee so as not to disrupt its ability to promote economic stability.

In his February testimony, Fed Chairman Alan Greenspan supported a very similar type of transaction. Already, the Open Market Committee conducts repurchase agreements in mortgage-backed securities guaranteed by the agencies. Greenspan stated: "the FOMC asked the staff to explore the possible mechanisms for backing our usual repurchase operations with the collateral of certain debt obligations of U.S. States and foreign governments." This bill would follow this advice by providing the tool for the FOMC to integrate the mortgage loans of the states from the FBIM.

This amount could be varied so these funds could be used as a tool to foster stable economic growth. During times of economic slowdown, the FBIM could make more loans available to spur investment. During times of economic boom, the FBIM could make fewer loans available.

The needs are so great that our old ideas just won't work. If we talk about the hundreds of billions of dollars needed to make infrastructure a workable, productive system, it overwhelms nearly every idea we've had in the past. The President's non-defense discretionary budget is \$338.7 billion. The needs are much greater than that. Even for certain needs, like school construction, we would have to spend one-third of his budget. To repair structurally deficient bridges, we would have to spend one-fourth of his budget. It is unimaginable that we will fully address even one of these areas.

We must be creative. We must think of ways of solving problems that are outside-the-box. That is exactly what this proposal is and why it needs the support of the Budget Committee. The Committee's backing of this bill reflects an understanding that our nation is asking for innovative, bipartisan solutions.

The Federal Bank for Infrastructure Modernization is a tool for leveraging the necessary funds. Cities and states would still be responsible for paying the net cost of the project, but by making the loans zero-interest, it cuts the overall cost of the project in half. This is a workable solution that goes a long way in addressing infrastructure needs.

I come here today to seek the support of the Budget Committee. With your leadership, this bill could provide the ingenuity, the essential boost that projects need.

PREPARED STATEMENT OF HON. JOHN J. LaFALCE, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEW YORK

Mr. Chairman, Ranking Member Spratt, and Members of the Committee: As Ranking Member of the Committee on Financial Services, I am pleased to have the opportunity to present my views on the President's FY 2002 budget. I am particularly pleased to have this opportunity in light of last week's floor consideration of the President's tax package, which I strongly oppose.

The American people do not support a massive tax cut that would jeopardize Federal spending priorities and our efforts to reduce the national debt, nor should we. Our Republican colleagues know this. But they nevertheless rushed to put the cart

before the horse by passing the President's tax plan before we even know what our budget will be for the year.

We have tried this approach before, and it was a disaster. In 1981, President Reagan assured us that we could first pass a massive tax cut and then meet Federal spending priorities, all the while keeping the Federal deficit in check. In reality, the 1981 tax cut plunged us into a decade of mounting debt, while putting the squeeze on important Federal programs.

This experience should have taught us that we cannot rely on magic asterisks and vague promises to meet Federal budget priorities. It is critical that we consider tax cuts after we give serious consideration to a detailed budget for the year. It is the fiscally responsible thing to do and the American people expect this from us.

In adopting the Republicans' plan, we would be turning the President's message on its head. He has told the American public time and again that tax cuts would be paid for by what was "left over" after budget priorities and debt reduction goals were met. But instead we are moving headlong into a fiscal plan that will pay for all of the Federal Government's spending obligations, as well as debt reduction, out of what is left over from a massive tax cut. We cannot afford to play fiscal games with our nation's economic future.

The price tag on the Administration's tax cut and the rest of the Administration's tax plan will crowd out all other Federal priorities. The budget blueprint the Bush Administration has submitted is driven by the President's tax cut. To make room for that cut, it assumes a number of dangerous cuts for important Federal agencies and programs: a 46 percent cut for the Small Business Administration, a 20 percent cut for Federal Emergency Management Agency, a 17 percent cut for the Environmental Protection Agency, an 8 percent cut for the Department of Housing and Urban Development (HUD), a 15 percent cut for the Department of Transportation, and the list goes on. The Administration's tax cut effectively slashes important Federal programs that serve the American people, raids the Social Security and Medicare trust funds, and reverses progress toward eliminating the national debt.

Let me address several specific items in the budget of particular significance to the jurisdiction of the Committee on Financial Services.

HOUSING AND COMMUNITY DEVELOPMENT

I take strong issue with the Administration's characterization of the budget for HUD. The Administration claims that it is increasing funding for housing programs, but, in reality, many key programs are being subjected to significant budget cuts.

The Administration's budget blueprint purports to increase HUD's budget by \$1.9 billion, almost 7 percent. However, a careful examination of the numbers reveals that spending is not increased by a single dollar. Through creative budget gimmickry, the Administration counts as spending increases some \$3.6 billion in existing budget authority that do not actually raise spending. When you factor out these phantom increases, the reality is that the Administration's budget cuts housing programs by \$1.3 billion, or 5 percent. When adjusted for inflation, this cut increases to \$2.2 billion, an 8 percent budget reduction.

A detailed analysis of HUD budget cuts undermines the specious argument that spending on domestic needs is not being sacrificed in order to pay for the tax cut. The public housing budget is cut by \$859 million, on a net basis. The list of specific program cuts is long. The Community Development Block Grant (CDBG) program is cut by \$422 million. The HOME Investment Partnership affordable housing block grant program is cut by \$200 million, an 11 percent cut. The Rural Housing and Economic Development program is terminated. The reserves that Section 8 administrators keep on hand are cut from 2 months to 1 month (a cut of \$640 million), a dangerous reduction which could jeopardize timely payments to low-income tenants should payments from HUD lag. Empowerment zone funding is cut by \$35 million.

But perhaps the most telling criticism of the HUD budget is that, instead of cutting funding for affordable housing, we should be increasing it. At its heart, the Administration's budget represents missed opportunities to address our growing affordable housing needs—including over 5 million families with worst-case housing needs and almost a million homeless on any given night.

At a time of record budget surpluses we should be reinvesting at least some of those surpluses in a housing production program to build more affordable housing units. There is a growing bi-partisan consensus that such a program is needed, especially given the loss of our housing stock through opt-outs and prepayments, and the difficulty of using vouchers in strong rental markets.

At a time when Republicans in Congress are about to pass a \$2 trillion tax cut, predominately tilted to our nation's most affluent, we should not ignore the needs of our nation's homeless, as the Administration's budget blueprint does. The estate

tax break Republicans are seeking to pass will ultimately save any one of the richest ten Americans enough money to provide housing for our nation's almost one million homeless for an entire year. That is certainly a misplaced priority.

At a time when we have just begun to make progress over the last few years in assisting some of our nation's 5 million families with worst-case housing needs, this Administration proposes to cut in half the number of annual incremental Section 8 vouchers that we have funded over the last few years.

Moreover, at a time when the economic expansion has passed some of our communities by, and signs of recession loom, we ought not to be cutting the CDBG community development budget by over \$400 million, terminating the rural economic development program, and reducing funding for Empowerment Zones. But that's what the Bush budget blueprint assumes.

Put simply, the program cuts underlying the Administration's budget blueprint reverses the progress we have made in recent years in increasing resources to address our growing housing needs. At a time of budget deficits, this budget blueprint would be unacceptable. At a time of record surpluses, it is simply incomprehensible. It reflects a set of priorities we absolutely cannot accept.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND (CDFI FUND)

I am disappointed to see that the President's budget blueprint states the Administration's intention to reduce funding for this vital program. Although the blueprint indicates that the Treasury Department will continue its efforts to promote financial services in low-income communities through the CDFI Fund, the blueprint points out that the Administration will reduce the CDFI budget request by an unspecified amount, but at levels below the FY 2001 appropriation of \$118 million.

However, it has come to my attention that the Administration's request for FY 2002 may be only \$68 million, a cut of \$50 million, or 42 percent from FY 2001. This massive reduction, if indeed the Administration follows through with it, is absolutely unacceptable, and directly contradicts, in spirit and in substance, the compassionate conservatism that the Bush Administration so often touts.

As significant a cut as that contemplated for the CDFI Fund—a program that helps so many of our communities across America, and whose contribution to the expansion of financial services in low-income communities is unquestioned—sends precisely the wrong signal. In essence, that policy choice says that America's low-income communities, unlike the rest of the country, do not deserve ready and equal access to mainstream financial services. We must not forget that many of America's low-income communities have long been forgotten by mainstream financial institutions, many of whom refuse to serve the entirety of the communities from which they so richly profit. Unfortunately, these are the same communities that were overlooked by the nation's economic boom of the last decade.

Since its inception, the CDFI Fund has made significant strides in accomplishing its goals of expanding the availability of financial services to America's low-income communities. Overall, the Fund's efforts have supported an increasing number of CDFIs and other financial services providers in distressed communities across America. The efforts of the Fund have led to increased access to capital in these communities, with significant multiplier effects: increased employment, more affordable housing, revitalized neighborhoods, and strengthened local communities.

For example, in FY 1996 and 1997, 72 institutions received \$68 million in assistance from the Fund. Between the time they received their awards and 1999, these institutions doubled their annual lending and investing, which went from \$529 million in the year of award notification to over \$1 billion in FY 1999. During the same time period, these institutions increased their combined total assets from \$1.6 billion to \$2.6 billion.

Moreover, there is clear evidence that demand for this program increases significantly every year. For example, between 1998 and 1999, the total number of applicants for all components of the CDFI Fund increased from 347 to 459, an increase of one-third. Similarly, between 1999 and 2000, the number of applicants increased from 459 to 536, a 17 percent increase. In FY 2000 alone, the CDFI Fund announced that it would make \$50 million available for the CDFI Fund's core component, the program's single largest element. The Fund ended up receiving \$264 million in requests.

Mr. Chairman, I do not understand how this kind of obvious need and related program growth can justify a 42 percent decrease in the CDFI Fund's budget, as the Administration is likely to soon propose. In light of the growth in demand for the program's resources, we should continue to increase the CDFI Fund's budget, as we have done over the last few years. I would propose that the Administration fund

this program at \$125 million in FY 2002. Full funding will assist the Fund in meeting the significant demand that the program so clearly continues to face.

THE PRIME ACT OF 1999

The Program for Investment in Microentrepreneurs Act of 1999 was included as part of landmark legislation to modernize the laws governing our nation's financial services industry. The legislation authorizes the PRIME Act for 4 years at \$15 million each year. The Small Business Administration is responsible for awarding PRIME funds to qualified organizations to:

- Provide training and technical assistance to low-income and disadvantaged entrepreneurs interested in starting or expanding their own business;
- Engage in capacity building activities targeted to microenterprise development organizations that serve low income and disadvantaged entrepreneurs; and
- Support research and development activities aimed at identifying and promoting entrepreneurial training and technical assistance programs that effectively serve low income and disadvantaged entrepreneurs.

The legislation authorized the program at \$15 million for 4 years, from FY 2000 to FY 2003. The FY 2001 budget funded the program at its authorized level of \$15 million. Although the President's budget blueprint does not mention funding for PRIME, I strongly support continued funding of this initiative at the authorized level of \$15 million for both upcoming fiscal years.

INTERNATIONAL DEBT RELIEF

On international debt relief, it is not yet clear if the new Administration will maintain the schedule for the U.S. commitment to the World Bank HIPC Trust Fund, a multi-lateral initiative to reduce the debt burden carried by the world's poorest countries. Funding for this initiative was authorized in legislation reported out of the Banking Committee in the 106th Congress (H.R. 1095), parts of which were incorporated into two successive omnibus appropriations packages. Although the Administration's blueprint pledges to fully fund "all 2002 scheduled payments to the Multilateral Development Banks (MDBs)," in the case of the HIPC Initiative, staying current with this commitment would entail a \$240 million appropriation in this year's budget, as well as a \$135 million appropriation for bilateral debt relief. In light of tremendous economic and humanitarian benefits resulting from this initiative, the Committee believes that it is essential to adhere to our committed schedule for debt relief and to provide the necessary funding in a timely manner. Last year, Congress made substantial progress toward fulfilling the U.S. commitment to the HIPC Initiative, and I am hopeful that we can continue along the same path in the 107th Congress.

INTERNATIONAL MONETARY FUND

In 1998, Congress increased the U.S. quota of the International Monetary Fund by \$18 billion. As a condition of this funding, P.L. 105-277 established a number of conditions and requirements to ensure that the IMF mission is appropriately defined and its functions are carried out effectively. Congress has an obligation to oversee IMF progress in various areas of reform, given the claim that IMF funding places on the Federal budget. In particular, I would urge the Budget Committee to carefully review IMF progress toward: strengthening financial crisis prevention measures; adopting policies that promote workers' rights and environmental considerations; adopting policies that improve international cooperation in the supervision and regulation of financial institutions and markets; and promoting policies that strengthen the financial sector in emerging economies.

WORLD BANK AIDS TRUST FUND

In the 106th Congress, the Banking Committee passed, and the President signed, important legislation establishing a trust fund at the World Bank for the purpose of tackling the HIV/AIDS epidemic, especially in Sub-Saharan Africa. This region has 10 percent of the world's population but accounts for 80 percent of global AIDS deaths and 70 percent of the world's 30 million cases of HIV infection. Because the HIV/AIDS crisis dwarfs any other human health epidemic in recorded history, former Chairman Jim Leach and Reps. Barbara Lee and Maxine Waters worked tirelessly in the last Congress to shepherd legislation to address the problem under the auspices of the World Bank.

The World Bank AIDS Prevention Trust Fund Act calls on the Treasury Secretary to negotiate a trust fund at the World Bank that provides grants to HIV/AIDS-affected countries for the implementation of HIV/AIDS prevention, education, treat-

ment, and care activities. The fund will be financed by contributions from governments as well as private donors, and the U.S. is authorized to make annual contributions of \$100 million for 5 years.

In FY 2001, the Congress appropriated \$20 million for the trust fund, which is \$80 million short of the authorized level. I also note with concern that the President's budget is silent on FY 2002 funding for this important trust fund. If we are to help impoverished and cash-strapped nations deal with the scourge of HIV/AIDS, the Congress must appropriate the full \$100 million authorized in the legislation for FY 2002, and make up the \$80 million shortfall from the FY 2001 appropriation. I also strongly urge the President to make funding for this trust fund a priority in his budget.

Mr. Chairman, Ranking Member Spratt, and Members of the Committee, again, thank you for allowing me the opportunity to submit these views.

PREPARED STATEMENT OF HON. CARRIE P. MEEK, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF FLORIDA

Good afternoon, Chairman Nussle, Ranking Member Spratt, and Members of the Committee. Thank you for inviting me to testify before the Committee.

There are many important issues that you must address in order to put together a responsible budget resolution. You must ensure that the budget provides sufficient resources to improve education, provide a prescription drug benefit, protect the solvency of Social Security, improve the solvency of Medicare, and pay down the national debt.

As you work toward meeting these important responsibilities, I urge all of you to focus your attention on the impact that your decisions will have on the lives of people in communities throughout America. Your actions (and failures to act) have enormous consequences for my District and communities throughout America.

I think that it's especially important in your work to use terminology fairly and accurately so that your resolution reflects not only what you propose to fund, but also what that funding will purchase. I am very concerned that all too often the numbers and percentages that all of us use do not fairly reflect the reality of what is happening in our communities. We need to do more to consider the real costs of dealing with the problems that the Federal budget is supposed to address. Let me offer just a few examples concerning housing and community development, an issue of particular importance to me.

Currently, there is a crisis in the Section 8 housing program because of rising utility costs which usually must be borne by the tenants. The Administration is proposing a \$150 million increase in HUD's operating subsidy to fund the difference between rent and expenses. That number sounds pretty impressive until you focus on the fact that, currently, the operating subsidy fund has a \$260 million shortfall because of those rising utility costs.

Similarly, the Administration claims that they are increasing the HUD budget by \$1.9 billion, a 7 percent increase. Again, while that number sounds impressive, when you take out the phantom increases in the budget arising simply from accounting changes that do not increase the resources available for spending, the reality is that the proposed HUD budget is \$1.2 billion below the amount required to fund a "freeze", that is, a current services budget. \$2.2 billion more would be required simply to keep pace with inflation.

An equally sorry story exists when you look at the proposed funding for the Community Development Block Grant program (a \$422 million cut); for Empowerment Zones (\$35 million cut); and for Rural Housing and Economic Development.

Mr. Chairman, it's not enough simply to have a function or a line item in your resolution entitled Education or Prescription Drug Benefit or Public Housing if the amounts that you allocate bear no actual relation to the needs that exist in our communities. For example, if your resolution funds a prescription drug benefit but it excludes coverage for anyone who earns more than \$13,000 a year, then it's a misnomer to speak of providing a prescription drug benefit. You are only funding a prescription drug benefit for the poorest of the poor, and millions of middle-income Americans still will lack prescription drug coverage.

One of my highest priorities is to promote economic development and community revitalization. Thus, it is tremendously discouraging to me to see how the Administration is proposing to cut the HUD budget.

The Administration's \$700 million cut to HUD's Public Housing Capital Fund program, a 25 percent cut, will have a devastating impact on the 3 million low-income residents of public housing throughout America.

Scores of capital improvement items included in the 5 year plans of public housing authorities simply will not move forward this year despite the fact that a HUD

study last year identified \$22.5 billion in existing modernization needs in public housing. More public housing facilities will fail their inspections as fewer funds will be available to fund repairs to building systems and other aspects of the physical plant. In the absence of an increase to the Hope VI program, a reduction in the Public Housing Capital Fund will diminish revitalization of our affordable housing stock since the Capital Fund has often been used with Hope VI funding to encourage public/private partnerships.

Incredibly, despite its rhetoric about fighting drugs, the Administration also proposes to terminate the Public Housing Drug Elimination Program, a program presently funded at over \$300 million.

This is clearly a large step in the wrong direction. The residents in public housing face lots of challenges in their lives. Why in the world would we want to discontinue a program which has proven successful in protecting children and the community at large from drugs and drug-related crime?

I have just touched the surface of some of the many issues within your Committee's jurisdiction. You have a big task. Please step up to your responsibilities by producing a budget that fairly reflects the scope of the problems that the Federal Government must address, a budget with sufficient resources for the Federal Government to meet the needs of our people. Thanks again for inviting me to appear before you. I look forward to seeing the Committee's resolution.

PREPARED STATEMENT OF HON. JOHN E. PETERSON, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF PENNSYLVANIA

A RURAL PERSPECTIVE

Chairman Nussle, Ranking Member Spratt, distinguished colleagues, I come before you today to present a perspective that used to be the predominant one, a perspective that focuses on simplicity and community, one that is a way of life. That perspective is from rural America.

I represent one of the largest rural districts east of the Mississippi River. In addition, the Commonwealth of Pennsylvania has more towns with a population of 2,500 or less than any other state in the Union. If one traveled through my district, they would find a multitude of manufacturing processes including timber and paper, powdered metals, steel products, plastics, and hi-end technology products. In addition, one would come across agriculture, as well as oil and gas. In fact, the Drake well sight, the first successful oil drilling site, is located in my district, as is one of the largest gas storage facilities in the northeast.

Rural America is no longer the agrarian culture it once was and I highlight the multi-faceted nature of my district because rural America is slowly transforming into a society that does not rely on agriculture as heavily as in the past. Farming is still a strong component of life in rural America, but as that industry is faced with numerous challenges, the rural economy will continue to slowly transform. The demand for other jobs is growing and it is time to focus on ensuring that quality opportunities continue to exist in rural areas.

It is on this transformation that I ask you, my colleagues, to engage and focus. In order to assist you, I will emphasize the following issues: education, economic development, energy, and health. As we begin this discussion, it is important to remember that rural communities are the first to feel any economic downturn and the last to realize the benefits of a robust economy. It is my hope that many of the topics mentioned will eventually help to minimize these economic effects on rural regions.

Since education is one of the most important subjects for Americans, it seems like an appropriate one on which to focus first. Rural education systems face the same demands, challenges, and hurdles that plague many urban and suburban schools. School modernization efforts, academic performance issues, and drug-related problems are just as prevalent, if not more so in rural communities. Schools must rely on local taxes that come from a very limited base. As such, the ability to pursue other avenues of funding is greatly hindered. While many urban and suburban districts have significant administrative personnel, entire rural school districts rely on one, possibly two individuals to manage day to day operations and pursue both state and Federal dollars.

That is why I wholeheartedly agree with the President's focus of providing more flexibility in Federal funding to the educational community by pursuing a block grant proposal. Recently, I asked the Pennsylvania Education Department for a list of every school district showing the amount of federal, state and local funds relied upon by each school district. You may be interested to learn that nearly all of the schools in my district receive roughly 1-percent from the Federal Government. In

contrast, schools in urban areas receive on average about 7-percent of their funds from the Federal Government with one as high as twelve-percent. This is simply not fair. While this issue must be addressed in the context of reauthorizing the Elementary and Secondary Education Act, it is imperative that the Committee provide sufficient funds for reforms that address the rural funding inequity issue.

I have often said that in the 21st Century, business and industry will locate in areas where there is a quality-trained workforce. One tremendous deficiency in ensuring the existence of a well-trained workforce is the lack of classrooms able to support emerging technologies. In order to address this shortcoming, I will be introducing legislation in the near future that will provide matching grants in order to provide more classroom opportunities. However, economic development money can be utilized to help create new and enhance existing technical centers. The President's overview budget discusses economic development accounts. I am a little dismayed it hints at following the advice of those that argue for the elimination of the various economic development accounts.

The main thrust of the argument opposing economic development accounts centers around the duplicity of the various programs. While such duplicity may exist, certain proposals call for the total elimination of every program. This is simply irresponsible. In addition, opponents argue that funds are not targeted to those areas with the most need. When Congress reauthorized the Economic Development Agency a few years ago, one of the main tenants of that measure was focused on assuring that funds were directed to areas most in need.

Rural communities are desperately in need of continued economic development funds. In fact, over the past 3 months, four companies in my district have either announced significant lay-offs or have completely shut down plants. With this decreasing tax base, it is imperative that communities have access to resources that will attract new business providing similar or better quality jobs while maintaining a quality of life. I can personally attest to the success of these funds, as I have been heavily involved in helping communities utilize them to attract business.

Another issue that has been thrust into the forefront of today's priorities is energy. As I mentioned, I represent an area that has been heavily influenced by the oil industry. In addition, nearly all the natural gas destined for New England is stored or travels through my district. Our country is facing a crossroads in the arena of energy policy. The current Administration is taking steps to determine how to focus our efforts. One point that will almost definitely be addressed is the issue of increased domestic reliability. A continued drastic decline in domestic production will lead us toward a national security crisis. Right now we are seeing the beginnings of a domestic crisis, which if not addressed, will lead to one involving national security.

As such, it is important to recognize that the current sources of energy, namely fossil fuels, will not be overtaken in the near future by any alternative energy source. That does not mean we should stop pursuing research in alternatives. What it does mean, however, is that we should not abandon these resources. New technologies are being discovered at an incredible rate that provide cleaner use of traditional fuels. This is a tremendous step toward ensuring that our economies continue without feeling any negative impact. In order to assist in this effort, we must continue to support research efforts in the fossil fuel sector that will bring these technologies to the forefront and eventually to the market place.

As I mentioned, we should also be exploring alternative sources for energy production. There are a number of suggested alternatives that continue to manifest and others that have been at the forefront for a number of years. Many of these have been explored and researched to the point that viability is not a foreseeable option. The emphasis on the research and pursuit of alternative options should be heavily focused on those that are viable. For example, wind is an alternative that has been explored and, while applicable in some local situations, will not become a viable alternative for the entire nation. Furthermore, little progress has been achieved recently in improving wind toward becoming a more viable source. However, there are other sources that show great promise and have several applications that must receive more emphasis. I encourage you to highlight viable alternatives in the pursuit of energy policy funding.

Finally, I would like to close on an issue that Chairman Nussle and I have worked very closely on and that is healthcare. In many respects, I am addressing a responsive audience interested in preserving a health care system in rural America, but I would like to take the opportunity to highlight a few areas.

The debate on healthcare over the coming years will focus on our baby boom population as more and more Americans become reliant upon private and public sources of health care assistance. By and large, this aging population lives outside of urban

settings, mandating our commitment to a vibrant, growing rural health care delivery system.

Simply stated, rural health care is the most cost-effective health care delivery system in the country. However, federal, state, and private reimbursements for care provided in urban/suburban settings disproportionately out paces that provided to their rural counterparts compared to their respective costs. This payment variance can often be nearly as much as two-to-one, as exemplified in managed care reimbursement rates. I often say that while urban America enjoys access to Medicare Plus, rural America must make the most of Medicare "Lite". But whether it is managed care organizations, hospitals, home health agencies, nursing homes, assisted living facilities, or ambulance service providers, rural caregivers are dealing with an uneven playing field. We must work diligently to right this wrong.

Federal policy must serve to strengthen the viability of our rural providers. The alternative forces patients to travel long distances away from friends and family to more costly urban and suburban settings—both to them and to taxpayers. As such, I am pleased to hear of the President's budget priority to invest in a safety net by strengthening Community Health Centers that provide care for our low-income, uninsured and underinsured rural populations. However, I worry that this initiative alone will not reach all of rural America, and ask you to also support other vehicles to assist in meeting this need. Such vehicles may emerge from a higher funded National Health Service Corps that would encourage greater practice in rural areas, an enhanced budget for the Office Of Rural Health Policy to boost research capabilities or increased funding to the Prospective Payment System Grant created in the 1999 BBRA, but never funded.

Regardless of the details, the overall mission must be to not only preserve rural health care, but to ensure that it thrives in every rural community across the Nation. While our rural providers serve as the most cost-effective deliverer of care, their viability also serves as an integral part of their community's economic engine, as one of—if not the—largest employer in the area, and as a needed incentive to attract new residents, businesses, and opportunities for economic growth.

In closing, I would like to thank the Committee for the opportunity to present the picture of rural America. We are the heart and soul of much that is good in this country. It is essential that rural communities remain vibrant and can continue to contribute to the economic prosperity of this country. When these communities begin to fail, the impact and burdens are soon felt by the entire country. Thank you for keeping the rural perspective in mind as you work toward finalizing a budget outline for fiscal year 2002.

PREPARED STATEMENT OF HON. CHARLES W. STENHOLM, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TEXAS

I appreciate the opportunity to appear before the House Budget Committee to offer my views on the fiscal year 2002 budget resolution. The consideration of the budget resolution is perhaps the most important debate Congress has each year because the budget establishes our priorities for the rest of the year. The opportunities presented by the projected budget surplus will make the budget debate even more important this year. The manner in which we proceed with the budget process over the next few weeks will set the tenor and tone for the remainder of the year.

Last week, President Bush submitted a budget blueprint outlining how he proposes to fit his tax and spending priorities into an overall budget framework. We welcome this proposal as the first step in the budget process. Now it is our responsibility and we look forward to working with the president and the Congressional leadership to develop a budget resolution.

Unfortunately, the Congressional leadership has chosen to shortcircuit the budget process by bringing legislation to the House floor implementing part of the tax cuts before Congress has had an opportunity to consider the entire budget. It is ironic and disappointing that at the very time that Members of this House are being given our first opportunity to offer our input into the priorities for our nation's budget on behalf of the people we represent, we are being asked to vote on a major portion of the President's budget. Those of us in the Blue Dog Coalition believe that considering tax cuts before Congress has put in place a budget resolution is a tremendous mistake that could jeopardize the fiscal discipline that has produced record surpluses and will put at risk of returning to the era of deficit spending.

No family or business would make a decision that would have a major impact on their finances for the next 10 years without first sitting down and working out a budget to figure out what they can afford. We owe it to our constituents to apply that same common sense principle to the nation's budget. It would be a disservice

to our constituents to pass these tax cuts before we know if there will be enough money left to fund other priorities.

The Blue Dogs have repeatedly called for the largest possible tax cut that fits within the context of a fiscally responsible long-term budget framework that balances other priorities. Tax cuts must be part of a responsible budget with realistic spending levels and a serious commitment to paying down the national debt and strengthening Social Security and Medicare.

The projections of a budget surplus provide us with a tremendous opportunity to pay down our national debt, strengthen Social Security and Medicare for future generations, address unmet needs in defense, education, health care and other areas and provide substantial tax relief to all Americans. If we are not careful and manage the budget surplus responsibly, we will squander this opportunity and return to deficit spending.

The American people have repeatedly told us that their top priority for the surplus is paying down our national debt and strengthening Social Security and Medicare. We should decide how much of the surplus we will need to strengthen Social Security and Medicare and establish a plan to pay down our national debt before we consider tax cuts.

In 1981, Congress passed a large tax cut before agreeing on the spending cuts to pay for the tax cut. The result was a \$4 trillion increase in our national debt. We cannot afford to repeat the mistake of rushing to cut taxes before first considering how they will fit within a fiscally responsible budget. I lived through that experience 20 years ago where we allowed ourselves to believe words that sounded too good to be true. It breaks my heart to think that we may have learned nothing from our mistakes.

Financial markets will look beyond the short-term impact of fiscal policy to evaluate the long term consequences of our actions. Policies that signal to the financial markets a credible long-term commitment to fiscal discipline will have a positive impact on both short- and long-term interest rates.

Any benefits from the short-term stimulative effect of a tax cut will be eliminated if financial markets lose confidence in our commitment to long-term fiscal discipline. It is critical that any tax cuts be made in the context of a budget framework that financial markets view as a serious commitment to fiscal discipline over the long-term.

RECOGNIZE UNCERTAINTY OF BUDGET PROJECTIONS

Enacting a large tax cut based on 10-year surplus projections that may not materialize puts us at risk of returning to the days of deficit spending. We are concerned that the President is placing too much emphasis on 10-year forecasts that may not come to fruition in order to justify the size of his tax cut and downplay the amount of debt reduction that is prudent in the short-term.

Over 70 percent of the projected on-budget surplus over the next 10 years will occur in the second 5 years, when projections are especially uncertain. It is extremely dangerous to enact tax cuts now based on projections about the budget and the economy 6 years from now and beyond.

In 1993, the budget projections for 2001 were approximately 800 billion dollars off the mark. The Congressional Budget Office warned in their report about the new surplus projections that if today's estimates are as inaccurate by the average amount they have been off in the past, then within 5 years our surplus could easily be short \$400 billion *in 1 year alone*.

DEBT REDUCTION

The economic prosperity of recent years was due, in large part, to the conservative budget policies which turned deficits to surpluses and allowed us to begin to pay down some of our staggering \$5.7 trillion national debt. By using these surpluses to pay down some of the national debt and reducing the \$240 billion in annual interest paid on the national debt, we were able to keep individual interest rates low, saving Americans thousands of dollars annually on mortgage, car loans, credit cards and college loans—what we consider to be the ultimate tax cut. Moreover, by paying down the debt, we were able to get the government out of the credit markets, making capital more accessible and affordable for American businesses, allowing them to continue to grow and prosper.

Federal Reserve Chairman Alan Greenspan has repeatedly reported to Congress that devoting budget surpluses to paying down the debt held by the public is the most important action we could take to maintain a strong and growing economy. There is a broad consensus among economists increasing national savings by reducing the national debt continues to be the best long-term strategy for the U.S. econ-

omy. Reducing our national debt will provide an immediate tax cut for millions of Americans by restraining interest rates which will reduce the cost of home, student or business loans and other capital goods, while protecting our children and grandchildren from bearing the burden of the debts we have incurred.

We were pleased to see that President Bush emphasized the importance of debt reduction, which he has not done in the past. His emphasis on debt reduction is further evidence of the wisdom of the Blue Dog message of debt reduction. However, we were disappointed that the President's plan would only pay off slightly more than \$2 trillion of the \$3.4 trillion debt held by the public over the next 10 years, leaving more than \$1.2 trillion in debt outstanding. The administration believes that it is not possible to pay off any more debt than that.

Only in Washington would people be worried about paying off the \$3.4 trillion debt held by the public too quickly. Having "too much" money available from the budget surplus is a "problem" that we would like to have.

Independent experts believe we can go much further in paying off the debt than the President proposes if we use prudent debt management tools to maximize debt reduction. Estimates prepared by the non-partisan Congressional Budget Office and General Accounting Office indicate that the debt could be reduced by \$400 billion more than the Bush administration claims, for a minimum of \$818 billion in 2011 through prudent debt management such as not issuing any new ten and thirty year Treasury notes. Federal Reserve Board Chairman Alan Greenspan estimated that the debt held by the public could be reduced to \$750 billion without creating any problems. Former Treasury Undersecretary Gary Gensler estimates that a concerted effort to eliminate the debt could bring it down below \$500 billion in 10 years. That is more than \$700 billion lower than the amount of debt reduction proposed by the President.

It will be easier for a future Congress to reduce future surpluses if we end up paying off the debt too quickly than it would be to change policies to put the budget back on a debt reduction glidepath if the surpluses are not as large as projected.

Congress should take time to make sure we are doing everything we can to use our current surpluses to pay off the debt as aggressively as possible before accepting the position that reducing the publicly held debt to \$1.2 trillion is the best we can do.

PROTECTING MEDICARE AND SOCIAL SECURITY TRUST FUND SURPLUSES

The President's budget does not set aside the Medicare trust fund surplus, despite the fact that the House overwhelmingly passed a Medicare lockbox which would require the entire Medicare HI trust fund surplus be set aside just 3 weeks ago. In fact, the Medicare trust fund surplus makes up half of the so-called "contingency fund" that is available to meet other needs.

PROVIDE RESOURCES TO STRENGTHEN SOCIAL SECURITY AND MEDICARE

The Congressional Budget Office has warned that, while the budget outlook is positive over the next 10 years, demographic tensions will begin after 2011 with the retirement of baby boomers that will create "budgetary pressures . . . (which) can easily reverse the favorable fiscal forces that are operating today." In particular, there is a bipartisan recognition that Social Security and Medicare will face serious financial challenges in the near future.

The budget surplus provides us with the opportunity to make sure those programs continue to be strong for current and future generations. If we squander this opportunity, we run the risk of having to dramatically cut benefits or raise payroll taxes in order to keep the programs solvent.

I commend the President for making reforms to deal with the long-term problems facing the Social Security and Medicare programs a priority for your administration, and look forward to working with you to achieve this goal. Although the Blue Dogs have not proposed specific Social Security or Medicare reforms, we have taken the position in our budgets and elsewhere that dealing with the long-term challenges facing these two programs should be our first priority in allocating the projected surplus. While there are differences about specific Social Security and Medicare reform proposals, there is a widespread recognition that any Social Security or Medicare reform package will need to rely on some additional resources from the on-budget surplus.

I personally agree with the President that we should allow individuals to invest a portion of their payroll taxes in individual accounts. Having worked on this issue for several years, I realize that creating individual accounts while meeting the President's goal of not reducing benefits for those currently retired or approaching retirement will result in transition costs that will require additional resources from

general revenues in order to keep the program solvent until the benefits of individual accounts begin to accrue.

Prudence dictates that we set aside a significant portion of the on-budget surplus for Social Security and Medicare reform until Congress and the President have reached agreement on legislation to strengthen these programs and we know how much of the surplus will be needed to make those reforms succeed.

MEDICARE PRESCRIPTION DRUGS

There is a bipartisan commitment to enacting a meaningful prescription drug benefit for all seniors. Congress should enact a Medicare prescription drug benefit that is available, affordable, dependable and voluntary for all beneficiaries. I strongly encourage this committee to take time to seriously consider how much money we need to set aside in the budget in order to put in place a meaningful Medicare prescription drug benefit.

New estimates from the Congressional Budget Office suggest that drug spending for the elderly and the disabled in the next decade will be much higher—perhaps 33 percent higher—than the agency predicted just 10 months ago. The Republican Chairman of the Senate Finance Committee, which will have responsibility for putting together a Medicare prescription drug plan, has indicated that as a result of these new estimates Congress will have to put more money into the budget for prescription drug coverage than the President proposed.

STRENGTHENING THE AGRICULTURAL SAFETY NET

American farmers continue to face tremendous economic problems. Members on both sides of the aisle agree that we need to strengthen our farm programs to deal with the crisis facing rural America instead of resorting to ad hoc emergency packages each year.

As you know, a coalition of groups representing a cross-section of agricultural groups wrote to this Committee stressing the importance of including additional agricultural budget authority for each of the years remaining in the Budget Resolution (FY2003-FY2011) to avoid continued requests for ad hoc assistance packages. They suggested that we consider at least \$12 billion per year in additional funding needs for each of the remaining years of the Budget Resolution. Such a commitment would provide the necessary funds to cover the options currently being evaluated by the Senate and House Agriculture Committees as essential elements of the new Farm Bill.

ESTABLISH REALISTIC SPENDING CAPS THAT PROVIDE ROOM TO RESPONSIBLY FUND BIPARTISAN PRIORITIES

A responsible budget framework must check the growth in spending while providing room to meet these priorities without relying on unspecified or unrealistic spending cuts that may not materialize. Unrealistic spending levels in recent budget resolutions have resulted in a chaotic process that dragged on well beyond established deadlines and produced irresponsibly high spending. The President talked about the areas where he proposes to increase spending at great length, but did not provide much information about where he would reduce spending in order to pay for these initiatives as well as his tax cut.

We share the President's commitment to restraining government spending. We are willing to work with the administration and this committee to address excessive or wasteful spending. We encourage the President to submit to Congress recommendations to eliminate specific areas of waste, fraud, abuse or pork within the current budget which might reduce the overall spending levels in the future. A budget which controls spending will restore sorely needed budgetary discipline. If we can reach agreement on tough but realistic spending levels, the Blue Dogs are committed to help you hold the line against additional spending.

At the same time, we also share the President's support for investing in priority areas such as defense, education, health care and other areas. We are very interested in working with the new administration on issues such as education reform and strengthening our military. It is critical that we ensure that there will be resources available this year and in the future to back up our rhetoric with funding to accomplish these goals without relying on promises of unrealistic spending cuts that may never materialize. Promises about reforming education and strengthening our military will be hollow if we enact large tax cuts that don't leave room to fund these areas.

The President has proposed education reforms to improve our nation's educational system and establish greater accountability for public schools. Calling on our schools

to meet increased standards without providing resources to help schools meet these standards will result in another unfunded mandate.

The budget blueprint submitted by the President did not include increased funding to address our unmet needs in national defense. The President has indicated that he will wait until the Department of Defense has completed a strategic review before proposing more money for defense. However, there may not be money left to increase defense spending when the review is completed if we enact tax cuts without putting together a budget that leaves room for increased defense spending.

CONCLUSION

Budgeting requires making choices. This Committee faces some tough choices in balancing several worthwhile priorities within a fiscally responsible budget framework. We should create a budget framework that commits the budget surpluses that materialize over the next 10 years to our important priorities, but does not lock us in to policies that depend on uncertain 10-year budget estimates.

Chairman NUSSLE. We appreciate people's attendance here today, and we are adjourned.

[Whereupon, at 3:40 p.m., the committee was adjourned.]

