

FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS FOR 2022

HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES ONE HUNDRED SEVENTEENTH CONGRESS FIRST SESSION

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PART 5

	Page
Election Assistance Commission	1
Internal Revenue Service	25
The Judiciary	57
U.S. Postal Service	83
The Need for Universal Broadband: Lessons from the Pandemic	111
Securites and Exchange Commission	139
Department of the Treasury	157
Small Business Administration	183
Office of Management and Budget	207



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FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS FOR 2022

TUESDAY, FEBRUARY 16, 2021.

ELECTION ASSISTANCE COMMISSION OVERSIGHT HEARING

WITNESS

BENJAMIN HOVLAND, CHAIRMAN, UNITED STATES ELECTION ASSISTANCE COMMISSION

Mr. QUIGLEY. This hearing will come to order.

As this hearing is fully virtual, we must address a few house-keeping matters. For today's meeting, the chair or staff designated by the chair may mute participants' microphones when they are not under recognition, for the purposes of eliminating inadvertent background noise.

Members are responsible for muting and unmuting themselves. If we have noticed that you have not unmuted yourself, I will ask you if you would like the staff to unmute you. If you indicate approval by nodding, staff will unmute your microphone.

I remind all members and witnesses that the 5-minute clock still applies. If there is a technology issue, we will move to the next member until the issue is resolved, and you will retain the balance of your time. You will notice a clock on your screen that will show how much time is remaining. At 1 minute remaining, the clock will turn to yellow. At 30 seconds remaining, I will gently tap the gavel to remind members that their time is almost expired. When your time has expired, the clock will turn red and I will begin to recognize the next member.

In terms of the speaking order, we will follow the order set forth in the House rules, beginning with the chair and ranking member, then members present at the time the hearing is called to order to be recognized in order of seniority; and finally, members not present at the time the hearing is called.

Finally, House rules require me to remind you that we have set up an email address to which members can send anything they wish to submit in writing at any of our hearings or markups. That email address has been provided in advance to your staff.

Before I give my remarks, I would like to welcome our ranking member, Mr. Womack, for his very first hearing with our subcommittee. We have gained a few new members to our subcommittee this Congress, Mr. Pocan, Mrs. Lawrence. I would like to welcome them as well, and our returning subcommittee members.

I will keep my opening statement brief so we can get right into the questions. This morning, we welcome Benjamin Hovland, chairman of the Election Assistance Commission, to testify on EAC's work to ensure our Federal elections are fair, secure, and accessible.

Chairman Hovland, thank you for being here today.

It is well-known that our foreign adversaries have made attempts and even breached our U.S. election system to varying degrees in 2016, 2018, and 2020 elections. U.S. officials at all levels of government have worked tirelessly to address vulnerabilities in our election systems. As a result, the 2020 election was declared, quote, "the most secure in American history," by the previous administration's own Department of Homeland Security.

The fact that those dedicated election officials were able to achieve this feat amid a global pandemic is even more remarkable. However, now is not the time to proclaim mission accomplished. Even though the 2020 election was secure, we know there was malicious activity from foreign adversaries leading up to Election Day. The threats to our democracy are constant and ever-evolving. Our enemies will not be taking a break, so neither can we.

This subcommittee has helped lead Congress' efforts to address this issue. Since fiscal year 2018, we provided \$805 million in grants to States to improve election security. We provided an additional \$400 million last year to help States prepare for the 2020 elections during the pandemic.

As we know, EAC administers this funding to the States. Mr. Hovland, I hope you can help us better understand what the States still need and how they are currently spending the money.

We have made significant and important investments in these grants, but it seems the sporadic nature of these funds has hampered the ability of States to spend the money more quickly. I am curious to know your thoughts on how consistent year-after-year funding could help improve the rate at which States spend, and other ideas you might have to incentivize States to get money out the door faster?

We also want to hear about EAC's work to help election officials improve the administration of elections, and help Americans participate in the voting process. We must ensure the agency has sufficient funds to do so.

After their funding was slashed nearly in half between 2010 and 2019, EAC received a significant infusion of funds in fiscal year 2020. Fiscal year 2021 sustained that upward trend, providing the agency with \$17 million. As the U.S. continues to face threats to our elections, now more than ever, we must ensure that EAC has the necessary resources to provide the vital support to States and the voting public.

I look forward to hearing from Commissioner Hovland this morning on the election security grants and what additional tools, resources, and need for safety, security, and accessibility of our elections.

Before I would turn to our witness for his statement, I would like to recognize our ranking member, Mr. Womack, for his opening remarks.

Do we need to unmute you, sir?

Mr. WOMACK. Hello. Can you hear me?

Mr. QUIGLEY. We sure can.

Mr. WOMACK. Okay, good, good. I apologize. It may have been my ear pods that were denying my audio from going through.

Hey, thanks, Mr. Chairman, and it is great to be with everybody this morning. I notice that Chairwoman DeLauro talked about freezing rain in Connecticut this morning. I think northwest Arkansas is winning the prize today. If I heard correctly to our news this morning, the previous overnight low in northwest Arkansas was about 4 degrees. That was the previous record. This morning, right before 6 o'clock, when I went to my breakfast table for my morning coffee, our temperature this morning in Rogers, Arkansas, was minus 15, 15 below zero.

Mr. QUIGLEY. That is Chicago home.

Mr. WOMACK. That is pretty Chicago, that is correct, which explains a lot about Chicago. But nonetheless, we got 4 to 6 inches of snow over the last couple of days. We are going to get hit again tonight with another 3 or 4 inches of snow before we get into a warming trend by weekend. But it is great to be with you and, Chairman, thank you for your kind words.

And I want to say hello, a big shout-out to our witness this morning, who happens to hail from my district. He is a Eureka Springs native and went to college at the University of Central Arkansas, and we are delighted to have him here today.

It is a great honor to be the ranking member on Financial Services and General Government. This subcommittee is charged with funding programs that impact nearly every American in our Nation, with a range of jurisdiction over sanctions enforcement, tax administration, the White House, Federal courts, and a lot more. I look forward to working with my friend chairman Quigley and all of the members of the subcommittee.

At the end of last year, despite our political differences, the committee was able to fulfill our article I duty, completing 12 Approps bills, along with the needed COVID relief, which was enacted into law on a bipartisan and bicameral basis. That spirit of unity and consensus should be continued as we work to advance appropriations bills in the coming months.

As we turn to today's hearing, I know each of us recognizes the importance of ensuring the security and integrity of our Nation's elections. It is fundamental to our democracy. In Arkansas, we are blessed to have an effective and reliable system when we go to the polls. The Election Assistance Commission has an important job assisting State and local election officials, by administering grants to States, developing best practices, and acting as a clearinghouse of election administration information. We are grateful for that.

The coronavirus pandemic challenged State and local election officials across the country as they worked to modify their election processes to ensure voters could exercise their rights in a safe environment. As they navigated these new circumstances, they also maintained focus on potential cybersecurity vulnerabilities to voter registration systems, voting machines, and systems that tabulate and display election results.

I am pleased the Commission has worked closely with the Department of Homeland Security's Cybersecurity and Infrastructure

Security Agency, as well as Cyber Command, to make sure State and local officials better understand the threats they face and how to mitigate them.

I hope these partnerships between the Federal Government and State and local election officials continue to grow. However, I don't want to see the heavy hand of Washington bureaucrats dictate to State and local officials how their elections must be administered, or what equipment to use. Keeping the administration of elections in control of the States is part of the bedrock system that has served America since its founding.

I also believe States should be responsible for funding the costs of voting machines and election execution. Not only does it incentivize effective management and decision-making, but with our national debt in excess of \$28 trillion and growing, it also recognizes the harsh fiscal trajectory faced by unbridled spending. We need to be targeted and direct Federal tax dollars to the areas of the greatest need.

I thank the chairman for holding this hearing. I look forward to hearing from our witness, and I yield back the balance of my time.

Mr. QUIGLEY. Thank you, sir.

And before we go to our witness, we are honored to be joined by the chairwoman of the full Appropriations Committee, Chairwoman DeLauro. There she is.

The CHAIR. Good morning. Good morning, good morning.

Mr. QUIGLEY. Good morning.

The CHAIR. Wonderful to be with you, and I thank you. I am, obviously, honored to be chair of the full Appropriations Committee, and I am going to try to make as many of the committee hearings as I possibly can. But it is a pleasure to join with all of you today.

And I want to recognize Chairman Mike Quigley, Ranking Member Steve Womack, for organizing the hearing. And I thank the Election Assistance Commissioner, Mr. Hovland, who will testify this morning.

I think the subject of today's hearing is so critical, and that we need to look at the steps that we have taken to secure our democratic systems, and I know that is what we are going to hear about this morning.

Almost 400 years ago, our democracy was founded on the premise that all people are created equal. The right to vote would grow with each generation to ensure that democracy. And today, in some respects, we have seen that challenged.

For 4 years now, our right to vote has been threatened by foreign adversaries, and this year, by challenges that we had at the State level. And this hearing is an opportunity to discuss the EAC's resurgence after years of the agency being underfunded in previous Congresses.

I look forward to hearing more about EAC's plans to continue to expand their ability, to support State efforts, to enhance election security, increase access to the polls and other activities to improve the administration of Federal elections.

It was not that long ago that we had these conversations. The Help America Vote Act of 2002 made broad reforms to the administration of Federal elections, and the Act established the EAC to quell many of these vulnerabilities.

As the chairman pointed out a moment ago, to our detriment, between 2010 and 2019, the EAC's annual funding was cut by nearly 50 percent. This inconsistent, insufficient Federal funding has hindered the ability of EAC and State and local election officials to combat very real threats to election security. The rise of misinformation and the coronavirus pandemic have only further complicated these efforts.

I want to say a thank you to Chairman Quigley for a significant allocation of funds to enable the EAC to begin to increase staffing and to expand the agency's support to election officials in 2020. Again, in fiscal year 2021, the chairman and ranking member further increased the EAC's funding to \$17 million.

The increases have enabled the EAC to begin to rebuild the staffing, which has already doubled in the past year, and expanded the agency's support to State election officials. And that is just a start. There is still considerable room for improvement, as many States lack the funds to implement necessary election security measures. But no voter should ever have to choose between their health and their right to vote.

One of our core responsibilities on this committee is to ensure that the agencies under, our purview, safeguard America's election processes and our democracy. And the EAC is a national clearinghouse for information on election administration and accessibility, and the only, the only Federal agency completely dedicated to election administration.

So, now more than ever, we need to provide the necessary resources, support that protection of our democracy, secure our election.

I want to say, again, thank you for your work, and I look forward to hearing the testimony on this very important subject.

And I thank you and I yield back, Mr. Chair.

Mr. QUIGLEY. Thank you, Madam Chair. We appreciate your being here. We look forward to your leadership.

Now, I would like to bring on our featured guest today, the chairman of the Election Assistance Commission, Benjamin Hovland.

Sir, thank you for being here. Please go forward with your opening statement.

Mr. HOVLAND. Thank you, Chairman Quigley, Chairwoman DeLauro, Ranking Member Womack and members of the subcommittee. I am Ben Hovland, Chairman of the U.S. Election Assistance Commission, or EAC. I appreciate the subcommittee's invitation to testify on the work of the EAC and the impact of the election security and pandemic response grants provided by Congress to the States.

The story of election administration in 2020 should not be told without acknowledging the tremendous job that State and local election officials did to run their elections while facing unprecedented challenges. With a record of nearly 160 million Americans voting in the November general election in the middle of a global pandemic, the effort required to conduct this election was Herculean, and the officials who managed this task deserve our thanks and praise.

While politics in the aftermath of the November election have distracted many from how the election was run, I can unequivocally

cally say this was the best administered election that I have seen in my career. There are many reasons for this success story, but first and foremost, is that the public servants that run elections in cities and counties across the country put their personal health on the line and worked countless hours for their voters and our democracy.

Federal grant money also played an essential role in assisting election officials with some of the challenges they faced. Since 2018, Congress has appropriated \$805 million for election security. This has helped replace outdated and paperless voting machines, replace or harden statewide voter registration databases, create innovative new programs, like Cyber Navigators, that address head-on, some of the resource disparity challenges of our decentralized election system, and provided for countless hours of training for staff to be on alert and prepare and respond to common attack vectors.

The critical impact of this funding, combined with the impressive efforts of State, local, and Federal partners, gave me complete confidence when joining the statement from the elections infrastructure government and sector coordinating executive committees that the November 3rd election was the most secure in our Nation's history.

Additionally, the \$400 million provided as part of the CARES Act in April of 2020 helped election officials address some of the additional costs associated with running both the largest mail and absentee ballot election most jurisdictions had ever experienced, and making polling places as safe as possible for voters and election workers.

EAC was proud of the work we did to distribute and administer these grants to the States and appreciate this committee's trust in us to do the job. The recent funding increase to the EAC from Congress also increased our capacity to assist election officials during this challenging time.

From an all-time low operating budget of \$7.95 million in fiscal year 2019, the increase in fiscal year 2020 made for an exciting time at the EAC. We expanded the EAC workforce by hiring experts in important areas of our work, including numerous mission-critical positions across departments.

Throughout the 2020 primaries and general election, the EAC provided much-needed assistance to election officials. By chairing the ElectionInfrastructure Joint COVID-19 Working Group, we were able to leverage partnerships with State, local, and Federal partners to quickly respond with guidance on the challenges presented by the pandemic.

We also developed new guidance, posted public forums on pandemic-related concerns, and closely monitored innovative State preparations, encouraging election officials to share their successes and challenges. These efforts included dozens of educational videos, materials for election officials highlighting proven best practices, addressing specific concerns related to COVID-19 and the use of CARES Act funding.

Other new efforts included creating the EAC's new Cyber Access and Security Program, which provided security training, best practices, and other assistance for election officials tasked with protecting critical election infrastructure. EAC also established the

first ever National Poll Worker Recruitment Day, galvanizing national recruitment efforts and alleviating concerns about a significant shortage in poll workers due to the pandemic.

While we acknowledge the success of the State and local election officials to administer the 2020 election, it is also clear that there is much work to be done. If the 2020 election has taught us anything, it is that our democracy is precious, we must invest in it to make it stronger, and we must constantly seek to improve it. As the Election Infrastructure Sector-Specific Plan notes, “a government wide approach to funding elections and election security is needed. Viewing the Subsector as an infrastructure of our democracy is important to understanding the need for consistent investment and maintenance to ensure the system is strong.”

We appreciate your interest in the EAC’s ongoing efforts. With its limited resources, the EAC has helped assist State and local officials through this unprecedented time. But the job ahead requires the proper level of investment to ensure lasting success. The EAC is prepared to play an increased role in this pursuit, and we look forward to our continued partnership with the subcommittee and with Congress.

Thank you, Mr. Chairman, and members of the subcommittee. I am happy to answer any questions you may have.

Mr. QUIGLEY. Thank you so much. We are starting to have these hearings in rapid succession, so some members have conflicts. I am going to let Mr. Bishop go first, just because he has one and then another, one occurring now and then shortly thereafter. So I will recognize Mr. Bishop.

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

And thank you, Chairman Hovland, for your testimony and all of the work that the EAC has done over the past year and few months.

Let me get right into the questions, and I will try to be very brief, if I can.

I want to talk about the mail-in voting. With the ongoing coronavirus pandemic, there have been many challenges in administering the 2020 elections, and to minimize exposure, about 100 million Americans voted early. You mentioned that the CARES Act provided \$400 million in emergency funding. Can you tell us how this funding was used by States to improve their mail-in and absentee voting procedures?

And the flexibility was crucial in keeping Americans safe, but many opted to vote in person. So tell us how the EAC supported in-person voting in the 2020 election?

And finally, another subject that is very, very near and dear to me, I had a conversation and a meeting just yesterday with the National Federation of the Blind. And they raised serious concerns about accessibility for voters with disabilities, and they particularly were concerned with legislation that could ensure that Americans with disabilities have the same opportunity to vote freely and independently as other voters.

And they indicated that with the absentee and the mail-in vote, that sometimes it is very, very difficult for them to access that. Of course, obviously, it is not in Braille. And they would like for the EAC and for Congress to look at some way to assure that they can

be communicated with actively and accurately and effectively, and that they can respond, because they found the current processes for absentee mail-in ballots to be somewhat onerous for them.

Thank you very much. If you can handle that, I will yield back.

Mr. HOVLAND. Thank you, Congressman Bishop. You know, as mentioned, the CARES Act was a big deal for States and localities to get this money during the pandemic. As I mentioned in my testimony, most jurisdictions were facing the largest mail-in absentee ballot election they had ever had.

Now, that doesn't mean people aren't used to having mail-in absentee ballots. You know, we know from the Election Administration and Voting Survey, that about 25 percent of Americans voted that way in 2016. This year, it will be closer to 50 percent. But some of the things that the importance of getting that money out and getting it early, like it was, allowed people to make equipment upgrades. You know, possibly some things that were done manually were able to be done automated to handle that volume increase.

I mentioned the COVID-19 Joint Working Group. That worked with election officials and the private sector election space to identify best practices.

You know, one of the benefits of decentralized elections was you had election officials from Washington and Oregon and Utah and Colorado, who had been implementing vote by mail and expanded absentee balloting for decades and were able to share some of those lessons learned with their colleagues that didn't have that luxury at the time to ramp that up. And so, that made a humongous difference in those preparations. At the EAC, we did videos with those officials to share with people, again, produced various guides. But a lot of it also was getting that money early to take into account some of those procurement timelines.

You also mentioned the in-person, making that as safe as possible. Again, the Joint Working Group addressed a lot of those issues. We also worked with the CDC to issue guidance on how you make polling places as safe as possible for voters and poll workers. And you saw a lot of innovation, from one-time use pens to reduce contact, regular contact surfaces. We saw the "I voted" pen make an appearance this year in some places instead of the I voted sticker.

And I just want to make sure I leave time to address your question about accessibility. Absolutely agree with that. You know, the Help America Vote Act that created the Election Assistance Commission was, in many ways, a piece of accessibility legislation, making sure that Americans could vote independently and privately.

We work to share best practices around that. I think there is more that we can do to make, for example, mail-in absentee ballot accessible to more Americans. Different States have implemented this different ways.

You also have something I think we can go farther than. It is probably a resource issue. But the MOVE Act required that each State have a portal for a blank ballot delivery for military and overseas voters. You know, I think we can do a lot to possibly either build a template, or encourage those to become both—you

know, make sure those are secure and accessible so they can be used for our military and overseas voters, but also as a great way to deliver blank ballots for accessibility purposes as well.

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

Mr. HOVLAND. Thank you.

Mr. QUIGLEY. I recognize Ranking Member Mr. Womack.

Mr. WOMACK. Once again, thank you, Mr. Chairman, and thanks to our witness. Just a couple of questions related to Federal spending on elections.

The CARES Act, if my numbers are correct, CARES Act had \$400 million allocated to States for the 2020 election cycle related to COVID. The Speaker's HEROES Act, which wasn't enacted but did pass in the House twice on partisan votes, would have provided an additional \$3.6 billion for this purpose. Based on initial data reported by the States, it is my understanding that States only used about \$270 million, or about 68 percent of the \$400 million provided in the CARES package.

So it begs this question, Mr. Chairman: Was the \$400 million provided in CARES more—was it more than what the States actually needed if, in fact, only about 68 percent of what was provided was actually used?

Mr. HOVLAND. Thank you, Ranking Member Womack. You are right on those numbers. I would say the \$270 million that we have, that was preliminary, based on the 20-day reports that the CARES Act language required.

The FFRs on that are due on February 28th. So that will give us a more complete picture. I think when you look at that number, again, the low number, the low bar on that is going to be about 70 percent of that money being used, which was important.

There were some issues, as you know. There was a 20 percent match requirement. That also triggered a lot of State legislative approval to use the money. So in some States, that led to delays or challenges. You know, when this money went out the door, it was toward the end of some State legislative cycles, or some had already ended. So there were some issues with that as far as getting funding out the door. You know, what the number was exactly, again, this was probably the most expensive election that we have ever seen.

You did see some private philanthropy come in that I don't recollect ever seeing. Mark Zuckerberg and Priscilla Chan spent about \$400 million. And, again, I have talked to the people who distributed that at the Center for Tech and Civic Life and election officials who received it, and that was going for the basics. You know, that was going for PPE. That was going to disinfect and clean and to procure significantly, or enough polling locations, places that had closed down because maybe they were senior centers and weren't available, also locations that had enough room to social distance, both for voters and staff.

Getting the right number is a little bit tricky. I am happy to dive down into some of the consistent issues that the chairman mentioned. But I think that is really what you look at as far as the CARES Act money went this year.

Mr. WOMACK. So if we go back to the HEROES package that I referenced just a minute ago, based on just some basic Arkansas

math here, it was an amount nine times greater than the \$400 million in the CARES package.

So let's just, for the sake of the argument, assume that the HEROES Act was enacted into law. What in the heck would we have been spending \$3.6 billion on?

Mr. HOVLAND. Well, as you mentioned, I am a proud graduate of Eureka Springs, Arkansas, High School, so I am good at Arkansas math. And I will say that—go, Highlanders—you know, again, I think that any time you look at Federal election funding, the details matter; the expiration dates matter; the structure matters.

You know, when you look at—and we can talk about this more with some of the security grants—but the way that most of these grants are structured is that they go to the State. Well, State and localities have very different expenses and very different needs in the election space. The bulk of expenses with election administration in most States is borne out at the local level, and so, that is important.

You know, I think one of the things that I have seen in some of the House appropriations bills has been a piece that mentions 50 percent in cash, or in kind, going to the locals. I think that is very important.

Unfortunately, it hasn't made it through the Senate side yet, but that really recognizes the costs that are primarily borne out at the local level, but also allows for that flexibility, because we do have top-down and bottom-up States in the way that they structure election administration around the country.

Mr. WOMACK. You know, one of my concerns as an appropriator—and this has been the case for the 10 years, 10-plus years that I have served in Congress—is that invariably, States, and even further down on the local level, State and county levels, they all want more of our money. They all want more Federal taxpayer money to execute missions that I think are incumbent on them to command. Elections is part of that.

Now, I am not going to discount the fact that we shouldn't have a role in helping people through technical assistance and what have you on elections, but it just goes without saying that the more we give them—and in this particular case, because of a COVID situation, it was maybe more of a one-off than normal, than normal. The more we give, the more they become reliant on those kinds of funding packages, which lessens the need, in their respective opinions, to be able to cough up the money locally.

And I have always believed—and I am a former mayor—that if it is our money that is in play, we are going to be very effective in how we administer that money. But if it is our money, we are going to make sure that it is spent for all the right reasons. If the money is gifted to us by another agency, sometimes it can be used a little more loosely.

So I just want us to understand, I want all my colleagues on this committee to understand that we have got this significant debt hanging over future generations' head, and we have got to be careful not to allow more and more of the Federal tax dollars to go for what is normally paid for at the more local level.

And I got a lot more to say about that. I will reserve that for another time. And I appreciate the opportunity to engage in a conversation today. Thank you, and I am going to yield back.

Mr. QUIGLEY. Thank you.

I recognize the chairwoman of the full committee, Ms. DeLauro, if she has any questions.

The CHAIR. Mr. Chairman, I don't. I am just interested in listening to the questions of our colleagues on both sides of the aisle. And, you know, thank you for this important hearing.

So, as I said, I will try to continue to be present at these hearings, but I don't want to detract from what our colleagues on the subcommittee want to get at, the core of this issue. So thank you very, very much, and I yield back. Thank you.

Mr. QUIGLEY. Thank you.

And, Chairman, let me go ahead and ask a few questions here. We talked about the money not being used and certainly the timing of that. You referenced certain issues. One of them was there is a matching issue. It comes at the end. Some General Assemblies don't meet very often, have opportunities.

But you also gleaned, or do you hear from them that some of the other issues why this isn't happening, is it because they went so long without that is it, to an extent, they are almost hoarding this so that they can level off the spending over a period of time, recognizing that, you know, next year they may get zero from the Federal Government, or other reasons?

Mr. HOVLAND. Thank you, Chairman. Yeah. And I will distinguish there a little bit between the CARES Act funding and the HAVA security grant money, because I think there are a little bit of differences.

But on the security grants, in particular, that is exactly right. You know, for a long time, we went without any HAVA, additional HAVA money until 2018. So certainly, you know, that, you know, I know a lot of States wonder is this the end of Federal money? You know, do I need to hold onto some of this? But I think a bigger part of it is, frankly, some of the timelines that we are on.

So, again, you have seen a lot of the fiscal year 2018 money be spent, but you also have, you know, the fiscal year 2020 money came at the end of 2019. We were a few weeks from the Iowa caucuses, and getting right into the Presidential cycle. For major procurements, both, it is difficult to do in an election year, but you also don't want to be making major equipment changes in the middle of a Presidential election, because of unintended consequences, or possibly bugs with those systems.

And, so, you see that there are States—you know, I will use—well, I will give you two examples. Delaware replaced its paperless equipment using the fiscal year 2018 money. Delaware got \$3 million, the minimum in fiscal year 2018, and they used all of that to assist with a \$13 million purchase of equipment. And Delaware has three counties.

You look at Louisiana. They are in the process of procuring a new statewide system. You know, the projections look at that as being about a \$95 to \$100 million purchase to cover their 64 parishes. And their Federal portion from all of the security money, both the 2018 and 2020, adds up to about \$12.5 million.

So, again, a significant portion, but they are still looking, you know, to get a significant State and local investment. And as soon as that procurement goes through, as soon as that contract goes through, you know, they will have spent down to zero.

And, so, you have sort of these buckets. Arkansas, Arkansas sent grants to a lot of their counties, and that was spent on new equipment. Arkansas used all of its money.

A different category, Illinois, a new innovative program called Cyber Navigators, where you recognize that some counties just don't have the need or resources to have a dedicated cyber professional, so you have State employees that have regional responsibilities. You know, they have a handful of counties that they are responsible for. But that is a program that is designed to last over time, and respond to the consistent nature of cybersecurity challenges. And, so, the spend-down rate on that is slow.

And then you have the category that I mentioned earlier that Louisiana is in, where they are just on the verge of a major procurement. Another example of that, I heard from a State election director recently, they expect to use up all their money, their remaining money replacing their statewide voter registration database. But, again, that wasn't something they wanted to do in the middle of a Presidential election cycle.

Mr. QUIGLEY. And just for the record, let me ask, do you get an exact runout of how each State spends its money?

Mr. HOVLAND. Yes, we get that reported to us. Again, we get it on the fiscal year. So, you know, we have reporting through September 30th of 2020, and then they have until the end of the year to provide that for us. We are still working with a couple States to make sure that their numbers are right and that we have got that accurately, and then we will provide a report.

But, again, when you look at the whole picture, you can see that the money is significant, though it isn't enough to cover some of the major purchases, like total equipment replacement, or voting machine replacement.

And, so, what a lot of jurisdictions are doing, you have many options and they are going through and prioritizing. You know, maybe that is replacing paperless equipment; maybe it is implementing audits; cybersecurity training for staff; implementing programs, like I mentioned, with Illinois, the Cyber Navigators Program. But, again, a lot of that is making choices and priorities about each State's individual risks.

Mr. QUIGLEY. Okay, thank you.

Mr. Amodei is recognized.

Mr. AMODEI. I am just enjoying the education, Mr. Chairman, so I yield back.

Mr. QUIGLEY. Thank you.

Mr. Pocan.

Mr. POCAN. Thank you very much, Mr. Chairman. And I am looking forward to being on this committee in the 117th, so appreciate it.

Chairman Hovland, thank you very much for being here. I just have a question around the last election, but really moving forward from it on voter misinformation. There was a Quinnipiac poll last month that found 37 percent of voters think that there was wide-

spread fraud in the 2020 elections. And, of course, we saw what happened, what that manifested to on January 6 in some ways.

So I have a three-part question regarding: One, what is the role of the Commission in combating misinformation about elections? Two, are there some proactive steps that we are taking between now and the 2022 midterms to give Americans confidence in our election systems? And, three, do you need any resources to help towards that end for 2022 and 2024?

Mr. HOVLAND. Thank you for that. Absolutely a great question, very important. You know, as I mentioned earlier, I think there are a lot of benefits that we get through our decentralized election system midyear.

The assistance from the vote by mail States on how to ramp up was important, but one of the real challenges that we have to recognize is the decentralized system makes us more susceptible to misinformation and disinformation. It is just harder to combat that, because each State runs elections a little bit differently.

And, so, I think, you know, when we look at what we need to do on that, there were efforts this year that I think were important. The National Association of Secretaries of State drove a TrustedInfo 2020, trying to get their election information from State and local election officials. That was important, but I think we can do a lot more.

You know, we get a lot of calls, a lot of fact-checking at the EAC. Our Election Administration and Voting Survey, you know, has a lot of real facts about how elections are actually run.

I think with the resources, and with adequate resources, I would love to see us establish a one-stop shop website that helps with voter education, helps with fact-checking, you know, has that information directly from the States about the various ways that—you know, what is your registration deadline? When do you have to request a mail or absentee ballot? Those rules of the road for voting in one place, but also that could help direct people to their State or local election official.

I think that our effort to create National Poll Worker Recruitment Day, where we had the HelpAmericaVote.gov website, showed that you could have national campaigns that pointed people to one central location like HelpAmericaVote.gov, but then that website gave people basic information and then got them to their State and local election official.

And I think that is a model for how we can do that with broader election information, and help educate the public around the process part of the voting, and it can get them the accurate information to their State, to their jurisdiction. But that will take more resources.

Mr. POCAN. Thank you. And just a question as far as, in your opinion, are we capable of anticipating threats and are States capable of doing that, or do we need to provide any infrastructure help for any States right now that aren't up to speed?

Mr. HOVLAND. You know, I think we have done a great job on information sharing. Again, part of why I was comfortable making that statement about the security of the 2020 election is we are really seeing a sea change in information-sharing with the State, local, and Federal level. Things like critical infrastructure designa-

tion have helped with that. There has been the creation of an Election Infrastructure Information Sharing and Analysis Center. That has got almost 3,000 members in it.

You really have a level of visibility and communication in the election space that we have never had before. That is—you know, Chairman Quigley hit on it earlier, and it was the mention about an annual funding stream. You know, I think that is one piece of this.

The nature of cybersecurity threats, the ongoing nature of those threats, and the fact that it is a national security issue means there is real value to having, you know, a piece of Federal funding that is known, that is dependable, that can be planned around so it is efficient.

And also, that said, you know, there is a Federal portion of the ballot. This is a national security issue. Here is the Federal piece. State and locals, you are primarily responsible for running elections. You are primarily responsible for funding elections. You know, you need to come up with the rest.

And I think that is what the sector-specific plan really envisions in its funding section, where it talks about that whole-of-government approach to funding our elections.

Mr. POCAN. Thank you, Mr. Chairman. I yield back.

Mr. QUIGLEY. Thank you.

And I yield to Mrs. Lawrence.

Mrs. Lawrence.

Mrs. LAWRENCE. Yes. Hello, everyone. I want to first of all take this time to thank our electors across the country.

I have a question for you, Mr. Hovland. Back in October, two right-wing individuals were charged in connection to racist robocalls aimed to dissuade and discourage around 12,000 black residents in Detroit and other U.S. cities from voting in the November election, telling them that voting by mail in the upcoming election was subject to their arrest, debt collection, and a forced vaccine.

What do we need to do to fight misinformation campaigns from our citizens, particularly in the underserved or the communities in the Black and Brown communities? What public engagement campaigns is the EAC employing to combat this disinformation? And we know that election security and what we struggled with the most in this last election was misinformation. I would like a response to that. Thank you.

Mr. HOVLAND. Thank you, Representative Lawrence. Great question. You know, that is absolutely, I think, one of the biggest challenges. You know, I think there were a lot of things that you hit on there that are important to dive down into.

One, you know, we see more and more misinformation and disinformation, you know, both that is domestic, but, also, amplified by foreign adversaries that often mirrors traditional voter suppression tactics. That is a real concern. Obviously, if it is domestic, that should be enforced by the DOJ or local prosecutors.

But to your main point, I think, we can do more around the voter education space. I mentioned the one-stop shop website. I think that is a big deal. You know, getting that trusted source information to voters, having one place that you can point people to.

You know, another thing I didn't mention earlier, we are in an interagency agreement with GSA on vote.gov. That is around voter registration, but I think that is something that can be expanded on. I think you can have basic voter education videos there to help reduce barriers to entry, or we know from various studies that, you know, a lot of people aren't comfortable participating, because they are not familiar with the process. You know, they don't want to go into the polling place and not understand what is happening, or maybe they don't know how mail-in absentee balloting works.

And even at the national level, I think we can do basic voter education videos to reduce that, reduce people's potential for being intimidated with things like you described. Again, I think there is a lot of work we can do there to address voter education.

And on a lot of these things, you know, when you think about the fiscal impact, you know, I recognize what the ranking member said, but when we can find those areas at the EAC, where you have a 50-State impact or close to it, a dollar invested at the Federal Government can save taxpayers' dollars around the country, because you are not reinventing the wheel.

You get the economies of scale of a national approach and the ability to utilize other organizations to amplify those messages at the national scale and have, you know, again, like a lot of success with National Poll Worker Recruitment Day, getting amplified on a number of different places, you know, by celebrities, by various groups. And you really saw a new generation of poll workers step up. And, so, in many ways, I think that is a model, and we could use it on voter education.

Mrs. LAWRENCE. If I may, I am looking for a commitment for a public engagement campaign for misinformation. So you hit upon a couple of those things, you know, partnering with the Secretary of State, so that there could be automatic campaigns that address misinformation. The website is good, but these are robocalls going into homes.

So just to be committed financially to your budget, and a commitment that you can make, because misinformation, if we don't attack that and change that, we are never going to get our election process to be sustainable. And we fought through it this time, and I am so proud of all the engagement.

And, so, you named some of the private entities that you are working with. And I just want to be on the record that the targeted groups are usually those who are minority groups and underserved, and there is a benefit to not having it cut off. So thank you so much, and I yield back.

Mr. QUIGLEY. Thank you. And I apologize if I went out of order. I didn't realize Mr. Stewart had joined us. He is now recognized.

Mr. STEWART. Yes, thanks. I have actually been on the whole time. And sometimes, Mr. Quigley, some of us may not have our cameras on the whole time, so that may make it—

Mr. QUIGLEY. Sorry about that.

Mr. STEWART. Yeah. Hey, no worries at all.

I had a few things if I could, Mr. Chairman. Thanks for being with us, and, again, Mr. Quigley and Ranking Member, thanks for hosting.

Let me ask my two questions and then allow you to respond. They are a little bit different. One is many of us are familiar with SolarWinds. It is a catastrophe, actually, in the cyber world.

I need to understand, did we have any evidence that any of our processes in elections were violated or compromised at all by SolarWinds, especially knowing that it has been out there for a long time?

The second question is, you mentioned, Mr. Chairman, Mr. Zuckerberg's—he said \$400 million. It was actually about \$420 million he contributed to nonprofit organizations, private organizations, Safe Elections Project being one of them, but there were others as well.

My concern is, and my question to you is, do you know how that money was spent? And was it spent evenly? For example, if we have private individuals or companies that are coming in and spending hundreds of millions of dollars, in some places, maybe more than the Federal Government is spending, but say they target blue-leaning districts, or blue-leaning States, or, perhaps, another group comes in and targets red districts or red States? I think that would be problematic. That would be very obvious to both of us.

Talk to us about that, the funding of these private groups, our ability to know how that money is being spent, and is that actually influencing the outcome, or could it potentially influence the outcome if it is spent in one district or another?

Mr. HOVLAND. Thank you for the question. First, on the SolarWinds. I haven't seen any evidence that the election or any tallies were impacted again. Some of the things that were in place this year that were crucially important to that confidence was you had about 95 percent of Americans vote on a paper ballot, or a paper audit trail. Obviously, in a number of the close States, we saw exhaustive audits and recounts, a hand inspection in Georgia that reconfirmed the machine tallies. And all of that was very important to having confidence in the elections.

You know, I think that SolarWinds is just such a reminder of the evolving nature of these challenges, and basically, that we can't—you know, I think that election officials did an amazing job this year. Again, there has been a sea change in information sharing at the Federal level. But, really, it is just a great reminder that the work has to continue, the investment has to continue. That is the nature of these threats and challenges.

As far as the private philanthropy money to cover some of the COVID expenses, you know, I have had briefings on that. It was available to jurisdictions all over the country. You know, it went to counties run by Democrats, Republicans, Independents. It was available to every—

Mr. STEWART. Do you know how that money was spent, though? Can you say that X amount was spent in these States and X amount spent in another?

Mr. HOVLAND. I don't have those breakdowns, because that wasn't money we distributed. You know, I think that it is important that that money came in, given the pandemic, but, on a balance, I view it as a failure of government that States and jurisdictions had to rely on the philanthropy of billionaires to be able to

buy some of the basics, some of the PPE expenses they had, some of the disinfectant equipment expenses they had, some of the States to adequately socially distance their staff as they put their own personal health on the line to run our elections.

And, so, you know, again, I think that I am glad it was there for the jurisdictions that needed it this year, but I hope we can remedy that in the future so that we don't have to rely on private philanthropy in this space.

Mr. STEWART. Well, I agree and I think we should. And, by the way, I am asking you if you would try to find that information for us. Could you do that?

Mr. HOVLAND. I am absolutely happy to have conversations and look into that and reach out for more information.

Mr. STEWART. Find out. And if we can't find out that information, that is a problem. And we should be able to know that. If someone is contributing in ways that are election-oriented, we should know how that money is spent and where that money is spent.

And the second thing is, to your point, Chairman, this is primarily to preclude or to help with some of the expenses of COVID and precluding a bad outcome there, but I worry that it sets a precedent that will continue into the future. In 4 years, hopefully, you know, God willing, we are not dealing with COVID.

And now, though, do we think that we have set a precedent where you have private individuals who come in with hundreds of millions of dollars and, again, are targeting specific districts or States? And, look, that would be a real problem. It would be a real problem for either side. And I think we need to know if that is a problem, or it potentially could be.

The first way to deal with that is to know where that money was spent. So, again, we would really appreciate if you would get back with us on that.

Mr. QUIGLEY. Thank you.

Mrs. Torres, you are recognized.

Mrs. TORRES. I am sorry, Mr. Chairman, did you say Torres?

Mr. QUIGLEY. Yes.

Mrs. TORRES. Thank you. First of all, I want to welcome Election Assistance Commission Chairman Hovland to our committee. Thank you for being here with us today.

I must stress that there is a great need for you to work together with other Federal agencies, other Federal Secretaries, to ensure that everyone is working toward the same goal when it comes to election security, when it comes to delivery of ballots.

So, with that in mind, I have three issues that I would like to address with you: And that is the Postal Service. The Postal Service was severely handicapped, reduced, attacked, whatever word you may wish to use to describe what happened in those last 2 months before Election Day.

You know, it caused a lot of delays of mail-in ballots due to the pandemic. So, State deadlines did not align with the reality of the mail system that was set up. It was really a setup for voters to fail to deliver their ballots on time.

So what role has the EAC played, and, moving forward, what role can the EAC play to ensure that State voting deadlines, number one, align with the reality of the USPS; and what additional

steps can Congress take to ensure the USPS guarantees on-time delivery of all domestic mail-in ballots sent before the Saturday before Election Day?

On that same note, given the issues surrounding postal delays in this last election, it is imperative that voters have alternative ways of returning their mail-in ballots, such as drop boxes.

However, we must ensure that drop-off boxes are placed in locations that are secure and that we establish minimum guidelines. In my home State of California, for example, the GOP placed more than 50 drop-off ballot boxes in Los Angeles, Fresno, and Orange Counties, which were fraudulently labeled as official ballot boxes.

The other issue was already mentioned by a previous colleague as it relates to people with disabilities. There are 7 million eligible voters who live with visual impairments. All of these voters have a legal right to vote under the Americans with Disabilities Act and Help America Vote.

So what are you looking to do to help ensure that ballots someday are available in Braille, to ensure that we have a voting system that is truly a personal vote and doesn't have to be disclosed simply because someone needs assistance from either their caregiver to fill out their ballot?

Mr. HOVLAND. Thank you for those questions, Representative. On the USPS issue, you know, we work fairly closely with USPS. The specific issue you mentioned on the State deadlines, that isn't new. There was, obviously, a little more focus on it this year. You know, that is certainly something that State lawmakers balance how, you know, on one hand, you want to make absentee ballots available to people who may not have another option. But, again, if you allow, for example, some States allow for a request 3 days before the election. Well, it is not realistic that that is going to make it both ways in transit.

You, obviously, then, also have different States that either have postcard or a postal indicator deadline, or a received-by-election-day deadline. And, so, those make a difference. You know, again, I think we will continue to work on best practices. Again, I think maybe—

Mrs. TORRES. If I could interrupt you there, because we cannot abandon our responsibility to ensure that a Federal election is—happened, and that voters are not disenfranchised. So, that is your task. So, I hope that you will come back to our committee and provide some input on what we can do to ensure there are minimum requirements for States to meet these guidelines.

Mr. HOVLAND. Well, one real—I will give you a quick thing that I think will make a huge difference. A few years ago, the Federal Voting Assistance Program, or FVAP, did a pilot program with the USPS on full end-to-end tracking for UOCAVA ballots, informing overseas citizens. And my understanding is that to go full UOCAVA, and in turn, basically, full domestic tracking, for about \$8 million to the Post Office, not only would that help election officials understand where ballots are, seek problems that can be identified immediately if there is a pallet of ballots on a loading dock that is getting delayed, but it would also help voters have that confidence if they can see in transit both ways.

And a lot of States have done that. We saw that as a big improvement this year. But I think if you have a uniform system of that implemented by the USPS, then people could build apps off that, people can do more off that baseline because it would be uniform across the country. I think that is an immediate improvement that can happen.

Mr. QUIGLEY. Thank you. Mrs. Kirkpatrick is recognized.

Mrs. KIRKPATRICK. Thank you, Chairman, for being here. As you know, in Arizona, over 90 percent of our vote is vote by mail and so—which is a good thing. I mean, we have really seen an improvement in voter participation because of that. But we have many Tribal areas and rural areas that don't have everyday mail service. And so my question is, what are you doing to address those really rural areas, especially Tribal areas where they don't have daily mail service?

Mr. HOVLAND. Thank you for that. Again, a hugely important issue. You are right. Arizona's permanent early voting list has led to significant expansion into mail-in absentee ballot in there, and that helps a lot of people, but it does—there are challenges with USPS delivery. Certainly, that is something we are aware of. You know, we continue to highlight best practices.

You know, but one of the things—and that is a hugely important issue—but I think one of the things that is important to recognize, too, is the nature of the EAC. You, know, we are a small agency. It was mentioned that we were at an all-time low in 2019 of an operating budget of \$7.95 million. And this year, there was 17, but we passed through about 1½ of that NIST.

So, we have a \$15.5 million operating budget. That means we are almost to where we were—we are a little below where we were with inflation a decade ago. And you look at a sister agency like, the Federal Election Commission that does campaign finance, they are at \$70 million. You look at the election—the election program at CISA, that is \$40 million as part of a \$1.5 billion subagency.

And, so, when you look at our 50-State jurisdiction and the breadth of the challenges to election administration in this country, all—being an election administrator has never been harder than it is right now, and elections are chronically under-resourced all across the country at the State and local level, and also at the Federal level. I wouldn't hesitate to say that we should be \$100 million agency to take on the challenges that people expect of us.

And I know that doesn't happen overnight, but I think this is a great example of one of those issues that needs to be tackled. And just when we look at our statutory mandates, when we look at the things that we are required to do under the Help America Vote Act, you know this is important, and we want to work on it and work on best practices, but there is also a reality to what we are able to do with the resources that Congress has given us.

Mrs. KIRKPATRICK. My follow-up question has to do with violence at polling places. And, so, this was an emotional election. We had marches in Arizona. We had people angry, angry crowds marching to the polls. And I just wondered if—two things, are you seeing that having a chilling effect on volunteers who work the polls? And do you think it is actually having a chilling effect on the turnout?

Mr. HOVLAND. I think what we saw more of this year, there was certainly—you know, absolutely Arizona had, you know, was a hotspot in many ways. I think we saw more of that in the aftermath. A number of election officials, you know, receiving death threats, totally unacceptable. Again, these are public servants that put their personal health on the line in service of our democracy. People that care more about the integrity of our elections than anyone else. And, so, really completely unacceptable, really unfortunate. You know, I hope that it—it doesn't deter people from getting in this space.

I do think it was an extremely stressful year, and there is a level of burnout amongst election officials. But it is one more reason that we need to recognize the work they do, provide sufficient resources.

You know, again, the job has never been harder, and that is both the administration pieces. But, then, the challenges that you are alluding to, as far as around voter education to the process. You know, more people saw more of the process this year than probably ever before. You know, most people tune in election night, see the preliminary results, and tune out. But this year we saw, we saw the audits; we saw, you know, people going through provisional ballots to figure out if someone was eligible or not; we saw the canvass and certification process. And I think that was important, but clearly, we can do more to educate people around that, and we can clearly do more to support our election officials around the country.

Mrs. KIRKPATRICK. Thank you very much, Mr. Chairman. I yield back.

Mr. QUIGLEY. Thank you. Question, Chairman, is there anything you would suggest that we would do to incentivize the States to move the money out quicker, if need be?

Mr. HOVLAND. So, I think that—a few things. On the security grant money, you know, that—I think that there is a lot that ties into the timeline I mentioned. I think if people knew there was a consistent annual funding stream coming, it would allow for them to plan for that accordingly. You know, you could look at—you could look at expiration dates. The 2018 and 2020 money doesn't have expirations. And, again, only because that was the first real money to come in a long time. You know, I don't know that people have confidence that there will be more. But, then, you saw, at the same time, the expiration of CARES Act money was maybe a little too short. And so I think we are happy. You know, our [inaudible] Team does a great job working with all the States. We are happy to work with your staff and try to work on some of those details, you know, of course, and should involve talking to State and local election officials and recognizing part of—part of the difference I mentioned before in costs that are born out at the State level and those that are born out at the local level. But I think there is a lot we can do, and they are happy to work on that with you.

Mr. QUIGLEY. Sure. Mr. Womack, do you have a follow-up question?

I am trying to do this on a hybrid on the second round, we don't have as much time, but I do want folks on this thing if they had something they wanted to finish up, they had the opportunity.

Mr. WOMACK. Yeah, I do, Mr. Chairman, and thank you. And, Chairman Hovland, I do appreciate the information you are giving us today.

This is a question about misuse of funding. How are you organized, set up, and how—because this comes back to kind of our oversight piece—how are we able to discern the misuse of funds, if and when it happens? And then, what actions are then taken—what prompt, say an IG report, that would have the ability to recover the misuse of funds? So, if you can talk, generally, about that particular subject?

Mr. HOVLAND. Yeah, I am happy to. And, actually, when I mentioned our budget earlier, one piece that is important in there is that we spend about \$1 million a year on our inspector general. For an agency our size, that is a huge portion of our budget.

Again, even when our budget was down to \$8 million, \$1 million of that was going to our inspector general. And that is because our inspector general's office audits all of this HAVA money. You know, they contract out for a lot of that, but to audit this money, usually it is about five or six States a year, sometimes a little bit more. This year, actually, Arkansas, Florida, Kentucky, Massachusetts, New Mexico, and West Virginia were all audited.

And, so, we are looking back at that money, we are looking how it is spent, looking at the receipts, making sure that it falls into categories that are allowed by Congress, you know, qualifying expenses, and then we provide those reports to you. You know, we will continue to do that, move across the country, and make it through that. And in those efforts, we are looking at CARES money, we are looking at security money, we are looking at the old HAVA money for any States that still have that.

And, so, a big part of our role is both helping States and jurisdictions on the front end, you know, providing information, resources, you know, webinars on allowed expenses, or ways that people can use the money. But then, of course, on the back end, also auditing that to making sure that it has been used correctly.

Mr. WOMACK. My final question, Mr. Chairman, would be this: And that is, in education, we have accreditation standards, and we have accreditation facilities set up of which to be able to monitor and judge just how effective our educational institutions are. Is there an accreditation standard, and is there an accreditation platform by which our States are judged as to how they carry out their mission on elections?

Mr. HOVLAND. So, again, with our decentralized elections, I wouldn't say there is—there is certainly no Federal standard. Obviously, we have a decentralized election system. The EAC is largely nonregulatory. You, know, in a small agency, you do see things that are created, things like the Election Performance Index that is now housed out of the MIT election lab. It was created by the Pugh Charitable Trusts. But that is a ranking of different categories that use a lot of election administration and survey data in that.

There is a number of different ways that you can look at it. I think a little different than a ranking standard. But to your question earlier on resourcing and how we get there, you know, one of the great things about the Election Assistance Commission when

Congress created the Help America Vote Act was the Federal clearinghouse responsibility. There is so much more that we can do with that. But one of the big areas that I would like to see us expand into more of is doing trainings, because that does—you know, sharing those best practices that election officials discover across the country, but doing trainings around that to really help, you know, everyone get better, and the efficiencies that we can realize through that, the tax dollars that we can save through that, you know, I think are significant. And I think that is a critical mission for the agency in the future.

Mr. WOMACK. Thank you, Mr. Chairman.

Mr. QUIGLEY. Thank you. And then as we try to do a hyphenated second round, I recognize Mrs. Torres, if she has a follow-up.

Mrs. TORRES. I do not, Mr. Chairman. I will put a letter together for the chairman. Thank you.

Mr. QUIGLEY. Very good. Thank you. Mrs. Kirkpatrick?

Mrs. KIRKPATRICK. I do have a follow-up.

Mr. QUIGLEY. Can you get a little closer, please, to your microphone.

Mrs. KIRKPATRICK. Sure. Is that better?

Mr. QUIGLEY. Yeah.

Mrs. KIRKPATRICK. Yeah, my question is what are your concerns about violence at the polling places? You know, I am [audio malfunction]. My question has to do with making sure that we have got adequate poll workers and turnout in every election. And, again, you know, do you see threats of violence as having a chilling effect on that, being able to recruit volunteers?

Mr. HOVLAND. You know, I think that one of the things—you know, one of the real silver linings that I saw in this year's election, you know, in the primaries you saw a lot of dropout around poll workers. We know from the Election Administration and Voting Survey that the majority of poll workers are over age 60. And we know that recruiting poll workers is always challenging. In 2018, about 70 percent of jurisdictions had at least some difficulty finding enough poll workers.

And, so, in the primaries, you saw, in particularly some of the States that had primaries right in the early days of the pandemic, like Wisconsin, had a huge dropout, had to shut down a lot of polling places. You know, and, so, it became clear that it was going to be critical to have enough poll workers. That was part of why we launched the National Poll Worker Recruitment Day. There were also a lot of other efforts, Power of the Polls, Poll Heroes Project. You saw employers giving people the day off.

And what it really resulted in this year was a new generation of Americans stepping up and serving as poll workers. And it is my hope—I have served as a poll worker a number of times—and it is my hope that their experience was similar to mine, that they realize that they were the customer service face of our democracy. And what they were there to do didn't have anything to do with who people were voting for, but simply that they were there, and it was your opportunity to make their experience of the process be a good one. You know, help that 18-year-old who was a little bit nervous, or the senior citizen that has been voting longer than you have

been alive, give them a little extra assistance, and give them the "I Voted" sticker and thank them for coming out.

I know that was the experience I had as a poll worker, and I am hopeful that this new generation had that experience as well, and we will see that make a difference in 2022 and 2024, because poll worker recruitment has been a challenge for a long time, and I think it is something we need to continue to amplify.

I think we learned this year that a lot of people didn't know it was the way they could serve in their community. And so, I think we are going to continue to push those efforts, but it is crucial.

Mrs. KIRKPATRICK. Thank you so much, and I yield back.

Mr. QUIGLEY. Thank you. Mr. Amodei, you didn't have a question the first time, do you do the second round? I am not sure if he is still with us, but we will ask Mr. Stewart the same question, if he is not there. Either way, they are no longer with us, or it is a negative. So what we will do is we will wrap up.

Chairman, I want to thank you for your service, for your work, and for your willingness to participate with us today.

Mr. Ranking Member, do you have anything else you want to say in closing?

Mr. WOMACK. No, not at all. But again, good to have Chairman Hovland with us. A good Carroll County product from Arkansas, and a UCA product, and it is good to have him here.

And the next time you are back in the Third District of Arkansas, make sure I get a call, let me know.

Mr. HOVLAND. All right. That sounds good.

Mr. QUIGLEY. I want to thank all who helped put this together, all those who participated. The staff was outstanding.

These are difficult times. I look forward to seeing you all in person as we do this next time. And we will see you all soon. We are adjourned. Thank you.

TUESDAY, FEBRUARY 23, 2021.

OVERSIGHT HEARING—INTERNAL REVENUE SERVICE

WITNESS

HON. CHARLES P. RETTIG, COMMISSIONER, INTERNAL REVENUE SERVICE

Mr. QUIGLEY. And as if you haven't had enough early warnings about everything, we will commence and I will give you some more.

As this hearing is fully virtual, we must address a few house-keeping matters. I would like to remind members that for today's meeting the chair or staff designated by the chair may mute participant microphones when they are not under recognition for the purpose of eliminating inadvertent or advertent background noise.

Members are responsible for muting and unmuting themselves. If we notice that you have not unmuted yourself, I will ask if you would like the staff to unmute you. If you indicate approval by nodding, staff will unmute your microphone.

You will get three warnings and then a demerit. Three demerits—this is where we are heading, folks. I am just kidding.

I remind all members and witnesses that the 5-minute clock still applies. If there is a technology issue, we will move to the next member until the issue is resolved and you will retain the balance of your time.

You will notice a clock on your screen that will show you how much time is remaining. At 1 minute remaining, the clock will turn to yellow. At 30 seconds remaining, I will gently tap the gavel to remind members that their time is almost expired. When your time is expired, the clock will turn red and I will begin to recognize the next member.

Finally, House rules require me to remind you that we have set up an email address to which members can send anything they wish to submit in writing at any of our hearings or markups. That email address has been provided to you in advance, to your staff.

I will keep my opening statement brief so we can get right into the questions.

This morning we welcome the Commissioner of the Internal Revenue Service, Charles Rettig, to testify on the state of the IRS.

Commissioner, thank you for being here today.

The past year has tested the strength, patience, and resolve of the American people. The coronavirus pandemic is a public health crisis that has caused an economic crisis. Many Americans have lost their jobs and are facing food insecurity and struggling to pay their bills.

Congress quickly jumped into action, passing multiple relief packages, which in part tasked the IRS with the Herculean effort of implementing these policies in a very short period of time.

I commend the IRS for what they have been able to accomplish. They have issued over 300 hundred million Economic Impact Payments totaling more than \$400 billion to help taxpayers during these trying times.

For many, these payments have been a lifeline, enabling families to put food on the table, gas in the cars, which is why I want to make sure that every American who is entitled to this money receives it. I am troubled that there are people who have not received these checks.

President Biden immediately got to work to provide additional relief to the American people. His American Rescue Plan includes the remaining \$1,400 checks that people were promised. It also temporarily expands the Child Tax Credit, which could help cut child poverty in the U.S. by as much as 50 percent. I fully support the \$397 million for the IRS to implement this effort.

Right now, we are 12 days into the 2020 filing season. In a normal year providing quality customer service and timely refunds is a challenge, but these tasks are now compounded and the IRS is stretched thin.

With an unprecedented backlog of over 8.7 million unprocessed tax returns, staffing shortages due to safety concerns in IRS processing centers, outdated IRS IT systems, and the IRS' new role in administering stimulus payments and the Child Tax Credit, I would like to hear from you, Commissioner, on the IRS' readiness for this season and if any additional resources are needed.

Recently, the IRS published its first Taxpayer First Act report, which describes a 6-year plan to modernize the IRS, improve customer service, reorganize the IRS with servicing the taxpayer as its central focus. I am eager to hear more about the benefits of this plan and how the IRS can move forward to accomplish these goals.

Lastly, as the IRS is managing these multiple efforts simultaneously, I want to emphasize the importance of ensuring the safety of its workforce.

With close to 80,000 IRS employees, many of which are required to work onsite during the filing season, it is crucial that the IRS adhere to COVID safety protocols and continued communication with the union and staff on all COVID matters.

With that in mind, I want to take this time to thank the hard-working staff at the IRS for their continued commitment, expertise, and dedication to the mission.

Mr. Commissioner, I look forward to having a robust conversation today on all these important issues.

And I will now turn to the ranking member, Mr. Womack, for his opening remarks.

Mr. WOMACK. Thank you, Chairman Quigley.

And, Commish, welcome to this hearing. It is great to have you here today.

I would like to acknowledge you and all of your employees at the IRS for the work that you have done over the past year, things like getting multiple economic relief payments to Americans, implementing the other Tax Code changes included in the various COVID relief bills, dealing with the impact of COVID on your staff and their families, and doing your core missions of collecting taxes and processing annual tax returns.

While the IRS, like any other Federal agency, has made mistakes over the year, I want to recognize that the agency has been asked to do a lot under extremely difficult circumstances. We appreciate your effort.

There are many topics we can cover today at this oversight hearing, such as how the IRS plans to address the backlog of unopened mail and unprocessed returns; improper payments, which has always been something that I have been interested in, including back when we passed—when I was Budget chair and we did the last budget that passed out of Committee in the House; the plan on modernization of your technology; and how will you ensure that the inappropriate spending and political targeting scandals that occurred in the not-too-distant past have not reoccurred and shall not reoccur.

Those are the kinds of things that are on our mind today, and I look forward to your testimony and the Q&A that will follow.

And I am going to yield back the balance of my time. Thanks.

Mr. QUIGLEY. Thank you, Mr. Ranking Member.

Commissioner Rettig, thank you for being here today. As you know, you don't need an introduction anymore as you have become an increasingly popular figure during the pandemic in disbursing the coveted COVID stimulus checks.

But in all seriousness, while we might not agree on everything, I appreciate our working relationship and how available you have been to me and your staff.

Without objection, your full written testimony will be entered into the record. With that in mind, we would ask you to please summarize your opening statement in about 5 minutes. Please go ahead.

Mr. RETTIG. Thank you, Chairman Quigley, Ranking Member Womack, and the members of the subcommittee. Thank you for the opportunity to discuss IRS operations and our efforts to help taxpayers during the COVID-19 pandemic.

Your comments and appreciation for our employees are very well received throughout our entire agency. And following these hearings, I get numerous emails from employees commenting about what you all mentioned on their behalf. And so it really is taken to heart, and I want you to know that myself, as well as every employee of the IRS, really appreciates your comments.

The importance of the IRS to every American has become especially apparent since last spring as our Nation has faced unprecedented challenges. The IRS has been at the forefront of successfully providing rapid economic relief to taxpayers during COVID-19. IRS employees worked around the clock since mid-March to implement major provisions of the CARES Act, and especially the first round of the Economic Impact Payments to help millions of Americans.

By the end of 2020, we had delivered a total of more than 160 million in the first round of Economic Impact Payments totaling more than \$280 billion. During 2020, we also processed more than 163 million individual returns, including more than 125 million refunds, totaling more than \$320 billion, to individuals.

IRS employees once again moved quickly to implement a second round of EIPs that was signed into law on December 27. These payments started posting to bank accounts just 2 days after enact-

ment due to the efforts of our employees to monitor and the advance preparation as we were watching the different variations of legislation move forward that gave us the ability for a quick turnaround. A second round of payments went out 2 days after the legislation was enacted, and it was 147 million payments totaling \$142 billion.

We made some mistakes throughout. We had learning lessons throughout. We learned a lot in EIP 1 that we applied in EIP 2 that we think prepares us. Should Congress and the White House, President Biden, enact an EIP 3, we think we are prepared to appropriately serve the American people.

But we know that we can do more, and we know that we are being called upon to do more and more. And let me assure you that our employees want to do more. We take our tasks to heart. We appreciate the privilege and the opportunity that we have to actually represent the people of this country, and we will not let you down.

We did not have a pandemic playbook for how to respond to a pandemic that shut down or slowed wide segments of the U.S. economy. Nonetheless, thanks to the agility and flexibility of our workforce, we were able to move forward, rapidly switching to a virtual work environment and shifting the majority of our employees to be able to work remotely. At various times, we have had as many as 61,000 employees teleworking.

Our IT division also provided the equipment necessary to allow thousands of our customer service representatives to telework, and we could not have done this without the support, and the financial support, of Congress throughout. For that, we are most appreciative.

During the summer of 2020, we began bringing back a limited number of our employees to the offices to perform nonportable work, including opening mail and processing paper returns. At one point we had a backlog of more than 20 million pieces of mail, but we have been steadily working through that backlog and we are now current.

We realize our phased-in reopening has been difficult for Members of Congress, for your staff, for taxpayers, and others, and we appreciate everyone's patience and understanding of the situation that we were placed in as a result of the pandemic. However, the health and safety of our employees, as well as those we interact with, had to remain paramount throughout. Our employees shared the same health and safety concerns as shared by every other American for themselves, their communities, and others.

Turning to the 2021 filing season, and in closing, I am pleased to report the successful opening of the filing season. At the first week in, we received 55 million submissions, and at the peak we were receiving 335 submissions per second.

We opened the filing season slightly later than in previous years to give us additional time to do additional programming and testing of our systems, and we are confident in the systems and in the status that we find ourselves in today.

Chairman Quigley, Ranking Member Womack, and members of the subcommittee, this concludes my statement, and I would be happy to take questions.

Mr. QUIGLEY. So we do appreciate this. And as was said over and over again, I want you to appreciate the fact that we rarely in our offices get calls from constituents when they get their payment, we rarely do, but we always do when they don't.

So if you could do a bit of a deep dive explaining why there are still those who have not got those payments, what those reasons could be, and where the problems exist, and how we move forward to make sure everyone who is entitled gets those payments.

Mr. RETTIG. There is a number of reasons. I can touch on the outreach side of it. Let me touch more on the technical side of it.

The CARES Act—both acts, actually, for EIPs—dictated a look at the 2019 tax returns, and then, if the 2019 returns were not filed, a look at the 2018 returns. So I think the concept was well placed.

There are tens of millions of people who do not have filing requirements. And so during the issuance of EIP 1, we reached out and coordinated our efforts with both the VA and the SSA because most of the beneficiaries of their payments actually do not have filing requirements. And so we coordinated a programming for their folks so that we could get payments.

And we actually reached out to more than 11,000 different organizations around the country with respect to homeless organizations, unsheltered homeless and whatnot.

From what we have seen so far, if I can sort of a lessons learned, in the folks who have not received payments, they may not be filers. They may be filers and their returns may be caught up in a variety of situations. It is a pitch, if you will, for electronic filing, because, as I said, we had more than 20 million pieces of mail stored at one point, and so we couldn't use those returns that might have been in those storages at that time to determine the returns.

But for folks who actually electronically filed, we got over 90 percent of those payments out timely, including their refunds. And keep in mind that the individual refunds, and including EITC refunds and in many cases the CTC refunds, exceeded the amounts of the EIPs that were being issued.

But, nonetheless, a lot of returns, less than 10 percent, but some of the returns hit various filters that we have. And we have identity theft. We have situations where we have asked for additional information from people.

So that would be a situation where maybe the 2019 return would not have been processed, and "been processed" means actually posted to the account so that we could draw the information from that return.

From a staffing and a contact perspective, we have 13,760 CSRs, customer service representatives, who essentially is our phone bank. Through the year we did and we do provide, when requested by FEMA, as many as 3,000 of our phone bank representatives when there is a hurricane, a natural disaster, wildfires, and whatnot.

And I should indicate that we just got a request from FEMA this week for 200 of our CSRs to participate with assistance down in Texas. And essentially we flip a switch and our people go from being IRS CSRs to doing intake for FEMA.

So we get called upon for a lot of different tasks.

We did well overall when you get into the 90-plus percent range, but it is easy and appropriate to turn it around and say there was the 10 percent or so that we have been trying to connect with.

I will say that personally I touch base with hundreds of different organizations around the country. We coordinated efforts with Low-Income Taxpayer Clinics and actually provided them with the authority to prepare returns for people who did not have returns such that they could get Economic Impact Payments.

And it is easy for me to talk about the successes, and we are very proud about our successes. But, similarly, we want to do more. Our people live in the communities and are reflective of the communities and we are very proud of that. And it is not acceptable to us that any person did not receive a payment.

I will say that the outreach and the organizations that we interacted with, including more than 400 different Federal and State agencies throughout the country, were invaluable in helping us get the word out. Our outreach materials, really associated with private practitioners, assisted us in getting our outreach materials out for EIP in more than 35 different languages. We prepared tool kits. We delivered 541 tool kits to the Hill, giving people the information of what might be needed.

And none of this and none of my comments should be reflective as an effort for an excuse. We understand the importance of getting the payments out to people. There is a variety of different things with respect to staffing at the Internal Revenue Service.

I will say that I am very proud of our employees who worked. Our IT department and our Wage and Investment folks literally worked 15-, 17-hour days from March. I don't think our CIO has slept since March. And we had a filing season, and EIP 1, and EIP 2, to go with our normal functions. And I am the guy, as some of you have heard me say before, who shut down 511 of our facilities and then had to figure out how to get back, and we had to balance those responsibilities with everything else.

And I would also like to express our appreciation to NTEU, as well as personally to Tony Reardon. During much of 2020, I was on weekly calls with Tony Reardon, who is president of NTEU, and we were totally in sync in terms of protecting our employees and recognizing the duty that we had to the country.

So we could go down a lot of different lanes. The bottom line is——

Mr. QUIGLEY. And we will have time. I just want to get to the other members. And I appreciate that. And, look, I appreciate your answering, your candid manner, and, again, your staff. But not to cut you off, but I want to be a good example and let the other members ask their questions, beginning with Mr. Womack.

Mr. WOMACK. Yeah. Hey, thanks, Mike.

Look, I understand that my colleague, Chris Stewart from Utah, may have a hard time, that he has got to get out. And if that is the case, I would be willing to defer any questions I have for the Commissioner if Chris wants to chime in and get his questions out of the way, because I think he has got a flight to catch.

Chris, are you on there? Do you want to take a moment here to ask a couple of questions?

Well, I am not hearing Chris. Maybe he has already logged off.

Mr. QUIGLEY. Well, if he comes on and you want to defer in the middle of yours, we will abide, whatever works for you.

Mr. WOMACK. Yeah. I just saw he had logged on and I wanted to make sure he had an opportunity to get involved in the Q&A.

Mr. QUIGLEY. Sure.

Mr. WOMACK. Thanks again, Commissioner, for being here.

I have always been concerned—and I have kind of put this under the headline of mission creep—when Federal agencies get beyond their core functions, and it always bothers me a little bit, and I think it becomes an expensive issue for the agency.

I have picked on the VA because when they build hospitals—they are not in the business of building hospitals—or developing IT infrastructure and they have IT problems. There are other organizations that do that better.

For the IRS, when ObamaCare was created, you guys were required to issue a tax penalty to Americans who didn't purchase certain health insurance.

Now, in the reconciliation package that is before the House now it has language in it about IRS issuing monthly checks to parents to address child poverty, activities that I believe are outside the core mission.

So I know that you are going to say that the IRS is going to do whatever Congress asks of them. However, I want to ask these questions.

When Congress directs you to focus on new things, such as healthcare and children, the impact it has on your core mission of collecting, performing audits, and processing returns, how much of that attention and the attention of everyone in the agency will shift from your core mission of collecting taxes to implementing monthly payments to children? And would it hurt your ability to reduce the backlog that we have already talked about?

Now, you mentioned that sometimes your agency is picked off by another agency, like FEMA, to go from your core mission to missions involving another Federal agency. So that fits directly into my question here.

So help me understand how we can be assured that your core mission gets executed without the interference from other outside distractions laid upon you by Congress.

Mr. RETTIG. You are correct that in my first comment that the IRS stands ready to serve. The IRS [inaudible] its challenges. The IRS receives, long before I came on board, numerous challenges and I think for the benefit of the employees has a history of rising to those challenges, certainly doing the best that it can, and the best that it can under the circumstances.

For any new endeavor provided to the Internal Revenue Service, funding, staffing, training are critical. Multiyear, consistent, adequate funding is critical. One-year funding not followed up the next year does put a stress on our resources as we end up having to borrow from one—to the extent we can—borrow from one side to help fund another portion of the agency.

And we are an administrative agency. We don't choose our challenges. I am confident in our people. But we need the support, both financial and staff and training, and we need to have it in an ongoing

ing manner as long as we are called upon to do any of these challenges.

Mr. WOMACK. In the fall, you and I discussed a delay in processing the Form 8849. This is a petroleum marketers refund issue. Small and medium-size petroleum marketers rely on these refunds to support their day-to-day, and it has impacted some marketers in my particular district.

Can you update me quickly on how these refunds are being processed, how they are being processed? And is there a backlog that we should be concerned about?

Mr. RETTIG. Yeah. We actually, as you would expect and as you would hope and I believe as we talked about before, we prioritized refunds for everyone. We prioritized refunds for individuals as well as prioritizing refunds for businesses and whatnot during the pandemic. We made the right—what we believe is the right business decisions and certainly I believe is the right business decisions.

December 17, we had an inventory on the 8849s of 7,405. We currently have a backlog. We have reduced it by 4,800. And we have a backlog of 2,565, which we expect to be cleared out by the end of March. And, again, we put extra staff, we provide overtime, weekends, and whatnot, to try to accomplish this, but we have made significant headway.

Mr. WOMACK. Well, I know you did, and you sent a letter out on the issue after our conversation. I just want you to know how much I appreciate that, and that is the kind of response that we all really want from our Federal agencies and, in this particular case, your delivering. So thank you so much.

And, Mr. Chair, I will yield back that 12 seconds I have.

Mr. QUIGLEY. Thank you so much.

Mr. Cartwright is recognized.

Mr. CARTWRIGHT. Thank you, Mr. Chairman.

And thank you, Commissioner Rettig, for coming back and joining us.

Mr. RETTIG. Thank you.

Mr. CARTWRIGHT. Thank you for your hard work. And thank you also for the hard work of all the line employees of the IRS to try to take on all of this additional responsibility during the pandemic.

And, finally, thank you for acknowledging mistakes—we don't hear enough of that in Washington—and that you are learning from them. That is very encouraging.

And I want to ask, I want to get out a bunch of questions right off and get you to answer them.

In the first two rounds of the EIPs, the Economic Impact Payments, millions of people received their stimulus via a prepaid debit card. And from what we are hearing from my constituents in northeastern Pennsylvania, we got an awful lot of complaints that they threw those debit cards away because they weren't giving proper notice, that they didn't have the heads-up that this was money and these were payments from the IRS for stimulus.

How is it determined that this particular group of Americans was singled out for prepaid cards when most people received checks or direct deposits? What steps were taken to ensure that the requests to replace those cards that were lost or stolen or thrown away were

fulfilled? And are there any major changes to the disbursement of Economic Impact Payments for the future?

In particular, I want to help ensure we help Americans get these stimulus payments as quickly and as early as possible, and I want to give you the opportunity really to help them arm themselves.

For people that have had issues receiving their first or second stimulus payment, what steps can they take today to ensure they don't have continuing issues receiving a potential third round of payments?

Commissioner?

Mr. RETTIG. Yeah, the IRS was not the decisionmaker, and it really wasn't even in our area as far as who would receive paper checks and who would receive prepaid debit cards. That was a decision between Treasury and Bureau of Fiscal Services. I think you are aware that the IRS provides payment files to BFS, and then BFS is actually the agency that issues the payments. We were asked to adequately check.

So if we did not have and Fiscal did not have direct deposit information, we were asked to provide separate files, which were the, if you will, paper check files, and from that we were asked to do certain pieces of that, which they pulled out to do in the form of debit cards.

I think the interest in doing the debit cards was to try to get the payments out quicker. Fiscal Services can only do between 5 and 7 million paper checks per week. That is their capacity. That is in excess of the VA and the SSA. So in order to sort of shorten the length of those 5 to 7 million weekly payment checks, I think the effort was to try to do the debit cards. And certainly a lot could have been learned with respect—and has been learned—with respect to the debit card situation.

One of the comments, one of the questions you had is, what can be done going forward? We and others—and I think Treasury would join me in this, as well as Fiscal—can always do a better job in terms of outreach and communications. Interestingly, a lot of people tend to believe, gee, if we put it on our IRS.gov or we do our normal channels that we would historically do in the tax world, those are sort of for tax people, tax practitioners and whatnot.

But the person on the street is not looking at IRS.gov. They are not necessarily interacting with a CPA or a lawyer or a professional organization. They are on the street. The person digging the ditch, the person running the electricals and whatnot, really are the target area of the outreach that we did during 2020, which we refer to as people outside of our normal channels of communication. I think I mentioned we did partner with more than 11,500 different organizations, tenant rights groups and whatnot.

I think the bottom line—and I don't know whether there would be a similar decision on the debit cards going forward if there was to be an EIP 3. Again, that would be between Treasury and Bureau of Fiscal Services. I respect the decision to try to get the payments out earlier. But we were equally concerned for the fact that a lot of people shredded them, did not knowing they were coming, et cetera, et cetera.

What can people do? They could file electronically and file as early as possible. Our filing season is open. Getting a return in

that has direct deposit information, the bank information in their return, allows us to essentially flip a switch and issue those payments, which is what we used December 29 on EIP 2 when we issued 147 million payments totaling \$142 billion 2 days after the date of enactment. We had that direct deposit information.

And so getting that information to us in the form of a tax return is critical. For those who don't have—Mr. Chair, if I may finish one thought? I see I am out of time.

For those that don't have a filing requirement, we do have the Non-Filers portal where they can provide that information to us, and that would help us significantly.

Mr. CARTWRIGHT. Thank you, Commissioner.

I yield back, Mr. Chairman.

Mr. QUIGLEY. Thank you.

Mr. WOMACK, you were trying to accommodate Mr. Stewart because of a flight. Do you still wish to do that? Do you know if he is on?

Mr. WOMACK. Mike, I got a text from him, and he was en route to the airport. He is listening but just not in a position to engage. But I do appreciate the opportunity.

Mr. QUIGLEY. Okay. No problem.

Then I think we will move on to Mr. Joyce.

Mr. JOYCE. Thank you, Mr. Chairman. I appreciate the recognition.

And also a quick shout-out to Mr. Cartwright, because that is commercial-like quality that he is engaged in there while doing his—

Mr. CARTWRIGHT. Thank you, Mr. Joyce. Your cat filter is on.

Mr. JOYCE. Commissioner, I appreciate all the hard work you have been doing.

I have a question. As you know, with the increase in unemployment benefits made available in the last year, unfortunately, has come along with some increased fraud that I have taken notice of, [inaudible] At least \$300 million in fraudulent unemployment benefits were paid in 2020.

This is a problem not only for the integrity of the unemployment insurance system but also, unfortunately, the taxpayers who were victim of the fraud. And as you mentioned, with the mail system, sometimes they are now just becoming aware as they are receiving this notice that they were, in fact, defrauded and their security was compromised.

Unknowingly, these people have taken the unemployment benefits, had those shipped somewhere else, but the bill coming due for their taxes is coming home to roost with them.

Is the IRS taking any action to allow flexibility for States that need additional time to sort out the fraudulent benefits paid and holding those individual victims of this fraud harmless for taxes owed on unemployment benefits that they have never received?

Mr. RETTIG. We are working with the States. And regardless of anything else—I am going to make this specific here—but regardless of anything else, because this was expanded this year because of the volume, but it is not unusual for folks to have identity theft and other things where there are issues that are hitting their account which are not theirs, is to file an accurate return.

So even though there is a 1099-G that might indicate somebody got funds, if you did not receive those funds, file an accurate return, reach out to the State and ask for a corrected 1099-G, which will be in a zero dollars received capacity.

But even if they are unable to contact the State on their individual income tax return, do not report funds you did not receive. You are only required to report your accurate income. If you did not receive it because of identity theft or some other scenario, it is not income to the taxpayer.

We actually, as have the States—and like I said, we have been working closely with the States—but we posted something again on IRS.gov. We are doing our best to message through our normal channels, and now our expanded family, if you will, of communications getting out to people.

But we are very sensitive to this. We are taking a hard look at it. And in terms of your question about flexibilities, we are an administrator. We can't determine what is or is not taxable.

For Federal tax purposes, unemployment benefits are taxable. I think there are 14 States where it is not taxable, and so people also need to be aware of the difference between Federal and State.

And we are taking a look at it. And I think at the end of the day you can expect us to get this one right. It is on our plate. It is on my radar screen.

For folks who did, if I may, who did actually receive the unemployment benefits but who were unaware that it was taxable, file, report the benefits. You can actually even online do a payment agreement with us. You can request financial hardship. There is a whole host of payment relief that we have available.

And, again, our employees have gone through the same pandemic as everybody else. We are understanding and sensitive to the environment for the past year and for the foreseeable future.

So folks who received it, actually received it who did not understand that it was taxable, I would hope that they would reach out to us for some flexibilities in terms of payment arrangements.

And I will say that every frontline IRS employee who they would interact with, whether it is through a CSR or in a more direct collection format, is aware of the comments that I just made, and I expect our people to be understanding, patient, and to do the appropriate thing for the people of this country.

Mr. JOYCE. Thank you. At least we have something to go back to the constituents who are calling in about going back to the State and having that cured.

I want to move on to another question regarding legal cannabis businesses. They are unable, as you know, to utilize our banking systems, and as a consequence of these arcane restrictions businesses are forced to hire armored vehicles to transport their tax payments in cash to the local IRS.

This is inefficient for business and the IRS alike, obviously, not to mention ample opportunity for fraud and the abuse it creates, as well as potential for criminal acts as far as robbing and stealing from those.

How do you recommend we address this problem for your agency? And I am talking about legal businesses, ones that have been

defined as ongoing concerns meeting all of the statutory requirements of the States that they do business in?

Mr. RETTIG. Yeah. You know, the IRS would prefer direct deposits more so than receiving actual cash payments. It is a security issue for the IRS. It is a security issue for our employees. In our Taxpayer Assistance Centers is actually where we receive these payments, and we created special facilities in these, in the TACs, to receive the payments, and then we similarly have to transport the payments themselves.

So, again, money is fungible. We have to receive it. And we don't make a determination as to what is or is not legal. But the tax payments do come in, and we would rather have direct deposits if we could.

Mr. JOYCE. And no one who is sending you over \$10,000 in cash to pay their bill is receiving a SARs, are they?

Mr. RETTIG. You know, those are—that is on the banking side of the house and I am just the tax guy.

Mr. JOYCE. Thank you. I am out of time.

Mr. RETTIG. Yeah. Thank you.

Mr. QUIGLEY. Thank you, Mr. Joyce.

Mr. Bishop.

Mr. BISHOP. Thank you, Mr. Chairman.

And thank you, Commissioner Rettig, for all of the work that you and the wonderful people at IRS have done, particularly through this pandemic.

The Volunteer Income Tax Assistance program that is managed by IRS has been a tremendous success over the years, and this program helps Americans who make \$57,000 or less, are disabled, or limited English speakers to file a tax return for free. In 2020, the program had about 10,000 fewer volunteers and prepared a million fewer tax returns due to the pandemic.

Some experts worry that changes to the program due to the pandemic will leave millions of Americans without the help they need to file in a time when submitting a tax return is extremely important, especially to these low-income people.

Our most vulnerable Americans are being hurt the most by these changes, especially those that don't have access to high-speed internet or to a computer as many sites shift to online appointments.

Can you speak to how the IRS will ensure that every American has access to the VITA program during the pandemic, including those in rural areas and those without high-speed internet?

And I guess I will go ahead and ask my second question quickly so that you can get to it. It has to do with the IRS rule on farming cooperatives.

Many of the farmers in my district and across the country are members of agriculture cooperatives where the farmers pool their resources to enhance their economic market power.

Earlier this year, the IRS finalized the rule that limited the qualified business deduction that is allowed by cooperatives solely to patronage income. Cooperatives often pass these deductions to individual farmers. So the rule effectively raised taxes on the farmers themselves across the country.

Is the IRS planning to review this rule that raised the taxes on the farmers and was finalized by the Trump administration?

Mr. RETTIG. So let me start with your second one, which I will get back to you, and I will have our staff work with your staff on those specifics for that so that I can get more direct and I think more appropriate responses for you. A lot of the rules—keep in mind, at IRS we are tax administrators, and policy occurs, like I said, next door, it occurs at the Treasury Department.

But let me personally find out more information on that. I know we have talked outside of hearings before, and we will get back to you on that. And I appreciate the importance of the issue, particularly to farmers during a year such as what we had this year.

So the importance of that, sir, is not lost on me.

Mr. BISHOP. Thank you.

Mr. RETTIG. With respect to VITA—and, by the way, I extend it to all members to reach out to me, or to your staff to reach out to me, and where we can help and where we can provide additional information, I would encourage you to do so and look forward to it. It is a privilege to be in this position as Commissioner and to interact with you and to try to get things as positive as we can for the people that we are all serving.

As far as VITA and Tax Counselling for the Elderly and military tax, and in addition, beyond VITA, the Low-Income Taxpayer Clinics now have authority through at least April 15 to prepare returns.

Certainly, the pandemic was not something that I think anybody foresaw. There are 11,000 VITA sites which are staffed by volunteers, and it would have been a stretch to assume that volunteers during the pandemic were going to have actual in-person interactions with anybody. I mean, taxpayers did not seek out in-person interactions, and it would be difficult to encourage the VITA sites to do so, and we did not and I did not.

We took a position that closing sites—we run the program. We don't run the sites. But we were supportive of the VITA sites closing their sites and keeping their volunteers safe and keeping the taxpayers safe.

We have moved into, to the extent possible, a virtual environment. That does not solve the issues with respect to rural communities, and we are very sensitive to rural communities.

You hear a lot come out of the Internal Revenue Service with respect to digitalization of pretty much everything we are doing, the modernization of our processes. But, I think as you are aware, I was on the outside for 36 years representing individuals, and the IRS will never lose its traditional lines of communication, which are in person, telephone, and such.

Where we do not have staffing in communities, we tend to, what we refer to as circuit ride. Out of 358 TACs, we have 14 that we do not have staff for because where people have retired, they tend to be in rural communities, and we try to hire and staff those communities. But when we don't have it staffed, we have to circuit ride, bringing people in from a different location to staff that.

So we have our eyes on the VITA and TCE and military tax sites in terms of filing season 2021. It is not lost on us. I can tell you that in the last 3 weeks I have participated in training sessions, I think, for maybe six or seven different VITA sites around the country, including I had a huge honor of participating with 21

VITA sites outside the country, military VITA sites, including a base that my son, who is an Army captain, had deployed to.

So VITA not only—it does provide for individuals and taxpayers, but it also provides a tremendous service for military personnel, all of which are important.

But, sir, to your question, I, and we, have our sights on the impact of the pandemic and the need for VITA sites to have some type of in-person interaction. So we do have our sights on that.

Mr. BISHOP. Thank you, sir.

Mr. QUIGLEY. Thank you.

Mr. Pocan is recognized.

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

Thank you, Mr. Commissioner, for being here. I also want to send my kudos to your employees for all the hard work they have been doing.

I want to get to three areas. I know it is tough, so I am going to get right to the questions.

Mr. RETTIG. I will try to make shorter answers.

Mr. QUIGLEY. We will have a second round.

Mr. POCAN. All right.

The first question is, on behalf of the Appropriations chair, Representative DeLauro, you recently predicted the agency would be able to transition the Child Tax Credit payments to a monthly schedule. That would be awesome, to have permanent, fully refundable and paid out monthly. It has been a priority for the chair. Heartened by your prediction.

Wondering what resources you would need to make the monthly Child Tax Credit payments a success?

Mr. RETTIG. We have actually—our folks have met with staff, and we have actually provided the figures for that. If I am not mistaken, the one for the monthly child credit, I think, is about \$397 million.

We not only need the funding to implement to actually determine the requirements and to do the programming, but we also need the funding to staff and to train our staff to do it.

In the first tranche of funding includes the design and delivery of a portal, and I know a lot of people have looked to our Non-Filers portal and saying, we will just use that.

The Non-Filers portal was created by industry, by private industry, and it belongs to private industry. The Free File Alliance was critical in helping us launch that portal within 10 days following EIP 1.

So there are a lot of constraints in terms of a launch, if you will, staffing, training, and funding, but also this agency, as much as any other—but, you know, I am biased because I am here—consistent, timely, adequate multiyear funding allows the agency to rise to the challenges.

And don't forget about us. Once we get something don't forget about us in terms of the future years for funding. Because we acknowledge the importance. It will be a challenge to modify the amounts of these payments. We are very thankful, from what we have seen, there are some flexibilities built into it.

Mr. POCAN. Great. Thank you. Yes.

You just brought up the Non-Filer portal, and I know you mentioned earlier in Mr. Cartwright's question. That is one area where you guys have done a tremendous job, I think, in getting the stimulus checks out, but that is one area that we still have constituents, as Mr. Quigley said, that we hear from those folks when they don't get their checks.

When will the IRS be reopening that portal? And do you have a specific date?

Mr. RETTIG. We don't have a specific date with respect to the Non-Filers portal. People will be able to—what we are focused on now, because people need to know the amount of their EIP 1 and the amount of their EIP 2, when they provide—file the return to get the Recovery Rebate Credit, and, you know, we sent out letters, 1444 letters with the first EIP and 1444-B with the second EIP, and we are actually going to get one number on a tax return.

And because of the structure of these in terms of if there was an overpayment on EIP 1, we are not allowed to claw that back. But with respect to EIP 2 and the Recovery Rebate—and, you know, I will say this was a challenge, which is incumbent, I should add, as to why the filing—opening season filing date was February 12.

And having it be February 12, I know a lot of people—and I have read comments about a condensed filing season. It is not a condensed filing season. The industry partners opened on January 15 and others, Free File opened January 15—

Mr. POCAN. Yeah. No, I hear you. Perhaps reopening that, as I can tell you, I know Mike in my office for one would be enormously happy, because that is still probably the number one problem we have with folks on stimulus.

Third area, if I can get to in a minute. We are currently losing about \$574 billion per year for unpaid taxes. As you mentioned, you want to make sure we give you staffing resources as you absolutely need, in addition to the Child Tax Credit.

But we also know that you are looking at people who have the Earned Income Tax Credit are audited at about the same rate as the top 1 percent. How do we know, if we give you additional funds, that it will be used in a different ratio so that we are really looking at where the vast majority of those dollars are as opposed to the Earned Income Tax Credit earners?

Mr. RETTIG. Well, let me finish actually something that came to mind, finish the first question, which is the folks on the Non-Filers portal, we would actually encourage the folks to use Free File or the equivalent that are out there because beyond—from the Non-Filers portal, we can only capture information for the EIP, right, the real return recovery rebate.

A lot of these folks are also entitled to the Earned Income Tax Credit and the Child Tax Credit. And if they do the Free File and put a return in and they are entitled to all three, they can get all three, whereas if they just use a Non-Filers portal, they would only get the EIP and miss out on what may be a much more significant amount.

In terms of the EITC and the audit rates, I would encourage people to look at our 2019 Data Book, page 34, table 17a, and let it run, look at all of it.

The hardline data is that we only audit—and it is correspondence audits—1.1 percent of the EITC claims, whereas for the higher income taxpayers, taxpayers over \$10 million, we audit 8.16 percent, \$5 to \$10 million, 4.39 percent, and \$1 to \$5 million, 2.39 percent.

Substantially, every experienced revenue agent is working a high-income taxpayer or our most egregious cases, which would be fraud cases.

So we are focused on that. We are required by IPERA to come up with the—oh, gosh, the word escapes me—but the improper payment rate associated with refundable credits. That is what causes the Internal Revenue Service to actually look at—have to look at 1.1 percent.

We do it in as polite a manner as you could think. We send out letters and we ask for information. It is a very complex situation.

We would love to work with staff on the Hill—I know this goes back to 1975—but to try to work out a less complex situation for EITC.

My personal reaction is those funds are getting to the right people. The roadway is a little complex. And I think this is the year that people really have an understanding to help others. It is our mutual responsibility to help these folks, and I think it is a privilege. And, collectively, we have the ability to change it.

Mr. QUIGLEY. And, again, we have to move on and make sure all our—

Mr. RETTIG. That was my shorter version of an answer. Sorry. I am trying.

Mr. QUIGLEY. Okay. Thank you.

Mrs. Torres.

Mrs. TORRES. Thank you, Mr. Chairman.

And, Commissioner Rettig, welcome to our committee and thank you for being here with us.

I am going to focus on not-for-profit organizations. I was disappointed to see a 501(c)(5) in my district, the Pomona Fairplex, abuse its tax-exempt status.

In addition to straying from its mission of horticultural enhancement, a 2016 report by the California State auditor revealed that the executive director was receiving over a million in compensation and excessive gifts, far above most other salaries for executives at similar organizations.

To be fair, he was not the only one. The top three executives were grossly overcompensated, and the board of executives received thousands of dollars in gifts, travel, which included fine dining and wine.

While the organization was audited and several changes were forced to avoid having penalties—I thank the IRS for that—the taxpayers, once again, absorbed the losses of previous years. This year, in the FSGG fiscal year 2021 report, I included language directed to the IRS to improve its oversight of nonprofits that do not comply with their tax compliance statuses.

So my first question is, what is the IRS doing to improve oversight of tax organizations, such as the Fairplex, that abuse their tax compliance status?

And my second question is that on February 17, the Treasury Inspector General for Tax Administration released an audit entitled “Noncompliant Activity by Exempt Organizations.” The audit found that the chance of a tax-exempt organization being audited is 1 out of 742. It also found that nearly 20 percent of tax-exempt organizations returns selected for examination were not examined.

So my second question to you is, why are organizations that were selected for examination not examined?

Mr. RETTIG. So those are the two questions, right? So on the first question—

Mrs. TORRES. Yes. How are you improving it and—yes.

Mr. RETTIG. On the first question, obviously, I cannot speak to specifics as to any taxpayer and whatnot.

I can tell you that we have a robust system in terms of identifying. And we get a lot of referrals from other parts of our agency. We get referrals from the outside. As you can imagine, also our employees read newspapers and magazines, and we see reports. And we get assistance from TIGTA. We get assistance from GAO. We get assistance from the Hill.

And our people appreciate the fact that we live in a country that has nonprofits and charitable organizations that provide a lot of social benefits that might otherwise not be provided or certainly might not be provided by the government and certainly not maybe to the level and quality.

So I can assure you that we look at these situations as you would hope. If you were sitting in my chair, I think you would be proud of what we are able to do.

To the question with respect to where we are not examining, I would draw the attention to the staffing and resources of the Internal Revenue Service in 2010 compared to many of the most recent years. We have to sort of pick our battles.

Unfortunately, a lot of the decisions we make are resource driven. We do use—my terminology—an empty police car. You see a lot of my speeches involve where we are going. I say be forewarned, we are coming here.

That doesn’t mean we are coming with a thousand agents or we are coming with a hundred agents, but we do have to have presence, I believe, in every community, which is defined by type of taxpayer, as well as income levels, as well always geographic and whatnot.

I will say that about 20 percent of tax-exempt governmental entities’ casework comes from the rest of the Internal Revenue Service, but that those sources, those referrals, if you will, generate about 40 percent of the examination results that are there. As much as we would like to do a full examination on every taxpayer that we select for examination, we have resource constraints.

Mrs. TORRES. I understand. I understand all of that, Commissioner. And I appreciate you coming forward and seeking more resources, because I do understand that you are understaffed, that you don’t have the manpower to do the job that you need to do.

But instead of targeting the core, what I am asking is, will the IRS commit to focusing more resources toward auditing, auditing organizations that are, you are absolutely correct, their purpose is to provide and offset services in our communities. But when the

only people that are primarily benefiting from these are their top executives or board of directors, where does it stop?

Mr. RETTIG. Yeah. I will say that the public wouldn't know whether we did or didn't touch an executive from an organization. Only if the executive actually took us to court, that is the first time it becomes public, so whether we did or didn't touch somebody.

And I will say, with respect to the returns that we might select for examination but not examine, we do reviews. So we make decisions out of the pool that we have of which would have the highest audit potential.

But people should not believe that we are not touching—this is not specific to the entity that you referenced. But we are doing our best, and I do not have resources to reallocate to this issue.

Mrs. TORRES. Mr. Chairman, I will yield back and wait for the second round.

Mr. QUIGLEY. Very good. Thank you.

Mrs. Kirkpatrick, who is always so patient.

Mrs. KIRKPATRICK. Thank you, Mr. Chairman.

And thank you, Commissioner.

I just want to follow up on the Congresswoman's line of questioning.

We appreciate the challenges that COVID-19 has presented to IRS, be that related to staffing and continuing operations or implementing COVID relief measures. But I really want to know what you are doing to ensure tax compliance among high-income individuals.

That is a top priority of mine. This is certainly a welcome development. But I would like to hear more about how you are doing that and how that is working out.

Mr. RETTIG. Yeah. I have probably said, in the past 2 years, I have probably said a hundred times I consider myself not only a service person with eyes and friends on the street, if you will, but also an enforcement guy. And a strong enforcement program and a strong enforcement and a visible enforcement program supports the compliant taxpayer.

The compliant taxpayers need to know that we actually have eyes on and are creating risk for the folks who do not comply, and particularly the higher income taxpayers.

During the past 2 years, we have created an Office of Fraud Enforcement, which is designed to actually bring fraudulent cases on the civil context and look and refer those cases for criminal investigation. It has been highly impactful. It is service-wide. That did not previously exist.

We actually this past year created an Office of Promoter Investigations, because it tends to be the higher income folks who get involved in abuse of transactions.

I think you can see a lot of information during the course of the past year with respect to our efforts on abuse of syndicated conservation easements, abuse of micro captive arrangements, virtual currencies, both domestic and foreign situations, and a lot of what you might consider to be aggressive taxpayer work.

We are using artificial intelligence data and analytics to go after folks in that regard. Our modernization program is 3 years in. In each of the first 3 years we received about half of the funding that

we requested. So we have had to pull funds. In order to stay on target, to the extent we can, we have had to pull funds in from other programs to get us there.

For high-income nonfilers, which is among the most abusive scenarios, prior to the pandemic, we did what we call revenue officer compliance sweeps, which is essentially just a revenue officer—a team of revenue officers showing up and knocking on somebody's door. We have information, but we also need the resources to be able to do this. We did a variation of the in-person ROCS during the pandemic, and we are continuing that.

I will say that during the pandemic, our People First Initiative, we pulled back and provided a lot of relief to taxpayers. We did not pull back enforcement efforts for higher income taxpayers. We kept the pressure on. It had to be in a virtual environment, as you would imagine, but we did not let up, and we did not let up on our behind-the-scene efforts to coordinate what we have.

So we have a high focus on high-income/high-asset individuals. And I will say, again, every experienced revenue agent that we have is on the higher income taxpayers and the abusive transactions, and we could use more experienced revenue agents.

We did have a hiring freeze from 2011 to 2018 which created a gap. I can't hire a revenue agent and then the next year have that person be, with 5 years of experience, trained to go out against the high-income taxpayer community. And also it takes our more experienced people offline to train the people that we do hire, and it becomes very difficult.

So staffing, taking a look at us and providing support in terms of staffing, funding for training, and overall funding, you guys have been great. The Appropriations Committee has been, I think, superb. I couldn't ask for more. And our people appreciate it. And keeping us in that lane, I think, would help.

We can be impactful, and we are working really hard to be impactful. There have been some noteworthy criminal cases.

We investigate tax crimes. Our Criminal Investigation Division investigates tax crimes. And we make the referral to the Department of Justice for prosecution. But we work very closely with the Tax Division of the Department of Justice, and we appreciate the relationships that we have. I have regular meetings with them on the criminal prosecutions. So we are engaged.

That is probably more than you wanted to hear.

Mrs. KIRKPATRICK. Thank you.

You know, on a very practical matter, when I was practicing law I did business law and tax law, and the auditors would just show up at the business.

Mr. RETTIG. Well, we are hiring, if you are looking.

Mrs. KIRKPATRICK. No, not right now.

But what kind of notice do you give these people that they are going to be audited? I mean, it was very stressful for my clients because the IRS would just show up on their doorstep and seize all of their records with no notice whatsoever.

Mr. QUIGLEY. We will let him answer this question, then we will move on to the second round.

Mrs. KIRKPATRICK. Okay. Thank you. Thank you, Mr. Chairman.

Mr. QUIGLEY. Certainly.

Mr. RETTIG. Yeah. I don't know about the cases that you had, but we do not just show up, we send letters. In part because of scams and everything else, we also don't place the calls to initiate an audit and all of that. But we send letters, and people are given 30 or more days. They schedule—you know, now it is virtual—but meetings with us.

I would like to talk to you about your experience at some point because if that was going on, it should not.

Mrs. KIRKPATRICK. Yeah. That was a long time ago, but thank you. Thank you for being sensitive to that. I appreciate it.

Thank you, Mr. Chairman.

Mr. QUIGLEY. Thank you.

Commissioner, we are going to try to wing through perhaps a quicker, shorter second round, so—

Mrs. LAWRENCE. I would like to go first.

Mr. QUIGLEY. Oh, I am sorry. They don't have your name on here. They didn't bring you back. I am sorry.

Mrs. Lawrence.

Mrs. LAWRENCE. Okay. Thank you.

Mr. QUIGLEY. I apologize.

Mrs. LAWRENCE. Okay. My question—thank you for this hearing—is that taxpayers continue to face frustrations of reaching a live representative seeking help from the IRS to ensure that they are complying with their tax obligation.

We know that the account management lines are only handling 14 percent of the calls, which is down from 61 percent.

What resources do you think are needed to improve the taxpayer customer service interactions with the IRS?

Mr. RETTIG. This, what we refer to as level of service, is very important to not only the Internal Revenue Service as an agency, but to the people of the Internal Revenue Service, the employees, and, obviously, to Members of Congress, as well as to taxpayers, represented and unrepresented taxpayers. The IRS needs to be able to answer the phones and coordinate things for people.

We have a lot of online and other processes. But at the end of the day, I think many people are comfortable with the ability to get somebody on the phone and have somebody say that.

Mrs. LAWRENCE. Do you agree with the 14 percent number, that that is all that you are answering right now, 14 percent of the calls?

Mr. RETTIG. No. We have different lines, so I would have—I can get you the actual statistics. We have different lines. We have 89 different toll-free lines. And so if you are looking at a certain one, it is going to be something.

But let me add that the percentages of our phone calls, every—you know, I like to ask people, not to you specifically, ma'am, but how many calls do you think the IRS and the IRS employees want to answer out of 10? The answer is readily 10. It is math at the end of the day that—

Mrs. LAWRENCE. But at the end of the day, how can we improve this number? Because that is the challenge. I am not questioning your loyalty, but I am questioning your efficiency.

Mr. RETTIG. I am with you, and I appreciate your question.

Every 10 percent increase in level of service is \$100 million. So we target—you know, we are now targeting for 2023. This is part of how we got into the situation of having our phone answering drop below 5 out of 10, which is the target.

We request 75 percent, the ability to answer 7.5 out of 10 calls. We got funded for 5 out of 10 for what is the current year. But that happened 2 years ago, that funding happened, which was pre-pandemic, which was pre-EIP 1, pre-EIP 2, and everything associated with the pandemic.

So we got funded to have a certain number of what we refer to as customer service representatives, which is 13,760.

We just brought on seasonals, which we refer to as CSRs, 3,800. We made a request for another thousand. But the math, for 20,000—it would take 20,000 CSRs to give us a 75 percent level of service, and it is dollars in.

And I am not allowed to take funds, if you will, from enforcement or op support and replenish and hire. And it takes us 3 months to train the average CSR to get them on line, and they do need to be trained—

Mrs. LAWRENCE. So are you asking for more funding? Because my objective is to increase that number. Fourteen percent is unacceptable. So what do you need to get there?

Mr. RETTIG. I would like to have our people have a discussion with you, and we can show the metrics to get us where we want to get, and we would greatly appreciate your support. I think you are on the right line here, and I appreciate it.

Mrs. LAWRENCE. So I have a minute left. I am going to ask the question about modernization. I think that leads to what I was just speaking about.

You collected \$3.5 trillion on the budget. IRS also relied on IT to process and disburse the Economic Impact Payments.

What critical IT investments are needed to fulfill the agency's critical role of supporting tax support for our communities?

And that goes back to probably my other question. Is it funding? Because we can talk about what is happening, but how do we make it better?

Mr. RETTIG. Funding. That is my shorthand and my longhand answer, it is funding. We do have our business modernization plan that is in its third year, and like I said earlier, each year we got funded for half of what we requested. It is a 6-year plan of \$2.3 billion to modernize.

We did get funding, CARES Act funding, that allowed us to be as agile as we were, that allowed us to on-board people during the pandemic. The pandemic moved very fast. It came out of nowhere. It hit the private sector as well as government agencies quite quickly. And, unfortunately, it hit us during the filing season, which made it more difficult. And then we inherited the EIP 1 and the EIP 2.

I would really appreciate the opportunity for me to sit with your staff and others, and we can provide you with specific information.

But at the end of the day, it is funding, staffing, and training, as well as some of the modernization.

And just to quickly give you something that is in my mind, which is we are going into this year with the concept of chatbots, where

people contact us online. One CSR can answer one phone call at a time.

And during the pandemic, I should add, our phone call time has gone to, like, 17 minutes from 12 minutes, because the issues are more complex and the people who call in want to talk, and we want our people to talk frequently. We are their only contact with the government.

But I will say in terms of chatbot, one CSR can handle one phone call, but they can handle four incoming on the chatbots. So the ability to leverage the people we have is also very important.

Mrs. LAWRENCE. Okay. I will definitely work with you to improve—

Mr. RETTIG. Yes, we will be in touch.

Mrs. LAWRENCE. Thank you. I yield back.

Mr. RETTIG. Thank you.

Mr. QUIGLEY. Thank you, Mrs. Lawrence.

And we are going to go through this lightning round where we are now asking folks to do 3 minutes. And we appreciate, Commissioner, you hanging on.

I know this is a lot about resources. One of the issues we have concerns about relating to that is the—you tell me if this number is right. We have 8.7 million unprocessed tax returns from the 2019 filing system. Is that accurate, roughly?

Mr. RETTIG. We have 6 million. They are all in process, so they have all entered the stream to be processed. At the end of the stream, they get what is called posted to the account.

So we have 6 million returns in process; 5 million of the 6 million, we have actually asked taxpayers for information, and we are waiting.

And I think you are aware, during the People First Initiative we extended the timeframe for people to respond to us, not that we deserve a pat on the back, for obvious reasons. It is during the pandemic. You know, mail and other things were slow.

But 5 of the 6 million got pulled out either because of an identity theft situation where we need the person to verify who they are, and we have two different online abilities, plus we have in-person abilities for people who are not comfortable dealing with us online.

Similarly, if we got a return and it is not consistent, which is the extent I can really go on this one with you for reasons—I can get more specific off—individually with all of you. But if we get a return electronically and it is not consistent with the information for a prior year return, it will kick out as maybe being an ID theft return. So we need verification on this is actually the person.

And then there are some that people needed to file an additional form with respect to some of the refundable credits. So we sent the forms out to individuals.

So all of those are in process.

Mr. QUIGLEY. Is this a typical—is this typical, the numbers that we are talking about, into the next year, that there is what you are describing, having this many returns still being processed, or, as you describe, a significant number waiting for additional information? Is this about average?

Mr. RETTIG. No. This is high for us. This is probably a few million high. I can probably get you a specific—a year-to-date specific on that. I probably have it on my desk here.

Mr. QUIGLEY. And I get that. So, in other words, I assume that this is something you prioritize going into the new year?

Mr. RETTIG. That is right.

Mr. QUIGLEY. And you also prioritize the 2020 returns that contain a Recovery Rebate Credit? Is that in your system?

Mr. RETTIG. Absolutely, absolutely.

Mr. QUIGLEY. All right.

Mr. WOMACK.

Mr. WOMACK. Thank you.

Real quickly, the 2021 Approps Act gave an additional \$400-plus million over 2020. Various COVID relief packages have given the IRS an additional \$1.3 billion, majority's reconciliation package about \$2 billion more.

Before your time, Commish, not too long ago, the IRS had some much celebrated—that is probably not the right word. There were some issues going on. Let's just leave it at that.

With this influx of funding, convince me that this money is going to be treated, as it should be, with the highest amount of respect, because, I mean, we are talking about a lot of additional funding. And I know when you throw a lot of money at the wall, some of it has the chance to be spent on things that are not necessarily all that important.

So help me understand how we are going to curb wasteful spending.

Mr. RETTIG. Yeah. I think you are aware I came on board because of some of the issues that you are talking about and my respect not only for the country but for tax administration. I did not come on board to go get my next dream job. I left my dream job with my best friends and moved to Washington, DC, with my wife in order to try to make things better.

We, and I, do treat the funds—one, we are very respectful and appreciative of the funds we do get. But we do treat these funds and understand that we are really the trustees of funds collected from taxpayers and others, and we are very specific as to where funds are spent and really efforts.

There is a difference—and I was aware of this on the outside, I am very aware on the inside—between having power and exercising that power. We don't have a lot of discretion in certain areas. But you should know—and I would be more than willing to sit with you and others one on one, virtually, or however people would want to do it, to go through the specifics of how we spend money.

We do not throw money over the wall just to see what would happen. We are accountable. I am accountable for it. We have a lot of people here who are accountable for it.

And it is very important to get us from where we are to, I think, where the American people deserve to have their agency. We are way beyond a tax administration, tax collection agency, and I think we demonstrated that this year. We provide a lot of services to the American people, and we are proud to do so.

And that is not to say that we are without mistakes. That is not to say that foot faults or others don't occur. I have 80,000-plus em-

ployees under a highly stressed situation in a pandemic where, with others, we were pushing our people very hard, continuing to do so. And sometimes when you swing for the fences, things happen.

But I did not come on board with the Internal Revenue Service to leave the agency at the end of my term in the scenario that it was when I got on board. That is not disrespectful to any prior commissioner. It is just, I think, collectively and with you and with others up on the Hill.

We want tax administration to be better. It needs to be transparent. And myself and others here are and need to be accountable.

So whatever controls people want—I gave an explanation I think a year or so ago, and I believe it was in front of your committee, that I am actually supportive of funding that comes our way, as long as it is multiyear.

But funding that comes our way—and I gave the example of people who build a house. And you go to the bank, and the bank doesn't give you \$500,000 day one to build the house. They give you money for the flooring, the structure, the drywall, the roofing, the paint as you go through it.

And I think Congress would be impressed if they saw how we dealt with our responsibilities for these funds. We would need to know that the funds would be there at the end of the day for our projects, otherwise we would pull up short, as you can imagine.

But your question is well received and appreciated. I am hopeful that we are quite respectful with respect to the funds we do receive.

And I should add, if we don't get something right you all should expect us to come up and tell you: We didn't get it right. You shouldn't be reading about it somewhere. And I think we have done a fairly good job of that, particularly during the pandemic. And we did not do everything right.

Mr. WOMACK. I appreciate your responses. Please share my thanks and appreciation to your team, and also for the service of your son who is in our great military.

Mr. RETTIG. Thank you.

Mr. WOMACK. Thank you so much. And I yield back.

Mr. RETTIG. I appreciate that.

Mr. QUIGLEY. Thank you.

We echo, the entire committee echoes the response, especially the added words to the service of your son.

Mr. Cartwright.

Mr. CARTWRIGHT. Thank you, Mr. Chairman.

Commissioner Rettig, I really liked Mr. Womack's questions, and I associate myself with them. We have to make sure that money is being spent well, if it is being spent at all.

We really identified in this hearing two areas where it looks like you need more money. Congresswoman Lawrence focused in on CSRs and how many of the phone calls are being returned and whether it is 14 percent or more.

But you came up with a very important metric that I wrote down. You need a hundred million dollar increase for every 10 percent of increased calls returned. I think that is helpful, and it is helpful in responding to Mr. Womack's questions.

But the other area is tax cheats, okay, and that is something Congressman Pocan talked about, Congresswoman Kirkpatrick talked about.

First off, the tax cheat number Mr. Pocan threw out, in excess of \$500 billion a year, is that a fair number, Commissioner?

Mr. RETTIG. Well, I think for that he is drawing off of the tax gap. And if you take the last tax gap we did for tax years 2011 to 2013, the net tax gap was about \$381 million—excuse me—\$381 billion per year of what is due but not paid and not reported. And people have extrapolated that into the present day.

Mr. CARTWRIGHT. Gotcha. Let me stop you there. I understand what you are saying.

And I prefer “tax cheats” to “tax gaps.” I think a tax gap is a euphemism. People that aren’t paying their taxes are tax cheats.

Here is what I want to know. Can you come up with a metric about how much additional money you need per every 10 percent of unpaid taxes that we want to haul in? Can you do that? That will help Mr. Womack in his question as well.

Mr. RETTIG. We will be with you—keep in mind, the tax gap is not individuals. It is how this metric is determined.

But let me also add what people are missing is 2011 to 2013 was the last study that we did. We are actually working very hard with our research inside to create a forecast to be able to go forward, because 2013 is not reflective of 2020 and 2021.

If you just think in terms of virtual currencies that did not exist in 2013 that are prevalent in 2020 and 2021 and that were designed essentially to be anonymous and stay off the radar screen, so if you think that part of the economy is compliant, we are all mistaken, and I think the number could be significantly greater.

And I will come to you, to all of you, with information about where we could use funds for enforcement. And, again, at the end of the day, it is systems, it is data, analytics, artificial intelligence. I have had a lot of communications in the private sector on those issues. It is also staffing and training.

And you are going to see something come up where we talk about the buckets. Unfortunately, sometimes we get enforcement money, and it goes into the enforcement bucket, but I can’t use 5,000 agents if I also in our op support budget can’t get phones and computers and whatnot. So sometimes we get funding for staff, but I don’t get the phones and computers.

Mr. CARTWRIGHT. Understood.

Thank you, Commissioner. That is helpful. Give us the metrics and we will help get you the money.

Mr. RETTIG. We really appreciate your comments and questions today, from all of you.

Mr. QUIGLEY. Thank you. And I remind everyone we are in the 3-minute round.

And I will move on to Mr. Joyce.

Mr. JOYCE. Thank you, sir.

Commissioner, I want to go back to the Recovery Rebate Credits. Many Ohioans have expressed confusion over who is eligible for the Recovery Rebate Credit. And I understand that eligible individuals who did not receive these credits as advanced Economic Impact

Payments may be able to claim the Recovery Rebate Credit on their 2020 return.

I know that many folks, such as those that were claimed as a dependent in 2019 but will not be claimed as a dependent in 2020, are hoping to claim the Recovery Rebate Credit when they file their tax returns this year.

Now that the season is underway, can you first discuss the process a taxpayer should go through to claim this credit on their 2020 return? And also comment on whether certain groups of people who did not receive an Economic Impact Payment but may be eligible to claim the Recovery Rebate Credit.

Mr. RETTIG. Keep in mind that the EIP 1 and EIP 2 were advance payments of the Recovery Rebate Credit, so everything trues up on the 2020 return.

If an individual was claimed as a dependent for 2019, but is not claimed as a dependent for 2020, that individual is entitled—the answer, yes—they are entitled to the return recovery rebate on their 2020 return. And I would suggest that they file that electronically and they do so as quickly as possible.

On IRS.gov we have a special Recovery Rebate Credit page that will walk people through the information. The 2020 return—which I am proud to say is actually in both English and Spanish for the first time in the history of the United States—the 2020 return has a return recovery rebate worksheet. And there is a specific page where they would enter one single number once they have whatever they got for EIP 1, EIP 2, and they would put the information in there. And the phaseouts were different for EIP 1 and EIP 2.

But we will do that calculation, and we will issue a notice and we will issue those credits. And they are refundable credits. People are entitled to those. And we are anxious to be able to get those back out to people as quickly as possible.

Mr. JOYCE. Great. Thank you.

Mr. QUIGLEY. Are you through, Mr. Joyce?

Mr. JOYCE. Mr. Chairman, yes. I will send back whatever little time I have remaining.

Mr. QUIGLEY. Well, we certainly appreciate it.

Mr. Bishop.

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

I would like to ask the Commissioner if he would speak a little bit about cybersecurity and identification fraud.

I think it was in December of last year that the Service allowed individual identity protection personal identification numbers relative to the cybersecurity and the ID fraud and impersonations.

Can you speak to that and to how well that has been received and if there is something that we need to do by way of getting information out to our constituents or whether you should do that, follow up on that?

Mr. RETTIG. We should both follow up on that. It is our privilege and responsibility to get this information out to the community. We can certainly provide some information that you can send out through your local offices to get out to people.

This is a very significant issue. We have been successful. From 2015 to 2020, the ID theft numbers, the victims of ID theft went from 1.4 million to 96,000. But it is still 96,000.

We saw a lot of frauds going on, scams and whatnot, during the pandemic. A lot of people felt that IRS and taxpayers were vulnerable and tried to take advantage of that. I think many of you saw it in the—the most visible was the people applying for PPP loans that didn't even have a business. But it happened at individual levels and it hit individual taxpayers.

So the Taxpayer Protection Program and the expanded IP PIN, we expanded the IP PIN nationwide where individuals can actually get a six-digit number to use in association with their Social Security number so that we know it is them.

The ID thieves tend to file early so that the refunds go out to them and the other individuals might file their return a little later, and refunds, as you know, would go out as returns are being processed.

So we would encourage folks to use the IP PIN. We would encourage folks to file early. I think so far this year we have issued about 5 million IP PINs. But I would appreciate the opportunity to get some information to you all and to others up on the Hill to be able to disseminate.

It has been a successful program, but the fact is it is still 96,000 people and we need to keep our eye on it. Each one of those folks will have a difficult year or 2 years if their ID gets stolen. So we look at the individuals who have the issues, not the ones that we have been able to avoid having the issues.

Mr. BISHOP. Thank you, Commissioner.

I yield back.

Mr. RETTIG. Thank you, sir.

Mr. QUIGLEY. Thank you.

Mr. Pocan.

Mr. POCAN. Thank you, Mr. Chairman.

Mr. Commissioner, I will ask two questions just so you have got a little more time with it.

Mr. RETTIG. I will try to be brief.

Mr. POCAN. I am sorry if I ask anything—I had to go to a concurrent hearing.

First of all, there was a Treasury Inspector General for Tax Administration report about the credit and debit card companies and other third parties that verify income for individuals and businesses, and they talked about the enforcement on that. It looks like there were 300,000 business taxpayers with over \$335 billion in income who the IRS knew should have filed tax returns but they failed to do so.

Just wondering, as you collect the 1099-K information in order to ensure the accuracy of what taxpayers voluntarily report, why aren't we using that information to narrow the tax gap and what changes you might be looking at based on that report?

And the second question—and I don't know if you addressed this—is will the IRS be extending the filing deadline this year?

Mr. RETTIG. On your second question, we are looking at extending the filing deadline. But understand that there is a lot of confusion for taxpayers when we do extend the filing deadline. Presently we don't see a need to extend the filing deadline. Individuals can get an extension to October 15. And what happened to us last year when we extended into July.

So in terms of the filing season, we have no present plans to extend the filing season. Keep in mind, it creates a lot of confusion for taxpayers. It also backs up the Internal Revenue Service. As many of you know, for over a month we actually shut down our system to import stuff from the prior year so we could have a smooth filing season in the succeeding year.

And so we have our eyes on it. We are aware of it. We are aware of people who are asking for it. But I will say that the private sector, I probably know several thousand accountants on a first name basis, and the private sector went into tax season by the second week of January. They are well into it.

The real concern for folks is really the people who get refundable credits, EITC, CTC, and I think we did a good job of messaging that, although we opened on February 12, we—

Mr. POCAN. Gotcha. Mr. Commissioner, in the remaining 30 seconds, on the 1099-K reports.

Mr. RETTIG. 1099-K reports, we have our eyes on it. A lot of times the reports that you see from TIGTA are more in the vein of a Polaroid snapshot, not of a movie. And we operate in a movie, so if we didn't get something completed by the time that they are there.

We can get back in touch with you, but rest assured we have our eyes on it.

Mr. POCAN. Should I yield back my 3 seconds?

Mr. QUIGLEY. You can keep them.

Mrs. Torres.

Mrs. TORRES. Thank you, Mr. Chairman.

Commissioner, I know you have covered this a little bit, but I might have missed some of it. You mentioned that the IRS has dealt with a 20 million backlog, but there have been reports that refunds from last year are still unprocessed.

An issue that my office, my district office, has been dealing with is that many of my constituents filed paper tax returns, and when filing amendments to their taxes they have waited over 6 months without a change to their tax status.

When pressing the IRS liaisons for more information, they were told that the backlog was so burdensome that there were trailers full of paper returns just languishing without any attempt to address the problem.

Can you tell us a little bit about that and what you need to ensure that this backlog is completed and behind us?

Mr. RETTIG. There were trailers in June. There are no trailers today. We are current on our mail backlog.

And then in terms of returns, we have 6 million returns in process. So we have identified the returns. We have started moving them through the system.

Of the 6 million, 5 million require additional information, whether it is verifying the taxpayer's identity, whether it is verifying that that return actually is consistent, which is different than ID verification. For people with some of the credits there were forms missing, so there was outreach to get the forms.

What I would suggest is we separately set up a call with your folks, get whoever you have that you are not getting responses to. I will get on the call with our key people, and we will go through

your people, make sure that you have the authority for us to actually talk about the people.

But we will do the calls. We have done quite a bit of those. And we want to make sure, one, that we serve you, but also that we serve your folks and that we get it right.

So I will be available, and we will coordinate that.

Mrs. TORRES. Thank you.

And I yield back, Mr. Chairman.

Mr. QUIGLEY. Thank you.

Mrs. Kirkpatrick.

Mrs. KIRKPATRICK. Thank you, Mr. Chairman.

And thank you, Commissioner.

I just have a follow-up to my previous question. Do you have an estimate as to how much tax revenue is lost due to lack of enforcement, especially from high-income individuals?

Mr. RETTIG. The only estimate—and I don't subscribe to this estimate—the only estimate that is out there publicly is the tax gap number. The tax gap number was based on 2011 to 2013, and it doesn't include certainly the whole virtual currency world, which has a market cap of about a trillion dollars a year. And virtual currencies are designed to sort of be off the radar screen, if you will.

So we believe that the numbers that are out there are not reflective to reality. The net tax gap for 2013 was \$381 billion per year. If you gross that up, like people have said, it is 521.

I didn't know if I was out of time. I heard something.

Mr. QUIGLEY. No, you are fine.

Mrs. KIRKPATRICK. Thank you, Commissioner. I just want to thank you and all your employees. This is a tough time, and I just appreciate all the work that you are doing. It is so necessary, and I just want you to know my personal appreciation for what you are doing.

Mr. RETTIG. We appreciate your comments. And our people do watch these hearings, and they critique me. I get a whole bunch of emails—you didn't do this, you didn't do that. But your comments and the comments of everybody on the committee, I can absolutely verify and confirm, go well to our employees. And our people work really hard.

Mrs. KIRKPATRICK. They do.

Mr. RETTIG. And it is inspiring to be with our people, I have to tell you.

Mrs. KIRKPATRICK. They do work really hard, and I thank you for that.

One more question. In your view, would increasing funding for tax enforcement, especially on the wealthy, increase overall revenue for the Federal Government?

Mr. RETTIG. Enforcement is a component of compliance. And so we need to increase what we are doing on the front end in terms of guidance and related, as well as enforcement. So the two go together.

Most people file a return and try to get it right. I am incredibly proud that during 2020, during the pandemic, during the EIP 1, during the EIP 2, and the rest, is that we actually came up and for the first time, I mentioned earlier, have a tax return for 2020 that is going to be in English and Spanish.

We have a Schedule LEP that allows the individual to check 20 different boxes of what language they want us to interact with them. Our translation services for folks who call in on the phones is in 350 different languages.

That is part of it as well, because the communities that want to get it right, we need to help them get it right, and getting in language is very important.

A lot of people are bilingual, but they are not tax bilingual, and so being able to communicate with them in language, on writing, online, and whatnot, is very important to us. And that helps the front end, which helps the voluntary compliance rate.

And the enforcement, us being out there on the streets, enforcement happens by audits, but we get there often by modernization, which is our use of data, analytics, and artificial intelligence.

So it is staffing, training, modernization, and guidance, and it goes together. We must support the people who are trying to get it right, and we must go after the people who really are working against us and remain noncompliant.

Mrs. KIRKPATRICK. Thank you. Thank you so much.

I represent a southern Arizona district that borders Mexico, and so many of my constituents speak Spanish, and many of them only Spanish. So I appreciate your efforts in that regard, I really do.

Thank you.

Mr. RETTIG. You may know, and I think other members of the committee know, not only was I proud of my son—and I do appreciate that. And I am sure he is going to watch and think that he was the star of your guys' comments. But much appreciated, not just for him but for all of the military people who are serving domestically and around the world. They and their families give up an awful lot.

But the second part, in terms of languages and such, I am not only proud to be the first commissioner whose son or daughter is Active Duty in the United States military, but I am also the first commissioner whose wife came into this country as a refugee. And my in-laws live in Little Saigon in southern California and are not fluent in English.

So we have a line of sight, if you will, to the curves, and I very much appreciate it. My nephews live in Arizona, and I very much appreciate it. And growing up in Los Angeles I understand Spanish fluently, and I can speak Spanish fairly decently.

Mr. QUIGLEY. Well, thank you, Mr. Pocan.

Thank you, Mrs. Kirkpatrick.

Mrs. KIRKPATRICK. Thank you.

Mr. QUIGLEY. I want to afford the ranking member an opportunity to close if he wishes.

Anything you want to add, sir?

Mr. WOMACK. No. Look, I appreciate the Commissioner for his responses today. He has been very thorough in everything that he has been asked.

And now that we know that we have got a lot of IRS people that are on the call, I want them to know how much we deeply appreciate their responses as well—or their work as well—under very adverse circumstances, as I said in my opening remarks. And we truly appreciate it.

And thanks for the hearing. And, Mr. Chairman, I am going to yield back my time.

Mr. QUIGLEY. Thank you.

Mr. RETTIG. Thank you.

Mr. QUIGLEY. We are about to conclude today's hearing. I would ask any members who have additional questions to submit them in writing.

And, Commissioner, we ask you to respond in a timely manner if they come in. And, again, we appreciate your generous time today and your candidness and the great work you do and all those who work with you at the Service.

With that, the committee stands adjourned.

WEDNESDAY, FEBRUARY 24, 2021.

**THE JUDICIARY'S BUDGET REQUEST FOR FISCAL YEAR
2022**

WITNESSES

HON. JOHN W. LUNGSTRUM, CHAIR, JUDICIAL CONFERENCE COMMITTEE ON THE BUDGET

HON. ROSLYNN R. MAUSKOPF, DIRECTOR, ADMINISTRATIVE OFFICE OF THE U.S. COURTS

Mr. QUIGLEY. We are called to order.

As this hearing is fully virtual, I want to refresh everyone on a few housekeeping matters. It has been 22 hours since our last hearing, so I am sure some of you might have forgotten.

For today's meeting, the chair or staff designated by the chair may mute participants' microphones when they are not under recognition for the purposes of eliminating inadvertent background noise.

Members are responsible for muting and unmuting yourselves. If I notice that you have not unmuted yourself, I will ask you if you would like the staff to unmute you. If you indicate approval by nodding, staff will unmute you.

I remind all members and witnesses that the 5-minute clock still applies. You will notice the clock on your screen. It will show how much time is remaining. When your time is expired, the clock will turn red, and I will recognize the next member.

Finally, House rules require me to remind you that you have set up an email address to which members can send anything they wish to submit in writing at any of the hearings and markups. That email address has been provided in advance to your staff.

I will keep my opening statement brief so we can get right to questions.

This morning, we welcome the Honorable Roslynn Mauskopf, the newly appointed director of the Administrative Office of the U.S. Courts—welcome—and the Honorable John W. Lungstrum—chairman of the Judicial Conference Committee on Budget, to testify on the Judiciary's fiscal year 2022 budget.

I would like to start this hearing by talking about transparency. At a time when faith in our institutions is at an all-time low, government transparency is critically important. From my years in the courtroom, I believe that the greater public access to Federal courts increases accountability in the judicial system and, in turn, strengthens transparency and helps restore faith in our democracy.

I am pleased that the Judicial Conference has expanded their policies to live stream audio in circuit courts and selected proceedings in civil cases. And, in March 2020, the CARES Act authorized the Judiciary to live stream video for specific criminal proceedings.

These are all steps in the right direction. However, I am concerned that these measures are seen as a temporary fix to continue judicial operations during the pandemic. I wish to encourage the Judicial Conference to explore the benefits of permanently expanding its live-streaming policies, creating more ways for the American people to view and understand our democracy in action, and it is absolutely critical to our success.

Turning to the reason for this hearing, the budget, we appreciate the submission of your fiscal year 2022 request, totalling 8.1 billion. I have long been an advocate for ensuring the Judiciary is properly funded. Sufficient funds for our judicial system should not be a partisan issue.

I look forward to discussing how the requested funding supports the Judiciary's priorities. I am interested in learning more about the defender program in light of last year's Supreme Court decision that has referred a substantial number of State cases to Federal prosecutors, thereby flooding the Federal Defender system.

And I would like to learn more about the progress made on improving workplace misconduct procedures at the Judiciary and on standing up a robust new Office of Judicial Integrity. I know this budget was prepared close to 2 years ago when the thought of teleworking was a novel idea and not a necessity, so I hope we can use this time today to discuss evolving IT needs.

We also need to talk about physical security needs and any necessary supplemental funds. Just as it did for the legislative branch, the insurrection on the Capitol on January 6th raised some serious concerns about the safety and security of our hardworking judges and staff and physical security needs, in and outside the courtroom, as we saw with the tragic shooting at the Federal judge's home in New Jersey.

Once again, I thank you for joining us this morning, and look forward to your testimony.

I now turn to our ranking member, Mr. Womack, for his opening remarks.

Mr. WOMACK. Thank you, Chairman Quigley.

Judge Lungstrum and Judge Mauskopf, thank you for appearing before our subcommittee today.

The rule of law is the bedrock of American society. Our Founders wisely designed our judicial branch to protect our constitutional rights, and both faithfully and impartially uphold justice for all.

An independent Judiciary that holds the trust and respect of our citizens that can resolve criminal, civil, and bankruptcy disputes in a fair and expeditious manner is fundamental to our Nation. In addition, each year, the Judiciary's Probation and Pretrial Service officers perform a critical public safety mission by supervising over 200,000 offenders and defendants living in our communities.

I know that the COVID pandemic has had significant impact on court operations. In the midst of great uncertainty, judges and court staff have worked diligently to continue the work of the American people.

Regarding the Judiciary's budget request, I will work with Chairman Quigley to ensure you have the resources needed to accomplish your important mission. However, let me say that, with a national debt approaching \$28 trillion and certain to grow exponen-

tially in the future, I believe this committee must take a careful look at all Federal spending and responsibly reduce expenditures where we can. And, where we can't, we have got to make sure that we are completely accountable.

We have a moral obligation to future generations to get our fiscal house in order. That will certainly mean making some tough choices and discerning carefully between the wants and the needs of the Federal bureaucracy. I appreciate the important work the Judiciary performs, and I look forward to your testimony.

And, Chairman Quigley, I will yield back the balance of my time. Mr. QUIGLEY. Thank you, Mr. Womack.

And we now turn to our witnesses. Without objection, your full written testimonies will be entered into the record. With that in mind, we would ask you to please summarize your opening statement in approximately 5 minutes.

We will start with Judge Mauskopf's statement.

Judge MAUSKOPF. Thank you very much, Chairman Quigley.

And, to you, Chairman Quigley and Ranking Member Womack and to the members of the subcommittee, I am pleased to appear before you today for the very first time as director of the Administrative Office of United States Courts, a position I assumed only 3 weeks ago.

I have been a district judge in the Eastern District of New York for over 13 years, serving as chief judge for the last year. I have been in public service for over 38 years and look forward to continuing that service in my new role as director.

I am here today to present the Administrative Office's fiscal year 2022 budget request, which totals \$100.3 million, and it is discussed in detail in my full written statement.

These funds will enable us to continue our work facilitating national programs and policy processes, and supporting courts, probation and pretrial offices, and Federal Defender organizations around the country.

Some of our recent accomplishments include supporting the branch's response to the COVID-19 pandemic, improving policies and procedures relating to workplace conduct, and furthering efforts on diversity and inclusion in our branch.

I also serve as the secretary to the Judicial Conference, and, in that role, I offer my support for the budget request of the entire branch and ask for the subcommittee's assistance on a few Judicial Conference priorities beyond the Judiciary's budget.

The first of these requests is the continued extension of eight temporary district judgeships whose authorizations would otherwise expire in 2022. In the absence of a comprehensive Article III judgeship bill and to avoid significant disruptions and workload burdens that would follow from the loss of these temporary judgeships, this subcommittee has worked with us to extend them in your bill each year, and we are grateful for your past support for these extensions and continue to ask for that support in fiscal year 2022.

The second Judicial Conference request is the provision of the necessary resources to the General Services Administration so that they can execute the Judiciary space priorities adequately. In fiscal year 2022, those priorities include funding for a capitol security

project in Augusta, Georgia, and the construction of a courthouse annex pursuant to a judicial space emergency in San Juan, Puerto Rico.

We also seek the continued funding of two new courthouses and sufficient repair and alteration funding to begin addressing GSA's backlog of deferred maintenance projects at Judiciary occupied facilities.

The final Judicial Conference request relates to judicial security. And, as Chairman Quigley noted, 7 months ago, an aggrieved litigant murdered the son of U.S. District Court Judge Esther Salas and critically wounded her husband. This incident came amidst a trend of rising threats against judges, as well as sustained civil unrest and several violent incidents occurring at or near Federal courthouses.

Focused on the need for urgent security upgrades, the Judicial Conference approved and transmitted to Congress last summer a number of proposed improvements and included both authorizing legislation and a request for additional funds for the Marshals Service and the Federal Protective Service to better protect judges both in and outside of the courthouse. We have made progress on several of these items and hope to build on it this year.

And, while these improvements are largely outside your jurisdiction, we would still value your support as we pursue them with the relevant subcommittees.

And, finally, we have also identified additional resource needs in the Judiciary's court security appropriation following lessons learned from the January 6th assault. These requirements came too late to be included in our fiscal year 2022 request, but we hope to work with you going forward to find a way to address them.

Let me again thank you, Chairman Quigley and Ranking Member Womack and all of the members of the subcommittee for your ongoing support of the Administrative Office and the entire judicial branch. And, as you make the difficult choices to apportion the resources at your disposal, I would ask that you keep in mind the unique constitutional role of the Judiciary and the importance of its effective functioning to our democracy.

Thank you very much for the invitation to testify, and I would be happy to answer questions.

Mr. QUIGLEY. Thank you, Judge. Three weeks. We welcome you. We want a full report on those 3 weeks.

Judge MAUSKOPF. It has been an honor. It has been a real honor.

Mr. QUIGLEY. In the meantime we are glad you are here.

And we now—we would like to hear from Judge Lungstrum.

Judge LUNGSTRUM. Thank you.

Chairman Quigley, Ranking Member Womack, and members of the subcommittee, I am pleased to appear again before the subcommittee, this year to present the fiscal year 2022 budget request of the Federal Judiciary.

I am a senior judge in the district of Kansas, but I am appearing today as chair of the Judicial Conference Committee on the Budget. I will briefly summarize my prepared testimony about our discretionary appropriations requirements and our long-standing cost containment program.

I would like to begin by thanking the subcommittee for its strong and consistent support of the judicial branch. We are particularly grateful for the funding we received in the fiscal year 2021 omnibus appropriations bill. We know that you had many difficult decisions to make in constructing that bill, and we appreciate how we came out in all of that.

Like other institutions throughout the world, the operations of the Federal Judiciary continue to be significantly disrupted by the COVID-19 pandemic. Most Judiciary personnel are teleworking, many grand jury proceedings and jury trials have been postponed, civil litigation has slowed, courts and Federal Defenders are using video and teleconferencing technology for criminal and civil proceedings, and probation and pretrial officers are using innovative approaches to supervise offenders released from prison and defendants awaiting trial.

The judicial branch has more than 33,000 dedicated professionals, like public- and private-sector workers everywhere really, continue to perform their duties admirably during this period of great uncertainty.

Although the impact on the nature of our workload has been significant—for example, filing of new criminal cases were down 11 percent, filings of bankruptcy cases were down 12 percent, and appointed counsel representations in our defender services programs were down 19 percent, commensurate with that decline in the filing of new cases—

Not only do we anticipate the workload in these areas will rebound in 2021 as we continue to adapt our processes to keep dockets moving and as vaccinations become more spread—more widespread, allowing a gradual return to normalcy, but also certain pandemic aspects have created additional work that fill in some of those holes.

In addition to the challenges of estimating workload during an ongoing pandemic, there is also a new administration. His prosecutorial policies and other criminal justice and immigration policies, which will directly impact the Judiciary's workload, have not yet been fully implemented. Despite these uncertainties, we have endeavored to submit a budget request based on the best information available to us at this time. As new information becomes available, we will advise the subcommittee in a budget re-estimate of any changes to our fiscal year 2022 appropriations requirements.

The Judiciary's fiscal year 2022 request of \$8.1 billion in discretionary appropriations represents an overall 5.2 percent increase above fiscal year 2021. Nearly 85 percent of the requested increase is required just to maintain current services; in other words, the inflationary and must-pay adjustments to our budget needed to maintain current staffing and service levels in the courts and Federal Defender offices.

One example, of course, is a 4 percent rent increase from the General Services Administration, which amounts to approximately \$38 million, over half of which is to pay for enhanced cleaning of courthouses as a result of the pandemic. This is a cost we must pay.

The remaining 15 percent of our requested increase is for targeted enhancements. We are seeking \$29 million for additional

staff in district courts, probation offices, and Federal Defender offices to address projected workload increases.

We request \$13 million for courthouse security improvements and additional security officers. Three million dollars will fund six additional magistrate judges and related costs, \$9 million is to ensure courts have the latest IT firewall technology, \$2 million is to restore funds for in-person training programs for judges and court personnel, and \$5 million is for other initiatives, including further strengthening our risk management and contracting and procurement programs.

Finally, I want to emphasize the high priority we placed on cost containment. As detailed in my written statement, we have achieved significant savings by reducing space, requiring each judicial circuit to offset new space needs with reductions elsewhere. And, through our partnership with GSA to address cost and service issues, we continue to expand the sharing of administrative services to resist duplication.

And we are also achieving significant savings by promoting electronic noticing to litigants in bankruptcy cases instead of mailed notices. And we are looking at lessons learned from the pandemic for economies and process improvements that may be viable for the longer term. For example, a greater reliance on video conference for meetings and conferences and perhaps to reduce travel time for defenders and appointed counsel.

Again, thank you for the opportunity to appear today and for your continued support of the Judiciary. I ask that you make a part of the record my statement and the statements provided by other Judiciary entities on whose behalf we submit requests.

And I would, of course, be pleased to answer any questions the subcommittee may have.

Mr. QUIGLEY. Without objection. Thank you, Your Honor.

Judge Lungstrum, can you tell me a little bit more about your thoughts on the Judiciary's progress for bringing video and live-stream audio into the courts and their help in creating additional transparency? We have seen some progress, but obviously a lot of that seems to be that which was necessitated by the pandemic.

Judge LUNGSTRUM. Yeah. I think Judge Mauskopf can speak to that in an overarching way better than I can actually, so if you don't mind Mr. Chairman I—

Mr. QUIGLEY. However you want to split it up is fine with me.

Judge LUNGSTRUM. I have got to lateral this one over to her.

Judge MAUSKOPF. I am happy to address that. Thank you, Judge Lungstrum, and thank you for that question.

The transparency and openness is one of the hallmarks of our democracy and of our Federal courts. And, during the pandemic, our courts have made remarkable efforts to continue public access and transparency by using technology.

We have been conducting—all of the Courts of Appeals have been live-streaming their arguments. District courts have been live—have been providing audio access to civil proceedings and, through the CARES Act, both audio and video of certain criminal proceedings.

So we have learned a lot, I think, both good and not so good. We need to take that information, but we need to really explore how

we can continue to use technology to bring public access and transparency.

There are lots of things that I think we need to address based on our experience. There are technological challenges. One of the things we have—courts have very quickly stood up access, and not everyone is using the same types of technologies, and not all technologies work as well.

There are resource constraints and budgetary impacts that need to be considered, I think not just on our end, but there—we have encountered executive branch issues in that realm.

We also have to recognize that, during the pandemic, we have been operating with a bit of a reduced caseload, and we have been conducting limited proceedings.

So how our experience during the pandemic will translate into the future use of technology, I think, is something that we will explore and see where it takes us. And we do need to ensure that, whatever we do, whatever practices we employ, they don't interfere with the proceedings, they don't undermine the integrity of those proceedings, and always ensure the fairness of those proceedings.

Mr. QUIGLEY. No. And I understand that. I guess the next question would be: Is there anything that has happened during the pandemic, during the streaming that we have seen, that would make you say, "Well, we can't do this when the pandemic is over"? I mean, are they going to continue at least where we are at this level?

Judge MAUSKOPF. So I think, at the trial level—and this really comes from my experience as a chief judge. I took over, again, a few weeks before the pandemic hit. So my timing is never good on these things. But there are real challenges. Proceedings take a lot longer. Judges—because of the limitations at the Bureau of Prisons, while we may be saving—

Mr. QUIGLEY. It may take longer anyway because of the pandemic, not just—not because of the streaming?

Judge MAUSKOPF. Well, I think they take longer because of the technological challenges. People don't always tune in right away. The Bureau of Prisons has challenges producing defendants to the room, sometimes the single room where the video is located. The Bureau of Prisons has severely limited in many districts the type of technology that can be used, so that there are ways that we may be able to employ technology to save time, to save resources. But we really need to think about what has worked and what hasn't worked during the course of the pandemic.

Mr. QUIGLEY. You know, I—look, I say this with the greatest respect. Everybody on this side of this hearing is—during most committees and certainly when we are on the floor, everything we say and do is shut out, and the beauty of our democracy, works as all, is that transparency. So I just stress that it doesn't always look good. The trains don't always run on time, but it is still important.

So we would like as much information from all of you as we can so that we know what you need—what resources you need to move this forward rather than hear respectfully that it can't be done. But I appreciate your answers.

And we now turn to the ranking member, Mr. Womack.

Mr. WOMACK. Thanks, Mr. Chairman.

I am going to lead with a question on Probation and Pretrial Services, and I am going to throw this open to either of the two witnesses that we have today.

Specifically interested in how this pandemic has affected our probation and pretrial service programs, and here are the two or three pieces of this question: How has the pandemic impacted their ability to help offenders, because we have a couple of hundred thousand of these that we supervise? How is the pandemic affecting basic things, like housing, job training, employment opportunities? How has the pandemic impacted the ability of offenders to receive necessary drug and mental health treatment, which is huge?

I have a question about recidivism rates. How have they been impacted during the pandemic, and how has the cost of providing effective supervision changed during the pandemic?

So there you have a menu of several questions under this umbrella of pandemic impact on our system of Probation and Pretrial Services, and I am going to just allow both of you if you care to, or either of you to comment on those questions.

Judge LUNGSTRUM. Well, I will lead off, Ranking Member Womack, and the director can jump in whenever she feels appropriate, of course.

But the pandemic has had a definite impact on the way Probation and Pretrial Services have to manage their work load. Much of what, prior to the pandemic, was an in-person function, going out to people's homes, or bringing people into the courthouse or wherever the probation office may be located to meet with officers. Individual drug treatment, individual mental health treatment, things like that that might be taking place in group settings, all involve interaction with people.

And, because of the—what has resulted from the pandemic, that has all had to be changed, and it has created quite a difference.

Probation offices now are trying to minimize in-person contacts by using such things as individual drug treatment or individual mental health treatment instead of group. Of course that is more expensive to do it that way.

They have had to do more, like, interaction by FaceTime or Zoom or some other virtual process to deal with offenders, which has its own challenges to it, including utilizing the defenders themselves sometimes to install monitoring equipment and that kind of thing to eliminate the interpersonal contact.

So it has had a big impact, and it has had a cost element to it, especially—the best illustration of that is changing from group to individual drug testing.

As you point out, most of the folks that come out of the penitentiary have been there with underlying drug or mental health issues, in my experience, and I have been doing this for almost 30 years. And so, therefore, in the post-release supervision world, addressing those issues is the most important thing perhaps for getting people on the right path to not re-offend.

Another component of that also is often we find that folks really have not developed the same, shall we say, world view, moral compass, whatever, and so such things as moral recognition therapy, where people are taught one on one often, or in group settings about just the right way to behave and who not to hang out with

and all of that sort of good stuff. Again, the way in which that is conducted has to be different.

I think it is too early to say what the impact on recidivism may be. I certainly have not seen individually myself any increase in revocations of supervised release that I think are in any way related to the change in doing business during the pandemic. But it is really too soon probably to know whether there is going to be any long-term increase.

We are very proud of our work, and ability to have brought recidivism down. We have a better record than the State courts generally, a decrease of somewhere between 4 to 7 percent from what would otherwise be expected of folks.

And we are dealing with a higher-risk population these days that are coming out. One of the things that has been done, both because of the pandemic and for cost containment, has been to terminate supervised release for low-risk offenders early. That of course means the mix of the population is higher risk.

And, as more people have come out in the higher-risk category as a result of such things as the Fair Sentencing Act, the First Step Act, and so forth, that has increased the criminal history categories and the complications for supervision of the population.

So there is a bit of a wait and see here to that process.

Mr. WOMACK. Totally understand. I know I am out of time, but this recidivism issue, I think, is something that we need to really pay attention to in the ensuing months and years once we are—we have got the pandemic in our rearview mirror.

I will yield back.

Mr. QUIGLEY. Thank you, sir.

Mr. Cartwright is recognized.

Mr. CARTWRIGHT. Thank you, Mr. Chairman.

And I want to welcome Director Mauskopf and mention what a wonderful thing to have the first woman head of the AO and to have you testifying before us within your first 3 weeks. They are already putting you through your paces, I can see. Congratulations on that.

I notice that you come from the storied Eastern District of New York, and a lot of great judges came out of there. Congratulations for that.

One of my favorites was Jack Weinstein, who wrote Weinstein's Evidence, a treatise that I relied on for 25 years of Federal court practice and trials. And I think that may be what is—what connects the two of you, Judge Mauskopf and Judge Lungstrum. Judge Weinstein retired, and he lives in Kansas. Is that right, Judge Lungstrum?

Judge LUNGSTRUM. Well, he is from Wichita, Kansas originally, but I didn't know that he had come home, honestly, but he is a Kansan by birth, of which we are very proud, of course.

Mr. CARTWRIGHT. Of course. All right. Well, I want to jump into the issue of security.

As you both know, we got a rude awakening here in Washington about the importance of security for public officials on January 6, and I dare say you saw that on television. It is something that doesn't stop with legislators, though. It includes the Judiciary.

And here is what I want to ask. And, Director Mauskopf, I am going to invite you to answer these questions in whatever order you want to take them.

Without disclosing any specific security measures you have already taken, what would you say your biggest concerns are regarding the personal safety of the judges, as well as of court staff?

What are your biggest concerns regarding the safety of court buildings and offices? Are there any immediate steps we can take better to protect the courts? And how do you envision the Judiciary changing better physically to protect those in the court system?

Judge MAUSKOPF. So thank you very much, Representative Cartwright, for that question.

Security is one of our biggest priorities, as it is for so many of us. I think the key—a key issue for judges is the fact that their personally identifiable information is readily available on the internet. And we saw what can happen in the tragic events with respect to Judge Salas and her family when that information can be accessed and, indeed, weaponized by a disgruntled litigant or someone that has some reason to target a judge or even a member of our court staff.

And the legislation that was proposed last summer, which had very broad bipartisan support, focused on efforts to try and remove personally identifiable information—PII, as it is known—in order to prevent or help prevent these types of attacks. Of course you will never be able to prevent entirely these types of incidents, but removing PII is a key aspect of prevention.

There are other—there are resources necessary also within the Marshals Service. Some have already been given to the Marshals Service to enhance their ability to assess threats and react to threats. But one of the things that would be critical is to stand up a resource within the Judiciary itself to help identify that information that is out there on the internet, to educate judges better. And one of the things that we have proposed and that we seek is a resource to proactively monitor for online threats made against the Judiciary.

There has been additional funding provided for home-intrusion detection systems at judges' homes. There are things that we need to do to harden the perimeters of buildings. And, actually, protection of buildings is actually protection of judges, court staff, and everyone who uses our courts.

And so we are hopeful that we can seek upgrades through the Federal Protective Service to the camera systems outside. We have identified since January 6th some additional resources that would be helpful to hardening the perimeter. Many of our courthouses have glass fronts and screening areas that are set back from the entrance to courthouses, mine included, and we have always been concerned about malicious actors or large groups breaching the front of the entrances to our courthouses.

Of course additional marshals, funding for additional marshals in the marshals budget can also go a long way to helping with all of the issues that we are concerned about and that—we share those concerns.

Mr. CARTWRIGHT. Well, good. We can talk further offline about things you don't want to be public.

And, with that, I yield back, Mr. Chairman.

Mr. QUIGLEY. Thank you.

Mr. WOMACK. Mr. Amodei is next, but I understand he isn't currently with us, so if it is all right, I suspect you would like us to move on to Mr. Stewart?

Mr. WOMACK. I see Amodei—oh, he is on—he must be on another hearing, so that is what the problem is. Okay. Yeah, we can move on.

Mr. QUIGLEY. I just want to make sure I don't skip him if that is not the case.

Mr. WOMACK. Well, I am looking at him, sadly, but I think he is on another hearing, so—

Mr. QUIGLEY. Okay. Then we will move on to Mr. Stewart.

Mr. STEWART. All right. Well thank you all.

And you know what? As a sidebar, I will note something that I saw yesterday on this hearing. As Mr. WOMACK so graciously tried to yield to me, I was actually traveling in my car at the time, and it turned out Webex mutes you and turns off your video if you are moving. So, if any of you have that experience, don't try to log in while you are driving. It won't work. You can listen, but you can't participate. So I am glad I am just sitting in my office today.

To all of our witnesses, thank you. Much has been said so far about security. I don't want to ask a question regarding that, because I think you have answered that, and we have emphasized that.

I would like to say, though, I do have some personal experience with this. One of my brothers is a U.S. Federal judge. It has been something that he has been concerned about, you know, as all of you have been for quite some time.

I could review the list of those who have been assaulted or, in some cases, killed who are associated with our Judiciary over the last year. And much has been said about security here at the Capitol.

I would just like to emphasize that security of our Judiciary is equally important, and it is just not getting the same degree of attention, and I think it should. And part of that is making sure that you have resources to provide that security that our U.S. marshals and others are able to do that.

We want to work with you to make sure that that takes place. Once again, an assault on our Judiciary is as important as an assault on our legislative members, and I think we have to treat it that way.

My question regards how we have responded during the pandemic. Again, using my brother and other Federal judges that I am associated with, many of them have not been to the courthouses for a long time. They are holding their hearings, as we are today, through the electronic means. And I am just curious what kind of feedback you are getting from that. If I were a defense attorney or perhaps a prosecutor, I would wonder whether it has the same effect and whether it can be as effective holding a hearing like that when you are not in person.

And I am wondering what you are hearing from our judges. Are they concerned about it? And how quickly are we going to be able

to get back to where they are holding their hearings in courtrooms rather than via the web, like we are today?

Judge LUNGSTRUM. I could lead off with that if you like since, like your brother, I am in the Tenth Circuit area. You know, I think all of us would prefer to go back to life as it used to be in terms of in-person hearings. I think that—that is clearly preferable to most all judges I have talked to.

What we have found is that, for certain kinds of proceedings, whether they be first appearances, or whether they be status conferences, or even revocations of supervised release, or something else where there has been some agreement entered into between the government and the defense counsel as to what the disposition ought to be, the efficiencies of it have been appreciated, and, really, the feedback from defense counsel has been, maybe perhaps surprisingly, they find it very positive.

So I think we haven't lost anything really in translation, but we haven't been doing jury trials or perhaps suppression hearings or things like that, that we are going to need to get back to doing.

One thing about the—that I think a lot of us have commented on, much like this proceeding today where you and I are literally looking at each other eye to eye in a way that, in a congressional hearing room, there is a great gulf of distance between the dais where you all are sitting and the tables where the witnesses are sitting, similarly, in a proceeding that we might have virtually in a courtroom, the difference between looking at that individual eye to eye just like this, in some respects, I feel closer to that individual who is in front of me than I do perhaps seated across the courtroom by 20 yards or however far it is.

So I don't know if I am expressing myself very well about that, but I think there are some aspects of it that are not all that bad, if you will. And I think that perhaps has factored into why the defense bar has not been negative about it.

Mr. STEWART. Yeah. Mr. Lungstrum, I appreciate that, and you are right. I mean, you can be, I think, fairly effective in this format. Some, it depends on how they are managed, and Mr. Quigley, for example, does a good job.

But—and I know my time has expired, but I need to make this point, because it is something that I think is very important. That is, we have had no jury trials.

Judge LUNGSTRUM. Right. Right.

Mr. STEWART. And that means—I mean, that means significant legal proceedings have been delayed.

Judge LUNGSTRUM. Sure. Absolutely.

Mr. STEWART. How long can you keep doing that? I mean, that is a big deal when you say we haven't held a jury trial in our Federal courts for probably a year now. And, once again, that is an enormously important consideration that, we need to be going forward with these cases and we have got to recognize that.

Judge LUNGSTRUM. In the district of Kansas, we anticipate being able to conduct jury trials in April. Now, the caveat to that is that we have to have proper screening. We have to have proper social distancing. We have to have certain plexiglas installations, things that protect the participants.

I conducted a civil jury trial in September. We conducted two or three civil jury trials in September here in the district of Kansas when there was that little dip in the way the pandemic was going. But criminal jury trials, because there is so many more witnesses involved, so many more jurors involved and all, have been where the real holdup has been.

And there is a pent-up demand that, as soon as that safety, you know, green flag goes up, I think there are going to be a ton of jury trials, sooner rather than later.

Mr. STEWART. Yeah. Well, again, my time has expired, but I hope you all understand the importance of this. And thank you, sir.

Judge LUNGSTRUM. Sure. Yes, sir.

Mr. QUIGLEY. Thank you, Mr. Stewart.

And we move on to Mr. Bishop.

Mr. BISHOP. Thank you very much, Mr. Chairman, and let me thank Judge Mauskopf and Judge Lungstrum for appearing before us today.

I want to talk about two topics, diversity fellowships and fellow employee issues, because even after taking into account recent improvements, the legal profession, on the other hand, is one of the least diverse of all of the professions in the country.

For example, African American representation among lawyers is only around 5 percent despite the count of the 13 percent of the general population.

And I want to commend the Judiciary for recently establishing the Federal Defender Diversity Fellowship Program, which will supplement the pipeline of attorneys from all backgrounds who are qualified to join a Federal Defender organization or district Criminal Justice Act panel, or Federal capital defense team.

Judge Mauskopf, can you provide us with an update on the roll-out of this new fellowship and provide us with some insight on how much, if any, of the participants' costs will be offset with the program project? Will the funding for the fellowship be used to help cover the high costs of living and transportation that often burden people from low-income and rural backgrounds?

And the second question, quickly, according to the Office of Personnel Management, the Federal workforce is 2.1 million civil workers, and of course I believe it is incumbent upon Congress to ensure that the workforce has a safe and respectful workspace.

Recently, at the direction of the Chief Justice, you established a working group to evaluate the Judiciary's attendance of conduct and procedures for investigating and correcting inappropriate workplace conduct.

Can you tell us what progress has the working group made in this regard to improve the workplace environment within the Judiciary, and where do you see room for future improvement?

Judge MAUSKOPF. Thank you, Congressman Bishop. Those are two very, very important areas, two very high priorities in the Judiciary, and I am happy to address them both.

Let me start with diversity. One of the privileges that I have had is to serve on the Judicial Conference's Judicial Resources Committee. And, as part of the committee, we have a Diversity Subcommittee, and the Diversity Subcommittee has been on the forefront of diversity and inclusion initiatives within the Judiciary.

Through that, I have also participated in the Judiciary—in the formulation of the Judiciary’s strategic plan. And it was clear that, across components of the Federal Judiciary, everyone was focused on improving diversity, whether it was the probation and pretrial offices, Federal Defender offices, in the bankruptcy community, bankruptcy judges, and magistrate judges.

And one of the things we will be doing shortly is convening a roundtable, or a summit, bringing together all of those pieces from across the Judiciary to share best practices and to see what we can do moving forward to improve the diversity of the Federal workforce and among magistrate judges and bankruptcy judges, which is the aspect of the bench in which the Judiciary is directly involved.

As you indicate, one of the new initiatives is the Defender Services Diversity Fellowship Program, and it is designed to bring lawyers—younger lawyers in their career to help work on capital and noncapital cases within the Federal Defender system.

One of the hallmarks of the program is that it will not be centralized here in Washington. Fellows will reside in Federal Defender offices across the country, will be hosted there, will be mentored by Federal Defenders, CJA lawyers, Capital Resource Council, and others involved in the provision of defense services, which will hopefully address your concerns about the high cost of living in particular areas. We hope to have these fellows in areas where the need is greatest.

And of course the program is open to all, but the—it is designed to have targeted outreach to communities that are not well represented across the Federal Defender system and the CJA system, and we hope that, through the fellowship, lawyers will then be committed to taking what they have learned back to their communities, serve the populations that we serve, and reflect the communities that we serve.

With respect to workplace conduct, so, too, my service on the Judicial Resources Committee has involved me in many of the initiatives that are ongoing in the Judiciary, and I must say that the Judiciary, from my perspective, has made tremendous progress in standing up a new and much-improved system across the Judiciary to address issues of workplace conduct.

There have been updates to the employee dispute resolution policies, and I am happy to report that all circuits and 80 percent of the district courts, across the country, have adopted the new model EDR plan that has been proposed since the working group recommended changes.

There have been changes to the judicial conduct and disability process that will greatly improve that aspect of addressing workplace issues. We have created the Office of Judicial Integrity, and we have sought additional resources to provide additional staffing to that office. It is one of the ways—one of the new, more flexible mechanisms to report workplace conduct.

So, too, 11 circuits have created the position of director of workplace relations. They have become central points in addressing issues within circuits of workplace conduct. They too are a new and independent avenue of reporting. They are instrumental in assessing additional needs within circuits and providing training and ex-

plaining resources and doing outreach to the court community in order to ensure that judges and employees know about our processes, that know where they can seek resources, know how they can report.

Of course——

Mr. QUIGLEY. Judge, I am sorry. I have tried to give everybody leeway, but I have got to make sure everybody gets their first opportunity. And then, you know, we will have a second, quicker round for the opportunities, so I apologize. If we could move on, please. I am sorry.

Mr. BISHOP. Thank you.

Mr. QUIGLEY. And I understand Mr. Amodei is still not available. If that is the case, we will move on to Mr. Joyce.

Mr. JOYCE. Thank you, Chairman Quigley.

Your Honor, I would like to—sort of a variance on the theme that has already been brought up by my colleagues, Mr. Cartwright and Mr. Stewart.

As a former prosecutor, on January 6th, unfortunately some madness descended upon our Capitol and tried to obstruct the constitutional process in which we took place. And you can imagine, as a prosecutor, I look at that as a crime scene and say, “Well, wait a minute. We have got to cordon off the crime scene,” because, as I try to explain it to folks at home, it is like dropping change on the ground. If you pick it up and drop it again, it never drops the same way. You have only one shot to do it right.

However, I understood and agreed with the idea that we had to move forward and show the country that we have moving forward and that madness wasn’t going to stop us from our constitutional duties.

Unfortunately, the same degree of madness is now trying to influence the Judiciary and the things that are taking place. I was wondering what if—in the integrity of the Federal court operations and the decisions that are being made, what have you done to let these people know that you will not be impacted by the violence and the threats and the incidence of violence?

Judge MAUSKOPF. When you think, the best way that we do that is by doing our jobs and doing it the way we have always done it—fairly, with integrity, objectively. And, during the pandemic, I think it is critical to make sure that the public knows that nothing has deterred us, whether it is the virus, whether it is the protests that we experienced in the Eastern District of New York with thousands of people gathering in the park across from our courthouse. We had sufficient security. We could always use more. But we did not experience any issues.

I think, by continuing to do what we do, to—we have earned the respect of those who may—we have earned that respect, and, by continuing to do what we do, I think we send a good message to those who would seek to try and influence or impair the integrity of our courts.

Mr. JOYCE. Well, I know judges are in a tough spot, because you can’t really get out and broadcast that, and however we can be of assistance in doing that to ways you think of in putting together the protection systems, I think it is important to let people know that you will not be swayed.

Thank you, Mr. Chairman. I yield back.

Mr. QUIGLEY. Thank you.

Mrs. Torres.

Mrs. TORRES. Thank you, Mr. Chairman. And I want to thank our guests for being here with us.

Judge Mauskopf, I want to emphasize to you how important it is that the Administrative Office and the Judicial Conference takes sexual harassment and workplace misconduct seriously.

Your appropriations request discusses steps taken to bolster the AO's trouble Office of Judicial Integrity, but I am concerned by your assurance that—and I quote—"the AO is confident the Judiciary has enough resources to protect judicial branch employees."

So, in the last few years alone, multiple Federal judges have resigned because of years-long patterns of sexual harassment and abusive conduct. Whistleblowers have raised concerns about the Office of Judicial Integrity. Your appropriations request mentions that a new judicial integrity officer came on board earlier this month. But, as you know, his predecessor resigned after less than a year on the job, and the position has been left vacant for months.

Fiscal year 2021, I included—of this year, I included report language directing the Judiciary to expand its comprehensive training program on workplace behavior and by standard intervention and encouraged the Judiciary to expand and report on its confidential nationwide reporting system to document employee misconduct complaints.

Help me understand how you plan to abide by that request and provide an exemplary workplace and protect every judge and every court employee from sexual harassment, discrimination, and retaliation. Tell us how the Judiciary has the resources that it needs to actually do this job and protect its employees.

Judge MAUSKOPF. Thank you very much for that question, and I share and as does everyone in the Judiciary shares your commitment, our commitment to creating an exemplary workplace. And again, as I have said before, I have been involved in some of these issues to date, and I am looking forward to playing a different role as director in those issues.

If I may, I would just like to correct the record slightly. Jill Langley, who was the first head of the Office of Judicial Integrity, had continued in that role while we searched for her successor. Her successor has now been hired. Jill has facilitated and continues to facilitate the transition to her successor, and—

Mrs. TORRES. Have you filled the job that that person, Jill Langley, had?

Judge MAUSKOPF. She is leaving the Office of Judicial Integrity to go back home to her district. I am sorry, to her circuit, the Tenth Circuit, where she serves as the Director of Workplace Relations for the Tenth Circuit. So those were the circumstances of her transition.

Our new head of the Office of Judicial Integrity is Michael Henry, and he has served in a variety of capacities dealing with issues of sexual harassment and workplace conduct. And one of his main areas in which he worked, he stood up the office at the United States Center for Safe Sport, which is—

Mrs. TORRES. I don't want to interrupt you, Judge, but my question is about the resources. How do you plan—do you have enough resources? Is that why you have not asked for additional resources?

Judge MAUSKOPF. So I think we are at the point where we are seeking to augment the staffing in the Office of Judicial Integrity, and we have sought resources for that. The circuits have found resources to hire the directors of workplace relations, and all courts have employed dispute resolution coordinators. Those are often collateral duties, but they seem to work well, but it is something that—so they seem to work well. I think where—

Mrs. TORRES. So pardon me again. These coordinators, they are insiders. And how are you going to make sure that this job or this responsibility is not being given to an abuser? How can we be confident in that?

Judge MAUSKOPF. The EDR coordinator—in our experience, the coordinators, whether they are in the circuits or whether they are in the district courts, I don't think we have ever had a circumstance where they have been involved, or at least not to my knowledge, where they have been involved in a workplace conduct matter. The new model—

Mrs. TORRES. That is really great information to hear, since we have not been privy to any of those complaints. That is why the report language is requesting that.

My time has expired, but I look forward to hearing you expand more on my questions in the second round.

And I yield back.

Judge MAUSKOPF. All right.

Mr. QUIGLEY. Thank you.

Mr. Amodei, please.

Mr. Womack, do you know if he is available at this point? Is he still in the other hearing?

Mr. AMODEI. Hey, Mr. Chairman, it is Mark Amodei.

Mr. QUIGLEY. Oh, there you are. Please go ahead.

Mr. AMODEI. Thanks for your patience with me.

Mr. QUIGLEY. I was patient. Mr. Womack, he was ready to cut you loose.

Mr. AMODEI. You know, he is kind of cranky. I think it comes from that Gulf Coast area that kind of has an impact on him some days.

Mr. QUIGLEY. We can get into that later, I don't want to eat up your time.

Mr. AMODEI. Okay. So here is what I am—first of all, I would like to know from Judge Blanton as well as Ms. Szpindor is where are we at in the Federal Courts in terms of your employees being vaccinated for COVID?

I am assuming that in those jurisdictions where your district, your trial courts and your appellate courts are, are those people vaccinated?

Judge MAUSKOPF. So, Congressman, as you may know, the Federal Government, through HHS, has created certain categories of prioritization that help inform State governments as to how to dispense the vaccine.

Mr. AMODEI. Correct.

Judge MAUSKOPF. But it is largely up to the State authorities to determine their own priorities. And as a result of that, there are widespread differences across the country.

In some States, Federal judges and court employees have been vaccinated. In my State, New York, we do not fall under the State's priorities. Probation and pretrial officers can come under the law enforcement prioritization, which has been made in most, if not all, jurisdictions.

And one of the other key constituencies within the Federal Judiciary are our Federal Defenders. And I think they are—again, in my State, that is a big issue. Although the Bureau of Prisons has been given an allocation of vaccine for its staff and for defendants who are incarcerated, the Federal Defenders who are their lawyers still need to rely on remote technology in order to safely meet with their clients, for the most part.

So we do not have one single, single standard across the Federal Judiciary for who can get vaccinated and who can't.

Mr AMODEI. Judge, do you have any—

Mr. QUIGLEY. I want to say this, that you raised an excellent point. And I think that Mr. Stewart's question and other questions about speedy trials—and I won't eat up your time here—you know, all get back to this. You know, as you know, we have been vaccinated.

And I think that I would like to talk about this with Mr. Womack of going forward of talking as a committee about, if we are talking about justice moving forward, finding out a way for the Federal Government to play a role in making sure that this moves forward.

Sorry to eat up your time. I will give you as much as you need.

Mr. AMODEI. Hey, Mr. Chairman, I appreciate that.

To make it really clear here, it is becoming more and more frustrating to know—and you have hit the nail on the head. My staff in Nevada can get vaccinated. And they have made appointments and they are going to do it.

Now, mind you, each State is different, as Ms. Mauskopf has indicated. But I am sitting here going, there is no consistency in the Federal Judiciary. And I am not blaming the Judiciary. I am just saying at some point in time as we are getting ready to open it up for everybody else, at some point in time I think we need to take care of business in terms of those core functions.

And, obviously, the function of the judicial branch is one of those as well as, Mr. Chairman, just the function of our own staffs, who are basically here. I mean, I was just on a hearing with the Administrative Office of the Courts. The AOC people who have to work in the building, guess what, they are not vaccinated. They can't work from home.

And so as we are sitting here getting towards this point in time, I don't think it is to the point where it is, like, hey, somebody is better than somebody else. I think a good faith objective look at the functions that these various folks provide is something that, quite frankly, ought to get them into the, okay, we have done everything we can for you. You know, we are talking about the mental health of everybody. Well, COVID is a piece of that.

And I won't go on beyond that. Thank you, I look forward to working with you.

The only other thing I want to say is, for both of these witnesses is, I know that different judicial districts are different and all that other sort of stuff, but one of the things that is kind of coming forward, at least in terms of our own neck of the woods is, are we building in silos in all this security, at least for purposes of communication, because whether it is, you know, the Library of Congress or the Federal courthouse or the whatever, the one thing that I would ask is that we think about not only what the interconnectivity is, in terms of the Marshal's office or whomever, but also their ability to cross-thread, if you will, with other local law enforcement, whether they be other Feds as well as the State and local folks, since the idea is to have all assets available.

And so that is one of the things that we are going to be keeping on an eye on when we talk about, okay, we got to up our game on security, but one of the things we need to do is make sure that there is not a silo between the Federal courthouse and the local sheriff's office or the local FBI as well as the U.S. Marshals and all that other sort of stuff. So I just want to put that on the radar screen.

Mr. QUIGLEY. No, we will. And I will allow the judges to respond. That will be the first part of the next round. But Mrs. Kirkpatrick has been so patient, I will let her proceed. And then we will get to a follow up on your point as well.

Mr. AMODEL. Good. Thank you.

Mrs. KIRKPATRICK. Thank you, Chairman Quigley and thank you Ranking Member Womack. As you know, this is a really important hearing to me.

Mr. QUIGLEY. Mrs. Kirkpatrick, I believe your screen froze. Were you able to help Mrs. Kirkpatrick with the technical difficulties?

STAFF. Mr. Chairman, we will work on that.

Mr. QUIGLEY. Okay.

Mr. WOMACK. May I suggest we move on until she can free up.

Mr. QUIGLEY. As soon as Mrs. Kirkpatrick is back. So what we are going to do is we are going to the second round and then give her all the time she needs when we come back.

So very quickly, and I will ask my colleagues and those responding, let's try to do 3 minutes this time.

And I do want to afford you the opportunity to respond to, if you desire, what was brought up at the end about security, but also, you all put forward a security stimulus request of \$122.5 million, with \$10 million for additional staff and \$112 million to conduct a physical security assessment.

Can you briefly, whomever you decide to answer, give us your sense of this and why it is important and what it would do?

Judge LUNGSTRUM. Do you want to start with that, Judge Mauskopf?

Judge MAUSKOPF. Sure. I think these are evolving needs that have largely come from the lessons learned from January 6. We have always been concerned about finding ways to harden the entryways of our courthouses. As we have talked about, we have always been focused on mitigating vulnerabilities before they can be exploited.

And so \$113 million of that request is to secure entrances and screening areas; and the additional \$10 million, which does require authorizing legislation in addition to funding, is to enhance the Judiciary's threat vulnerability management.

And this is the Judiciary's effort. This is to fund the Judiciary's effort to identify and remove that personally identifiable information before it can be used against a judge.

And currently, we don't have resources to stand up that type of vulnerability management program, and it would be a complement to what the Marshals do in actually once a threat is identified and investigated by the Marshals.

STAFF. Chairman you are muted.

Mr. QUIGLEY. Judge, do you want to add to that?

Judge LUNGSTRUM. No. I think the director covered that quite well.

Mr. QUIGLEY. Okay. Mrs. Kirkpatrick, is she back on?

STAFF. Not yet, Mr. Chairman.

Mr. QUIGLEY. If not, Mr. Womack, please.

Mr. WOMACK. Thank you.

My last question is going to be on cybersecurity. The request is a \$9.1 million increase for internet firewall services. You know, we all know what happened on the SolarWinds debacle.

To the extent that you can say it in public, if you can say anything, has the Judiciary been impacted by the SolarWinds breach and, if so, what steps are you taking to mitigate?

And then as followups, how closely does the Judiciary work with cybersecurity experts and the executive branch to ensure that you guys are all connected to the latest threats, supply chain concerns, mitigation techniques, all of that kind of stuff? And then how will funding in your request enhance your cyber protections, and is it sufficient to address the growing cyber threats? And I will leave it there.

Judge MAUSKOPF. And I can start.

Judge LUNGSTRUM. I'll—or Judge will lead. Either one.

Judge MAUSKOPF. I was going to start generally by saying that, unfortunately, it looks like we are in good company with respect to the issues related to SolarWinds, but I do have to be very careful with what we say.

We have been working with law enforcement actively, but there are two things that I can speak about: First, we are working with the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency, CISA. They are conducting a forensic investigation of the impact or any impact of the SolarWinds situation, and those findings are pending the results of that forensic investigation.

We have also given guidance to the courts proactively while we are trying to understand what the impact may have been to protect highly sensitive documents, sensitive documents that could harm the United States, harm the Judiciary, litigants or others.

These are documents that are generally in most cases—in fact, I think in all cases—sealed, and so we don't anticipate any type of public access issues. But we have counseled courts to look at their practices and to adopt orders to ensure that those documents are maintained either in hard copy or on some type of a standalone

computer system that isn't connected to the internet or any other system that could be compromised.

So we are working actively to identify any impacts from SolarWinds and to take the necessary steps to understand that and to protect the information, the very valuable information that is housed within our systems.

And I will leave the fiscal issues to Judge Lungstrum.

Mr. QUIGLEY. Sir, and if you could, please go ahead somewhat quickly, as we are trying to get through the second round, sir.

Judge LUNGSTRUM. I think it is really all in the materials there. And Ranking Member Womack mentioned the increase that we are requesting. And it is our best assessment of what we are able to do if we had that funding to be able to shore up our security on the internet stage.

Mr. QUIGLEY. Any followup, Mr. Womack?

Mr. WOMACK. No, that is it, other than to send my condolences to Judge Lungstrum on the loss by Kansas last night in the—

Judge LUNGSTRUM. God, it was a heartbreaker.

Mr. WOMACK. As an aficionado of basketball. But, hey, the silver lining is Kansas State won. I know you probably could care less about them, but there you go.

Judge LUNGSTRUM. That is not a silver lining for a Jayhawk. Now, come on.

Mr. QUIGLEY. We are going to go back to Mrs. Kirkpatrick.

For all you Kansas folks, if this makes you feel at home.

We will go back to Mrs. Kirkpatrick. She is still on the first round. We are sorry for her issues.

Mrs. KIRKPATRICK. Thank you, Chairman Quigley. I think we have got it all worked out now.

Mr. QUIGLEY. Okay.

Mrs. KIRKPATRICK. So I want to thank Chair Lungstrum and Director Mauskopf for appearing before the committee. As you know, I represent a border district in southern Arizona. So we are especially interested in immigration-related issues.

I understand that surges in immigration-related cases leads to increased need in Federal Defender services staffing. So could you please talk through staffing needs, especially in regard to immigration, and how the 7 percent increase in funding you have requested could meet those needs?

Judge LUNGSTRUM. Thank you, Mrs. Kirkpatrick. As you know, the really disproportionate number of criminal defendants arise out of the five border court districts, much of that having to do with immigration workload. And that particular workload did not decrease during the pandemic as much as some other criminal filings were. So as a result, the burden on defenders, both the Federal Defenders offices and the Criminal Justice Act appointees, continue to build.

We think that the work measurement formula that has been developed for defenders adequately captures those needs. Now, we this past—for fiscal year 2021, because of some unanticipated needs, such as the McGirt versus Oklahoma decision, which altered the way in which certain Indian Nations were treated under State versus Federal law in Oklahoma, and also Arizona's being adopted into the opt-in program for fast tracking capital habeas cases, some

resources were reallocated among Federal Defenders offices accordingly.

We are trying to catch back up with that in our 2022 request, which would take our Federal Defenders up to a 98 percent of their staffing formula, which would be about as much as practically they would be able to maintain just in the ordinary course of hiring people and people leaving and that sort of thing.

So it is always a huge issue. Our defender program is I think one of the jewels in the crown, if you will, of the Federal judicial system. And there are particular needs in the border courts that we are trying very much to address.

Mrs. KIRKPATRICK. Well, we really rely on the defender services in southern Arizona. So I want you to know that is a top priority of mine. Anything I can do to help with funding there, let me know about that.

So, you know, you have already pretty much addressed the security measures. I just want to highlight a little bit, I have a rural district, largely rural district in southern Arizona. And so, you know, what kind of online services are being offered to my rural folks? And I would like to hear about measures taken to increase cybersecurity in rural areas.

Judge MAUSKOPF. I think rural versus urban or metropolitan doesn't make a difference in the areas that you have highlighted. We are making proceedings accessible to the public in rural areas as we are—in rural areas or courts that serve rural areas as we are in others.

I think sometimes—and we even see this in urban areas—the technology available to the public is not often good. And so some of the things that have been done is to, if courthouses are still open and if we can have a limited number of people in the courthouse, we still make a video. We make a courtroom available with a video monitor, so people can still come if they don't have the technology to join.

So I think that we don't recognize those distinctions. We just use different technology, different ways to achieve the same results in courts that service rural areas as we do across the rest of the country.

Mrs. KIRKPATRICK. So one of the problems we have seen with cyber is interoperability. Is that a problem that you are having to deal with in rural parts of the country?

Judge MAUSKOPF. Honestly, that is an issue that I don't feel well-prepared to address. And if I could get back to you on that, I would really appreciate it.

Mr. QUIGLEY. Sure. Just send it back to the committee, and we will make sure every member has access to your response.

Mrs. KIRKPATRICK. Thank you so much. Thank you, Mr. Chairman.

Mr. QUIGLEY. Absolutely.

Mrs. KIRKPATRICK. I yield back.

Mr. QUIGLEY. Mr. Cartwright.

Mr. CARTWRIGHT. Thank you, Mr. Chairman.

And Director Mauskopf, again, I want to congratulate you on the new position. You certainly have big shoes to fill replacing Jim

Duff, whom we got to know, but it looks like you are on a good trajectory toward acquitting yourself very well in the position.

Judge MAUSKOPF. Thank you.

Mr. CARTWRIGHT. And, you know, 3 weeks into the job, I understand, but we expect you to fill up your bookcase a little more the next time we see you. But actually—

Mr. QUIGLEY. No background shaming.

Mr. CARTWRIGHT. One thing that I will say I have thought for decades about the Federal Courts is that they have carried the proud mantle of preeminence, really, in both technology and in speed of adjudicating civil cases. In fact, they have made a great effort over the years of keeping track of statistics along those lines, particularly with expeditiously moving civil cases.

But my colleague Chris Stewart and I have both mentioned now about the concern about the civil backlog, because of the lack of Federal jury trials happening. Obviously, there is going to be a big pile of cases in your inboxes, all of the Federal district court judges.

Can you share with us what your ideas have been about how to move those? Are you going to use magistrate judges more? Are you going to do summary jury trials? You folks are masters at innovation, and I would like to hear some of your ideas so far.

Judge MAUSKOPF. So—go ahead, Judge Lungstrum, why don't you start.

Judge LUNGSTRUM. No, you go ahead. Go ahead. I like to look at your bookcase.

Judge MAUSKOPF. So on the civil side, I think judges and litigants have approached the issue even during the pandemic in creative ways. There have been Zoom trials on the civil side in complex patent cases, in other commercial cases. There haven't been a lot of them. I am not sure if we have had jury trials on the civil side. But litigants—

Judge LUNGSTRUM. They have in western Washington.

Judge MAUSKOPF. Yes.

Judge LUNGSTRUM. Western District of Washington, yeah.

Judge MAUSKOPF. So some courts are experimenting with that, and I would expect that to continue. And so people are trying to be creative.

In terms of when we really start going, I think we will have to think about using magistrate judges, about using our visiting judge program, about seeing about the ways that we can use technology, perhaps to try and increase the number of cases we can do. But there is only so much you can do, I think. And that backlog will take some time to dig out from.

Judge LUNGSTRUM. One of the real—sorry.

Mr. QUIGLEY. Go ahead, Judge.

Judge LUNGSTRUM. I was going to say, one of the real problems in moving the civil cases now as the logjam breaks is the priority we need to give to criminal jury trials.

And the courtroom space is more limited, because we only can hold proceedings in certain size courtrooms to accommodate folks and be socially distanced and put in the personal protection infrastructure and so forth. That is probably the biggest impediment to actually getting civil trials conducted. But we are going to do our best. It is important.

Mr. CARTWRIGHT. Mr. Quigley and I are a phone call away, so we are here to help.

And I yield back, Mr. Chairman.

Mr. QUIGLEY. Thank you.

Mr. Bishop. And, again, we are in the 3-minute rounds, so please try to fit your questions and answers into that slot, please. Thank you.

Mr. BISHOP. Mr. Chairman, as a long time member of the committee, I take pride in being a responsible steward of Federal spending. I believe we have to strike a balance between adequately funding our programs with responsible constraints on the national debt.

And I was very pleased to hear Judge Mauskopf, as you mentioned a number of the steps that the Judiciary has undertaken for cost containment measures. I thought that was remarkable.

Can you just tell me whether or not there is any additional support that we can provide in Congress to help you with these successes?

You went through a long list of items that you have been able to undertake for cost containment. Is there something else that we can do to help in that regard?

Judge LUNGSTRUM. If I can jump in there on that, Congressman Bishop, in our request in specifics, we have a \$10 million request to help with our No Net New Program, which is in the space area, where we have a rule that you can't add space without taking space off the books. But sometimes to be able to do that, there are renovations that have to take place.

So we have requested \$10 million in this 2022 budget to continue that program. And it is taking money off the books enough that more than pays for it over time, but we have to make an up-front expenditure. That is the kind of thing that you all can assist with through the appropriations process for sure.

Mr. BISHOP. Thank you.

I yield back, Mr. Chairman.

Mr. QUIGLEY. Thank you, sir.

Mrs. Torres is recognized again.

Mrs. TORRES. Thank you, Mr. Chairman.

And Judge Mauskopf, just to go back to our conversation earlier, it seems that many of the recent concerns with the Judiciary has to do with the lack of transparency. Sexual harassment flourished in the darkness and judge's chambers are notoriously closed off.

Similarly, many of the rules that apply to other Federal agencies don't apply to the AO and the Judiciary. You are not bound by the same Federal contracting rules, for example, as the executive branch and you don't have an Inspector General.

I am happy to see your request to build out an Office of Compliance and Risk to bolster the AO's ability to address internal control weaknesses and other audit recommendations, but I am very concerned that the office work will be undermined unless we know what is going on.

So will you commit to making those audit recommendations public? And if you can expand on my previous questions.

Judge MAUSKOPF. Congresswoman Torres, I am not prepared to commit to making public the audit findings. I just don't know enough about the process yet, and I hope you can appreciate that.

I don't want to do any or commit to something that might be in violation of law. But I certainly understand Congress' oversight role of the Judiciary and its oversight and this subcommittee's oversight over the resources that it provides to the Judiciary.

And we are very mindful of that, respect it tremendously, and will ensure that you have the information that you need, consistent with what we can turn over to allow you to exercise that oversight function.

Mrs. TORRES. It is unfortunate that you cannot commit, Judge, to basic transparency and accountability: I think that is the nexus of the issues that have been brought forward, but the lack of protection for whistleblowers, the lack of respect for employees and the sexual misconduct allegations that we have seen.

I have 35 seconds left. I am going to turn that time over to you and hope that you can be a little bit more transparent.

Judge MAUSKOPF. I am committed and we are committed to transparency, to transparency and to ensuring a safe workforce. We do have provisions that address retaliation. You cannot retaliate against someone for bringing a complaint forward.

The judicial conduct and disability rules require judges to come forward if they know about misconduct within the Judiciary, including involving a judge, and if they don't it is grounds for a misconduct finding.

So there are strengthened rules, strengthened procedures to address all of the issues that you raise. Of course, we can always do more and we are committed to doing more.

Mrs. TORRES. So we need to do more, because the issues continue.

And I am out of time, so I am going to yield back.

Mr. QUIGLEY. Mrs. Torres, you are out of time, but the discussion will continue. And I pledge that we will continue to work with you and continue to communicate with the judge on this matter, to the extent we can as we learn more. As you know, she is 3 weeks on the job. So let's continue the dialogue.

Mrs. TORRES. That is why I was kind and nice, Chairman. Thank you.

Mr. QUIGLEY. No, I understand. I appreciate that.

Mr. WOMACK, do you have anything to add, sir?

Mr. WOMACK. I do not, and ready to go eat.

Mr. QUIGLEY. Me too.

Without objection, I have a question for the record on the Abraham A. Ribicoff Federal Building and the U.S. Courthouse and Hartford Courthouse, and a letter from the Federal Law Enforcement Officers Association that I am submitting for the record.

Mr. QUIGLEY. We will now conclude today's hearing. I ask members to submit any remaining questions in writing for the record.

Judge and Director, we want to thank you so much for your service and for your assistance today, and if you will respond to any other additional written questions in a timely fashion.

With that, this hearing is adjourned, and thank you all.

THURSDAY, MARCH 11, 2021.

OVERSIGHT HEARING—U.S. POSTAL SERVICE

WITNESS

HON. LOUIS DEJOY, POSTMASTER GENERAL, UNITED STATES POSTAL SERVICE

Mr. QUIGLEY. The hearing will come to order.

As this hearing is fully virtual, we must address a few house-keeping matters. I understand the boss is going to be on the call, so I have to follow all the rules.

I would like to remind members that for today's meeting the chair, or staff designated by the chair, may mute participants' microphones when they are not under recognition, for the purpose of eliminating inadvertent background noise.

Members are responsible for muting and unmuting themselves. If I notice you have not unmuted yourself, I will ask you if you would like the staff to unmute you. If you indicate approval by nodding, staff will unmute your microphone.

I remind all members and witnesses that the 5-minute clock still applies. If there is a technology issue, we will move to the next member until the issue is resolved and you will retain the balance of your time.

And to our guest, I will just suggest that, given the 5 minutes, please try to allocate—and I know it is difficult, and I apologize—if you can, sort of to the point of recognizing each member has 5 minutes in their question. And as difficult as that is, we appreciate it.

You will notice a clock on your screen that will show how much time is remaining. With 1 minute remaining, the clock will turn yellow. With 30 seconds remaining, I will gently tap the gavel to remind members that their time is almost expired. When your time has expired, the clock will turn red, and I will begin to recognize the next member.

Finally, House rules require me to remind you that we have set up an email address to which members can send anything they wish to submit in writing at any of our hearings or markups. That email address has been provided in advance to your staff.

I am going to keep this opening statement very brief so we can leave ample time for questions.

It should be noted that we are glad to welcome, honored to welcome the 75th Postmaster General of the United States, Louis DeJoy, today. Appointed by the Board of Governors of the Postal Service, he started his tenure in June 2020.

We want to thank you, sir, for being here today.

The reason I said it is special notice, it has been nearly 20 years since the U.S. Postal Service has testified before this subcommittee. So there is 20 years of catching up to do.

Obviously, this hearing could not have come at a more important time. Given the extraordinarily vital role of the USPS during the pandemic, we are glad to have this hearing today.

By delivering food, medicine, personal protective equipment, and other essential equipment during the pandemic, it has literally saved lives by helping Americans maintain social distance, limiting the spread of COVID, and allowing people to vote safely.

Let me say this. Mr. DeJoy, you and I spoke the other day. We recognize there are a lot of issues. Let this be a hearing where we talk about those issues and solutions and, in a sense, cut to the chase. I have had a thousand postal cases in my district since the beginning of the year. We typically have 500 in a year.

That being said, I will tell you that I want to help. I know this committee and Congress want to help. We want to find solutions working with you. It is imperative that we restore the effectiveness to the full point necessary and possible for the Postal Service.

So with that, I would now refer to Mr. Womack for his opening.

Mr. WOMACK. Thank you, Chairman Quigley.

Welcome to the committee, Postmaster DeJoy.

Over the past year, the Postal Service has faced a lot of challenges, including the coronavirus and its impact on the health of postal employees and their families; a significant decline in mail volume, coupled with a significant increase in package volume; a shortage in airplane and truck capacity; significant winter storms, making mail delivery all the more difficult.

I will commend the Postal Service employees for their hard work and commitment to deliver mail regardless of the challenges they face. And I have seen it firsthand. Just the other day, after a major snowfall in northwest Arkansas, I was alerted to some traffic coming down my driveway. And there, trudging through the snow, was the U.S. Postal Service.

I have got to hand it to my postmaster, or my mail deliverer, Jesse, who braved the elements to make sure that I had service that day. And I know it was a complicated route that he was running.

We are all appreciative of the efforts of these critically essential workers to help Americans during these difficult times.

Yet, there are several areas where the Postal Service needs some improvement. Delivery standards have declined, resulting in holiday gifts arriving after the holidays; payments sent through the mail arriving late, resulting in fees and interest charges for many Americans; and challenges for businesses that use the Postal Service to receive supplies and deliver products.

In addition, the Postal Service is not on a sustainable fiscal path. While the Postal Service does not rely on taxpayer dollars to fund most of its operations, revenues from the sale of postage, products, and services haven't kept up with the cost.

Since 2007, USPS has recorded significant net losses each year, including 9.2 billion in 2020. I understand that without significant reforms, you are projecting to lose 160 billion over the next 10 years.

The majority's HEROES bills from this past summer proposed providing the Postal Service with billions of dollars of taxpayer funds without requiring structural reforms. I am on record as opposing such taxpayer-funded bailouts.

I understand you, along with the Postal Service Board of Governors, intend to release a 10-year strategy to get the Postal Service on a sustainable path. It is a welcomed first step, and I look forward to seeing it.

The Postal Service has a great history, which began with the Continental Congress appointing Ben Franklin—Benjamin Franklin—as the first Postmaster General.

I want to work with you, Chairman Quigley, and the authorizing committee to ensure that the Postal Service becomes financially stable and continues its long history of providing a high level of service.

And with that, I look forward to our Q&A, and I yield back the balance of my time.

Mr. QUIGLEY. Thank you, Mr. Ranking Member.

I now recognize the chairwoman of the full Appropriations Committee, Ms. DeLauro.

The CHAIR. Thank you very much, Chairman Quigley and Ranking Member Womack, for holding this vital hearing.

It has been almost a year since the United States Postal Service Board of Governors selected you, Mr. DeJoy, as the 75th Postmaster General of the United States.

Since then, the Postal Service has, frankly, become wholly unrecognizable from what it once was. Under your leadership, on-time delivery for something as simple as a letter to a loved one declined to just 60 percent and has still not fully recovered.

Because of the COVID-19 pandemic, Americans are now relying on the Postal Service for everything—medications, food, bills, and even livestock. But even as this pandemic was putting an enormous strain on the Postal Service, you implemented a number of new rules that led to severe and unnecessary mail delays.

We have all heard the stories from our constituents. Some have been forced to pay interest or extra fees because their bills were not delivered on time. Small business owners are losing money in the mail. And those who are sick are waiting days, if not weeks, for lifesaving medications.

In my own district, I heard from a veteran whose insulin arrived 3 days late and who had to get to the VA to provide the dosage he needed in order to survive.

An immunosuppressed constituent of mine waited 17 days for a shipment of medication to go from Main Street in East Haven, CT, to New Haven, CT, 4 miles away.

And I heard from a small business owner in Milford who is facing financial hardship because hundreds of client payments have never arrived.

Though he has since been able to track down 80 pieces of mail, 50 of which were client payments, and 30 of which were bills he had to scramble to pay, about 200 pieces of mail are still missing.

I want to take a page from what my colleague Congressman Womack said. I want to commend our postal workers. They know

how to deliver the mail. They have been doing it for a very, very long time.

What has happened at the post office is unacceptable. And, frankly, your leadership of the Postal Service, in my view, has been an utter disgrace.

It is simply inexcusable that even after all this hardship you are working on a new strategic plan that would permanently slow First-Class Mail and abandon current service standards.

And perhaps even more outrageous, even after Congress provided \$10 billion to the Postal Service in the CARES Act to help address the impacts of this pandemic, you continued to put the health and safety of your employees at risk.

It is my understanding that almost 56,000 postal employees have tested positive and 170 have died. I am appalled. My constituents are as well.

It is time for to you put an end to these delays, restore service and reliability, and prioritize the health and the safety of the American people.

And if you cannot do that, if you do not want to actually make the Postal Service better, then I do call into question why you took on this job.

I am pleased with President Biden's decision to nominate three new members of the Postal Service Board of Governors late last month, and I urge the Senate to quickly confirm their appointment, ensuring oversight to stop the damage that I believe you are causing.

And with that, let me say thank you to Chairman Quigley and to Ranking Member Womack, and I yield back.

Mr. QUIGLEY. Thank you, Madam Chairman.

Again, Postmaster General, we appreciate your being here today. Without objection, your full written testimony will be entered into the record. With that in mind, please summarize your opening statement in 5 minutes, if you could. Thank you, sir.

Mr. DEJOY. Thank you.

Good afternoon, Chairman Quigley, Ranking Member Womack, Chair DeLauro, and members of the subcommittee. Thank you for calling this important hearing concerning the Postal Service's fiscal year 2022 budget request.

I appreciate the opportunity to also discuss the actions we are taking to put the organization on firm financial footing to ensure that we can fulfill our vital universal service mission and to provide the American people with the service that they expect and deserve in a self-sufficient manner.

It is important to note that the Postal Service is an independent establishment which by design is supposed to be self-sustaining. In concept, we are required to fund our operations and to fulfill our public service mission through sale of our products and services.

It is a common misperception that we are supported by taxpayer dollars. To the contrary, with a narrow few exceptions, the expectation that is built into law is that we will run our business efficiently and in a manner that produces enough revenue to pay our own way.

One of the narrow exceptions is that when Congress created the U.S. Postal Service in 1970, it pledged to appropriate funds to pay

for the cost of certain subsidized postage that it deemed worthy of public support, such as free mail for the blind and overseas voting.

I view this promise as consistent with the mandate that we be self-sustaining, since if Congress required us to undercharge for certain services or to provide other services for free for the public—for public policy reasons, it makes sense that Congress should pay for those services or make up the difference.

My written testimony details our fiscal year 2022 budget request for these reimbursements, which total \$330 million and includes revenue foregone amounts.

Let me place our relatively modest but no less justified budget request in context: Much more comprehensive action must be taken if we are to have any hope of revitalizing the Postal Service.

The hard reality is that years of financial stress, underinvestment, unachievable service standards, and the lack of operational precision have resulted in a system that does not have adequate resiliency to adjust and adapt to changing circumstances.

I expect and do not shy away from your own observations and questions about recent service performance in your home districts. Confronting and understanding the problems with service is an essential diagnostic step toward finding solutions. My time at the Postal Service has been focused on just such a diagnostic process.

I acknowledge that our current service performance is unacceptable and that the status quo should be acceptable to no one, but I also believe that the solutions are within reach if we can agree to work together.

In that regard, we have developed and will soon announce a plan to revitalize the Postal Service and ensure financial stability and service excellence that embraces our vital public service mission and the continuation of 6-day delivery.

Our 10-year strategy will reinforce the Postal Service's obvious strengths and address our obvious weaknesses and enable us to continue to meet the needs and expectations of the American people and our universal service mission.

The key commitments of this plan will include, No. 1, a commitment to 6- and 7-day-a-week delivery service to every address in the Nation, not just because it is a law, but because it is a key ingredient to our future success.

Number 2, a commitment to stabilizing and strengthening our workforce, especially for our associates who are not yet in a career position. We want every postal employee to have the tools, training, and supportive environment necessary to enjoy a long-term career with us.

Number 3, a commitment to investing in our network infrastructure, including vehicles, technology, and package sortation equipment.

In the weeks ahead, I look forward to sharing more information and engaging in discussions about this strategy with public policymakers, our unions and management associations, our employees, our stakeholders, and with the American people.

There is difficult work that is ahead of us to fix the systemic problems that have plagued the Postal Service. But I am confident that together those problems can be solved, and I see a bright fu-

ture ahead for the Postal Service and the public we serve if we have the collective courage to act.

Thank you, Chairman Quigley and Ranking Member Womack, for the opportunity to testify in support of full funding for our fiscal 2022 budget request. I welcome any questions you and the subcommittee may have.

Mr. QUIGLEY. Thank you. We will begin with questions.

Let me just talk about Chicago, because so many of the problems seem to be playing out throughout the whole country, the same issues.

Let me ask you point blank, the fact that we have mail service problems, people not getting mail for long periods of time, are insufficient, and all the other complaints you got, can you be as specific as possible, is this a workforce shortage? Is this, to a large extent, being backed up because the Service couldn't handle the dramatic increase in package delivery? Is this because of air service issues? Is it because of anything else mechanical, distribution centers, processing equipment of any sort?

So to the extent you can be as specific as possible, in Chicago, and as it plays out the same way to the rest of the country, why are we having—why do we have these severe problems near the holiday, and why are they still playing out?

Mr. DEJOY. Thank you. And that is a fair question. And given the time, I can address it in a robust manner.

Number one, our network and financial condition and service have been eroding for years. We have been in a bad business model that has been allowed to exist both by the Congress and by our regulators, and by efforts by previous management teams, for the most part, have been stymied, and in some cases their own reluctance to take on the challenges that needed to be taken on to address the change.

Our performance during this peak period is a result of extreme change in the dynamics of our market, meaning packages, significant, significant increase in package volume, which from a cubic movement standpoint, which is how we go about moving—delivering our service. A tractor trailer of mail would hold 500,000 pieces. A tractor trailer of packages would hold 5,000 pieces.

We do not have the air, ground transport, or physical distribution capabilities both from a space standpoint or equipment standpoint to handle this. And there have been extreme delays throughout the whole system, starting from the peak period.

Also, we have had significant—historically have had significant turnover in the pre-career aspects of our workforce. This year we hired 200,000 people and didn't move the top-line number of 650,000 employees an inch.

Many of the career employees who have lead and were, in fact, had to deal with the growing, growing reach of the pandemic as we have moved from last—from March of last year into the end of this year, it spread more around the country. And we had tremendous more employee availability problems and absenteeism, which was filled by temporary hires.

These almost got to a point where there were day workers asked to operate our machinery in our plants. And they walk in our

plants and they see the type of environment that they need to work in, and many just turned around and went home.

We had pockets, like in Chicago, Detroit, Philadelphia, we have 750 routes. We only had 400 carriers to go out on a day. The Postal Service experienced the pandemic like everyone else.

And the final thing is, if we got mail and packages for the most part throughout the Nation to our delivery units, we delivered 90—over 98 percent of the time, over 97 percent of the time. That is the strength of the organization. And that is part of why I am optimistic about how we go about fixing it.

But we had days where I delivered 40 million packages in 1 day, and the next day could only do 30, yet we had 150 million packages in the system, because we could not get it to the delivery units. They were caught up in plants, they were caught up in trucks, they were caught up on terminal handling processes with airports, and so forth.

And with those packages moves—goes mail. And we threw everything we had at it, and it just wasn't enough. Just the system was——

Mr. QUIGLEY. I appreciate that. I am going to abide by my own rules and move on. And the next questions will be by the ranking member, Mr. Womack.

Mr. WOMACK. So mail volume down 42 percent, package volume up 120 percent. You have already spoken to how that has impacted your organization. So, I mean, those are numbers that speak for themselves.

So my question is, what is it—and maybe I am asking you to kind of give us a glimpse into your 10-year plan—what is it that we need to do in order—because, you know, coronavirus has caused a lot of people to shop online. I get that. I am an ex-mayor, so, I mean, I know the shopping habits of people. And that being the case, I think we have trained people now to shop more online.

I am not optimistic that the traffic at the malls that once upon a time was pretty robust is ever going to get back to that number because people now are comfortable shopping in pajamas by logging onto their computer.

So what are you doing, what should we be doing in order to be able to adjust to this change in mail volume?

Mr. DEJOY. Thank you. Thank you for that.

The first thing I would say, sir, is that while we—everybody recognizes the decline in mail volume that has been happening over the last 10 years, over 40 percent, and is projected to continue to decline another 35 to 40 percent over the next 10 years.

We have not adjusted adequately enough for that change in our operating structure. We still have many, many mail sortation machines in our plants. We have transportation that runs 30 percent utilized around the country to deliver mail. So we have to recognize that and make the changes that are necessary to address that.

The second thing is the package volume, which is tremendous more cubic volume that is moving around the country. And as you note, the projections are anywhere from over the next 10 years—you know, 6 years, 7 years, could double. We see consumers ordering smaller things online, getting more into consumables, and so forth.

And this is where I am optimistic about how we move forward. Our carriers reach, even during the pandemic, 161 million addresses every single day. And we do that at a 98-plus percent hit rate, which is an unbelievable accomplishment, the strength of the organization. And yet our package delivery volume is we only deliver about 35 percent of the packages that are delivered in the country.

We need to reorganize ourselves, which is part of what this plan will do, to address the marketplace. But we also need to get better at operating our network as a whole.

And this plan is about service, you know, service excellence moving forward at affordable prices. As I said, I am committed to maintaining 6- and 7-day-a-week delivery. It is about investing in the organization. Our plan will have some big numbers investing into the organization and workforce, approaching \$40 billion. It is spurring innovation for growth, which we, prior to the pandemic, we were losing ground on the package market. And it is about following the law and becoming self-sustaining.

And some of that requires legislation. Chairwoman Maloney is working on her bill to integrate Medicare, which is something that is an unfair burden on the organization, and we would look for everyone's support on that.

So I am optimistic.

Mr. WOMACK. I want to move to the second part of my question, and I call it price-to-delivery model. Is our price-to-delivery model right? Is it up to date? Is it sustainable?

And maybe I am not using the right term, but I call it price-to-delivery because there is a certain amount of cost that goes into getting a package or a letter wherever, from point A to point B.

So speak to that for me.

Mr. DEJOY. So we have two types of—two areas that we have. We have competitive pricing, which gets reviewed by—which is pretty much in our control. We have the market-dominant pricing, which was part of the legislation in 2006 and a big, big part of our problem over the last 14 years.

This was an experiment which really—we were frozen in the business model, pricing and volume relationships and cost relationships that were established in 2006. Subsequent to 2006 mail volume dropped out. The American geography expanded where people live, about a million addresses a year. And our cost relationships were totally out of whack. And we were pretty much price capped to CPI.

After 10 years we were supposed to get a ruling. It took 4 years to study that. We finally got the ruling last December, which addressed a lot of the issues going backwards in terms of recognizing the reduction in mail flow, but during that process it left an extreme amount of damage to the organization. And had this become—

Mr. WOMACK. All right. I am out of time. I get it. Thank you very much.

I will yield.

Mr. QUIGLEY. Thank you, sir.

I now yield to the chairwoman of the full committee, Ms. DeLauro.

The CHAIR. Thank you, Mr. Chairman.

Just for the record, and I just looked this up, in 2019 the Postal Service delivered 800 million packages between Thanksgiving and Christmas.

The ability of the Postal Service to handle packages is well-known with what they have done at holiday times. The post office delivers more packages to homes than any other shipper.

So this notion that packages then have slowed up this process appears to fly in the face of the actual data with regard to the post office. I believe there was an attempted assault on the post office service by the previous administration.

I appreciate the efforts of the hardworking men and women in the Postal Service to ensure that an unprecedented number of mail-in ballots were delivered on time, an increase of 22 million from the 2016 election. However, these efforts relied heavily on, quote, "extraordinary measures," like extra transportation and overtime, to handle the surge.

Let me ask you, does the strategic plan that you are set to release shortly include changes that will allow the Postal Service to better scale its operation of increased use of mail-in voting is the new normal?

And in a recent report, your Office of the Inspector General said that you were only able to measure service performance of just over half of the ballots. What steps are you taking to increase that number and ensure that there is visibility for all ballots?

Mr. DEJOY. Well, Chair, I thank you for recognizing our ability to deliver packages. We delivered 1.1 billion packages this holiday season, but were tendered probably about 1.5 billion packages, which is what resulted in delays.

As with regard to measurement, we have processes to measure, but this is also part of the election process throughout the States. All 50 States have different rules, regulations, they have different types of mail that they tender to us.

If you have a bar code on a ballot, we can track it.

The CHAIR. If you just give me a second, because I want to abide by what the chair is doing with regard to time.

But my question is, what is your plan going to do with regard to allowing the Postal Service to better scale its operations if, as I believe is the case, there will be the increased use of mail-in voting, if that is the new normal? What are you doing to change your operation to deal with that fact?

Mr. DEJOY. Ma'am, we dealt with the—the mail-in voting, record mail-in voting that we had last year, some 25 percent or something higher than the 2018 election, we had a 99, 98 percent, very, very high performance level. It is about 2 percent of our mail during the process.

The capacity to process election voting is there, as I stated, throughout the whole election cycle. And the bigger focus we need to have is on the overall operations so it doesn't continue to erode our performance.

But the election—any amount of election mail that we have, we can handle.

The CHAIR. But your own inspector general said that you are only able to measure service performance in just over half the bal-

lots. Again, my issue is not what has happened in the past, but where are you going in the future with your strategic plan.

Because as I take a look at the commentary on your strategic plan, you plan to eliminate a tier of First-Class Mail in an area that is already struggling, and you plan to prevent First-Class Mail from being shipped by airplane.

It doesn't sound to me—you need to let us know what you are doing to deal with what have been the delays, the shortfalls, et cetera, going forward. That is all we want to know, is what is going to be different going forward than we have in the recent past.

Mr. DEJOY. Again, I want to stress the fact that we are adequately prepared to handle election mail. If the chair would like to see higher measurement, that report, I am familiar with that report, and there is—that report is, in general, talking about we need to work with election boards to get a more collaborative methodology to tender the ballots.

We did that quite extensively last year, and we continue to—will continue to do that in the future. But I can only measure what is prepared to be measured. And with regard to the plan, the plan will be forthcoming.

And one last thing, with regard to service standard change. Over 80 percent of the mail will stay in the same—especially, our 2-day product will remain 2 days. We think we are adequately prepared for any election going forward.

The CHAIR. Well, we will look carefully at the IG report and then deal with the recommendations.

And with that, I apologize to the chair. I have overstepped my time and I yield back.

Mr. QUIGLEY. Never a problem. Thank you.

Mr. Amodei.

Mr. AMODEI. Thank you, Mr. Chairman. We have kind of touched on the stuff that I was interested in, so I am going to go ahead and yield back.

Mr. QUIGLEY. Thank you, sir.

Mr. Cartwright.

Mr. CARTWRIGHT. Thank you, Mr. Chairman.

Mr. DeJoy, many of the problems that USPS faces can be traced all the way back to last summer. The chairwoman is correct. Last summer there were efforts to dismantle mail-sorting machines, cut overtime, restrict deliveries, remove blue mailboxes, all in the name of operational efficiency.

I have no doubt you will attempt to deny these actions or justify them, as you have previously, but we have all seen the report. And my constituents did not experience an increase in efficiency in any way. Instead, they experienced delays, as well as missing and missed delivered mail.

And yet you want to try this again. You propose more service cuts, doubling down, instituting higher and region-specific pricing and lower delivery expectation.

So I have three questions for you.

Number 1, Americans are clearly relying more than ever on the United States Postal Service than before the pandemic. Why are you doubling down on the policies that have led to massive delays?

Number 2, how would doubling down on these policies that helped create these issues help Americans receive their mail on time?

And, No. 3, given the severe issues that the Postal Service has faced since you were appointed Postmaster General, can you explain why you think you are still qualified to hold that position?

Mr. DEJOY. So, Congressman, first of all, I don't agree with the premise that you introduced the question on with regard to changes that I have implemented have caused these issues. As I said earlier, our network and the financial condition of the Postal Service have been eroding substantially, and we did have to operate in the pandemic just like every other operation in the Nation.

With regard to the changes that we are looking to make, we are looking to capitalize on our strengths and address our obvious weaknesses. And this plan, the changes that we will make, are about service excellence and affordable prices. It is about maintaining 6- and 7-day-a-week delivery. It is about investing in the organization and spurring on innovation to grow.

And, importantly, what this Congress continuously fails to recognize, part of the law is to be self-sustaining. And that is what this board and this management team is trying to address. We suffered almost \$10 billion of losses last year. We suffered almost \$80 billion of losses over the last 7 years. If I paid all my bills, I would be out of money tomorrow.

And I am trying to take this board, and myself and this management team are trying to take seriously the issues that face us, is that we are in a broken business model and changes need to happen.

When we roll out our plan, I think any reasonable person will understand the challenges that we face. But they will also see the optimism of the plan.

And why should I stay? Because I am committed to seeing this change, I have the expertise to do so, and I have the tenacity and the stamina to undergo this type of questioning.

Mr. CARTWRIGHT. Well, Mr. DeJoy, on December 21, 2020, I wrote you a letter asking how you had planned to improve delivery standards given the many concerns that the people in my district, in northeastern Pennsylvania, have shared with me about their mail service. I received your response, which stated you were doing everything you could to provide timely and efficient service.

That was December. Christmas is over. The election is over. It is now March, and things are simply not getting better in northeastern Pennsylvania.

What is it that has caused these delays to continue well into March? What is the USPS doing to ensure these delays are resolved as soon as possible? And, specifically, how are you dealing with staff shortages to ensure there are enough workers to do the work that is necessary?

Mr. DEJOY. A fair question. Throughout the country, in different, especially in urban areas, we have had absentee issues with regard to carriers. But for the most part throughout the Nation if mail and packages got to our carriers, we delivered at over 98 percent of the time.

We have hired over 200,000 people in less than a year trying to fill positions. We have converted 10,000 people in December. We have not converted people in many, many, many years.

So we are very committed to try and stabilize the workforce. It is my number one thing I am focusing on. I have been working with our union leadership on this to change the trajectory of our turnover in that area.

But the rest of the problem, sir, is not at the delivery units. It is in our network. We have standards that require flying planes. We don't own any planes. We overwhelmed all the aircraft that we could have. We are significantly short on aircraft to move volume around.

Our trucking network is problematic, but we also overwhelmed that in terms of capacity. We bought every piece, every bit of transportation we could get, and it just wasn't enough.

Now, with regard to March, we were still delivering peak season volume all through January. We delivered 1.1 billion pieces up to the end of year and had significant—it took us January to work it down.

And then we got hit with the storms. I woke up, I came in one morning, and the winter storm was there, 71 million addresses potentially impacted. And many of our hubs—that got down to about 20 million—many of our hubs were frozen. We could not get in mail and packages through the network.

So the problem, sir, is bigger than just your locality. It is a network operation, and our network is in bad shape.

Mr. AMODEI. Mr. Chairman, I have no further questions for the witness.

Mr. QUIGLEY. Thank you.

Mr. Stewart, please.

Mr. STEWART. Thanks to the chairman and ranking member, and, of course, to the Postmaster General.

I do have a couple questions. Before I do that, I would like to express the view that I recognize you took on an enormous challenge, and perhaps there have been mistakes made along the way. I think that is probably true of any of us who would take on such a big challenge. I do think some of the criticism that you have received here today is probably exaggerated, some of it is unfounded.

Again, I think we can do better. I hope you can do better. I think you are clearly committed to doing better.

But, in my view, too, it is a little bit like assigning a new captain to the Titanic after it has hit the iceberg and then blaming that captain for the damage and the catastrophe that took place before.

I mean, the challenge of the Postal Service is a generational challenge. This is something that has been years and years in the making, and it is going to take a little time to fix it.

So, once again, I want and encourage you to continue to make the reforms that are necessary, but I feel a little bad that some of the criticism that you have received here today I just think is unfounded and, as I said, exaggerated.

Having said that, let me ask you a couple of questions. And I can ask you both, and then let you answer.

The first is, the ability of someone in China to create malicious drugs, very deadly drugs, Fentanyl being the worst example be-

cause it is so compressed and so easily shipped via mail. And the reality is, is that many times that is shipped through the U.S. Postal Service. In fact, it is probably the primary vehicle for these deadly drugs that are created and manufactured overseas to be brought into the country.

And I would like you to address how and what you have done already and how you intend to address that in the future how you are going to stop the Fentanyl particularly and other drugs from coming in.

And then, very briefly, address in your plan how you are going to protect rural postal service. It is very important to my district, it is important to the West, and rural parts of the country. And we have got to show our constituents that their rural service will not be interrupted.

Mr. DEJOY. Well, thank you. Thank you for your question. Congressman. I will start with the second one first with regard to rural Americans.

As I said, I am committed to 6- and 7-day-a-week delivery to every address in America, and our board is committed. This is a very strong position that we are taking in our 10-year plan.

And as you know, sir, when the pandemic hit, we saw that many of these areas, these rural areas, were not delivered to by many private enterprises. And that is what the essence of the Postal Service was founded around, is trying to serve every American.

So with regard to that, our plan stays committed to 6- and 7-day-a-week delivery. And so that is that one.

With regard to China, as you know, the STOP Act, we have been working with Senator Portman, the CBP, the State Department, everybody, on the STOP Act, and have been monitoring the traffic coming in. Our Inspection Service is very, very involved in monitoring traffic coming in from overseas.

And, quite frankly, it really has come down from China. I don't know all the—I don't remember all the specific numbers. I get briefings every month. Most of the volume now is coming in—winds up coming in through southern border and through the mail, I believe.

But we are very close. We extended—the STOP Act was supposed to be implemented at the end of the year. It got pushed out to March 31. It is a multiple agency, all of government type of initiative that is going on.

And we are very close to having a sampling plan, an identification plan, a compliance measurement system to really address foreign entry into the mail system. We still have domestic issues that we have to confront.

Mr. STEWART. Okay. Well, again, my time has expired. I hope you will concentrate on that. I think it is incredibly important to our culture and society that we not have access to such deadly drugs simply a mailbox away. And, again, the rural communities are so dependent on you.

So thank you.

I apologize if my video is not working.

Mr. QUIGLEY. It is on now. Thank you.

We move to Mr. Pocan, please.

Mr. POCAN. Thank you, Mr. Chairman. Appreciate it.

And thank you, Mr. Postmaster, for being with us.

Mr. Postmaster, what was your first day on the job? What was that date?

Mr. DEJOY. July 15, 2016.

Mr. POCAN. Okay. So you have got about 8 months, 9 months under your belt?

Mr. DEJOY. Yes, sir.

Mr. POCAN. What grade, on a scale of A to F, would you give your performance as of—

Mr. DEJOY. I don't give grades. I look forward.

Mr. POCAN. Just go ahead and try. I mean, do you think you have done a good job.

Mr. DEJOY. I don't want to. I don't want to. Why don't you give me a grade?

Mr. POCAN. Well, I am going to ask you what grade. Are you excellent?

Mr. DEJOY. I am not going to give myself a grade.

Mr. POCAN. Are you satisfactory? Would you say you have done a satisfactory job?

Mr. WOMACK. Cartwright needs to mute his microphone. We are getting feedback.

Mr. POCAN. Mr. Postmaster General?

Mr. DEJOY. I am sorry. I didn't hear the question when he—

Mr. POCAN. I was just trying to ask what grade, wanted you to assess the performance you have done.

Mr. DEJOY. What is the grade spectrum you want me to grade myself on?

Mr. POCAN. A, B, C, D, F.

Mr. DEJOY. Okay. I would give myself an A for bringing strategy and the planning and effort to here. And as I did in my last testimony in Congress, as the leader of the organization I take responsibility for how we have delivered during this season.

And I apologized to the American public. And my apology was not just on behalf of this organization. My apology was on behalf of the regulatory boards that have overseen this and this Congress.

Mr. POCAN. Mr. Chairman, I would just like to reclaim my time.

So you are saying an A. That would be excellent.

So I am looking at the inspector general report about your performance. They said that you communicated primarily orally, which resulted in confusion and inconsistent application of operational changes. They said you implemented changes without completing a study or analysis of the impact of changes.

They looked at performance of First-Class postage delivered. Went down to below 80 percent. First-Class presort, First-Class packages, and Priority all declined in performance.

When there was a court order asking you to roll back some of those changes, we actually improved the delivery times on these changes that you made, from dismantling equipment, to not paying overtime, to not hiring an adequate amount of people at holiday season, your organizational structure, and more.

So let me ask two questions. And I will ask them together, you can answer them together.

The first one is, do you really think that that is excellent service, for the first question?

And the second question is, let me ask you specifically about my State of Wisconsin, because, unfortunately, my numbers were worse than the national numbers.

So in Wisconsin our First-Class Mail delivery dropped to a low of 63.69 percent the week of December 19. And outside of some challenges from the holidays, the week of September 19 it was 77 percent while the national rate was at 84 percent.

So the first question is, do you think you deserve an excellent grade? Second, are there specific problems that are causing delays in Wisconsin, and what are you doing to address those?

Mr. DEJOY. So I will take the second one.

There are specific things that are affecting mail being delivered in Wisconsin and mail being delivered around the rest of the Nation. I can't get the mail there. I have more mail than I have ability to transport it throughout the Nation. I have more mail and packages than I have the ability to process in our plants. And as we were coming off that big peak volume, we ran into a—we had a storm.

So that is the majority of the reasons why—

Mr. POCAN. If I can just interrupt for a second, Mr. Postmaster General. So we do get storms in Wisconsin. We have had them since I had hair. You and I have similar haircuts. I think you know what I am talking about timeline-wise. It has been a while. But—

Mr. DEJOY. So therefore this situation is new to you about having bad mail service in Wisconsin?

Mr. POCAN. No. It is new, the bad service. Snow isn't new in Wisconsin. But under your leadership bad performance has been, unfortunately, increased in Wisconsin. And I am trying to get that.

I know that you have taken—and some of this happened prior to you—taken some of the sorting processing outside of various parts of the State. But it was pretty clear that our rates are pretty awful.

So your excellent, your grade A service, why is it having such a bad impact to Wisconsin?

Mr. DEJOY. Well, first of all, I disagree with how you interpreted the OIG's report and what the OIG's report says. Okay? Because many of these things, with removing collection boxes, removing sorting machines—which were 30 percent underutilized, even the collection boxes that were moved.

There are regional and local practices that enable those things to happen. It had been going on for many, many years before I got here. And it was incorrectly associated with my directive and had no impact on mail delivery. So we are focused on the wrong things.

The thing that I did do, the thing that I did do, sir, was try and get the trucks to run on time. We had the COO, seven area VPs, they put together a plan to try and run the trucks on time. It failed. They would be eventually recovered after 2 or 3 weeks. It had nothing to do with Federal orders, judge orders, and so forth.

So you are putting together a whole bunch of activity which the Postal Service does endeavor in. We have 650,000 people and deliver to 161 million addresses a day. And you are conflating a lot of things, sir, to come to my grade. And I want to stay with my position.

Mr. QUIGLEY. And I appreciate that. Let me move on to Mr. Joyce, please.

Mr. JOYCE. There we go. Thank you, Mr. Chairman.

Postmaster DeJoy, first off, let me say, in northern Ohio, according to your own statistics, we were the third worst in the country in the third quarter last year.

But I am not going to beat a dead horse. I understand that you had problems. And I understand what you are saying, it was the symptoms of that problem.

However, during Christmastime the local TV station was showing trucks lined up outside the Cleveland main post office. And then internally there was mail stacked on top of each other, and a problem with workers, or whatever, and people receiving those delays.

I know that you are working on a 10-year system of trying to get the strategy, trying to cure many of the problems we are hearing here today. Would you enlighten us on what that 10-year strategy looks like?

Mr. DEJOY. I can. The plan focuses on service reliability at affordable prices, and it maintains 6- and 7-day-a-week delivery.

As we back up from that, we have had significant issues in the alignment of our network. Most of our network is built out to service mail. And we have an increasing package business, a package business that we think—we know will continue to grow. And the American people have shown through the pandemic that they like to use the United States Postal Service for package delivery.

So we have a significant alignment to make in how we run our network. And I am optimistic it is doable, but we have to make change. If we don't make change, this will continue.

The pandemic and the service impacts that we had over the last several months are a few of what is to come if we don't make change. We could be running trucks around the country with 10 pieces of mail on it and continue to have package business erode, as it was doing before the pandemic.

So we need to make some big changes. It involves investment, investment of larger facilities, new equipment, new package sortation equipment.

It does involve a service standard change. The service standards that we have now have not been met in the last 7 or 8 years. They are not achievable in the current environment. We cannot go to California from New York in 3 days without going on planes, and we don't own planes.

Mr. JOYCE. Fair enough. I get those logistic problems. But if I am not mistaken, part of the business model with packages has been the last leg, if you will, and working those packages into the rural areas where it is not cost-efficient for UPS or FedEx or Amazon or other delivery services to go.

What is your plan for the rural—if you are trying to condense the system, what is your plan for those areas in your 10-year strategy?

Mr. DEJOY. I am very, very committed, sir, to the rural areas. And the plan that you are talking about with regard to density, the private carriers were going after dense areas and packages and leaving the Postal Service to do rural.

And that is where I get back to the standard, that we are only doing 35 percent of the deliveries in the Nation. Our plan is about growing in that business. And the rural areas will be—we are very—this board, myself, and this management team are very, very committed to keeping our service to rural America.

And when we roll out the plan, you will see that a big part of this is to attain financial sustainability and have revenue growth to help offset—to become self-sustaining, which is part of the mission.

There are two things in the legislation that we have: be self-sustaining and deliver 6 days a week. And we are going to continue to do that. And we think that those are very—those are things to be proud of as an organization, and they are achievable. But we need to make other change. We cannot stay where we are right now.

Mr. JOYCE. Thank you, Mr. Chairman. I will yield back at this time.

Mr. QUIGLEY. Thank you.

Mrs. Lawrence, please.

Mrs. TORRES. She is not there.

Mr. QUIGLEY. Okay.

Mrs. Torres.

Mrs. TORRES. Thank you, Mr. Chairman.

First of all, thank you for coming before our committee.

I want to associate myself with the concerns of my colleagues regarding mail delivery and the unraveling of machines during a time where we needed them the most, even though you say that 30 percent of—they were not being utilized at 30 percent of the time.

I want to move on, though, from that and try to make you a little more comfortable and address other issues. You are our guest in our committee.

You know, our committee is in charge of appropriating the funds that you need in order to operate the post office. So I want to bring up two issues.

Number one, my experience has been that people—you know, the poorest of the poor have a much higher use for the post office. They receive a lot of their mail, their checks—payments through checks in the mail. They utilize it more because many of them do not have bank accounts or other means of delivery. They don't have set-up accounts with other services.

My hometown of Pomona, a city, when I was the mayor, of 163,000—population of 163,000 people; an adjacent city, population of about 30,000 people. We are looking at two cities, an affluent middle class and a very low working-class community.

On the one community where I live, a post office, a small community post office, was shut down completely. The only post office that is left in my community is in a terrible, dilapidated state. Here are, you know, some of the photos: We have mailboxes that are out of service. This is the welcoming that they get in my community. Versus the beautiful post office in an affluent city with 30,000 residents.

Additionally, the hours, the hours of operation, are not the same. So you have people that are having to drive 40, 50, 60 miles one

way to work and, you know, don't get home till about 7:00, 8:00 at night, and the post office is closed. So limited access for them. I am very concerned about that.

I am very concerned at the post office denial to clean up this mess. You know, the post office represents—the image of the post office represents the Federal Government. That is not the image that I want of the Federal Government in my community.

And, without objection, I would like to ask that these photographs be submitted for the record.

Mr. QUIGLEY. Without objection.

Mrs. TORRES. I don't know if you can answer this question, but I do want to put it on the record, because I would like to have a conversation with you, moving forward.

I have serious concerns about the workplace environment at the Santa Ana District USPS, which serves much of my district. Over the years, I have spoken with employees who have voiced concerns over numerous issues—workplace harassment; retaliation for filing complaints with HR; supervisors who are not properly trained when they are promoted—instead of holding them accountable for retaliating against employees, they are rewarded by giving them promotions; an ongoing issue of managers having relationships, personal relationships, with employees, which is, you know—that is unacceptable. That is unacceptable behavior.

So what is being done at the national level to address this workplace misconduct? Obviously, we need proper training, improved training. And we cannot simply move a bad employee and transfer them to another facility for them to continue to sexually harass or abuse other employees.

So those are my concerns. I am going to give you—you know, there is not much time. I hope that we can follow up and have a longer conversation around it.

Mr. DEJOY. Well, I mean, the points that you make are very, very important ones and are reflective of historical circumstances and something that we are very much focused on, moving forward.

Underinvestment in our retail facilities around the Nation is something I am very—this board and the management team, we are very, very concerned about, and that is in our plan.

Our employee turnover is unacceptable, and it is something that has been around for a number of years, and it is something I am very committed to working on.

And I would love to hear your thoughts, going forward, and we can set up a phone call or something.

Mrs. TORRES. I would like to do that.

Mr. DEJOY. I think we will see that we are pretty aligned on trying to make improvements to the organization.

Mrs. TORRES. I would like to follow up personally with you, sir, because I understand these are sensitive concerns that I have, but, you know, my role here on the Appropriations Committee is to support a budget request moving forward, and I want to be on the record that I cannot do that given the circumstances that I have experienced.

I yield back.

Mr. DEJOY. But if I could add to that just one thing, and hopefully you will reconsider.

Part of the reason for the situation that we are in is we lost almost \$10 billion last year, \$8 billion the year before, and on and on and on. We have many unfunded mandates that are put on by us by Congress. There are many limitations that are put on us by Congress and our regulatory board.

So I would ask that you reconsider—this is a small amount of money here for the blind and for overseas voters. And I understand all your concerns, and, look, I can assure you we are trying to address them. But pulling money away from us is really not going to help as we move forward.

Mr. QUIGLEY. We encourage and thank you for agreeing to further communication. I do need to go forward.

Mrs. Lawrence is now recognized.

Mrs. LAWRENCE. Thank you so much.

Postmaster General, thank you for being here again.

It is my understanding, last week, the United States Postal Service announced the following organizational changes: You are consolidating 67 postal districts into 50. New district territories will be aligned with State boundaries. Districts will align with the communities the Postal Service serves and provide similar boundaries for employees and customers. It goes on and on.

Your predecessor, when she had a plan to change and reorganize the Postal Service, she actually came and gave a briefing to the Oversight Committee, which you know I am on, which gives oversight and approves the operational issues with the Postal Service. You have denied us that. And it continues to question your leadership, because you are new to the Postal Service, but you are doing this massive, sweeping organizational change.

I know what that feels like because I was with the Postal Service for 30 years. When you reorganize at that scale, you are literally slowing down operations. Everyone is trying to figure out who is on first; you have to go through a whole selection process for new people. And you are doing this on top of you already being challenged with not figuring out why you continue to have the service issues—which, sir, I have to disagree with you, we have never had the service issues that I am seeing. I have worked with the Postal Service. I have never seen trucks backed up for miles to get into a facility.

And the responsibility of all these things that you have mentioned does rest on your shoulders. I would give you the grace period—and I want to be very clear about this—if you wanted to correct your problems with retention so you could have a stable workforce before you are going in and just tearing everything up. You know you were hit hard because, in the middle of an election and in a pandemic, you were taking out boxes, you were changing overtime policies, and all these things.

And the entire country responded to that and said, what are you doing? Because, unlike the United States Congress, the Postal Service has over a 90 percent approval rating. It is because the Postal Service touched every American 7 days a week and they trust that delivery. And now I get calls, and you have gotten them too, where we literally have not delivered mail but once or twice a week to a community. And, for them, that is unsettling, that is not the norm.

And, at minimum, Mr. Postmaster General, the courtesy and the respect of the organizational structure, to come into the Postal Service and do a—I mean, into the United States Congress, to give a briefing, and not subject us to sitting at home reading a press conference or seeing it on TV.

Because right now we are all talking to you about our challenges in our communities and in this country, and all you have, “I have a plan.” No one here knows what it is.

And can you tell me, in my time that is left, where is the analysis of your changes will have on morale? Because we already, you said, we have this issue, we have this turnover—on morale? On sustaining delivery?

Because while you are redrawing the lines and talking about trucks and our vehicle inventory, while you are restructuring these lines—because every time you change—and you know this. Every time you change a logistical process for a truck to deliver mail to a facility, you have built in mistakes, missed deliveries, because you have to connect all of those logistical changes, those boundaries that I talked about, you have to change processes within the plant to allow that dispatch to meet the delivery of the truck.

And I haven’t gotten anything like that from you. And I sit also on this committee that has the responsibility to appropriate funds and on Government Oversight for the Postal Service.

So I will ask that question and tell you, I am going to use all the power I have to require you to stop doing press releases on massive changes and to at least give the United States Congress the courtesy of knowing your plan.

Mr. DEJOY. Congresswoman, you are well-known and respected within the Postal Service for your career and your position today. But, honestly, the Postal Service of today and the condition we are in is not the Postal Service of 2008 when you retired. We are in—

Mrs. LAWRENCE. I remember—

Mr. DEJOY [continuing]. Dire, dire financial crisis. And change—

Mrs. LAWRENCE. But, sir, when I left the Postal Service—

Mr. DEJOY. And we are not positioned—and we are not positioned to serve the market that—

Mrs. LAWRENCE [continuing]. Continue to monitor what is happening. So I am not naive, sir.

Mr. DEJOY. I didn’t hear you. I am sorry.

Mrs. LAWRENCE. I said I am not naive. When I left the Postal Service, I came to Congress and have had responsibility for 8 years of the operations of the Postal Service and had my thumbprint on what is going on. So please don’t imply that I am ignorant to what is going on.

Mr. DEJOY. I am not saying you are naive.

Mrs. LAWRENCE [continuing]. Responsibility of hearing the voices of the people in the United States cry about the service.

Mr. DEJOY. With regard to the organizational change, this has been worked since August by leadership in the organization, established, 30-year people within the organization.

The previous organization structure has led to many of the problems that we have today. You know, there is a number of reasons

that basically had 7 or 8 people running a 600,000-person organization, which created a lot of confusion, lack of clarity, and inability to implement change.

This has all been worked on through many, many people throughout the organization, has been planned. And we did the proper notice that we were supposed to do, you know, to the Congress.

But the point I am making with 2008 is, we don't have another 10 years ahead of us if we don't get moving on change. And that is why——

Mr. QUIGLEY. I am sorry. I just have to make sure as we try to get to a mini-second-round. So I need to move on to Mrs. Kirkpatrick.

Mrs. KIRKPATRICK. Thank you, Mr. Chairman. Thank you for having this hearing.

And thank you, Mr. DeJoy, for being here and helping us out with the committee.

As you may know, I represent southern Arizona, including parts of Tucson. So, back in 2011, the Postal Service moved to consolidate the Cherrybell Processing Center in Tucson and targeted it for permanent closure. Fortunately, this closure did not come to fruition, thanks to a coordinated effort in Tucson and throughout the State to demonstrate Cherrybell's value. That said, the facility lost its postmark in 2013 and has been threatened with further consolidation ever since.

Further, the U.S. Postal Service has chosen to ship postage from Tucson to Phoenix for processing, and then it goes back to Tucson. So this means the whole State relies on the processing in Phoenix, which has led to problems that were exacerbated by the pandemic.

These problems will only get worse as the population in Tucson and throughout Arizona continues to grow at a rapid pace. In my view, it is no longer feasible to forego a processing operation in Tucson itself.

So, last week, I joined with Senator Sinema and other members of our delegation to send you a letter that goes into greater detail on this issue. The letter requests that you move to reserve the partial consolidation of Cherrybell in Tucson in light of the problems we identified in our letter.

So I have three questions, Mr. Chairman. My first question is, will you commit to refraining from further consolidations at Cherrybell and give serious consideration to reversing the consolidation that has already occurred?

Mr. DEJOY. Congresswoman, no, I will not commit to anything, but we are very, very engaged in evaluating, you know, growing and future conditions of population and how we service that population. And while, as you said, Arizona was a growing State, we plan to get on that, we plan to have all our service, as we design it, to be at 95 percent, and we will appropriately position facilities, transportation, and resources to, you know, get to that level.

With regard to a specific site and where it is right now and what happened in 2011, I would need to get back to you on that. But, I mean, the big thing to take away from this: If there are people and need, we are going to reach them, at a high performance level.

But we do need to recast that expectation of what it is that we are able to do, because we are losing a lot of money.

Mrs. KIRKPATRICK. Thank you for your answer. I appreciate that. I appreciate the budgetary concerns that you have.

My second question is—and you have partially answered this: Will you commit to taking in population growth when you are considering further consolidation or closures?

Mr. DEJOY. Absolutely. We love population growth. We know we have to go where there are people. And that is a big part of how we plan to grow.

In this plan, I will say—and this plan has some \$20 billion of growth. And it is reaching—it is dealing with the changing economy and reaching out to where the people are with the appropriate services and a reliable timeframe. So I suspect, based on what I hear and know, that Arizonais going to be in good shape, going forward.

Mrs. KIRKPATRICK. Yeah. Well, good.

And, you know, part my district is rural, and I represent lots of veterans who live in rural Arizona, and they rely on the Postal Service to get their medications. Many of them live in areas where there is no community health center and no doctor. And you have just done a really good job for our veterans, and I want to applaud you with that.

So, you know, my third question is, do you think it is efficient to ship Tucson's postage up to Phoenix for processing and then ship it back to Tucson for distribution?

Mr. DEJOY. So it may be, when we are done with our analytics. It depends on, you know, the density of mail, the traffic flows that we have.

But the key thing that we want to be committed to is, what is our service standard, and are we making it 95 percent of the time? And from that—and as I said earlier, if we get mail and packages to our carriers, to our delivery units, it is going to get there. Ninety-eight percent of the time, it is getting there.

And the problem and the cost of our network—I mean, that is costly to do that, but that is legislated, and that is something we are committed to. The cost of moving mail and packages around and not having the right equipment and network and running underutilized is what drives up our costs.

So it may be that that is the solution for getting the 2-day, you know, mail there. But, as you begin to grow, as the communities begin to grow, we change.

And that is a key thing. We have failed to evolve over the last 10 years in terms of our strategy. If we did incremental things every year as this was happening, more incremental, we would be in a better shape, and it wouldn't have to be, you know, where we are at right now.

Mr. QUIGLEY. I am sorry. I thank you, Mr. Postmaster. We are going to try to do a third round.

And to my colleagues, please try to stick to a 3-minute question period, if you could, please, so we can get as many people to be able to ask questions as possible.

Mr. Postmaster, very quickly, there has been much talk about your new fleet and the fact that such a small percentage of it is

an electric fleet. And I know that there are limitations, as you have described, in terms of the infrastructure to have the charging and so forth. But, you know, it seems that we have tied our hands, you know, if we purchase a fleet that is really meant for the last 100 years, right? And by the time this fleet will have served its purpose, very few cars will be operating in the same manner.

And, at the same time, you know, here we are, as a Congress, talking about an infrastructure package. It would seem that, before you go forward and lock things into a plan that is hard to change, you would have the communication with us to talk about how to work together toward this end.

And I know there is an issue between where these vehicles are built. That is not the question here. The question is——

Mr. DEJOY. And I am very——

Mr. QUIGLEY [continuing]. Moving forward.

Mr. DEJOY. I am very, very glad you asked me that question. I think there is a misunderstanding out there. In fact, I penned a letter to Congress to explain.

We are very, very excited about having a full fleet, or to the greatest extent we can, you know, electric fleet. And the decision that—but we are also facing, we have a 30-year-old fleet, and they are catching on fire, and we need trucks.

The 10 percent was getting us in a position to engage in electrification of our fleet. We have a year to decide what the actual volume is. But the 10 percent was about \$500 million, which we don't have, to kick off the study of engineering and the plant-building for an electric fleet.

These drivetrains are convertible, so if we were able to get the funding, we would be able to maybe, of the first buy, go 50 percent electric. But there is a huge infrastructure cost associated with that——

Mr. QUIGLEY. No, I get that. And let me cut to the chase. And I get what you are saying. You are talking about unfolding a plan as well. Some of the things that you have supposed in that plan may alter, given your discussions with Congress.

So this is just one example, and we are very limited on time. And I ask that you consider that, as you unveil your plan for the future, that you take into consideration that some of those assumptions you might have would be altered if Congress said, well, that is not what we want, and we are willing to help to avoid that eventuality. That is the only point.

Mr. DEJOY. And we would welcome the help with regard to that matter, sir. Thank you.

Mr. QUIGLEY. Okay.

Mr. WOMACK.

Mr. WOMACK. Mr. Chairman, I don't have any further questions, and, in the interest of time, I am going to yield my time back and thank the Postmaster General for his time today. Thank you.

Mr. QUIGLEY. Thank you.

I would move on to Mr. Cartwright.

Mr. CARTWRIGHT. Just one question, Mr. DeJoy.

The USPS has this prefunding requirement for healthcare and pensions for many years into the future. That was enacted in 2006. Successive members of top management at the Postal Service have

expressed a wish that that were not the case, which is a burden that no other governmental-related agency faces.

And, last year, in the U.S. House, we passed the USPS Fairness Act, which had more than 300 cosponsors, including more than five dozen Republicans. What is your position on that, Mr. DeJoy? Do you think it is advisable that we pass that, and will it help with budgetary problems?

Mr. DEJOY. That is a very important question and a big part of our plan, sir.

I have been working with our team here, with our union leadership, to get two things out of legislation. One is the integration of Medicare, and eliminating the prefunding requirement.

I have been up to the Senate side, on the House side, speaking with different Members. It is very important. It is about \$50 billion to us over the next 10 years. And we hope that the Congress sees this through. It is very, very important to our future.

Mr. CARTWRIGHT. Thank you.

I yield back, Mr. Chairman.

Mr. QUIGLEY. Thank you, sir.

Mr. Joyce.

Mr. WOMACK. I don't think he had any other questions.

Mr. QUIGLEY. Okay.

Mr. Pocan.

Mr. POCAN. Thank you, Mr. Chairman.

Thank you, Mr. Postmaster General.

Let me just—I just want to make sure I am clear on that last part, because I do think we have this unusual requirement that you have to have about prefunding health benefits 75 years into the future.

I have been a businessperson for over 30 years. You have been a longtime businessperson. I don't know of another Federal agency or, quite honestly, a business that requires 75-year prefunding of health benefits. And that creates an artificial problem for your agency.

So are you committed to getting rid of that prefunding if Congress would work with you?

Mr. DEJOY. I—sir, very, very important. And the steps are important too. And thanks for the opportunity here.

The first, most important thing is requiring the integration of Medicare. That is going to be somewhere in the \$30 billion range. That is the first step. And then the second step is eliminating the prefunding requirement, which is about \$13 billion to us over the next 10 years.

Anything you can do to help us with that the whole organization would really, really appreciate. And it is a big part of our plan, and we are working it hard.

Mr. POCAN. I give you an "A" grade on that answer. I want you to know that.

Mr. DEJOY. I will take it.

Mr. POCAN. One last thing, and I will yield back after this. You know, very happy that the contract for the vehicles is going to Oshkosh, Wisconsin. They are an excellent provider, and we are strongly supportive of that. So thank you.

I yield back, Mr. Chairman.

Mr. DEJOY. Thank you, sir. Thank you.

Mr. QUIGLEY. Mr. Pocan, are you through?

Mr. POCAN. Yeah, I yielded back, Mr. Chair.

Mr. QUIGLEY. Oh, I am sorry. It broke up for a second.

Mrs. Lawrence.

Mrs. LAWRENCE. Yes.

You said something really important, Mr. DeJoy. You said that you wanted to work with the Postal Service when it came to legislation that will have an impact on your financial obligation when it comes to funding/prefunding of Medicare and Medicaid for your employees.

That is the point. If you don't walk away with anything else—and, lately, you have been pretty combatant when you have come to these hearings—the one thing I want to stress to you is that you do need to work with Congress.

The Postal Service is an independent agency, and I am very much aware of that. But when you make independent decisions—and every Member you talk to has had the discussion and calls to our office to tell us how they are not satisfied with the service. We and I have been working very hard to relieve you of that financial burden so the Postal Service can become stable.

But if your position is that we have no value—you insult the fact that we are not sitting in the Postal Service. You have only been there for a few months. You retired from your industry in 2018 or whenever you left. To say that you were not qualified because of all the experience that you had left when you left your organization, you would feel offended and tell me how qualified you are to sit in the seat you are in.

So I am telling you that this has to be a partnership. And, again, I will stress, coming before Congress and the Oversight Committee and to this body to lay out your plan—if your plan is one that will work, improve standards—because what we were told is that you are going to reduce the delivery standard and suggest that we raise the cost of postage, and that is not acceptable. But if there is a plan that supports modernization of the Postal Service, if it is a plan that is going to help us to keep a workforce, then we can work together.

I don't want to be in this position again where we are going tit-for-tat and you seem annoyed and arrogant about answering the questions. We must work together, because the Postal Service is bigger than you and I, in the short period of time that you will be serving and the 30 years that I put into it.

And I pledge to you today that my objective, sir, is to make it where we have a Postal Service that works for the American citizens and one that we both can be proud of.

And I will yield back, sir.

Mr. QUIGLEY. Thank you.

Mr. DEJOY. I appreciate those comments, Congresswoman, and I will work to have further discussion with the Congress as we move forward with the plan. And happy to meet with you.

And, yes, there are times when, where I leave these sessions, I am a little embarrassed about my behavior. But I would also offer—I have been accused of many, many, many things every time I come in front of the Congress. And I am a human being, and I

am trying to do the right thing. And I apologize to you if I offended you in some way. I didn't really mean to. I meant to get my points across, because they are very, very important, you know, to the organization.

So I look forward to speaking with you again in the future on the details of our plan, and thank you for your comments.

Mr. QUIGLEY. I appreciate both of your comments. It is helpful.

Mrs. TORRES, please.

Mrs. TORRES. Thank you, Mr. Chairman.

I just want to yield some time to our guest to, you know—we didn't have a whole lot of time for you to answer my concerns. And I understand that they are delicate and we may not be able to discuss them openly. But I want to yield my time to you, in case you want to cover anything.

Certainly the dilapidated state of the post office in my home city and, you know, threats to close another post office in the city of Ontario, that has the community, you know, very nervous.

Mr. DEJOY. Yes, ma'am. I will go back and look at the details of your district. But I will say, on all those aspects—and you are talking about employee morale, which leads to employee behavior, you are talking about how we represent ourselves and our physical assets, you know, for communities, and it gets up into our service—this is where the organization is at right now, right? And it has been a long time coming.

And I think, when we get our—our plan is about improving every aspect of that. So there is a tremendous amount—we are earmarking \$40 billion to reinvest into the organization. A great deal of that is in our retail centers. Trying to get our pre-career turnover rate down to under 40-something percent. Which is where, perhaps, the situations that you are talking about, where they really begin to—where they happen the most. It might not be in our long-term career employees. But we have basically a two-tier system. And while it should be an apprenticeship that leads to long-term success and we need the structure for viability, financial viability, we could have managed it a whole lot better and are going to, you know, as we move forward.

Long term, we are looking at our interaction with the American public. We are trusted, but I want to be used. This plan is about being used more and about being modern and being reliable at 95 percent and everything that we say that we do.

So I sense your—I appreciate your concern, and I sense your interest and empathy for that environment. And I promise you that this is something on the top of our list and our plan. And I look forward to working with you to get some more insight on, you know, the specifics of what you are talking about.

Mrs. TORRES. Thank you, sir.

Mr. Chairman, I yield back.

Mr. QUIGLEY. Thank you so much.

Mr. WOMACK, do you have any concluding remarks?

Mr. WOMACK. I am finished for the week.

Mr. QUIGLEY. I completely understand.

Mr. Postmaster General, we want to thank you for being here today. I think you can understand the passion and the interest this issue has created. And we have our moments, but I do believe there

was some connection today and some communication, and that is extraordinarily important. So we want to thank you for being here.

We will now conclude today's hearing. I ask members to submit any remaining questions into the record.

Mr. DeJoy, I ask that you respond to the additional written questions in a timely fashion.

Mr. QUIGLEY. And, with that, the subcommittee stands adjourned. Thank you all.

TUESDAY, MAY 18, 2021.

**OVERSIGHT HEARING—THE NEED FOR UNIVERSAL
BROADBAND: LESSONS FROM THE COVID-19 PANDEMIC**

WITNESSES

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AND SENIOR VICE PRESIDENT FOR POLICY AND ADVOCACY, NA-
TIONAL URBAN LEAGUE**

**MATT DUNNE, FOUNDER AND EXECUTIVE DIRECTOR, CENTER ON
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Mr. QUIGLEY. This hearing will come to order.

Since this hearing is virtual, we must address a few house-keeping matters.

For today's meeting, the chair or staff designated by the chair may mute participants' microphones when they are not under recognition for the purposes of eliminating inadvertent background noise or advertent background noise. Members are responsible for muting and unmuting yourself. If I notice you have not unmuted yourself, I will ask you if you would like the staff to unmute you. If you indicate approval by nodding, the staff will unmute your microphone.

I remind all members and witnesses that the 5-minute clock still applies. If there is a technology issue, we will move on to the next member until the issue is resolved and you will retain the balance of your precious time. You will notice a clock on your screen that will show you how much time is remaining. At 1 minute remaining, the clock will turn yellow. At 30 seconds remaining, I will gently tap the gavel to remind members that your time is almost expired. When your time is expired, the clock will turn red, and I will recognize the next member.

In terms of the speaking order, we will follow the order set forth in the House rules, beginning with the chair and ranking member. Then members present at the time the hearing is called to order will be recognized in order of seniority, and finally, members not present at the time the hearing is called to order. We will deviate from that if the ranking member has someone who needs to move up or adjust, as I will within our ranks at the same time.

Finally, House rules require that we have set up an email address to which members can send items they wish to submit in writing at any of our hearings or markups. That email address has been provided to you in advance.

This morning, we welcome four individuals with expertise in broadband: Matt Dunne of the Center on Rural Innovation; Max

Stier of the Partnership for Public Service; Ms. Joi Chaney from the National Urban League, and Mr. Lang Zimmerman of Yelco Communications.

They are here to discuss one of the most important issues of our time: ensuring that all Americans have the connectivity to fully participate in our economy and society.

Broadband has been an enormous benefit to our country. It is a key driver of our economic growth and innovation, has democratized access to educational resources and new job opportunities, and has broadened availability of health care and social services. But during COVID, broadband became much more than that. It became a matter of, literally, life and death.

People with reliable broadband at home were more easily able to socially distance by transitioning to telecommuting and remote learning. They could use video conferencing to keep in touch with friends and family, access health care services, order essential supplies and medicines, and use government services. In other words, the pandemic has made it abundantly clear that access to reliable broadband is not a luxury, but a necessity. Broadband is as important to modern life as electricity or running water.

Unfortunately, not everyone is so fortunate. Many of our rural communities have no connectivity or remain reliant on outdated technologies that don't provide sufficient bandwidth. Communities of color have also been disproportionately affected. It has limited access to jobs, left many students of color struggling to keep up with their schoolwork, and put many people of color at higher risk of catching the virus.

As the subcommittee that oversees the Federal Communications Commission, we have been working on these issues for years, and we ramped up our efforts during the pandemic. We helped secure billions in funding to provide devices and connectivity for at-home learning and telemedicine. We have provided substantial resources for better broadband maps and given states the flexibility to use virus relief funds on broadband.

And we are excited that just last week the FCC launched the Emergency Broadband Benefit, a \$3.2 billion program to provide discounted broadband services and devices to low-income Americans, including people affected by the pandemic.

These efforts are just the beginning. There is bipartisan agreement about the importance of ensuring universal broadband access, and the administration has made it clear that broadband is one of the main priorities in an infrastructure package.

Today, we will learn more about how the lack of broadband affects rural communities, the connectivity issues facing communities of color, and the challenges of small internet providers. And we will hear about an issue dear to me and my fellow appropriators—how broadband might make the federal government more efficient and effective.

These insights will help ensure that we fully incorporate lessons from the pandemic into our infrastructure discussions and ensure we get the most value for each dollar we invest. I look forward to the discussion.

Before I turn to each of the witnesses for their statements, I would like to recognize the ranking member, Mr. Womack, our friend, for his opening remarks.

Mr. WOMACK. Thank you, Mr. Chairman, and thanks for holding this very important hearing on a truly bipartisan topic, broadband.

When the pandemic began, as the chairman so stipulated, our businesses and schools closed, many Americans began to work from home, increased their online purchases, and school classrooms became virtual. Our nation's broadband providers stepped up to the challenge to meet the increase in demand on our information networks. According to the Information Technology and Innovation Foundation, the jump in demand has seen peak traffic roughly 20 to 30 percent higher than before the pandemic.

Thankfully, the increase in broadband traffic was within the anticipated growth and demand operators could already accommodate. As such, U.S. broadband networks were able to accommodate these changes with virtually no drop in performance.

The facilities-based competition model in the United States, which relies on incentivizing providers to invest in infrastructure, passed the COVID-19 network stress test, performing better than internet infrastructure in many other countries. The dynamic broadband competition in the United States has driven billions of dollars into network capacity that met the surge in demand. The light-touch regulatory approach also allowed for network operators to flexibly adjust interconnection levels to meet new changes in demand.

While the pandemic showed the strength of our nation's broadband networks, it also highlighted that more work needs to be done to provide reliable and accessible internet service to many rural and urban areas. In America, your employment opportunities and education should not be limited by your ability to access the internet.

I would like to welcome our witnesses today. We will look forward to hearing your ideas on improving broadband accessibility. Specifically, let me recognize Lang Zimmerman, the vice president of Yelcot Telephone Company and Mountain View Telephone Company, which provide broadband service to northern Arkansas, including parts of my district.

During the pandemic, Yelcot and Mountain View demonstrated their commitment to the communities by ensuring struggling customers remain connected to broadband services and connecting new customers to broadband. I am pleased that he is with us today to provide the perspective of a service provider who has been working to expand broadband accessibility in rural Arkansas, actually boots on the ground.

Currently, the federal government has dedicated tens of billions of dollars to broadband and 5G expansion through the Universal Service Fund, the various COVID relief bills, and the Department of Agriculture. We would like to hear if these resources are improving accessibility, if more funding is going to be needed, and that there are regulatory changes that could speed expansion and reduce costs.

I want to thank the witnesses for participating today, and I yield back the balance of my time.

Mr. QUIGLEY. Thank you, Mr. Womack.

Our first witness is Matt Dunne, founder and executive director of the Center on Rural Innovation.

Please go ahead.

Mr. DUNNE. Chairman Quigley, Ranking Member Womack, and members of the subcommittee, thank you for this opportunity to appear before you today.

My name is Matt Dunne, and I am the founder and executive director of the Center on Rural Innovation, a nonprofit action tank that was founded in 2017 to close the rural opportunity gap. Today, we are working with small towns across 20 states, including rural Tennessee, Wisconsin, Utah, Arkansas, and Nevada to help them become successful in economic development and entrepreneurship in the 21st century.

The rural-urban divide that has emerged since the Great Recession was driven by automation and a decline in entrepreneurship. As of January of 2020, less than half of all rural counties had returned to their pre-recession economies, and COVID-19 only knocked these counties to new lows.

Specifically driving the divide is the fact that high-paying, resilient digital economy jobs, like computer programmers, cybersecurity analysts, and IT specialists are not distributed equitably across the country. Rural America represents 15 percent of the nation's workforce, but only 5 percent of the digital economy jobs.

As you can imagine, central to closing this gap is accelerating access to world-class broadband in rural America. And we help that by providing support to communities, policymakers, and others seeking to build future-proof broadband infrastructure. And as the past year has shown us, this work has never been more important.

Broadband is no longer a luxury. It is a necessary piece of infrastructure to ensure there is equal access to health care, education, and jobs. And COVID has created a moment where there is the motivation and momentum to close the broadband gap.

We need to take a lesson from the rural electrification effort a century ago and do this right. If we do not focus on delivering future-proof broadband, we will be back here five years and billions of dollars later discussing, once again, the inequity in broadband connectivity.

Even before the pandemic, rural America struggled with the broadband gap. There is a small town near our headquarters that has a fantastic library. You drive by on Sundays and the parking lot would be full, which wouldn't be so odd if the library wasn't closed on Sundays. That parking lot was full of people working on their homework or their day jobs from their cars, making the most of the wifi leaking from the library windows.

This story was no longer funny once COVID hit. The pandemic laid bare the depth and severity of the digital divide. More than 20 percent of rural Americans don't have access to broadband, a figure that is even worse for communities of color. It is estimated that 46 percent of rural black residents don't have broadband access at home.

During the pandemic, millions of children couldn't participate in remote school. Superintendents reported losing touch completely with many of their at-risk students. People who could work re-

motely would sit in running cars trying to use hot spots hastily put up by schools or police stations. Seniors, unable to access new telehealth technologies due to poor broadband, were forced to risk infection to visit clinics for routine checkups.

However, this wasn't the case in every rural community. The small towns that had capitalized on municipal electric companies, coops, public-private partnerships, or collaborated with small telephone providers to build out future-proof fiber broadband had different experiences during the pandemic. These places benefitted from city dwellers who brought their jobs with them to beautiful rural settings, reversing the population declines of the last decade. Powered by great broadband, tech startups in communities we work with have grown, received investment, and found new markets without needing to leave the places they love.

We all know there are models to deliver sustainable, world-class broadband to small town America. We have seen the power of unleashing rural innovation in education and economic development when broadband is available.

I wanted to offer six recommendations for this once-in-a-lifetime moment to ensure we build future-proof broadband in the most efficient way possible.

One, require ISPs to provide the FCC with accurate and validated data; no excuses.

Two, focus on fast responses with hot spots and some wireless, but, then, focus most of the resources and money on fiber to the home.

Three, predicate federal broadband funding on states allowing municipal, coop, and public-private broadband solutions.

Four, resist the temptation of reverse auctions and have funding follow plans, such as USDA ReConnect, that are driven by states and regions.

Five, invest in programs to build the 250,000-person labor force needed for broadband deployment.

Six, create enforcement mechanisms that hold providers who receive funding accountable.

Thank you for your time and consideration of this important issue. You have the momentum and historic opportunity to bring broadband to all Americans once and for all. Rural America is ready to make this happen. And I am happy to answer any questions you may have.

Mr. QUIGLEY. Thank you.

Our next witness is Max Stier, president and CEO of the Partnership for Public Service.

Mr. STIER. So, I just want to start by saying thank you so much, Chairman Quigley and Ranking Member Womack, for inviting me to testify.

As you mentioned, I am the president of the Partnership for Public Service, a nonpartisan, nonprofit organization focused on trying to make the federal government work better.

It is terrific that you are having this hearing on the need for universal broadband. High-speed internet access is not itself the end, but an essential tool for Americans to thrive in today's world, as you said, like water and electricity. I will try to offer some context

on why this matters so much right now and provide recommendations on the path forward.

So, as more services move online, the federal government needs to address the digital divide to ensure everyone has access to its critical services. Many people who rely on government do not have high-speed internet, such as more than 41 percent of Medicare beneficiaries, 35 percent of the population on rural tribal lands, 42 percent of rural veterans, and 60 percent of U.S. farmers and ranchers do not believe they have adequate internet connectivity.

We need a government that is, in fact, even more available. A government that serves the public using modern online tools is going to be more effective, efficient, user-friendly, and secure. So, some examples on this.

On the efficiency side, it costs the IRS \$41 to field every phone call it gets, as opposed to pennies for online transactions.

Second, providing an online option to report a lost or stolen passport resulted in a 46 percent increase in reporting, helping the State Department ensure the security of its passports.

And the third example, a mobile app increased the accuracy and frequency of wage information reported to the Social Security Administration, which meant that it was able to reduce improper payments.

Now the pandemic supercharged the need for the government to serve the public through modern online interactions. Many agencies rose to the challenge. Again, a couple of examples.

The Veterans Health Administration delivered a thousand percent increase in video health care visits.

The USDA adopted new digital tools for electronic signatures and online file sharing for farm loans.

Which leads me now to my five recommendations:

First, we need to enhance the efficiency of government through collaboration across agencies to address the digital divide. The digital divide is a complex challenge that no one agency can solve. We have heard already that, while lots of agencies are involved in funding, options include creating a cross-agency council. One existed during the Obama years, the Broadband Opportunity Council. Or a second opportunity would be to work with OMB, which is truly the center of government and a vital actor in bringing together the different pieces, the connectivity across government.

Second, we need to leverage public-private partnerships. And again, an example here, the Veterans Health Administration has a partnership with Microsoft and internet providers to bring high-speed internet to rural veterans.

Third, we need to improve the customer experience. Access alone is not enough. Services need to be easy to use, even for those with low digital literacy, and agencies need to consider people who not only lack high-speed internet, but want other options. So, the VA, for example, sent internet-enabled tablets to veterans. And customers should have choices. For example, the ability to call to speak to someone, even if there is an option for doing something online.

Fourth, and very important from our perspective, we need to give the federal workforce the tools and flexibility they need to serve the public effectively. The pandemic has revealed digital gaps in gov-

ernment itself, and we need to see more investment in modern IT systems, including secure cloud-based environments. And we need the government to build off of what it has learned through the pandemic to continue to enable a lot of remote work, so that it can actually access the best-in-class talent across the entire country and enable them to continue to work remotely.

Fifth, and finally, we need, actually, agencies to regularly collect and report on data around access, use, and satisfaction with services. There are two specific pieces of legislation to mention here. Congress should pass the FACE Act, which will streamline the process for collecting customer feedback and require publicly reported customer service measures across agencies, and then, second, ensure the implementation of the 21st century IDEA Act, which sets the usability standards for federal websites. We need OMB to put out the implementing regulations.

Thank you for this opportunity. I look forward to the conversation after the rest of the witnesses.

Mr. QUIGLEY. Thank you.

Now we will hear from Joi Chaney, executive director of the Washington Bureau and senior vice president for policy and advocacy at the National Urban League.

Ms. CHANEY. Thank you, Mr. Chairman.

Subcommittee Chairman Quigley, Ranking Member Womack, members of the subcommittee, and in their absence, full Committee Chairwoman DeLauro, Ranking Member Granger. Thank you for having this hearing and for the opportunity to present the views of the National Urban League.

As you said, my name is Joi Chaney, and I serve as senior vice president of policy and advocacy and executive director of the Washington Bureau of the Urban League. I bring you greetings on behalf of Marc Morial, our president and CEO.

I am honored to testify about the need for universal broadband and how we can leverage the lessons learned by the COVID-19 pandemic for a more inclusive and 21st century society.

Prior to the COVID-19 pandemic, many individuals, families, and children relied on their schools, places of work, and other, quote-unquote, "third spaces," like libraries, churches, internet cafes, and coffee shops, to connect to the internet because they did not have a broadband internet connection in the home—with a disproportionate number of these Americans being from communities of color or low-income communities. Overnight, third spaces disappeared at a time when we needed connection the most.

The pandemic accelerated the ongoing migration to remote everything, particularly for essential activities, such as employment, health care, and education. The benefits of being connected grew even faster, but so did the costs to communities who were not connected. The COVID-19 pandemic proved that broadband was no longer a nicety; it has become a necessity, as you have said, Mr. Chairman, as necessary as electricity and running water.

Far beyond the, quote-unquote, "homework gap," when schools were forced to close the districts that had the resources to provide computers and hot spots to students and educators, they were able to transition to online learning fairly quickly, but those who did not were left scrambling. Philadelphia Public Schools initially decided

not to provide remote learning instruction, citing inequity in access to computers and high-speed internet as the main reason. And that is just an example.

In health care, we know that the lack of broadband access is leading to inequality in obtaining the COVID-19 vaccine, yes, but that telehealth has become a critical necessity since the start of the pandemic. Some estimates show that health care providers are seeing 50 to 175 times more patients using telehealth than they did immediately before the pandemic. We don't simply expect this trend to reverse post-pandemic because of the benefits telehealth provides to those who cannot easily visit a doctor in person. Nevertheless, telehealth is out of reach for those Americans without in-home broadband and/or a proper device.

And while these examples focus on those who cannot afford or do not have available broadband service on demand in the home, there are those who could have it, but who lack the digital literacy to use internet services, including a disproportionate number of older Americans. Moreover, even if you have broadband and you know how to use it, we need our public institutions to improve utilization. The costs of not doing so are borne disproportionately by those who rely most on government services, often at their time of need.

In my home State of Florida, hundreds of Floridians risked their safety to line up during a pandemic to obtain an unemployment form because the State's website crashed, making it painfully obvious that the public sector is still far behind where it should be in terms of providing services over the internet.

These examples underscore the need for universal broadband and the need for overdue investments towards closing the digital divide, as a matter of civil rights and as a matter of human rights. It is also why the Urban League released our Comprehensive Lewis Latimer Plan for Digital Equity and Inclusion. The plan describes and offers solutions for closing several gaps: refocus on expanding availability, ensuring affordability, lowering barriers to adoption, improving utilization, and extending access to economic opportunity for communities of color.

One thing in this moment that would put us a long way towards addressing these gaps is to build on the work for the ongoing Emergency Broadband Benefit and establish a long-term or permanent broadband benefit program. Any such program must set minimum standards that will regularly be reevaluated and adjusted to remain current, and we must ensure greater accountability from internet service providers.

Moreover, we know that costs cannot fall only on the American taxpayer. We need appropriations, especially in the beginning, so that the neediest in our society won't have to wait. But, ultimately, we also need the industry to put skin in the game. One idea is a digital equity fund that could be the repository of contributions, including from special auction proceeds.

But whatever we, whatever you, as Congress, does, the National Urban League charges you with doing something to ensure those who receive emergency broadband now don't go back to not having it once the emergency is over. Because as bad as the former gaps were, the gaps will only be much larger in the future. The COVID-19 pandemic has forever changed the way we do work, learn, and

connect with others in society. If we do not close the digital divide, our communities will continue to fall behind at the speed of each innovation, and with them, our nation in the global marketplace.

Thank you for the opportunity to testify, and I look forward to answering any of your questions.

Mr. QUIGLEY. Thank you so much.

Our fourth witness, and final witness, is Lang Zimmerman, vice president of Yelcot Communications.

Please go ahead.

Mr. ZIMMERMAN. Thank you, and good morning. Chairman Quigley, Ranking Member Womack, and members of the subcommittee, thank you for this opportunity to testify about lessons learned from providing broadband during the COVID-19 pandemic.

My name is Lang Zimmerman. I am vice president of the Yelcot Telephone Company and Mountain View Telephone Company. We are a small rural broadband and voice provider located in north central Arkansas. And my remarks today are on behalf of those two companies as well as NTCA, the rural broadband association which represents about 850 small rural telecom carriers in 45 states.

The pandemic has altered society as we know it and highlighted the importance of access to reliable, high-speed broadband connectivity. I am proud to report that, as offices and schools closed over a year ago in response to the pandemic, Yelcot and Mountain View joined hundreds of other small broadband providers in making every effort to connect and keep connected to everyone in rural communities who wanted and needed high-speed broadband.

If I had to identify one lesson learned from the pandemic, it would be that investments in broadband infrastructure and affordability are essential so that everyone will experience the telehealth, telework, distance learning, and other benefits of such connectivity.

And how do we move forward from here? Nearly 70 percent of NTCA member customers are already connected to fiber broadband and can access speeds of 100 megabits or more. While we are proud of this work that has been done, the job is, obviously, not finished. Too many Americans are still waiting for reliable broadband service, many of whom are not served by community-based broadband providers. Those who lack access probably live in a rural area that provides no business case for deploying and maintaining an advanced telecom network.

The USF High-Cost Program will remain essential to incentivizes deployment in these areas and to help keep rates more affordable, but USF alone is not enough because it does not pay for the network construction. It does not provide capital to build networks.

Congress has already appropriated considerable sums to the USDA ReConnect Program to help connect unserved areas, and Yelcot and Mountain View, each are working toward our completion of fiber broadband deployment projects, thanks, in part, to ReConnect awards.

But additional support from the government is needed to help finance the deployment of networks and provide the business case to operate them on an ongoing basis. Thankfully, both the administration and Congress have acknowledged that broadband should be an essential component of any major infrastructure plan. As work continues to agreement, several key objectives should be kept in mind.

First, broadband is essential and consumer bandwidth demands are increasing at a staggering pace. So, why not support the most robust and reliable infrastructure? It is time to put resources toward more fiber broadband connections that could be readily upgraded to meet future demand and relied on, regardless of terrain or weather conditions.

Number 2, at the same time, new investments must be coordinated with existing networks and ongoing deployments instead of backing a second network in an area where there is not a business case for even one network. This will be helped by prioritizing areas most lacking in broadband and putting at least some new infrastructure dollars in current programs such as ReConnect, which has been highly effective with a record of accountability and results.

Number 3, support should go to broadband providers with proven track records in delivering measurable, real-world results.

Number four, we should look local and leverage the expertise and experience of community-based providers like Yelcot and Mountain View, regardless of their corporate form, when it comes to implementing broadband solutions.

Cost is not the only barrier to broadband deployment. Carriers must secure approvals across government and privately owned lands, and the process for doing so can be very time-consuming and expensive, further delaying broadband installations that customers badly need.

The standardization of permitting procedures across federal agencies should be a high priority, and Congress should also allocate the resources needed to timely complete reviews and establish reasonable, but firm timelines for doing so.

In addition, Congress should monitor supply chains and ensure agencies work closely with suppliers, as already considerable delays in order fulfillment for critical communications equipment could become increasingly more problematic as more phones flow for deployment.

Finally, broadband must be both available and affordable for the customer. Yelcot and Mountain View are pleased to be participating in the new Emergency Broadband Benefit Program to ensure that service is affordable for all. I encourage Congress to take the lessons learned from the EBB and apply them to a permanent broadband affordability program with predictable and sufficient funding.

And I thank the subcommittee for holding this hearing and for your interest in determining the most effective ways to ensure everyone gets and stays connected to broadband. And we at my companies and NTCA companies are eager to work with you, and we will answer any questions.

Mr. QUIGLEY. Thank you. And I want to thank our witnesses.

We are turning to questions, and as we do, I would just ask those asking and answering questions to keep in mind the 5-minute allocation, so that we can make sure everyone gets an opportunity to participate. And given the time constraints, we may go out of order for a few.

In this case, we will begin with Mrs. Lawrence.

Mrs. LAWRENCE. Good morning, and thank you, Chair Quigley and Ranking Member.

In the city of Detroit that I proudly represent, approximately 40 percent do not have a wired, high-speed connection, and 26 percent of Detroiters don't have internet of any kind, ultimately, excluding thousands of people from opportunities for access to health care, education, and employment.

We must continue to address the digital divide. I am proud to hear or relieved to hear that discussion includes affordability, because we know the infrastructure is in place in some major areas, urban areas, but it is an issue of affordability. Affordability is a concern for my constituents in Detroit.

My question is, Do you have any recommendations of how to address the affordability specifically for cities with high poverty rates? And any of the panel can answer.

Mr. ZIMMERMAN. I will take a shot at that.

The Emergency Broadband Benefit Program that is starting right now, it has funds that are only supposed to last an estimated six months, and that won't do anybody any good to get on, and then, get kicked off after six months. I think what it can do, though, is show the demand. I understand the website for people to try to sign up for the EBB has crashed because of demand. There is obviously a demand for it.

What we need to do is learn from that and make sure that we can maybe extend that or make it permanent. There is currently a Lifeline Program for voice communications that is accessible for both landline and cell phone, and broadband probably needs a lifeline program of its own.

Ms. CHANEY. This is Joi Chaney from the Urban League, Congresswoman.

And I am not sure if you are still there, but I wanted to jump to say I agree, we need some kind of long-term broadband benefit.

Mrs. LAWRENCE. Yes.

Ms. CHANEY. And I address that in my testimony as well. If you look at my longer testimony, our Latimer Plan, we also come up with an alternative. I don't think it is as good as a long-term broadband benefit, but we came up with some lifeline adjustments for mobile and broadband around health, education, and workforce that could also be an alternative and a solution.

But I think your point is that we are saying, I think on a bipartisan level, that we must have funds that are allocated for those who simply do not have the resources, really almost at any amount, any low-cost program, to meet the needs of having broadband in the home. We need to have a Broadband Benefit Program through FCC.

Mr. DUNNE. Yes, Congresswoman, if I could add just two additional points to the excellent comments that were just made?

Mrs. LAWRENCE. Yes.

Mr. DUNNE. The two things are states who coordinated their efforts to try to help bulk purchase the subsidies and be able to work in a coordinated way with social service agencies and others to deliver those, so that you took the friction out of someone having to figure out how to access the subsidy, how to then utilize it, have it applied retrospectively or prospectively, because they were all

different, saw a lot faster utilization and allowed for people to take advantage of the subsidies that were available, either from individual providers or that were available through state and federal subsidy. And it is worth considering that coordination.

The other piece that I would mention is that we have recommended——

Mrs. LAWRENCE. If I could——

Mr. DUNNE. Oh, sorry.

Mrs. LAWRENCE. If I could just interject, in the city of Detroit we have Connect 313. It is a citywide, data-driven, data-inclusion strategy that brings organizations together to make Detroit a national model for digital inclusion and ensure all Detroiters can access the digital. What can we do in Congress to support these inclusion efforts at the local level? And with that, if you will answer the question?

And, Mr. Chair, I will yield back after their answers.

You can continue, sir.

Mr. DUNNE. Thank you.

Just the other thing that I would suggest—and there has been talk of this—is the idea of leveraging national service to be able to help support the kinds of efforts that it sounds like Detroit is taking a leadership role in coordinating. The opportunity for a broadband corps that is focused on making sure that people are aware of subsidies, understand how to sign up, and also, how, if they avail themselves of broadband services, they can save money in other parts of their life work, is really powerful. And the Urban League has done an excellent job of laying out the kinds of things that need to happen, and I think there is a moment for national service through a numerical program specifically on broadband support that could be powerful. And we have recommended that to a couple of states over the last year.

Ms. CHANEY. Thanks so much, Matt. I was going to say yes, we certainly endorse some kind of digital navigators program that would help people not only learn how to get online and to get the access of whatever resources are available to them, federal or local, but, then, also learning how to get on, how to use, and how to really benefit from the internet.

Thanks.

Mr. QUIGLEY. Thank you.

And we are going to have to move on to the next questioner. We will get back to you if there is anything left within the questions asked, just to make sure. We have several that are on tighter deadlines.

And toward that, I believe that the ranking member wants me to recognize Mr. Joyce first.

Mr. JOYCE. Thank you, Mr. Chairman. And thank you, Ranking Member Womack, for conceding to me.

Over the last year, Americans have relied more on services which allow them to connect remotely than ever before. Unfortunately, far too many Buckeyes in rural areas completely lack access to adequate broadband services.

A 2019 study funded by the Appalachian Regional Commission across eight Ohio counties found that, in rural areas with 20 or fewer households per square mile, 80 to 90 percent of the house-

holds had no access to broadband whatsoever. We know that strong public-private partnerships will be critical to building out the broadband infrastructure to these currently underserved communities.

Mr. Zimmerman, given your experience of getting private operators to work with local stakeholders, can you provide any insight into what kind of practices have worked? And just as important, what practices have not worked in forming strong public-private partnerships to deploy broadband to underserved or unserved areas?

Mr. ZIMMERMAN. Yes. Arkansas has used a large chunk of its CARES money to do a broadband grant program. And that grant program was driven by community involvement, as in, if it was a municipality, the mayor had to sign off on the application. Or if it was a county, the county judge had to sign off. And if it was both of those guys, they both signed off on it. So, that was very effective in getting some areas involved and seeking out this money that was there, because, as you know, sometimes mayors are very progressive and know about these programs; sometimes mayors or county judges do not know. With the public-private partnerships, we were able to approach some areas that we knew were underserved and encourage them to apply with us.

And so, I think Arkansas set aside \$125 million and went through it fairly quickly with some really good projects in the State of Arkansas. So, I would encourage Ohio to look at some grant programs to take some of this broadband money, or if it is infrastructure money they are calling it, you can still apply to broadband in Ohio.

Mr. JOYCE. There are several well-known factors that might diminish the broadband providers' willingness to invest in new infrastructure in communities which don't have sufficient access. These factors include low population density, challenging natural features of the land, and building some government regulations. Mr. Zimmerman, are there factors which policymakers should be aware of that limit broadband investments in unserved areas?

Mr. ZIMMERMAN. Well, yes. Some of the things that can make it tough on the companies to develop, we sometimes have to get permits from federal agencies to cross their land. And, in fact, on a couple of projects, one, in particular, we made a conscious decision to bypass a federal piece of property that would have been a faster route just because we didn't want to get bogged down in the process.

So, what we would encourage is a streamlined permit process across all federal agencies that control land, as well as what we call a "shop clock," so that an application doesn't sit on someone's desk or an agency's desk for a long period of time. We need something that says, if it is not approved in 90 days, or something like that, it is deemed approved.

We also have rights-of-way issues with railroads, which, obviously, the feds can't just wave a magic wand and fix, but that is one issue we face, as well as pole attachments, which are large hindrances in a number of areas. There are some pole owners that enjoy federal exemption from the FCC pole attachment rules and make it very expensive to attach to their poles to get to some of

these areas that need broadband. So, those are some of the things that can also hinder the expansion.

In my area, Mountain View, we have got down to five people per square mile or five households per square mile. So, we are very rural, but we won some of these ReConnect grants and we are going out there and doing it.

Mr. JOYCE. Yes, it, unfortunately, really took something like the pandemic to drive home the fact that there are many areas of my district that were being unserved completely. And you only had to go by the closed McDonald's to see all the people using their broadband in the parking lot to realize just how bad the problem was.

Thank you all for being here and communicating.

Thank you, Mr. Chairman and Ranking Member, for allowing me to go. And I yield back the rest of my time.

Mr. QUIGLEY. Thank you, sir.

I will address Ms. Chaney on this. Obviously, there is strong support for providing funding to build out future networks, but we are also concerned about getting the most out of our limited federal dollars. What protections or conditions should we be placing on funding to ensure that we are really protecting consumers at the same time? For example, not just on the affordability issues, but redlining, abusive data collection practices, as they use networks that the federal government helps build?

Ms. CHANEY. I don't know if someone else is going to go first, but I shall then.

Absolutely, I think that this is a time of incredible opportunity, but sometimes in these moments, especially when we are in an emergency, we forget to have all of the backstops that we need. And you addressed many of them there.

I mean, one of the things that we also want to make sure is that service providers aren't doing any kind of abusive activities as well, inadvertently or intentionally. And so, we will need to do that to protect privacy; to make sure that people, when they get on, understand what that means and that the exposures they are having.

And I think one of the things that the Latimer Plan also talks about is making sure that, in our rush to expand broadband and increase availability, and all of the things, that we don't allow communities of color to sort of miss out on the economic opportunity that is happening as well. We want to make sure that, as we are setting up, you know, the funding is going out and we are building, that business owners of color are able to access some of that economic opportunity that is being created. It would be a shame to get on the other side of this and to find that we have created more gaps than we actually have closed.

And I yield the rest, but I think that it is very important to be thinking about that as well.

Mr. QUIGLEY. Mr. Dunne.

Mr. DUNNE. Mr. Chairman, I would say there are three areas that I would really focus in on.

One is on the importance of having enforcement after funds are allocated. We have seen in the past that goal posts have moved; that funding has been given to be able to deliver some quality of broadband to a certain region that has not actually happened, and

then, there is a waiver that comes after it. And that sets up a bad dynamic, particularly for those companies that are actually doing the work and not receiving the funding, and then, are having to see that someone who doesn't succeed gets it, and then, is given a waiver.

The second area is on data. It is a very strange thing that large incumbents are not required to deliver absolutely up-to-the moment data on what is available and what isn't. And when there are so many programs, including the RDOF auction that took place recently, that are dependent on that data to show what is served and not served, to be able to show accessibility, you ended up with situations where some areas in a place like Pine Bluff, Arkansas, that didn't have broadband access were shown to be served. And so, it couldn't get the money. And some places that were already served, but showed as not being served, did actually get awarded resources. So, there is real importance on making sure that that data is taken care of.

The final piece is focusing on future-proof broadband, what Mr. Zimmerman was talking about, which is fiber to the home. You have got to get some emergency resources out there to get people connected in the short term, but for the long-term value and efficiency, you really want to make sure you are bringing fiber to the home. It is the only thing that is future-proof and will allow for scale, since the demand of broadband is projected to increase in terms of upload speeds of 20 to 30 percent per year. And we just don't want to be here again in five years saying we have still got a broadband divide after we have spent billions and billions of dollars on too many short-term solutions.

Mr. QUIGLEY. Thank you both.

Mr. Womack.

Mr. WOMACK. Thank you, Mr. Chairman.

Mr. Zimmerman, local permitting, licensing issues, environmental and historical preservation reviews, all slow down broadband expansion, as it has already been noted, and makes it more costly. Give us an example as to how you make, and how we can make, broadband services affordable to those who live in remote areas?

And I took note of the fact that you said five families per square mile in your rural area. I would also be curious to know, when you do get service out in the areas, is it something that some people decide, "Well, even though it is here, I don't want it. I am out here in the rural area for a reason."? So, what is your experience rate with people hooking up when the service is made available or deciding not to?

Mr. ZIMMERMAN. Well, that is a really key point. The differences between availability and affordability are very different. And a lot of times, someone says, they will say school kids don't have internet at home. Well, there may be internet available right inside their front door, but the cost to subscribe can be prohibitive to the family. So, I like to say you can lead a horse to the water, but you can't make him buy a broadband internet. Some people want it; some people got to have it; some people could care less.

Our hospital, I am the chairman of the board of Baxter Regional Hospital, and we just did a COVID sign-up. And we had to have

phone banks. We were going to try to do it all online, but there are too many especially senior citizens that do not have an internet connection or they don't have a computer. Either they think they are too old to learn or they just don't want to. And we had to set up a phone bank, so people could call in. So, people's take rates are much lower than the availability usually.

Mr. WOMACK. Mr. Stier, we have thrown a ton of money at a lot of different things here at the federal government level. And as the former chairman of the Budget Committee, I am always interested in making sure that we are getting the maximum amount of benefit out of the fewest dollars possible, because I know a lot of this is borrowed money; most of it is borrowed money. Maybe all of it is borrowed money that is going on the credit card for our grandkids and our grandkids' grandkids to pay.

So, this question is back to your testimony where you talked about the need maybe for, I think you called it a cross-agency sort of entity. And I am also enamored, always enamored with the idea of the P3s out there. Whenever you can leverage federal dollars with other money, first of all, it gives us an opportunity to do more with what we have at the federal level, but, also, when people have skin in the game, they seem to want to make sure that it is done properly and responsibly, and that sort of thing. So, can you comment on that just a little bit more?

Mr. STIER. Great. Thank you so much.

And I think you are 100 percent right that, in essence, there is a collaboration need on multiple levels. There is a collaboration within the federal government itself. You note that there are a whole bunch of entities that are providing financial support for broadband access, but I would go out in the field there and say that it is also about the services themselves that are being provided using that broadband. And we need to see better collaboration on both fronts, because there are ways to generate very large efficiencies if agencies work better together.

My view is there is sometimes a tendency to think about restructuring government, you know, trying to build a new agency by putting a bunch together. I think that the better investment is actually getting them to work better together. And as you noted, one way of doing that is the council, or OMB, in my view, is an essential actor. You have jurisdiction over OMB, and this is a place where their role as connective tissue is fundamental.

Your point on the public-private partnerships I also think is vital here. So, you need collaboration within the federal government. You need it intragovernmental with the federal, state, and local, and then, you need it, obviously, with the government and the private sector. The more that can be done to encourage it, as you suggest, you get people who are skin in the game, but also knowledge about how to actually make this effective.

And then, to bring you all around—this point was made earlier—a lot of this is about getting real-time data about what is happening, so that you can make sure that resources are being spent right and improve it. And that is part of our push on moving the government to pay more attention to customer experience. We need to hear from the customer in order to make sure that the services

being provided are actually the ones that are creating the most value for those that need them.

Mr. WOMACK. Thank you.

I know, Mr. Chairman, my time is up.

I am a big subscriber to the old notion that you measure twice and you cut once to make sure that you are not wasting anything. And if we have another round, I may want to come back with a capacity issue because I think it would be just a crying shame if we threw all this money at this problem right now, and five years from now we are still talking about this gap that was mentioned earlier.

Anyway, again, thanks to all the witnesses.

I yield back.

Mr. QUIGLEY. Thank you, sir.

Mr. Cartwright.

Mr. CARTWRIGHT. Thank you, Mr. Chairman. And thank you, Mr. Chairman, for holding this hearing, and to the ranking member as well.

I couldn't agree more with the idea of not wasting money and making sure whatever we spend is still going to be effective five years from now. And I like that point about fiber optic connections.

Mr. Dunne, my questions this morning are for you. We have been talking about the importance of connecting rural places, and I don't think anybody on this call, this hearing, has failed to mention the importance of connecting rural areas. I know the FCC has taken some steps in recent years to work on that problem.

In 2018, it conducted Auction 903 allocating Connect America Fund Phase II support to certain eligible areas across the United States. At that time, 103 bidders won \$1.49 billion over 10 years to provide fixed broadband and voice services to over 700,000 locations in 45 states.

In 2020, the FCC adopted the framework for the \$20.4 billion Rural Digital Opportunity Fund to bring high-speed, fixed broadband service to rural homes and small businesses. The Rural Digital Opportunity Fund Phase I auction, Auction 904, awarded \$9.2 billion over 10 years to service providers that committed to offer voice and broadband services to 5.2 million locations in unserved, high-cost areas.

On October 27, 2020, the FCC adopted a report and order establishing the 5G Fund for Rural America, which will make up to \$9 billion available to bring 5G mobile broadband service to rural areas that would, otherwise, be unlikely to see deployment of 5G broadband service, based on new mobile coverage data submitted in the FCC's broadband data collection.

Two questions I have for you. No. 1, can you speak to the adequacy of these efforts and what more the FCC should be doing to ensure broadband is truly universal for millions of Americans living in rural areas? And No. 2, how do we ensure that additional infrastructure resources that are made available under the American Jobs Act build on, rather than duplicate or even adversely affect, these ongoing efforts by the FCC?

Mr. DUNNE. Mr. Congressman, thank you for that question and the detail.

There have been a lot of resources that have been put against this really vexing problem over the last five years, and most recently, the effort of Congress, and now the current FCC is working on getting those data issues handled. Because a lot of the inefficiency of deploying funding to where it could make the most impact in broadband came down to bad maps. In fact, if you look at some states that went out on their own and did their own maps, like in Georgia, they had the map that was provided by the FCC, and then, they did their own ground trooping and found that it was fundamentally different.

And when those are, then, the guidelines for Washington-based deployments of dollars in a reverse auction or other kinds of mechanism, it means that the funding doesn't necessarily get to the places where it is needed most, or that folks on the ground would know we need resources here to get to the last mile, and not have a situation where a provider might cherry-pick: "I only want the communities that are in a densely populated area of a rural place. We will leave everything else to those who are left," whether it is a small telephone company, like the one Mr. Zimmerman works with, or it is a municipal entity, or anything else.

So, I would say that the overall problem to be able to solve for the long term is in the neighborhood of \$80 to \$100 billion over a period of time to really solve fiber to the home in the way that the United States solved rural electrification, right? It was not a small investment, but it was also about doing something that would have lasting impact and not have us come back later.

So, I think it is important that we stay focused on that data being accurate, and then, do resource allocations that focus on the regions and leverage the knowledge of the local providers and the local leadership to get to that last mile. Reverse auctions have a lot of benefits in terms of efficiency, particularly when it comes to something that is more or less ubiquitous like a wireless spectrum allocation, but it is much tougher when it is being used to give directly to providers to meet the needs of individual residents in a particular Census block.

So, doing allocations like ReConnect, ensuring that there is planning that goes along with it, and that the regions and states are involved in saying, "Yes, we need these resources to bring future-proof fiber to the last mile," is going to be what is critical in delivering that value.

Mr. CARTWRIGHT. Well, thank you for that answer, and I really like your repeated references to the Rural Electrification Project. That is a reminder to all of us that we can do this; we can get this right.

Mr. Chairman, I yield back.

Mr. QUIGLEY. Thank you.

Mr. Stewart, please.

Mr. STEWART. Thank you, Mr. Chairman.

And to the witnesses, again, thank you for being here and for helping us understand this important, very important issue.

The one thing that has been pointed out here by some of my colleagues, Mr. Womack and others, is that we have spent a boatload of money on this issue, and we should. There is a definite need, and as people have said, infrastructure has been redefined from

what it was in the '70s or the '80s. And I don't regret that the federal government has a role here to play.

My concern is that, as we provide these billions of dollars—and by the way, much of that is to rural parts of our nation, which include a vast part of my district in rural Utah. I think I represent probably some of the most rural parts of the nation, with the exception maybe of Mr. Amodei, who will be speaking here shortly. And we want to provide those people with the opportunities and school-children and hospitals, and others as well.

The question that I have—and I guess this is probably for you, Mr. Zimmerman, but I would be interested in anyone's input—I am troubled by recent broadband funding proposals that seem to give preferences to government-owned networks. And I think we see in many cases there are too many examples where government-owned networks have ultimately failed.

And there is an example in my home State of Utah where IProvo was a government-funded attempt and it failed fairly miserably. I think there are other examples that we could turn to where government-owned networks haven't done what they promised to do.

And my question is, (a) Is there a preference? In this government funding, are we giving a preference to government-owned or government-controlled entities, and should we? Or should we allow the market to work on this, and for the government to provide adequate funding, but not only give the money to other government-controlled entities who are trying to provide the broadband?

And, Mr. Zimmerman, I would be interested in your thoughts on that.

MR. ZIMMERMAN. I think that is a great question. Some of the municipal examples around the country have failed spectacularly. You have also seen Google try to go in and put fiber in different cities like Kansas City and pull out. It is a hard thing to do. It is an expensive and hard thing to do. And I think some of the municipalities have done it based on unreasonable take rates, which that has killed a lot of projects. You can build it, but you can't make people pay for it.

I think one of the key things is, in the past, some of these things like CAF II funding or RDOF have been based on very low broadband speed minimums, and they have been asynchronous, as in 25/3, 25 down and 3 up. I think any kind of funding you do for any kind of plan should be 100 by 100. It should be 100 up and 100 down. And that will help make some of these investments go to fiber networks, which are the only networks that can reasonably handle that speed and can reasonably be upgraded to them.

We have had some things where some of the wireless wins have been because they wanted like 25/3; they are good at sending stuff down to you, but they can't send stuff up to you. And the reason that upload speed is important to you, you have got things like home security networks; you have got people working from home; you have got kids playing games, and there is a lot of data going both ways. So, if you guys could make sure government plans require 100 by 100 minimum for bids, it will direct more of the money to a fiber-based system that is what we call future-proof.

So, I think that Mr. Dunne mentioned the speeds and how much they are progressing. Right now, the average U.S. fixed broadband speed is 179 down by 65 up, but——

Mr. STEWART. Mr. Zimmerman.

Mr. ZIMMERMAN. Yes.

Mr. STEWART. I am going to interrupt you because I only have a minute left.

Mr. ZIMMERMAN. Yes, sir.

Mr. STEWART. And I appreciate your comments on the speeds, and I don't discount that at all. But, in the few seconds I have left, I want to reemphasize, once again, this principle that, again, I think you agreed with me. And that is the government has a responsibility in some cases to help fund these organizations, but I don't think we should defer to government entities in order to provide the service. I think the market could do that much more efficiently. Just a yes or no, do you agree with that?

Mr. ZIMMERMAN. Absolutely. We are boots on the ground; we know where things need to go.

Mr. STEWART. Yes, exactly.

And I will conclude in the last 16 seconds I have with just an observation. And that is, we often hear of the urgency, but local permitting, licensing issues, environmental concerns, historical preservation—there are so many obstacles that are place in the way. And I would look forward to a regulatory review as well, so that we don't deny people access while we go through a seven-year historical review. That has got to be part of this as well.

And with that, Mr. Chairman, I would yield back. Thank you.

Mr. QUIGLEY. Thank you.

Mr. Pocan.

Mr. POCAN. Thank you, Mr. Chairman.

Thank you to the witnesses.

So, this is an interesting conversation, and I come at this from a bit of a different perspective, but a very similar background as Mr. Stewart. I have a lot of very rural parts in my district. One of my counties, the growing population is Amish. Just to give you an idea, I live in a rural town of 850 or so people. There is no town center. There is a townhall. I first got broadband three years ago. Prior to that, I got the half-priced sale on a dish for \$300 a month for 40 measured gigs a month, and about an hour on Netflix is 2.5 gigs. I make \$174,000. I could kind of afford it; most people couldn't.

So, here's where I am at, and I helped form a Rural Broadband Caucus, bipartisan, around this. I am very curious. To me, when we all say it is like water and electricity, I want to ask, Why don't we really mean that? If we really mean that, wouldn't that argue that we would put this under Title II, so that a regular like common carrier can provide greater access to people, rather than the system that we currently have where like my town had to wait until the one company got free money to put it into my town, because we had a state law that didn't allow coops or local communities to do this. And I know, Mr. Dunne, you brought that up specifically, point No. 3. I heard what you said.

So, my question to Mr. Dunne and Ms. Chaney specifically is around, What about this idea about Title II and what else? Because

I am kind of tired of the conversation about—I am sorry, when, Mr. Zimmerman, you said some people couldn't care less about broadband, I call that my BS meter, right? Even my 92-year-old mother who doesn't work on a computer talks to her Alexa, right? And without that, she is not getting the weather or the joke of the day.

So, Mr. Dunne, Ms. Chaney, if you could just address the Title II question, and then, the question about cooperatives and munis and others? How do we really get this done? Because I feel like we say "water and electricity," but we don't mean it.

Ms. Chaney, do you want to go first? I see you smiling. [Laughter.]

Ms. CHANEY. Sure. I am smiling, in part, because, I mean, we are not really focused on what section it comes out of or, frankly, whether or not you focus on municipalities, or whether we let the market handle it. The truth is, we think that in some places it works for there to be municipal governments who are in on creating something, and in some places it would not work, right, and it would be a failure. So, both can happen. We want to make sure that we don't have any bars to doing any of it. Because, ultimately, we want what works in order to get people broadband.

I tend to agree with you. Just really quickly, I smiled because I agree with you; everyone wants broadband. I have heard this argument that there is someone who doesn't want it. Yes, that might be true for a small group. Vast majorities of people want it. And if they knew what it would get them, they would want it even more. So, I think we have to let some of that go. It is a fantasy.

Mr. POCAN. Mr. Dunne, let me just add this one sentence. We also have the second most expensive broadband on the planet. So, if you could address my questions in that regard, too?

Mr. DUNNE. So, there are a couple of directions that you go. Before you get to Title II and needing to create it as a regulated monopoly, I think there are a number of steps that can be taken on ensuring that there is more active participation. And the biggest one that I mentioned before is predicated the next tranche of federal funding—and there should be because now is the moment—on states adopting laws that allow for public-private partnerships, including with municipalities and cooperatives. It seems crazy that there would be actual state laws preventing the same entities that allow the electricity to come to rural places to prevent the "electricity of our time."

So, that is where I would just emphasize the focus and the effort right now. If that still isn't sufficient, when you have the plans in place and you have a commitment to getting to the last mile of those communities, then starting to explore that next step I think makes sense.

The cost factor actually has to do with structures that allow for competition, and competition where it makes sense does help in driving down cost. In Europe, they have a different model, which is the common ownership of the actual infrastructure, and then, ISPs can provide and they compete with each other on pricing.

That is a very different model than we have adopted in the United States, and shifting to that would be challenging. But what we have seen is that in places where there are multiple providers,

where we are fortunate enough, not in rural places where it doesn't really make sense for multiple providers most of the time, but where there is, you see prices go down.

Mr. POCAN. Thank you, and I yield back, Mr. Chairman.

Mr. QUIGLEY. Mrs. Kirkpatrick.

Mrs. KIRKPATRICK. Thank you, Mr. Chairman.

And thank you to all witnesses for joining us today to discuss these important issues.

I represent a district in southern Arizona. However, as Arizona's only Representative on the Appropriations Committee, I see it as my responsibility to advocate for the whole State. As you probably know, Arizona has strong Native American communities, including a number of tribal colleges throughout the State. These tribal colleges provide critical higher education opportunities to significantly underserved areas.

That is why I was proud that the fiscal year 2021 consolidated appropriations bill included \$285 million to create a new Office of Minority Broadband Initiatives at the National Telecommunications and Information Administration that will support minority-serving institutions, including tribal colleges and universities.

So, I only have time for one question because I have to jump onto another committee. But my first question to any of our witnesses who feel comfortable responding. Can you talk about some of the unique challenges tribal colleges and universities face when it comes to broadband connectivity, both for students on and off campus? And given these challenges, how important is it that we continue to ensure tribal colleges and universities, as well as Native American communities more broadly, are given specific allocations for broadband deployment?

Mr. DUNNE. I am happy to take a first stab at this. And, Congresswoman, thank you for bringing up this important category of communities, if you want to put it that way.

I can't speak as specifically to tribal colleges and universities, although they face, since many of them are in rural places, they face the same challenges of being able to get broadband deployment as most other rural colleges and universities.

But what I will say is that, when indigenous or tribal college students go home, their situation is usually quite challenging. As we know, tribal communities are very different across the country, whether they are living on reservations or they are actually in other kinds of setups in other parts of the country. And so, it can vary dramatically how remote, how much challenge there is for getting connectivity there, and then, how much of a challenge it is to get it to individual homes. And in some cases, you know, pueblos and others, are incredibly remote and don't have the intermediate infrastructure to be even able to get that kind of connectivity there.

So, I would just say that it is really, really important for indigenous and tribal communities to be able to get additional resources, to get that middle-mile infrastructure, and then, get full deployment, to make sure that they are on equal footing, since not everyone learns while they are on campus at a university or college, and that is certainly true for tribal universities and colleges. You want to make sure that they have access to that connectivity at home and to close that homework gap and make sure that there is real

connectivity throughout those regions serving our tribal communities.

Ms. CHANEY. Congresswoman, our Latimer Plan actually does speak directly to tribal colleges and tribal communities. One of the things we have done is we have endorsed the digital equity and inclusion bill because we think there should be plans that are created at the state and local level and at the tribal level for ensuring broadband and digital inclusion in those spaces.

And another thing we ask for and call for is that universities are used as digital navigators to make sure they are actually helping their communities, whoever they serve, HBCUs, Hispanic-serving institutions, Asian-American-serving institutions, and tribal colleges and universities, to make sure that they are being utilized and getting the resources that will help them, but also helping their communities. So that both students when they go back home, but also their families have greater access to broadband.

I will follow up with your staff to make sure that they know what we have said about tribal communities.

Mrs. KIRKPATRICK. Thank you. I really appreciate that. Thank you so much.

Mr. QUIGLEY. Thank you.

Mrs. Torres, please.

Mrs. TORRES. Thank you, Mr. Chairman, for hosting this meeting.

And thank you go our panel for staying this long.

Mr. Zimmerman, a reliable internet connection has always been important, but it became especially vital, as you have heard throughout the hearing, during the pandemic, when it became necessary to work from home, remote school, or even just continuing to be engaged with our loved ones. My constituents face repeated outages which have made it very difficult to do any of those things.

But, more important than even all of that is the concern that I have regarding access to 911 during outages. As you know, telephone providers have moved to voice over the internet. Many of those companies, although it is the law that they are supposed to admonish their customers that, should there be an outage, they could not have or they may not have access to 911 services, the seniors in my community are very concerned about this issue because many of them are dependent on panic alarms, on being able to dial 911 when they have an emergency. And when outages occur, none of that could happen.

So, what steps have you taken to increase your ability to respond to outages? And as we think about providing additional funding for broadband, are there additional regulations or guidelines that should be in place to improve reliability in the mindset of emergency services availability and response?

Mr. ZIMMERMAN. Yes, it would be nice to say we go back to the good old days on a landline. We used to send electricity down the landline, and that is how, if the power is out, your phone still works and you can call 911 even if the power is out.

So, the current, you dial 911 and it goes over a voice-over-internet circuit. If the power goes out and if you don't have enough battery backup, then, yes, the power can die. What is required is for network providers, which is what we do here at Yelcot, is we have

different routes out. If the fiber gets cut over on the east side of town, we can reroute it to the west side of town. That does cost money to make what are called alternate routes. So, that is an added expense to the network provider, but it is something that you can require to make sure that 911 does not get cut. So, that way, you can have alternate routes to 911. And they call it piece app where the 911 calls are answered.

Mrs. TORRES. I was a 911 dispatcher for 17 and a half years. So, I know very intimately the subject and the hardships that occur.

Part of my district is a concrete jungle; the other part is wanting to be that, but not quite yet. It is a suburb of Los Angeles. However, the internet challenges are still there.

There is this redlining that has been brought out by some of my other colleagues, the fact that internet providers are not investing in communities like mine because they don't see the return for their investment. So, I think it is a responsibility, when that doesn't happen, for the federal government to step in and help improve conditions, not just for quality-of-life issues, for convenience, but for commerce and for emergency services.

So, I wonder, Ms. Chaney, do you have anything to add on this issue?

Ms. CHANEY. Sorry, say it one more time? It cut off a little bit and wasn't able to hear you fully. I apologize.

Mrs. TORRES. Reliability for internet; the lack of investment from internet providers in communities, you know, the working poor; the redlining that we continue to see—it is so obvious—and the responsibility of the federal government to ensure that we are responding to the need of all of our constituents.

Ms. CHANEY. That is right. I mean, I am so glad that you brought that up. I mean, one of the things that we talk about in the plan is that—I mean, we talked a lot around this here today—we are talking a lot about availability, and that is important. But we also have to talk about affordability and what has been happening in communities where they have broadband all around them, but they can't access it because they can't afford it. Or they have broadband in areas that are near them, right, but not necessarily—they are sort of in a desert in the middle of all of this access.

So, yes, we have to have greater controls over that, greater accountability. One of the things we are concerned about is making sure that, as we are making these much-needed generational investments, we aren't doing it in a way that over-enriches companies without putting any kind of limits on them in a way or guardrails or regulations that make sure that they are actually doing what we are investing for them to do. So, we agree completely.

Mrs. TORRES. Thank you. My time is up. Mr. Chairman, I yield back.

Mr. QUIGLEY. Thank you.

Mr. Bishop.

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

And let me thank the witnesses for being here, and let me offer my apologies. I had another commitment earlier in the hearing. And so, I apologize if I become redundant in my questions.

Let me ask, Ms. Chaney, your organization recently released a comprehensive plan discussing the challenge that is facing low-income areas and communities of color and notes that, in order to address the gaps in availability, we have to prioritize producing an accurate map of broadband availability that pinpoints those unserved by broadband services. The need for accurate maps is something that we recognize in Georgia. The CyberArch Program at the University of Georgia created a statewide map that allows us to identify broadband dead zones down to single addresses.

Can you speak to the importance of updating the FCC's broadband maps and how we can use updated maps to guide our policymaking?

Ms. CHANEY. Absolutely. I mean, yes, we have what we call "broad-dated maps". We have been calling for updated maps, so many have been calling for them for quite a long time.

One of the things that I think, hopefully, the other witnesses will agree is that we need to have some public-private partnerships here. It is not just the FCC. There are other government agencies that have maps or information that we can use to have an improved understanding of where we need service and where the strength of that service is. Also, private institutions, private companies who have information to this data, they are not relying on old maps and materials to make their investments.

We should be coming together and figuring out [audio interference]—

Mr. QUIGLEY. Thank you.

Ms. CHANEY. Okay. Thank you so much. Someone else has chimed in.

Mr. BISHOP. Ms. Chaney, you recently released a comprehensive plan that identified principal barriers to achieving digital equity inclusion. And one of those is affordability. And, of course, in our appropriations bill last year, Congress allocated \$3.2 billion for an Emergency Broadband Benefit Program to connect low-income households. The funds are used to subsidize broadband cost up to \$50 a month for low-income households.

While it is clearly in the early implementation, do you believe that the EBB Program is properly targeted to help close the affordability gap? And should we make this program permanent?

Ms. CHANEY. I definitely think we need to make the program permanent. I definitely think we need to learn the lessons from this current rollout. So, we will know more, right, about how well it is doing, where it is targeted, what needs to be adjusted, as we go through the program. But I think that the good outweighs whatever concerns we might have, including about the cost. It is so essential.

The vast majority of people who are not engaged in broadband who have it available to them, right, is not so much—the vast majority of people who don't have broadband, actually, it is not that they don't have it available; they can't afford it. And so, we want to make sure that we hone in on that. We definitely want to focus on availability as the first part of our plan, but if we do that, and we don't deal with the fact that the majority of people who don't have broadband simply don't have it because they can't meet the financial requirements, you know, we will still be here not just 5

of 10 years from now; we will be here next year talking about it again.

Mr. BISHOP. Thank you.

Ms. CHANEY. Yes, thank you.

Mr. BISHOP. Thank you very much.

Mr. Zimmerman, since the FCC announced the winning bidders in round one of the Rural Digital Opportunity Reverse Auction, many have voiced concerns over the ability of certain providers to perform as promised. For example, I have heard from local broadband providers that their bids were undercut by large national providers at price points that they believe could not be met. But what guardrails can we implement to ensure that winning bidders perform as promised and allow local providers the same opportunity to meet the needs of our constituents?

Mr. ZIMMERMAN. That is really good question. My company bid on some areas and won a small bid, but we lost some to some very, very low bids. And there are concerns about the technology that was proposed in these bids. The FCC is currently looking through the long-form applications that these companies made to prove their capabilities. We would prefer that bidders on anything like this have to prove they are bona fides before they bid, rather than afterwards. You don't want to give out this money based on someone's hopes and dreams that this one weird radio frequency might just work, when it might not. So, we prefer that people be vetted upfront about their technological capabilities, rather than getting awarded and a couple of years later we find out they couldn't do it.

Mr. BISHOP. Thank you, Mr. Zimmerman.

I think my time has expired. Thank you, Mr. Chairman. I yield back.

Mr. QUIGLEY. Thank you.

Mr. WOMACK, have we heard from everyone on your side as well?

Mr. WOMACK. I believe we have, Mr. Chairman.

Mr. QUIGLEY. Now I know that you had sort of a hanging question at the end of yours. We are not going to go through a whole other second round, but in lieu perhaps of—you have a right to close, anyway. If you wanted to finish up with that question it will be just fine.

Mr. WOMACK. Just one quick question. And since Mark Amodei hasn't taken any questions, asked any questions today, and instead has had to do a staff call—

Mr. QUIGLEY. You are channeling your inner Mr. Amodei?

Mr. WOMACK. Yes.

Mr. QUIGLEY. Good luck with that.

Mr. WOMACK. And now, he is awake. [Laughter.]

Mr. AMODEI. Hey, can I say something, Mr. Ranking Member?

Mr. WOMACK. Oh, please do.

Mr. AMODEI. That is all I wanted to say. Thank you, Mr. Chairman. I yield back. [Laughter.]

Mr. WOMACK. There you go.

Look, here is the remaining question, and maybe it fits in the capacity question. I don't know, but I am going to ask this. Hearing proposals to open up broadband for 100/100 service, we still have communities that don't have the basic, even the most basic 25/3

service. So, Lang, do you believe the proposals that we are hearing now about 100/100 would hurt communities—obviously, there is a competition for funding—that still don't even have basic broadband?

Mr. ZIMMERMAN. I don't think so. I think you need to start focusing money, so it gets put into future-proof networks, which fiber is the one that can do it in the future. If you do it based on 10/1 or if you do it based on 25/3, we will be in the position in 10 years from now where capacity needs are going to keep going up 20 percent a year, and you will have to be in the same position to rebuild it. If you go ahead and do it—and I think as several of the several other panelists have said, you need to make it so you don't come back here and be in the same position in five years. And you need to require something that can be upgraded.

Mr. WOMACK. Mr. Dunne, I see an affirmative nod from you. I assume you are in agreement?

Mr. DUNNE. Absolutely, and I don't want to say that there is a lack of concern for the immediate needs. And there really are some immediate needs. Some of those can be solved with hot spots and other kinds of things on the short term, and even some wireless to be able to do it.

But, to Mr. Zimmerman's point, if we really want to be thinking long term and making sure that there is going to be equal access and the most efficient use of funds over that long term, it has got to be 100/100 and fiber to the home.

Mr. WOMACK. Go ahead, Lang.

Mr. ZIMMERMAN. I would say you need to also prioritize the areas that have the worse service. The areas that you are talking about with nothing, you can start there first and build out from there. Don't go back into areas that already have it.

Mr. DUNNE. Agreed. It makes sense.

Ms. CHANEY. I agree with that, yes.

Mr. WOMACK. Yes, I think this has been a really enlightening hearing. And as I said in my opening remarks, a bipartisan subject on broadband.

So, thanks to the witnesses for all being here.

And, Mr. Chairman, I am going to yield back my time.

Mr. QUIGLEY. Thank you.

I agree. Everyone gets a note home that they all had worked and played well with others. And I appreciate the time and the work that all of our witnesses do on an ongoing basis. So, we appreciate everyone's involvement.

This meeting is adjourned.

WEDNESDAY, MAY 26, 2021.

**SECURITIES AND EXCHANGE COMMISSION OVERSIGHT
HEARING**

WITNESS

HON. GARY GENSLE, CHAIR, SECURITIES AND EXCHANGE COMMISSION

Mr. QUIGLEY. This hearing will come to order.

And, again, my part of this, as this hearing is fully virtual, we must address a few housekeeping matters. For today's meeting the chair or staff designated by the chair may mute participants' microphones when they are not under recognition for the purposes of eliminating inadvertent background noise.

Members are responsible for muting and unmuting yourselves. If I notice you have not unmuted yourself, I will ask you if you would like the staff to unmute you. If you indicate approval by nodding or some other strange gesture, please let us know. Staff will unmute you at your microphone—unmute your microphone.

I remind all members and witnesses that the 5-minute clock still applies. If there is a technology issue, we will move to the next member until the issue is resolved. And you will retain the balance of your time.

You will notice a clock on your screen that will show how much time is remaining. At the 1 minute, the clock will turn to yellow. At 30 seconds, I will gently tap the gavel to remind members that their time has almost expired. When your time is expired, the clock will turn red. And I will begin to recognize the next member.

In terms of the speaking order, we will follow the order set forth in the House rules, beginning with the chair and ranking member. Then members present at the time the hearing is called to order will be recognized in order of seniority; and, finally, members not present at the time the hearing is called to order.

Finally, House rules require me to remind you we have set up an email address to which members can send anything they wish to submit in writing at any of our hearings or markups. That email address has been provided in advance.

This afternoon, we welcome the chair of the Securities and Exchange Commission, Gary Gensler.

Mr. Gensler, thank you for being here today.

The SEC protects investors, helps secure our markets against fraud and manipulation, and promotes capital formation. And like most Federal agencies, its work has changed in profound ways because of the pandemic. I would like to briefly mention four areas where we hope to gain insight into the SEC's recent activities and future resource needs. This information will be vital as we get started in earnest on crafting this year's appropriation bills.

First is the emerging—is the issue of emerging financial technologies. The market for non-fungible tokens, cryptocurrencies, and other digital assets has exploded. While these have created significant wealth and value, these markets also feel like a virtual Wild West. They have led to extreme market volatility, theft, pump-and-dump schemes, and other issues that hurt retail investors. I look forward to learning more about the work the SEC is doing in cooperation with other Federal agencies to help bring more order to these markets.

Second, we are not just seeing innovation in financial products. Technology is also driving new market trends that warrant scrutiny. For example, Chair, I know you recently testified on the issue of GameStop, and that the SEC's investigating issues relating to the trades of GameStop on the financial platform, Robinhood. I hope to hear more about how the SEC can preserve the rights of retail investors as it grapples with the market impacts of new technology, like mobile apps, decentralized finance, and artificial intelligence.

Third, as a strong proponent of transparency in and out of government, I am heartened to see the SEC make progress on climate issues. There is widespread interest from both companies and consumers and the new administration in increased disclosure of environmental and climate risks. I welcome both the increased regulatory and enforcement efforts in this space. I am also a firm advocate for increased political disclosures, and will continue my work to provide the SEC the resources and authorities it needs to address this pressing issue.

Finally, the pandemic has accelerated many of the trends of recent years from digital adoption to geographic migrations. Unfortunately, one of those things is income and wealth inequality. It is a testament to the resiliency of the American economy and people that our markets were able to quickly stabilize, then grow, after the start of the pandemic but also made the richest Americans much richer, even as many low-income areas and communities of color faced setbacks that will push off financial prosperity for years to come. It is not enough just to make sure markets work. They need to work for everyone.

I look forward to working with the SEC and the administration to address this growing disconnect between Main Street and Wall Street. Chair Gensler, I realize that the SEC chairs jurisdiction of these issues with other agencies that this subcommittee oversees, including the Department of Treasury and the Federal Trade Commission. We also welcome your comments on how we might be able to facilitate more cooperation with these agencies and other parts of the Federal Government to ensure that you can work most efficiently.

Before I turn to the Chair for his statement, I would like to recognize our ranking member, Mr. Womack, for his opening remarks.

Mr. WOMACK. Thank you, Chairman Quigley, and welcome to the committee.

Chairman Gensler, congratulations on your confirmation. We look forward to hearing you from today.

The SEC plays a critical role in protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital forma-

tion, all while overseeing approximately \$100 trillion in securities trading annually in U.S. equity markets. I believe it is important to build on former Chairman Clayton's efforts to improve the investment experience for Main Street investors. It is also critical that the SEC helps to facilitate the formation of capital for American companies, and more so now as the economy recovers from the pandemic. We must promote a market environment that is worthy of the public's trust.

I am concerned with cyber threats to both SEC systems and market participants, and I would like to learn how the SEC is managing these threats.

Despite the conc—or the effort of my chairman there, I am a bit concerned about the SEC getting involved in areas that are a little outside its core mission, such as climate change and political spending. The EPA is the primary Federal regulator for climate change. The FEC is the Federal regulator for campaign spending. I don't believe the SEC should be using its authority over public companies to require costly and ideologically based disclosures that do not provide material information relevant to making investment decisions. Instead, I believe the SEC should focus on helping the American economy recover.

I am also disappointed with the administration's new executive order on climate change and financial risk. The order will have far-reaching impact on the entire financial sector, consumers, investors, and Federal loan and procurement policies. Such sweeping policy changes should not be addressed unilaterally by the administration.

Regarding the work of this committee, because of administration's delay in submitting their fiscal 2022 budget, we aren't able to discuss the details of your resource needs for next year. However, as the appropriations process unfolds, I am going to pledge to work with Chairman Quigley to make sure you have an appropriate level of resources to complete your important core mission.

With that, I yield back my time.

Mr. QUIGLEY. Thank you, Mr. Womack.

Thank you, Chair Gensler, for being here today. Without objection, your full written testimony will be entered into the record. With that, in mind, we ask to you please summarize your opening statement in 5 minutes.

Please begin.

Mr. GENSLER. Good afternoon.

Thank you, Chairman Quigley, Ranking Member Womack, and members of the subcommittee. I am honored to appear before you today for the first time, and I hope I will be seeing you again in the future as Chair of the Securities and Exchange Commission. Thank you for inviting me to testify.

Before I begin, I would like to note that my views are my own, and not speaking on behalf of the fellow commissioners or staff. That is the standard language you have probably heard in the past.

This subcommittee oversees many government agencies, and I appreciate the opportunity just for a moment to describe our activities at the SEC. And having just started one month ago, I would say I have just been struck by the sheer breadth and scope of the capital markets the agency work.

As Ranking Member Womack said, we oversee nearly \$100 trillion capital markets at the SEC that affect every American. The 50-plus-trillion-dollar debt markets are how we fund our Federal Government, our local governments, how corporations borrow money, and how construction of a hospital down the street gets financed. Our 45 trillion-dollar-plus public equity markets, which gets most of the attention, connects Americans looking to invest with public companies seeking to innovate, grow, and create jobs. Our multi-trillion-dollar private equity and venture capital markets, somewhat the shiny object of much around the globe looks to, innovation and helps and plays a significant role, particularly in venture capital.

So how does our agency fit into all of that? Congress laid out the SEC's three-part mission, as the chair mentioned and the ranking member, to protect investors on one side, facilitate capital formation on the other, and then I think in the middle that connects those investors and capital formation, fair, orderly and efficient markets.

Our responsibilities at the agency oversee 28,000 registered entities, 3,700 broker dealers, 24 national security exchanges, seven clearinghouses. You get the picture. 2,300 filings come in a year from self-regulatory organizations that need to be reviewed. Each day, I will be animated by working families. Our capital markets help Americans save for retirement, borrow for mortgages, and prepare for the bumps along the way. And the SEC and Congress' support of adequate resources for the agency are a real part, I believe, of America's economic success these last 90 years.

In the last 5 years, the scale, scope, and complexity of our capital markets have continued to grow. A record 67 million families hold direct or indirect stockholdings, and that is in 2019. The number of private equity funds have increased 58 percent just in the last 5 years, and the venture capital funds I mentioned, 110 percent increase in 5 years.

In the midst of that, the SEC has not grown to meet the needs of the 2020s. Between fiscal 2016 and 2020, our staff decreased about 4 percent. So, we have been flat to a decrease. In my written testimony, I highlight a number of additional trends that we are seeing.

First, we are in the midst of a once-in-a-generation wave of traditional initial public offerings and, in addition to that, when I say once in a generation, more than the dot-com boom of 20—2000. But, in addition, you may have heard something about blank-check companies called special purpose acquisition companies and there we have seen already, to date, 700 filings, 300 completed transactions, and that compares to only 13, 5 years ago.

A second big trend is that trend I mentioned about private funds.

A third trend is that which the chair mentioned about crypto assets or digital tokens, and the first, bitcoin, we have all heard about, but there are over 80 other tokens that have over \$1 billion market cap right now, and 1,700 that are over \$1 million. In my written testimony I also highlight some topics that were raised here—financial technology, data analytics—that will help, and also, stretch our resources. I hope to be able to work with you on the resources that we can tap into new data analytics.

And while the Commission is an appropriated agency, I would just mention before I close, we are funded by fees. You might remember the Section 31 fees that we collect on securities transactions. So we sort of cover ourselves. A well-funded SEC helps us better serve the American public and stronger investor protection and efficient markets.

I look forward to working with Congress and this committee, and I thank you. I look forward to your questions.

Mr. QUIGLEY. Thank you so much.

Let me begin talking about cryptocurrencies. We talked about mission of agencies, but the world is changing. In fact, you know, the world is changing in front of us while the scenery behind us changed. It seems sort of dizzying at times. You know, from a regulatory perspective, many cryptocurrencies are treated as commodities but, in practice, you know, they are characteristics of currency and securities. So, do you think the current regulatory categories are sufficient for oversight, and do you see value in the creation of a new regulatory category?

Mr. GENSLER. I thank you for that question, Chairman.

I think that there is gaps in our current system. You are right to say that there are many crypto tokens that do come under the securities laws, and our agency is trying to enforce the laws. But there is thousands of tokens and we have only been able to bring 75 actions. And there are others currently that are noncompliant.

But I think the bigger gap is around what is called exchanges, crypto exchanges, and I would think if we could work with Congress to try to bring investor protection to the platforms where these sometimes commodities, sometimes securities are trading on the platforms.

Mr. QUIGLEY. And for those watching, Chair, while you finish your answer on that, could you explain what your concerns are, what the abuses that can take place involving these new currencies?

Mr. GENSLER. Well, without a cop on the beat, and some rules of the road, then market participants can front-run your orders. If you placed an order on an app, and you said, All right, I want to buy a stock, there are rules that protect you that somebody won't use your order and get ahead of you, and we at the SEC try to protect against fraud and manipulation. Not so in the crypto world.

And so, it is trying to bring the similar protections to the exchanges where you trade crypto assets as you might expect at the New York Stock Exchange, or NASDAQ.

Mr. QUIGLEY. You work with the other agencies, as you started, like Treasury and the Futures Trading Commission. Do you think that you are able to clearly split jurisdiction with these agencies so far? Are there gaps in that regard as well?

Mr. GENSLER. Well, I am just in my second month on the job, but I have had some really good conversations with both agencies. I think that working, particularly with the CFTC, to ensure that there—that we cover the markets, that the investing public is protected in these crypto assets. With Treasury, they are keenly focused on anti-money laundering and guarding against illicit activity. And where we can augment and support their efforts, I look

forward to that. I will admit about investor protection, we might need a little help from Congress as well.

Mr. QUIGLEY. Yeah, look, final question for this, for now. You are regulating some extremely well-financed entities and, as we have said, it is a complex—it is a complex world now. Are you able to attract the level of skilled personnel that you need, and what are the challenges you face in that regard?

Mr. GENSLER. I have been very impressed with the career staff at the agency, but you are right. It is always a challenge, and we will talk about technology in a bit as well. We only spend about 16 or 17 percent of our budget, about \$325 million a year, on technology, which is less than probably some large firms spend in a month, or some of them even spend that much in 2 weeks. So we are nimble and we are efficient, but we are underresourced compared to some of the big players in finance.

Mr. QUIGLEY. You know, I think some of these entities' marketing budget dwarfs yours, but I have every faith in your force and I appreciate their work.

I am going to yield back and recognize Mr. Womack.

Mr. WOMACK. Thank you, Mr. Chairman.

Once again, Chairman Gensler, welcome to our committee.

As I said in my opening, I am not—I am not sure that it is appropriate to use the SEC and its authority over public companies to require costly and burdensome disclosures that don't necessarily provide information relevant to making investment decisions, and, particularly, the impact of the administration's new executive order on climate-related financial risk.

I know that some investors want the information, but that doesn't necessarily mean that the SEC should require its disclosure from every public company. So I have got two or three questions along that line.

Chairman, do you believe the climate information is material simply because of its interest to some investors?

Mr. GENSLER. Well, I think that you and I share a view that the disclosure regimes are about investors, and that has been the heart of the capital market reforms of the 1930s until now. And what we are finding is there is literally trillions of dollars of assets under management that have asked for and want to understand the climate risks, both the underlying physical climate risk, and also, the transitional, as companies are moving forward to address their own risk in that area.

And, so, as investors are looking for that, we as an agency can help bring some comparability to the disclosures, some consistency, some reliability to those disclosures. But I think we share this view. It is investors and what investors are looking for to make their investment decisions.

Mr. WOMACK. Do you think that this kind of information is relevant to every investment decision?

Mr. GENSLER. I think that it is the test, as I understand it, is: Do reasonable investors find it significant to their investment decisions? And so, we are going to go out, and I have asked staff to prepare something for the five-member commission, do the economic analysis, and then put it out to notice and comment, and hear really from investors and the broad public as to what is rel-

evant, what metrics, what disclosures are relevant to their investment decisions.

Mr. WOMACK. So in that particular matrix, the cost to the public companies will be analyzed, I assume.

Mr. GENSLER. Right. We—I was actually a professor of global economics and management up at MIT. I really deeply believe in economics. So we will have economic analysis, both at the proposal stage, but also, ask the public, share with us the economics as well.

Mr. WOMACK. And along this line, the last question is more about the impact that the executive order could have on companies from going public. Is there a concern that this could be—that this could be some kind of a barrier to companies going public?

Mr. GENSLER. I think you raise a good point. We have both vibrant public markets. I mentioned 40- to \$45 trillion in size, about 4,500 companies. We are at an all-time peak of companies trying to tap the public markets, but we also have private markets. And it is usually about the stage of the company's development. But disclosure regime for public companies, in many instances, are more than in private companies. This disclosure regime that we would be looking to put out for public comment on climate, I think many investors are looking for and, as I say, do have some comparability, consistency, and reliability.

Mr. WOMACK. Good. We are going have several, I am sure, budget-related questions here today. So I am going to follow the lead of my chairman and yield back some of my time so that we can get to the questions of some of our other members.

Chairman, it is great to see you, and welcome, again, to our committee, and I appreciate your time today.

Mr. GENSLER. I thank you. I thank you for the call earlier this week as well.

Mr. QUIGLEY. Thank you.

Mr. Cartwright.

Mr. CARTWRIGHT. Thank you, Mr. Chairman.

And, Chairman Gensler, nice to kind of be with you today. Thank you for joining our hearing.

I will say, I agree with you that many, many investors do find it relevant, climate-related information with publicly traded companies. Just because some may find it irrelevant doesn't mean others don't find it relevant. So I agree with you on that.

I wanted to talk to you about what we call the Consolidated Audit Trail, the CAT. In 2010, the Securities and Exchange Commission directed the self-regulatory organizations, the SROs, comprised of the securities exchanges and FINRA, the Federal Industry Regulatory Authority, to develop and implement a Consolidated Audit Trail, the CAT, that will enable regulators efficiently and accurately to track all orders in U.S. equities and listed options and can conduct cross-market surveillance.

Now, when fully implemented, this CAT will be the world's largest database of equities, securities, and listed options transactions, and it will maintain customer personally identifiable information on over 100 million institutional and retail investors.

Last year former SEC Chair Clayton testified before Congress on June 25 where he acknowledged that the bulk downloading of CAT data by each of the SROs is a complicated problem, and that the

SEC is still evaluating internal risk controls and other potential threats. And shortly after his testimony, the SEC did issue the CAT data security proposal that is designed strictly to curtail bulk downloading by the SROs, and otherwise significantly enhance the security of data within the CAT, that proposal is still pending before the SEC.

But, Chair Gensler, when do you expect the SEC to act to adopt that proposal?

Mr. GENSLER. I thank you.

And I share your goal to protect the data. I think that Chair Clayton also did some things which they did finalize to remove some of that personal identifying information, people's birthday, Social Security numbers, and the like, from the data that was completed.

But I would like to—I am only in my second month. I would like to work with you and your staff to reply to the second question about the timing of the FINRA, I think, has that second bulk data in front of us, and I could better reply the timing of that as a follow-up.

Mr. CARTWRIGHT. Okay. And I will ask you this, and the same answer will be appropriate. We would rather have a correct answer a week from now than something wrong off the top of your head today.

Chair Gensler, I also understand the SROs as the sole operators of the CAT have proposed to strictly limit their liability in the event of a CAT data breach, or misuse of the CAT data by the SROs or their employees. This should have the effect of shifting all liability to broker dealer firms reporting to the CAT in the event of a CAT breach, even though those firms have no control over the CAT or any security measures it may adopt. How does the SEC plan to address this issue?

Mr. GENSLER. Again, I think—I think I need to sort of understand from the staff a little better how to address it but I share the concern that you don't want to sort of put it all on the burden of the people sending the information in, that the aggregator, in this case, FINRA, and the operator of the Consolidated Audit Trail has a responsibility as well.

Mr. CARTWRIGHT. Well, we will follow up with you, Chair Gensler, on that. And I thank you for your answers and your presence here today.

I yield back, Mr. Chairman.

Mr. QUIGLEY. Thank you.

I believe that Mr. Joyce is next in line.

Mr. JOYCE. Could you defer, if you don't mind, Mr. Chairman, to Mr. Stewart?

Mr. QUIGLEY. Certainly. Okay. Mr. Stewart.

Mr. STEWART. Yeah, thank you.

Thanks, Mr. Joyce.

And, Chairman, thanks for being with us. I almost have too much to the point where I almost have not—don't know where to start, and I guess I would just come back and ask you to define a little bit for me or to maybe explain a little bit some of your thinking regarding—and Mr. Womack alluded to this or talked about this briefly—but could we discuss primarily this idea of re-

quiring more information, whether it is in the environmental area, which is, I know, the focus that some people have concerns about.

But I am wondering, well, if we are going to expand the reporting requirement in some of the environmental concerns, are there other areas that we should require additional reporting as well? Would we only want to limit to environmental concerns? Are there other areas that you think probably need to be reported as well? And do you have any aspects of the cost and the economic burden, or the regulatory burden that that would entail?

Mr. GENSLER. First, let me say if the 5 minutes isn't enough, I am glad to meet with you next week or anytime that we can mutually figure out.

And I make that offer to all the members of the committee.

But in terms of disclosure, I think that each period of time we should be animated by investors. So what investors might have wanted in the 1960s might be different than the 2020s, which might be different than the 2030s, but right now, there is significant interest from investors to understand climate risk, and from the issuers and to bring some consistency. A lot of companies are doing this voluntarily, and there is a little bit of differences of what they are reporting. So, it is not comparable either.

Secondly, I think we are going to take up—I have asked staff to make recommendations around human capital. Just the value of a company is often very entwined with the employees, their turnover, where they are located, the pay levels, and the like. And, so, that is a second area. I have asked staff to serve up something for Commission on climate risk disclosure and human capital disclosure.

We are currently considering something around cyber protection and a number of members have already asked about cyber but just how issuers are looking at and how they are insured for their own cybersecurity.

Mr. STEWART. So, and by the way, I don't oppose this effort necessarily. I want to be candid with people about the cost and I want to be candid with them about, you know, my concerns about regulatory burdens that it would entail, but I think more of a philosophical conversation about: If we are going to require it for some climate concerns, would we want to include some for social justice concerns as well, which is something that many people are equally concerned with? And if we open it to that, are there other things that we may regulatory require?

And, Commissioner—Chairman, you bring up something quite interesting. You said a lot of companies are interested in this. Why not let the market drive that? If this is of a particular interest to an investor, why not let them—the market drive them to those companies to disclose this, rather than through regulation require that every company have the equal burden when some of them, you know, or some investors may be sufficiently satisfied by having the markets and allowing them to move to those organizations that do report on these things?

Mr. GENSLER. I think it is a very good question. I think it is embedded in a debate about when some standardization so you can have comparability and you can see across the issuing—we have about 4,500 public companies, and you are right, that it might be more relevant to some than others, but to have comparability

across the ones that report. And I think that this is enough investor demand right now that—and the SEC has a role, just as the SEC stepped in and required, over the decades, management discussion and analysis, or a risk section itself.

The SEC of the 1930s was looking at financial disclosure. But by the 1990s, it included some risk assessment and some management discussion and analysis, even disclosures around executive compensation. So I think in the 2020s, this is an area that a lot of investor demand is there, and we can bring some comparability and some reliability to that reporting.

Mr. STEWART. Well, and, again, I don't—I don't just in a broad way oppose this. I just want to be very open about some of the concerns and costs.

And last comment, and my time is expired. But you are right in the sense, too, that let's have compatibility. Let's have them be standardized. But that is different than requiring that of every company. But, again, my time is expired. Thank you, Mr. Gensler, for being with us. Thank you, Chairman, for hosting this today.

Mr. QUIGLEY. Thank you.

Mr. Stewart, you asked good questions. While we may disagree on issues, the discussions are particularly helpful to have. In the Atticus Finch school of such things, you walk around in the other person's shoes to understand them all.

Mr. STEWART. Thank you, Mr. Chairman.

Mr. QUIGLEY. Mr. Pocan.

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

And thank you, Mr. Gensler, for being with us. If I appear distracted, 15 seconds ago, they just started actual voting on a markup I am in on another computer. So I am waiting for a text if I have to fly away. I apologize.

As you have emphasized, the SEC's role is to protect ordinary investors by ensuring a fair and transparent marketplace. Private equity firms play an ever-larger role in our economy, often to the detriment of workers and communities. While most ordinary investors are not directly invested in private equity, they may be exposed to risks posed by private equity through their pension funds or other investments. And yet private equity funds are not subject to regular disclosure requirements that other types of investments are.

A couple of questions. Would it be beneficial to investors if they had access to information about private equity firms' practices, fees, and performance information so they can assess whether or not to invest in such firms? And do you think it might be material to an investor if a company uses private equity type business practices, like buying up small companies, loading them up with debt, and selling off their assets?

Mr. GENSLER. I thank you for that question.

I think, as I mentioned in my prepared testimony, the private equity space has grown significantly. I think it was close to 60 percent just in the last 5 years, and that is number of funds, not just dollars under management, which I think has grown even more. And the transparency there, I think, is something that can be enhanced, particularly between the investment manager and their investors. And you are right. You said the investors are often pension funds.

So, I have asked staff to just try to understand that a little bit more. There is some things where you can enhance the disclosure to the SEC through what is called a Form PF, or private fund, and some other regulatory filings, but also this relationship between the asset manager, usually a general partner, and the investors, limited partners, which are often pension funds and best organizing that.

Mr. POCAN. Great. No, I appreciate that. And in your testimony, you mentioned, I think you said your staff was decreased by 4 percent. At the same time, you gave that in the other statistics of increases. What resource do you need from Congress to ensure adequate oversight, especially in the private equity sector?

Mr. GENSLER. Well, I would like to work with this committee and, of course, the whole Congress to get more resources. I don't want to stand in front of the President's budget, and I know it is a little awkward that I am here, you know, a few days before OMB is released. But I do think that we have shrunk about 4 percent, and we should try to, at least try to make that up, given the incredible growth and complexity of the markets.

Mr. POCAN. Gotcha. And you noted in your testimony that changes in private fund strategies, structures, and business practices have created new risks for markets and investors. Can you just talk a little bit more about what some of those newer risks are?

Mr. GENSLER. Well, some of the newer risks, or even involving what we talked about earlier, crypto, there is some interest in funds, investing in the digital asset and crypto space. And then, it is also some of the mechanisms that the sponsor is trying to earn fees from the portfolio companies. This was highlighted about 8 years ago in a speech at the SEC, but, you know, sort of really looking about how that disclosure and how that relationship works between the general partner, the advisor, and the investors in their funds. And that there are some general partners that have asked their limited partners to sign agreements to say there is no fiduciary duty between the general partner and limited partner, which is sort of wasn't the way it was when I was growing up in the financial world.

Mr. POCAN. Great. In less than a minute, I am not going to try to ask you questions about stock buybacks. We will submit a question series on that. But I am not familiar with the special purpose acquisitions you talked about that are relatively new. If you have any good information on that, could you share that with us? I would love to learn a little more about those.

Mr. GENSLER. I am glad to send it. It is basically a company that has no operations and raises money from the public, thus blank check, and then says, We have 2 years to take the money you just gave us to find a target and to buy a target, and then when they find the target, sort of take that company public. They have just taken off like, you know, you might say wildfire in the last 6 months, and there is hundreds of them, as my testimony said, and there is some real question about who is benefiting and investor protection.

Mr. POCAN. Great. Appreciate that.

Thank you, Mr. Chairman. I yield back.

Mr. QUIGLEY. Thank you.

Mr. Amodei.

Mr. AMODEI. Thanks, Mr. Chairman.

And to you, Chairman Gensler, I am going to go ahead and take you up on your gracious offer that you enunciated during Mr. Stewart's questioning about we will hook up with you later instead of trying to see if we agree on religion or politics in 5 minutes or less.

Mr. Chairman, I never like to publicly disagree with you on something. So, I will agree with you that perhaps Mr. Stewart's questions were okay, but the camera angle was all wrong on that in my humble opinion.

Mr. QUIGLEY. I saw somebody cut him off. I was concerned.

Mr. AMODEI. I am, like, obviously there has got to be some law in Utah for doing what he just did abundantly in the record.

And with that, I will yield back, Mr. Chairman,

Mr. GENSLER. I look forward to meeting you at another time and moment, whenever you want, by the way.

Mr. QUIGLEY. Yeah, Chair, I want you to call me when you finally realize that you regret making that broad offer.

But I recognize Mrs. Lawrence.

Mrs. LAWRENCE. Thank you. This is quite an interesting hearing.

So, I want to say, Chair Gensler, you have so many things on your plate and I want to bring up one that probably a lot of attention hasn't been given to. Yesterday marked the 1-year anniversary of George Floyd's killing, calling for greater attention to systemic racism and investors demanding companies to do more to advance racial equality. For change to truly be realized, companies need to take a look at their own internal processes.

Study after study demonstrates that diversity and inclusion is correlated with the company's profitability and performance. Has the SEC issued any new rulemaking or advisory opinions on this topic recently? Does the SEC plan to prioritize this issue in the coming months?

Mr. GENSLER. I thank you for that, Congresswoman.

And the tragic loss of George Floyd is on all of our minds, and we have so much more to do as a Nation to address, as you said, systemic racism. At the SEC, I have asked staff to take up, as we look at potential disclosure regime for human capital, to include in that diversity, diversity of senior management, and diversity at companies. And at the SEC itself, I am looking closely, not only in the hires that I can affect at the senior leadership team, but everything we do at the agency, that everybody can bring themselves to work and be their best selves, regardless of race or gender or national background, sexual orientation. But this week's 1-year anniversary is a real moment to reflect, I think, that we have got so much work to do in this country.

Mrs. LAWRENCE. Thank you. I look forward to your leadership.

You have mentioned that new technologies like Robinhood and other mobile apps increase access to capital markets, but present new policy questions. What can the SEC do to ensure that users of such apps are knowledgeable about the risks of trading and investing? And what comes to mind is that if you enter into these app locations, there is a disclaimer or warning that will go to the user.

Mr. GENSLER. I think you are right. I mean, one of the challenges, and we see throughout our economy, is that when we use applications—I mean, I will admit it. I don't always read the fine print and the detail. How can I on such a small device? And, so, they have brought greater access, much greater access. But at the same time in the financial world, they are leading to greater activity. And in some places, it is okay. It is okay if, for instance, a streaming app knows that I am kind of a rom-com guy, and I am. I am. And so I might lose 90 minutes watching a movie. By the way, my favorites you can ask me about privately.

But if you trade too much on a mobile app, economic studies show you probably have lower returns. And, so, I have asked staff, we are going to put out, to comment, to get advice on the use of behavioral props that move folks to move and trade more often.

Investing is a good thing. We want to encourage investing but it is a question whether it is this day trading and things like that, or opening up a margin account or an option account when you don't, as you say, have fully been informed about the risks of these accounts.

Mrs. LAWRENCE. Thank you for that.

And since everyone else is asking for some personal time, I just feel compelled, Mr. Chair, to ask for a personal one-on-one. I don't want to be left out.

Mr. GENSLER. Oh, my God. Chair Quigley, you are right and my wonderful head of leg affairs, Kevin Burris, is going to be upset with me after this hearing.

Mr. QUIGLEY. I think he was upset when he heard it. All right. Live and learn.

Mrs. Lawrence, are you through?

Mrs. LAWRENCE. I yield back, sir. Thank you, Mr. Chairman.

Mr. QUIGLEY. Very good.

Mr. Joyce, do you wish some time?

Mr. JOYCE. Yes. Thank you, Chairman Quigley.

Chairman Gensler, I would just like to come when you have Amodi in. I don't want to question. I just want to watch that.

Can you hear me?

Mr. GENSLER. Yeah, I can hear you.

Mr. JOYCE. I want to follow up a little bit on what Mrs. Lawrence was talking about in the aftermath of the January—the volatility with GameStop. I have heard from many individual investors here in northeastern Ohio who are concerned that retail investors do not share a level playing field with large institutional investors, particularly in this rapidly changing market. And I appreciate—I know you have a team that is studying that. Can you preview any of the overarching takeaways that they have gathered so far?

Acting Chief PITTMAN. So, I think that you are—like so often, the voters are smart. I think what they are raising with you in Ohio is that it is not always a level playing field. That is what we are trying to ensure.

So, our current equity market structure, if any one of the 10 or 20 of us that are on this call were to enter an order into our mobile application or—and say we want to send a market order to the market, by and large, that doesn't go to the big stock exchanges we know like the New York Stock Exchange or NASDAQ. By and

large, that is being bought through something called payment order flow by financial firms that are wholesaling those trades. Well over 90 percent of those transactions are flowing through the markets to a handful, a small handful of firms.

And, so, are they really getting best execution? As I say, is best execution really best execution? And, you know, broker is handling things. So there is a rule that says best interest. Is best interest really best interest? And conflicts have existed in the financial market since antiquity. This is not new. But it is how we sort of address that, what we address through disclosure, and what we address sometimes through saying, no, there needs to be rules to ensure more.

So, I think we will be doing some things around market structure in the stock market, based on what we learned in January and those market events.

Mr. JOYCE. That is good to hear. And I look forward to that, sir.

I was excited about the SEC's announcement in November on its final rule changes to harmonize and improve an exempt offering framework that was outdated and burdensome for entrepreneurs and investors alike. I am hopeful that this simplified framework will facilitate access to private markets for their more investors and help small businesses with their capital formation. Is the SEC still committed to the smooth implementation of the policy adjustments for similar regulations which improve private markets for investors and help small businesses grow?

Mr. GENSLER. We are committed to a formation of capital for small businesses. A little bit about myself. My—neither of my parents went to college, but my dad took his mustering-out pay of out of World War II, which was 300 bucks in those days, and he started a small business, a vending business. Never had more than 35 employees in Baltimore, but it sent all of his five kids to college. So I am a product of small businesses. He didn't tap the public markets, but his bank did. I know that, you know, and when he needed some money and the 400 bars that—he had cigarette machines and pin games in bars. You know, small business is in my blood.

Mr. JOYCE. Well, that is good to hear. Thank you for your time today, sir.

And, Mr. Chairman, I yield back.

Mr. QUIGLEY. Thank you.

Mrs. Torres.

Mrs. TORRES. Thank you, Mr. Chairman.

And, Chair Gensler, thanks for coming to our committee today. As a regulator, I applaud your efforts to focus on competition and consumer protection. My questions are about the effect of consolidation and conflicts of interest in the nationally recognized statistical rating organizations, NRSRO system.

In 2020, there were nine NRSROs operating, but the three largest controlled 95.1 percent of the market. An issue that will likely exacerbate market consolidation is when large NRSROs buy up the companies and provide the data needed for developing ratings. So has your office examined the potential impacts of large NRSROs controlling access to the data on which others must rely?

Mr. GENSLER. If I might just generalize a little, because I am only in my second month in the role, but I think you raise an important point about data, not just for credit rating agencies, but elsewhere in the financial market, that we found in our modern 2020 economy that data is so valuable, as you mentioned. And a concentration of data, I think we are seeing that in the market-making, even in the events in January, which we talked about earlier with other members of the committee. There is a concentration of market-making and, as you are right, there is this concentration in credit ratings where there is the three big ones that have 95 percent of the market.

We examine and we oversee these credit rating agencies, but I think the point about data and the concentration not just there, but elsewhere in the capital markets, is one that we will be studying and potentially suggesting enhancements in our rule sets.

Mrs. TORRES. I hope that you will report back to our committee any of your findings that you have, so that we are able to work with you on this really important issue.

Another question is 11 years ago, Dodd-Frank attempted to mitigate conflicts of interest in the securities market surrounding NRSROs. In the following years, experts have urged the SEC to end the issue-pay business model that dominates the industry. This business model allows issuers of securities to pay credit rating agencies for ratings which has led to inflated ratings that SEC has never fully addressed conflicts of interest. So, has the SEC considered countermeasures to reduce conflicts such as the implementation of an independent rating mechanism?

Mr. GENSLER. You are right to raise this. The SEC has considered. But it feels like it was a number of years ago, Congresswoman, in some reports it published in, I think, 2013 or 2014. The interesting historical note is that it wasn't always this way. Credit ratings actually were subscriber-based and through the 1960s. Now, a lot changed since the 1960s, of course. But the 2008 financial crisis, at the heart of that crisis was some of these conflicts were really reared their heads. So Congress asked for a report. The SEC did that. As I said, it was about 7 or 8 years ago. I have asked staff can we take a fresh look at that and just understand if there is further modifications to be done.

Mrs. TORRES. Chair Gensler, thank you again for coming to our committee. I urge you to, you know, put all your attention to these issues. And I welcome an opportunity not to continue our discussion in a private setting, but in a public setting so my constituents and all Americans that depend on these credit-rating agencies can fully inform themselves of the issues that we have. Thank you.

And I yield back.

Mr. QUIGLEY. Thank you.

That completes the first round. I think we will do something of a modified second round if someone has a few questions.

The reason I say that, Mr. Womack, you mentioned that you might have an additional one when you spoke before.

Mr. WOMACK. Yeah, I just want to ask—probably a bit unfair to ask the chairman about the impact of COVID, but I do know that particularly in the—and I am sure we all have companies that have done a lot of telework, as Members of Congress have.

I understand the SEC will spend about \$100 million on rent this fiscal year, but because of the pandemic, most SEC staff have been teleworking for more than a year. Chairman Gensler, dive down on that subject just a minute. What have you—what have you heard? What have you learned in your conversations with staff about the impacts of COVID, staff production, and whether or not we are going to see an emphasis within the SEC as we have in a lot of companies—and I have got some big ones in my district—that teleworking has worked for them, and there will be an expectation that that model is going to be prevalent going forward? Help me understand that concept from the SEC perspective.

Mr. GENSLER. No, it is a very good question.

First, I would say too many staff and even myself have lost family members to COVID. So, I think first that is what I am hearing and it has been—that has been hard.

But in terms of the SEC, it is right. It went mandatory remote in March of last year, and is still mandatory remote, and what we have found is, the productivity has been pretty high. There is some—there is some challenges. Don't get me wrong. There is some challenges, particularly for new employees, and that certain communities aren't built in the same way.

We are already thinking about, and we will be working with the bargaining unit as to how we might expand telework, but there has been, most definitely, even in my 6 weeks, employees are saying, Can we—as we come back into our 12 regional offices in D.C., can we look to expand that?

If we do that, I think you are right as an appropriator to think it might lower the need in square footage and This would be over the multiple years, because you—leases don't come up, you know, every month. But I think that there is some possibility there in terms of square footage.

Mr. WOMACK. Yeah. So there could be some savings down the road, but I would agree with you. It is probably a bit premature to determine what the final outcome is going to look like. But, you know, I have heard from some of my larger companies that business as usual before the pandemic is probably not going to be the way forward for the next few years, that they are going to continue to experiment with that, and reduce travel, a lot of travel costs associated with it as well.

Anyway, that is all I have, Mr. Chairman.

Chairman Gensler, thank you, again, for your time today and assuming, after you meet with Mark Amodei and are still wanting to be the Chairman of the SEC, that we will have an opportunity to visit face to face very soon.

Mr. GENSLER. I look forward to it.

Mr. QUIGLEY. Inquiring minds want to know.

Before I go—Mrs. Torres, do you have a follow-up question at the end? Okay.

Then, Chair, let me just ask you one more. I know climate disclosures were raised. Do you have a guesstimate on when SEC might proceed to rulemaking relating to standards for disclosure on climate and environmental risk? How long do you expect the process to take?

Mr. GENSLER. Well, the process, we have an open comment file right now where it is not a rule, but it is—my predecessor, Acting Chair Lee, had put out some questions. We are going to take that into consideration. That is open until June 13. Of course, if any members or the public want to put something in. We are going to try to look at that and then turn that around and put a proposal out, but I don't want to—I have already made one commitment to meet with your members. So I don't think I want to make a commitment exactly what month, but we want to turn around these comments—

Mr. QUIGLEY. We want to know when you are going to do public hearings in all 435 districts.

Mr. GENSLER. I am not—I am not going there, sir, but I do think that this is an important set of matters, and to do it right, to get the economic analysis, to consider the comments that are coming into this file, we will get a proposal out. And then, based upon that, the rulemaking usually is in multistages. A final rule you wouldn't expect to be during the next 6 months, because we have to turn things around and then we turn things around. But I think I am better advised by staff not to try to commit to a specific month. But we will move expeditiously on this and human capital disclosure as well.

Mr. QUIGLEY. Okay. I would ask the ranking member if he has anybody else on his side or if he has any closing remarks. He does not.

So I was tempted to open the floor to Mr. Amodei and Mr. Joyce for further abuse, but have declined to.

Chair, this has been a great discussion. We really appreciate you are willing to take on this task and your openness, foolhardy or not, to be so gracious with your time. We do appreciate that and the very serious issues that we are talking about today.

So I thank everyone for participating, and this hearing is now adjourned.

Mr. GENSLER. Thank you.

Mr. QUIGLEY. Thank you sir.

Thank you, Mr. Ranking Member.

THURSDAY, MAY 27, 2021.

DEPARTMENT OF THE TREASURY OVERSIGHT HEARING

WITNESS

HON. JANET YELLEN, SECRETARY, DEPARTMENT OF THE TREASURY

Mr. QUIGLEY. The hearing will come to order.

As this hearing is fully virtual, we must address a few house-keeping matters for those who can't remember from yesterday.

For today's meeting, the chair or staff designated by the chairman may mute participants' microphones when they are not under recognition for the purposes of eliminating background noise. Members are responsible for muting and unmuting themselves. If I notice that you have not unmuted yourself, I will ask if you would like the staff to unmute you. If you indicate approval by nodding, staff will unmute your microphones.

I remind all members and witnesses that the 5-minute clock still applies. If there is a technology issue, we will move to the next member until the issue is resolved, and you will retain the balance of your time. You will notice a clock on your screen that will show how much time is remaining. At 1 minute, the clock will turn to yellow. At 30 seconds, I will gently tap the gavel to remind members that their time is almost expired. When your time has expired, the clock will turn red, and I will begin to recognize the next member.

In terms of speaking order, we will follow the order set forth in the House rules, beginning with the chair and ranking member; then members present at the time the hearing is called to order will be recognized in order of seniority; and, finally, members not present at the time the hearing is called.

Finally, House rules require me to remind you that we have set up an email address to which members can send anything they wish to submit in writing at any of our hearings or markups. That email address has been provided to you in advance.

This morning, we welcome Secretary of the Treasury Janet Yellen to testify for the first time before this subcommittee.

Madam Secretary, thank you for being here today.

Secretary YELLEN. Thank you.

Mr. QUIGLEY. The Department of the Treasury plays a vital role in stabilizing and supporting the U.S. economy. That did not go unnoticed as this subcommittee, and Congress, put together much needed relief packages to support individuals, families, businesses, industries, States, territories, Tribes, counties, and others affected by the COVID pandemic.

We tasked Treasury with leading much of the Federal Government's relief, and I commend you and the hardworking staff at the Department. You have worked tirelessly to implement these pro-

grams that have provided a critical lifeline to so many Americans struggling through these difficult times.

We realize, however, that much more work remains to be done to ensure that the economy works for everyone.

The fiscal year 2022 budget for the Department of the Treasury reflects that, requesting \$14.9 billion, an increase of \$1.4 billion over fiscal year 2021.

Within this amount, the administration requests \$13.2 billion for the Internal Revenue Service, an increase of \$1.2 billion.

In addition, the administration requests a \$417 million discretionary cap adjustment for tax enforcement as part of a multiyear initiative to increase tax compliance and raise revenues.

I am eager to hear how these funds will help the IRS better identify those that are underpaying their tax obligations and fulfill the goals outlined in Treasury's report on the American Families Plan tax compliance agenda.

I am also happy to see that, for the first time in 4 years, the budget request does not propose to eliminate funding for Community Development Financial Institutions. This year's budget supports CDFI at \$330 million, a \$60 million increase, to drive capital and expand economic opportunity in distressed communities.

I look forward to hearing about the expansion of this program, as well as the Department's rollout of \$12 billion in emergency stimulus funds to CDFIs and minority depository institutions to rebuild and invigorate low-income and underserved areas impacted by the pandemic.

I am also pleased to see a significant increase in funding for the Financial Crimes Enforcement Network to support the Department's efforts to combat money laundering and safeguard the financial system. The Anti-Money Laundering Act of 2020, which was enacted at the beginning of this year, is the first comprehensive revision to anti-money laundering and countering the financing of terrorism laws in nearly 20 years.

The budget requests \$191 billion for FinCEN, an increase of \$64 million, to implement the numerous reforms mandated in this act. I look forward to discussing how these new authorities and additional funds will help Treasury and FinCEN protect the integrity of the U.S. financial system.

Before I turn to Secretary Yellen for her statement, I would like to recognize our ranking member, Mr. Womack, for his opening remarks.

Mr. WOMACK. Thank you, Mr. Quigley, for the opportunity.

And welcome to the committee, Secretary Yellen.

First, let me congratulate you on your confirmation and thank you, on behalf of all of us, for your many, many years of public service.

You are the Secretary of the Treasury during a very challenging time as the country struggles with the economic impact of the global health pandemic. I appreciate the hard work all the staff at Treasury have done over the past year to provide relief to struggling Americans. I am hopeful that as more Americans are vaccinated, the economy will continue to dramatically improve. It wasn't long ago we were experiencing record growth, thanks to a lot of pro-growth policies.

In 2020, I supported all the bipartisan COVID relief packages enacted, which provided economic relief to millions of Americans, along with addressing health needs, such as providing PPE, conducting testing, and vaccine development.

However, I am concerned that the latest relief package was enacted using reconciliation to avoid having to work with Republicans. Much of the spending included in that package has nothing to do with COVID, which is why the majority party could not get Republican support.

As the country recovers from the pandemic and the economy starts to grow, I am concerned that this excessive level of Federal spending by the administration will lead to both inflation and massive debt that will hinder the recovery and burden future generations of Americans.

I was hoping that the administration's fiscal year 2022 budget request would begin to limit Federal spending. Instead, the request proposes higher spending, the Department requesting a double digit percent increase over fiscal year 2021.

I am certainly troubled with the administration's tax proposals. I don't see how increasing taxes on American corporations will help the economy grow, how it will create jobs, or help American companies compete globally.

It is also concerning that the Department and financial regulators are getting involved in activities that are beyond your core mission. For example, the IRS is spending more and more of its efforts on providing social safety net benefits instead of its fundamental duty of collecting taxes, processing returns, and conducting audits.

Furthermore, the administration's new executive order on climate change and financial risk will have a far-reaching impact on the entire financial sector, on consumers, investors, and Federal loan and procurement policies. As I said in yesterday's hearing, such sweeping policy changes should not be addressed unilaterally by the administration.

Another area of great concern is the administration's negotiations with Iran on a nuclear deal. While Hamas is raining down Iranian-made rockets on Israel, I think it is reckless and unconscionable to try and appease Iran and its proxies. We must stand with Israel and hold Hamas and Iran accountable. I oppose the Department weakening any sanctions against Iran.

In conclusion, I won't be supporting the level of spending included in the President's budget request. However, I do look forward to working with you, Chairman Quigley, and the other members of this committee in a bipartisan fashion to provide the Department with a reasonable level of resources to accomplish your important core missions. I also look forward to working with you on the policy concerns that I have raised today.

Once again, Madam Secretary, welcome to the committee.

Chairman Quigley, thank you so much for the opportunity, and I yield back my time.

Mr. QUIGLEY. Thank you, Mr. Womack.

Thank you, Secretary Yellen, for being here today.

Without objection, your full written testimony will be entered into the record.

With that in mind, we would ask you to please summarize your opening statement in approximately 5 minutes.

Please begin.

Secretary YELLEN. Thank you.

Chairman Quigley, Ranking Member Womack, thank you for inviting me to join you today. I look forward to your questions, but first I want to briefly discuss the state of our economy and the state of the Treasury Department. I believe that one depends on the other.

Our economy is recovering from the pandemic, but we still have a long road ahead of us. For this reason, I expect that economists will look back on this Congress' decision to enact the American Rescue Plan and judge it very favorably. You had the option to provide just a few months of relief or continued support to see us through to the end of the crisis, and you chose the latter.

Thanks to ARP and its predecessor legislation, I am confident that people will make it to the other side of the pandemic, but, as you know, in order for these dollars to effectively reach their intended targets, we have to stand up and manage new Federal programs. Treasury has been tasked with much of this work. We are proud to do it.

The challenge is, while our portfolio has grown to match the urgency of this moment, our annual budget has not grown in tandem, and the funding provided to administer new programs is temporary. Not accounting for inflation, our annual budget is still at the same enacted level as 2010, and critical policy offices, like domestic finance, economic policy, and tax policy, have seen their budgets cut by as much as 20 percent since 2016.

The mismatch is very stark when you take a moment to scan the new bodies of work we have undertaken.

Treasury has built a \$350 billion program to help State, local, and Tribal governments start operating normally again.

The National Security Loan Program has distributed more than \$700 million to contractors who are critical for our Nation's defense.

The CERTS program will provide \$2 billion to bus and ferry programs.

There are two separate multibillion dollar programs to help people pay their rent and mortgages.

And, of course, Treasury administers economic impact statements.

The IRS entered the pandemic as an agency that processes tax filings and returns once a year, and it managed to marshal its forces to disperse more than \$460 million payments, totaling approximately \$800 billion across three separate tranches. And now the IRS is preparing to make monthly payments of the expanded Child Tax Credit to families of more than 88 percent of American children.

Our team has done valiant work implementing these programs with the resources at our disposal, but we cannot continue to be good stewards of this recovery and tackle the new bodies of work that Congress assigns to us in the years beyond with a budget that was designed for 2010.

Tomorrow our administration will release its formal budget, and there are several critical areas where funding is needed.

For instance, the Financial Crimes and Enforcement Network, FinCEN, is tasked with building a massive database that collects and secures beneficial ownership information, but Congress has not yet provided any funding to do it.

Then there are the Community Development Financial Institutions. Congress has dramatically expanded funding for CDFIs with supplemental appropriations, and rightly so. These institutions are very effective at injecting capital into areas the financial sector hasn't traditionally served well. But it is challenging for the CDFIs fund to distribute greater resources and scale these programs without additional administrative funding.

The IRS is in need of additional resources too. Over the next 10 years, the American people could see roughly \$7 trillion fall through the cracks of our tax system. Why? Because many of the country's wealthiest taxpayers do not pay their full tax bill, and the IRS is not nearly staffed up enough to ensure compliance. Today the IRS has fewer auditors than at any time since World War II.

Our proposal would give the IRS the funding it needs. For fiscal year 2022, it includes \$13.2 billion from discretionary appropriations, plus \$417 million for the first year of a program integrity allocation as part of the multiyear American Families Plan.

The speed and strength of our recovery and our economy long term depends on a fully funded Treasury. I look forward to working with you to make that happen.

Mr. QUIGLEY. Thank you so much.

We will now begin with questions.

Madam Secretary, let me begin by talking about your sanctions enforcement efforts. Last month, the Treasury took multiple sanction actions against the Russian Government and individuals in Russia and other entities in response to a number of malign activities, including, but not limited to, meddling in the 2020 elections, the poisoning of Alexei Navalny, the SolarWinds cyber attack. And, you know, over the past, I have expressed concern about there are overseas accounts the Kremlin is using to undermine these effectiveness.

Can you talk a little bit about the challenges in enforcing the sanctions that you are asked to push forward?

Secretary YELLEN. Well, thank you for that question.

Let me just start with Russia and say that we are firmly committed to using the full breadth of Treasury's authorities to target the range of Russian malign activities, including those you mentioned. And we do believe that this poses a very significant threat to U.S. national security.

Where generally Treasury believes in the warranted strategic and judicious use of sanctions, we see them as a very powerful tool to discourage malign actors, promote accountability, and propel positive changes in behavior of foreign enemies and adversaries. And we think that they have significantly advanced U.S. national security. But I have asked my Deputy Secretary, Wally Adeyemo to lead a review of our sanctions program and policy to make sure that we use sanctions strategically with the clearly defined goals and implemented as part of a broader integrated strategy. He is

going to be focusing on identifying conditions that make for the successful use of sanctions and trying to understand what other complementary actions need to be taken to try to develop a framework through which to evaluate potential sanctions actions and look at the possibility of coordinating more closely with other countries so that the sanctions that we impose are more powerful and have a larger effect.

Mr. QUIGLEY. Sure. And I think the coordination with our allies is essential, but can you at least—so folks watching can help understand the kind of tactics we see not just Russia but others use to evade these efforts?

Secretary YELLEN. Well, you know, certainly there are efforts at evasion of sanctions, and this is something that we try to address to the maximum extent possible. When we are working jointly with our allies, the odds—the difficulty of evading sanctions becomes higher, and that is one important reason I think we need to collaborate with other countries in imposing these sanctions.

Mr. QUIGLEY. Just make sure, as you go forward, that you let us know what kind of resources you need in a changing world to move forward on all of those efforts.

Secretary YELLEN. Thank you.

I think that our budget includes funding to make sure that we are—expanding our portfolio, it has become much more important in recent years, and the resources we have devoted to it have increased substantially.

Mr. QUIGLEY. Very good. Thank you.

Mr. Womack.

Mr. WOMACK. Thank you.

Madam Secretary, there is no secret that I oppose the Iran nuclear deal and supported the withdrawal from it, and personally I think it is reckless and pretty much unconscionable for the administration to start negotiating with Iran to reinstate the nuclear agreement, particularly given the known support to Hamas and what we have witnessed recently in Israel. I believe we need to stand with Israel.

So here is my question as we carry the sanctions issue just a little bit further: What is Treasury's role in this particular skirmish on sanctions with Iran and Hamas? And what are you doing to ensure that money is not moving from that state actor to its proxy in an effort to attack our friends in Israel?

Secretary YELLEN. So we have a set of sanctions that have long been in place on Hamas, and it is something that Treasury is working effectively to make sure that we carry out, we try to constrain Hamas' activities. We have worked with other countries, including countries in the Middle East, to make sure that it is harder for Hamas to evade the sanctions we have put in place. So this is a very active of engagement.

With respect to Iran, I think you know the President is looking at negotiations that might succeed in bringing Iran back to full performance of its commitments under the JCPOA and has indicated that the United States is prepared to do the same if Iran agrees to that. So we will carefully review what sanctions relief would be appropriate if Iran takes the appropriate steps.

Mr. WOMACK. Are you anticipating the weakening of sanctions against Iran?

Secretary YELLEN. Well, if Iran returns to full compliance, then we would do the same.

Mr. WOMACK. It is kind of hard to expect that they are going to return to full compliance when we see this bombardment that recently took place in Israel, so, you know, I hope for the best there.

Real quick question about inflation, and you knew this question was going to come.

Secretary YELLEN. Sure.

Mr. WOMACK. The Bureau of Labor statistics reported earlier this month that, over the last year, the Consumer Price Index rose by 4.2 percent, largest 12-month increase since September 2008. And as you and I talked in our previous meeting, I am concerned that in the post-pandemic economy, that inflation is going to rear its ugly head. We can talk about tax increases all day long, but, boy, you know, the inflation spiral that seems to be hitting right now is indeed a tax increase on working families.

So how high will the CPI have to increase before you believe we have got a problem facing America right now from an inflationary standpoint?

Secretary YELLEN. Well, I certainly agree that we don't want inflation to pick up and be embedded in the American economy going forward. You know, I came of age and studied economics in the 1970s, and I remember what that terrible period was like, and no one wants to see that happen again. But we obviously have to watch the current situation very closely. And the Treasury and economists in the White House are certainly monitoring inflation trends very carefully.

My judgment right now is that the recent inflation that we have seen will be temporary. It is not something that is endemic. I expect it to last, however, for several more months and to see high annual rates of inflation through the end of this year.

You know, we have an economy that was struck by a very severe and unusual shock. It caused very substantial shifts in spending patterns away from services and towards durable goods and commodities. And the high inflation reading in the CPI that we saw last month partly reflects the fact that service prices, for example, airline seats, prices of hotels, recreation, where prices fell dramatically at the beginning of the pandemic, as our economy is coming back, these prices they are still below where they were pre-pandemic, but they are moving up. That was part of the inflation.

And there are bottlenecks also. We have a shortage of chips, a semiconductor shortage. We saw an unusual move up in used car prices, in part because of the shutdown that had to occur in some auto plants, and we had rental car companies that, in order to survive the pandemic, sold off their inventories. While the demand is coming back, we saw a surge in rental car prices.

So I think, as the economy gets back online, it is going to be a bumpy process, but I do believe that we will see some adjustments. I don't think this is endemic inflation. And, you know, we have tools to address it, and it will be important to do so.

Mr. WOMACK. Yes. And I thank the Secretary. Mr. Chairman, I know I am way out of time. But I hope you are right, Madam Sec-

retary, that it is short-lived, but because of the amount of money that is in this pipeline that is going to go for years to come, I am afraid that this amount of Federal spending is going to keep the inflationary spirals for a while.

Anyway, I yield back my time. Thank you.

Mr. QUIGLEY. Thank you.

Mr. Bishop.

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

And thank you, Madam Yellen, for coming and appearing before us and for all of your work over the years.

I would like to talk with you briefly about the CDFI, minority depository institutions. A 2018 SBA report found that minority-owned businesses typically pay higher interest rates and experience more frequent loan denials than White-owned businesses and, as a result, minority entrepreneurs are less likely to apply for loans due to fear of denial. And this disparity on access to credit was exacerbated during the coronavirus pandemic, with a recent study finding that Black-owned businesses suffered the sharpest rate of closures in the first part of 2020.

To help alleviate these disparities, the American Rescue Plan provided a historic \$9 billion investment into Community Development Financial Institutions and minority depository institutions through the Emergency Capital Investment Program.

Can you provide us with an update of the implementation of this program and what steps Treasury is taking to ensure that these funds will build capacity to that access to capital for these underserved small and minority businesses?

Secretary YELLEN. Well, thank you for that question, Representative Bishop.

I think that the Emergency Capital Investment Program is a tremendously important initiative that will really strengthen the capacity of CDFIs to increase their lending and investments in low-income, rural, and minority communities for many years to come. And injecting capital into these institutions will enable them to—there will be a leveraging effect. They will be able to tremendously expand their lending activities.

We are in the process of putting this program into place right now. We have had extensive engagement with stakeholders, and we are beginning to accept applications. We originally had an application deadline to these funds of May 7. And what we heard is that extending the deadline was important to these institutions to give them adequate opportunity to understand the details before applying, and we have now extended the application deadline to July 6. But this is a very important series of investments, and we want to make sure that the money that we provide will do the maximum possible, particularly in the most distressed areas.

Mr. BISHOP. Thank you, ma'am.

Let me shift quickly to the Child Tax Credit. The Rescue Plan expanded the Child Tax Credit by increasing the credit to \$3,000 for children 6 to 17, \$3,600 for under 6 for the 2021 tax year, and the IRS recently allows that the monthly payments would begin in July for those families that are eligible. There has been discussion that we should extend the credit beyond 2021, and President Biden's Families Plan was extended through 2025.

If Congress were to extend the tax credit, does the IRS have the resources needed to implement the credit beyond 2021? And what do you have to suggest to us what we could do to help improve the tax credit beyond 2021?

Secretary YELLEN. Well, thank you.

You know, the IRS is doing a terrific job in implementing the Child Tax Credit program. It has really never really been called on in the past to implement a program that involves monthly payments to recipients, but it has quickly figured out how to do that, and it is expected that a very large share of the money that will be owed for the Child Tax Credit will be paid out in July. The first payments go out in July.

We have also worked with the IRS and other agencies to make sure that some of the neediest children whose parents don't file tax returns and don't otherwise have much contact with the IRS, that they are aware of the program and their eligibility for it, and we want to make sure and are working through a variety of community groups to get the information to them.

We have requested a substantial increase in funding for the IRS for many different purposes, including the ability to administer programs like this on an ongoing basis to improve enforcement, to improve taxpayer service. The IRS has really been crimped for funds, and it is a very high priority in the budget submission.

Mr. BISHOP. Thank you very much. My time has expired.

And, Mr. Chairman, I yield back, and I appreciate your indulgence.

Mr. QUIGLEY. Thank you.

Mr. Stewart, you are recognized.

Mr. STEWART. All right. Thank you.

Thank you, Secretary, for being with us, as always, and as has already been expressed, thank you for your many years of service. Although I think we don't see the world exactly the same politically, you have been someone that I have admired over the years, and we are grateful for your service today.

We do live in interesting times. I think a lot of us would like to make them a little less interesting. And I would like to express two concerns, if I could, and then ask two questions. And I will just ask them both at the same time and let you respond.

Debt and spending is the primary reason I ran for Congress 8 years ago, and this is a time when the challenges we had then seem rather small compared to the times we have now. And, by the way, I have been consistent on this. In the previous administration under President Trump, I encouraged him personally and I encouraged the administration to be far more serious about our debt and the spending that we had under their administration as well. So this isn't something where I have been hot and cold depending on who is in the Presidency.

And I think we are in the middle of a catastrophe in the making, as has been expressed by, I think, our ranking member, Mr. Womack, and others. Inflation scares the life out of me, and I think it is as a result of policies, which leads me to my question. And that is, at a time when the administration is suggesting what is trillions of dollars on top of already trillions of dollars of debt, when you have incredibly loose monetary policy, when you have

disincentives to produce, which we clearly have, and we are seeing that now in our employment rate, you said earlier, Madam Secretary, that you believe inflation will be transitory. And my question, my first question is this: Given what I just explained, how could we expect this to be transitory? And if you would just put a pin in that because my question, again, how could we expect inflation to be transitory under the policies that we are seeing on the monetary and fiscal side as well as, you know, the economic outcome for that on the employment?

My second question is a little more personal, but it affects millions of Americans. A member of my family, my daughter, who is just a young couple starting out, finishing college, they are waiting a year and a half for their tax return, not from this year; from the year before. And I am told by some members of the IRS, some leaders in the IRS, there are 6 million Americans who are waiting for tax returns from, again, not this year; the year before. And I know that COVID interrupted some of the work schedules, but I am wondering, A, are you aware of that? And what can you tell these Americans? For a young couple or for many working companies, a \$2,000 or \$3,000 tax return is a lot of money to them, and to be waiting 18 months for it is just completely unacceptable. And I wonder if you would address that as well.

Secretary YELLEN. Sure. Let me start with the inflation question that you asked.

You know, the economy suffered a severe shock. Employment plummeted, and although we have had very healthy job gains in recent months, we are still over 8 million jobs below where we were pre-pandemic. Now, there is still health concerns, childcare concerns, a variety of reasons that people aren't moving instantly into jobs now that the economy has opened up. Lots of people lost permanent jobs and need to figure out what to do, which new jobs to take. But there remains a lot of slack in our economy. And as we get the pandemic under control and schools and childcare reopened so it goes back to normal, I think we have provided in the ARP the relief that people need to get through this period without their finances being completely decimated, and I fully expect them to go back to work.

Now, it is a large package. We had to balance the risk of permanent scarring and a long recovery, things we really didn't want to have happen, with a small chance that this package could be inflationary. I don't believe it will be inflationary, but we are watching that carefully and have tools to address it.

Now, the President has proposed a jobs package and a families plan, and the headline figures on those programs are large, but it is important to recognize that they are programs that will last over 8 or 10 years. And the President has proposed a way to pay for those programs, to put in place tax increases on corporations and on wealthy individuals that would, I believe, be fiscally responsible and even lead to lower deficits in the outyears as the spending winds down.

Interest rates are very low. Now, debt-to-GDP ratios have gone up because of the pandemic spending. Interest rates are exceptionally low. And even after recovery, we have been in a world—this

is true throughout the developed world—we have had very low interest rates, and most economists believe that that will continue.

So, you know, beyond 2030, we will have challenges related to an aging population and Social Security and Medicare we need to address, but I believe over the next decade that the interest burden is very manageable on the debt, and I hope that there will be substantial apportionments paid for.

On the IRS question you mentioned, I know the backlogs are very large. It is a matter of concern to me, to people in Treasury, and to the IRS. It is a burden for individuals who suffer that. In part, the backlog has to do with paper returns and problems that arose when the pandemic made it difficult, essentially meant that IRS had to work remotely, and they are working through that.

Mr. STEWART. Well, thank you.

Mr. Quigley, I know we are out of time.

I will just conclude, Secretary. I pray you are right on the pandemic. I have a degree in economics. I know it is way more art than science, but I think we have let a genie out of the bag here that is going to be very, very hard to put back, and we look forward to reviewing where we are in a year. And, again, I hope you are right when we see you again. And please pressure the IRS. Again, it is important for these families.

And, Mr. Quigley, I yield back. Thank you.

Mr. QUIGLEY. Thank you.

We are pleased to be joined by the chairwoman of the full Appropriations Committee to ask questions.

Chair DeLauro, you are recognized.

The CHAIR. Thank you very, very much, Mr. Chairman.

Let me just say welcome, Secretary Yellen. It is wonderful to see you.

I would just make a comment first off. I was disappointed from the Senate Republican proposal to gut the Child Tax Credit to pay for the infrastructure package. This would practically double child poverty and increase taxes on middle class families, and I would just say not on our watch.

Secretary Yellen, I want to say a thank-you to you for your leadership and your commitment to making the expanded and improved Child Tax Credit a reality. And, you know, and I remain committed, and we all do remain committed to making the Child Tax Credit permanent.

Let me just ask a few questions. And I will ask them all at once and give you time to respond. Can you provide an update with where Treasury and IRS are with respect to the Child Tax Credit, the nonfiler portal and the update portal?

Let me just ask, what additional resources will Treasury need to make the monthly Child Tax Credit payments a success, and what we would need to move beyond 2025?

What are Treasury and IRS' plans to reach nonfiling families? Will this include a dedicated phone line and staff? What about the rollout of the portals? And, in essence, what kind of services will be available for nonfilers and when do we anticipate the rollout of the portals? And I guess, overall, that is what is the communication plan for being able to deal with outreach for people to take it who are eligible to be able to access it?

Secretary YELLEN. Well, thanks so much, Chair DeLauro. I want to thank you for your leadership on this issue, which has been tremendously important.

As you know, the Child Tax Credit makes a huge difference to childhood poverty, and what was provided in the ARP, the rescue plan, is estimated that is the most important contributed to this year halving the child poverty rate. So it is a very important program. We want it to succeed.

And IRS has been working very hard to ensure that it can get monthly payments out starting in July, and it is quite confident that the bulk of the payments that are due, over 80 percent, will be able to be distributed. But as you indicate, nontax filers are much more of a challenge.

The IRS anticipates launching a simplified tool to enable nonfilers to be able to apply for the Child Tax Credit. They are doing something along the lines of the EIP nonfiler portal that was deployed last year, but are trying to redesign it in a way that will be easy to use and significantly more people will be able to access. It does need more information than was required for the EIP. But what is most important for these nonfilers, and that includes some of the poorest families with the greatest need, is they need to learn about this program. They need to apply for it. They need to be made aware of what is available for them.

And in a way this is a whole-of-government effort. And the IRS is working hard with nonprofits, homeless shelters, nonprofits that work with homeless people, low-income people to increase awareness. Other agencies in government are working with us to do that outreach, we regard that outreach particularly to those nonfilers to be a very critical piece of making this an effective program.

The CHAIR. Do we have any idea, Secretary Yellen, about when there might be the rollout of the portals?

Secretary YELLEN. I can't give you a precise date. All I can say is soon.

The CHAIR. Soon.

And I am appreciative of the partnerships that you are making reference to, and I understand you have about 4,000 community partnerships, as well as trying to identify ZIP Codes that have the higher incidences of nonfilers. So I think that these pieces are very critically, critically important because it is now the outreach of this. And I am making this assumption that the Department will have a full scale communications—

Effort in getting the word out in this effort.

And I would also, please, if we can be in touch because my time is out, and I want to be mindful of my other colleagues, but what additional resources will Treasury need to make the monthly Child Tax Credit payments a success? And if you want to get back to me on that, I would really very much welcome that information. It will be critically important.

Secretary YELLEN. Yes. Thank you very much.

We want this to be a success, and we will get back to you on details. But as you know, the budget proposal includes substantial additional funding for IRS to be able to undertake activities like this.

The CHAIR. Thank you very, very much.

And I yield back, and I am sorry I went over my time, Mr. Chair.

Mr. QUIGLEY. Thank you, Madam Chairwoman.

Mr. Joyce.

Mr. JOYCE. Thank you, Chairman Quigley.

Always tough to follow Madam Chair in such a meeting.

But, Madam Secretary, thank you for being here today.

This is something that I have heard in the last administration, as well as now at this administration, that I wanted to ask a question about. Treasury has a role in working with the State Department to craft international sanctions policies, and there is a manufacturing company in my district that relies on a supplier in Belarus for a unique product that is difficult to find elsewhere in the world.

In April, the Treasury Department, in consultation with the State Department, decided to wind down authorization for several companies in Belarus to do business with Americans. The short timeframe for this policy change that was implemented has created big supply chain problems for this northeast Ohio business.

Considering the recent developments in Belarus last week—and I understand the administration's desire to impose sanctions on the inappropriate actors—or appropriate, depending on your definition. But what I want to get into today is how does Treasury potential harm sanctions might have on American businesses?

And, additionally, what steps does Treasury take to ensure that sanctions policies they choose do more harm to the intended bad actors overseas than they do on businesses here at home?

Secretary YELLEN. Well, thank you, Representative Joyce.

With respect to the specific situation of a firm in your district, my staff has, I believe, been in contact with your office about it and really want to work with you.

Mr. JOYCE. Thank you.

Secretary YELLEN. When Treasury—I mean, in this specific case, when the sanctions went into effect, there was a 45-day wind down period to allow U.S. businesses to conclude dealings and prevent undue or immediate harm to them. And that is often the case when there are sanctions that we don't want to catch American businesses unaware. There is always the ability to ask OFAC for an exception to explain a particular situation and why it should be something that a license should be issued to continue. That is OFAC. OFAC is ready and willing and able to work with individuals or firms that have a problem and believe they deserve exemptions.

And then I would say more generally, we are always worried about allowing humanitarian aid to be delivered, and in many instances where there are sanction programs in effect, great efforts are made to ensure that humanitarian aid can continue to flow. This is sometimes quite difficult, but it is a priority, and OFAC and the Treasury Department want to work to make sure that—you know, we want these sanctions to hit malign actors and to change the behavior of countries that are engaging in actions that harm the United States but not to harm the individuals within these countries. We don't want the burden to fall there.

Mr. JOYCE. Thank you very much. I appreciate your concern there.

A second thing—I have a minute here to address you—obviously, I am not going to go into the tax rate structures with you, but I have corporations here in the district that had locations in, say, Ireland or England, or somewhere else, just to avoid the taxes here in America. And I know you are a proponent of raising the corporate tax here.

You know, when I went to see those CEOs of the business after we lowered the tax rate because they had just a year or two earlier had made their move over to Ireland, he said: No, you know, we are not moving back home because just this, we continue to change our tax rate depending on administrations and majorities.

Now, I think this put America workers and America companies at a disadvantage if we continue to have a rate that fluctuates. And don't you think this puts us at a disadvantage with foreign competitors as we look to make a strong post-pandemic economic recovery?

Secretary YELLEN. Well, we certainly want to provide a tax environment where planning is possible, and so frequent changes in the rules are something that is very undesirable from businesses' point of view. But I believe we have the system—I mean, in the case you described, there are very valid reasons for firms wanting to have operations abroad, sometimes in low-tax jurisdictions. Ireland is, for many companies, a good place to locate to do business in the EU. But what we want to avoid is companies moving their operations or rejiggering their accounting and profits to take advantage of tax shelters and for those decisions to be based on the different tax rates that they face in different parts of the world.

We are working—we have proposed to try to close loopholes in our own system that encourage or permit that. But we are simultaneously attempting to negotiate a treaty with the—through the OECD negotiations that would create a global minimum tax that all countries put into effect that would stop what has essentially been a race to the bottom so that, you know, it is competitive attractions of different countries that influence location decisions and not tax competition.

Mr. JOYCE. Well, I know I am out of time, Mr. Chair.

And, Madam Secretary, thank you much for your time today.

I just have one last quick aside to what Chris Stewart brought before. I know if I am 17 days late on payment of taxes, you charge me interest. Those people who haven't gotten know paid for 18 months, will they get interest?

Secretary YELLEN. I am not sure. I doubt it. Good point.

Mr. QUIGLEY. Mr. Pocan.

Mr. POCAN. Thank you, Mr. Chairman.

And thank you, Madam Secretary, not just for being here but for your lifetime of service. I really appreciate that.

I have a very important issue to my State of Wisconsin. We sent a letter to you a couple of weeks ago from Ron Kind, Gwen Moore, and myself, and I believe Senator Tammy Baldwin also sent you a letter regarding the American Rescue Plan. When we signed it into law, it talks about assistance based on some Bureau of Labor Statistics unemployment data. And CRS estimated when we signed the bill into law on May 11 that Wisconsin would receive \$3.2 bil-

lion based on that unemployment data covering what we put in the law, the 3-month period ending with December 2020.

Since then, however, the Treasury Department has decided to use subsequent BLS data in the issuance of its interim final rule, and that lowered Wisconsin's allocation to \$2.5 billion. That is a \$700 million hit, and, you know, we already—it has been a tough year with COVID. Our Governor is already working how to get that allocation out there.

My first question is, you know, is there a way—you know, when we passed the law, we knew what the statistics were and what we were expecting. Now it has changed, and it is going to cost us greatly.

The second question is, also section 9001 of the American Rescue Plan said that you have the authority to separate payments to States into two tranches, but you are not required to. And that is another concern that we had for our State is, especially if we are going to be hit on this giant decrease on the amount, splitting it over two pieces makes it even harder rather than a single piece.

So I guess the two questions: Is there a way to try and use the data as the bill was actually passed, that CRS said there would be \$3.2 billion? And, secondly, is there a way to do it in a single payment rather than two payments?

Secretary YELLEN. So, Representative Pocan, I understand that this is a huge change from what was expected in Wisconsin based on the CRS—

Mr. QUIGLEY. If someone could get—we might have a background if someone isn't muted. Sorry.

Secretary YELLEN. No problem.

So I understand this is a huge problem. We have looked at this very carefully. I am afraid we are following the law. CRS indicated that their numbers were preliminary, and the Bureau of Labor Statistics, we have to use their numbers, and they revised the numbers significantly for the last 3 months of the year. Actually, the revised numbers were available when the bill was passed, and I believe they were available to CRS. So this was a huge change. I understand that it is a blow. On that, I honestly don't—we have looked at this very carefully, and we would be happy to review, you know, with you the details of how we came up with this number. But I don't think we have much scope there.

You know, I think with respect to splitting the payments, the law specified generally that Treasury could split payments and make exceptions and provide one payment only for States that had experienced very, very large increases in their unemployment. So many States are receiving two payments over time. I think our view that that 12 months apply; all local governments will, and most States will.

We see splitting payments as encouraging recipients to adapt to new developments that could arise over the coming 12 months, and there can be changes in the nature of the public health emergency and its negative economic impacts, but most States or localities will receive it in two tranches.

Mr. POCAN. I just—you know, perhaps you might be able to look at it and make an exception also for, you know, a situation like Wisconsin if we aren't going to get the \$700 million additional that

I think people were expecting, you know, that perhaps, in a situation like that, that also might be a good argument to try to do it in a single payment. We just hope that you would consider that. I know that was the request from Senator Baldwin and Ron Kind and Gwen Moore and I, so——

Secretary YELLEN. [inaudible.]

Mr. POCAN. I don't think I have time to ask the question on why we are auditing people on the earned income tax credit at a greater rate than people who are at the very top wage earners. I was going to ask that——

Mr. QUIGLEY. We will try to do a quick second round, Mr. Pocan, if we can get——

Mr. POCAN. Yes. I have got another hearing that starting in a minute.

Mr. QUIGLEY. All right.

Mr. POCAN. So, in the 10, 12 seconds that I had, are we still going to keep the penny?

Secretary YELLEN. I don't think there is active consideration of getting rid of the penny.

Mr. POCAN. Okay.

Secretary YELLEN. But, you know, on the—there is a major proposal here that we are trying to increase the audit resources available to the IRS, and they will be focused on high-income taxpayers and corporations and not on individuals whose actual income is below \$400,000.

Mr. POCAN. Great. Thank you. Thank you very much, Mr. Chairman. I appreciate it.

Mr. QUIGLEY. No problem.

Mrs. Torres.

Mrs. TORRES. Thank you, Mr. Chairman.

And thank you, Secretary Yellen, for joining us today.

I really do hope that we have a second round because I have a couple of very, very important issues to touch on.

Secretary Yellen, I was chairwoman of the Housing and Community Development Committee in California as a State legislator during the housing crisis of 2009 to 2011. We drew down at that time \$2 billion from the hardest-hit fund to support homeowners in need. Last April, SIGTARP released a report, stating that there were hundreds of millions, if not billions, in funding left over from the hardest-hit fund that was established during that recession. These funds were supposed to go to help unemployed homeowners afford their mortgages. Unless otherwise obligated, they will revert to Treasury general fund. These funds should be used for congressional—for Congress' original intent, and that was to keep Americans from becoming homeless.

I have a bill, the Keep Your Home and Prevent Homelessness Act, which would do just that, transfer the funds to the Housing Trust Fund to help homeowners, renters, and individuals experiencing homelessness immediately. The inspector general has also urged Treasury not to let these funds go to waste and instead to reuse these funds, using its existing authorities instead of moving them to the general account. I hope that we don't have a need for my bill. I hope that you will see that these funds should revert back to the States who had to turn them back over to you. And I

hope that you will allow them to utilize them or to continue to use this funding for its intended purpose.

Will you commit, Secretary Yellen, to using these funds right away to help vulnerable Americans in this housing crisis instead of sending the funds back to Treasury's general account.

Secretary YELLEN. So, thanks for that question. We are—concerns about homelessness and housing insecurity are really these are key priorities for President Biden and for those of us in Treasury, and we are trying to provide critical relief to homeowners and to renters who have been impacted by the pandemic and, more generally, promoting housing stability for vulnerable households. We are working hard to get money out through the Emergency Rental Assistance Program and the Homeowner Assistance Fund. And I think you, as you probably know, the JOBS program allocates a good deal of money to low-income housing in distressed communities.

With respect to the TARP funds, virtually all of them have been spent or obligated. There really just isn't very much money there or any—or essentially any money that can be used for this purpose. All of it has been essentially obligated, and I think focusing on the new pots of money that we have and trying to use those very effectively, and we are happy to talk with you about this and to work on that with you.

Mrs. TORRES. Yes. I want to be respectful to the rest of my colleagues. I have a very lengthy second question that I will follow up with you on this because it is my understanding that California and several other States returned millions of dollars in unspent money because simply they just ran out of time. We helped about 96,000 people stay in their home or helped them with a down payment for an apartment to prevent homelessness. There is a homeless epidemic across the U.S., and, you know, these funds were already appropriated for that, and I hope you will not just simply turn them over to your general fund.

With that, Mr. Chairman, I will yield back so that I can have an opportunity in the second round.

Mr. QUIGLEY. We will get you. Sounds good.

Mrs. Lawrence.

Mrs. LAWRENCE. Thank you, Mr. Chair.

And thank you, Madam Treasury Secretary, for being here with us today.

My question is that, like many of the components of the American Rescue Plan, the State Small Business Credit Initiative represents an historic investment to bolster business creation and enhance economic development. Can you talk about the implementation of this program, especially why this funding may not be available to the States and Indian Tribes until next year, and how Treasury is working to ensure that this funding gets to the businesses that need it the most, especially our disadvantaged businesses?

Secretary YELLEN. Well, this is an important program. President Biden is very supportive of it, and we are working to get those funds out and to make them available. I can have my staff, if it would be helpful, follow up more with your office to discuss implementation details.

Mrs. LAWRENCE. My second question kind of goes back to Sanford Bishop's but, as we know, the Community Development Financial Institution and Minority Depository make up community leaders that provide capital to the small businesses in the community that face challenges getting loans, especially in the underserved markets. How can we strengthen the standing of the CDFIs and the MDIs to ensure that the mission leaders reach their target markets and put us on a path to sustain an equitable economic recovery?

And I want to say, in the city of Detroit, which I represent, the small businesses that have been the economic engine of bringing the city of Detroit back has had the most challenge, and I am so proud of the leadership of this administration to direct funds to the MDIs and the CDFIs, but I need to hear from you how we are going to meet the targets. Because while the money is available, what are you doing above just making it available to make sure we hit our targets?

Secretary YELLEN. Well, we have a great deal of money now that was made available in the bill that Congress passed in December. There will be \$9 billion to invest in CDFIs and MDIs, and there was \$3 billion in emergency funding that we have worked very hard to get out the door to make sure that CDFIs have the ability to lend in some of the communities that were most hard hit during the pandemic.

Our budget is requesting additional funds for the CDFI fund in Treasury to partly to help us make sure that all the money that is available is used in an effective manner and makes a difference in the most vulnerable and hardest to serve communities.

So the CDFI-funded Treasury provides technical assistance and support to CDFIs. We try to look at programs that are working well and give technical advice and work with CDFIs to make sure that they are engaging in lending that is structured in a way that will be very effective.

So I agree with you it is not just a matter of the amount of the money but how we help that money be used in ways that really make a difference.

Mrs. LAWRENCE. So I would like to make a request. If I can utilize local or Federal staff to come in and do some outreach in our community to help guide through some of the common roadblocks and removing through training and monitoring that we are reaching our goals, I would really—I will reach out to you for that. Thank you so much.

Secretary YELLEN. We look forward to working with you.

Thank you.

Mrs. LAWRENCE. Thank you.

I yield back, Mr. Chair.

Mr. QUIGLEY. The gentlelady yields back.

Mrs. Kirkpatrick, please.

Mrs. KIRKPATRICK. Thank you, Mr. Chairman.

And thank you, Secretary.

I was going ask that question about CDFIs, but that has already been done. So let me move on to another question.

One of the things I hear most from my constituents is they feel the economy is rigged in favor of the wealthy and powerful. This

is understandable, given the severe economic inequality in our country, which has only been worsened by the pandemic. Part of what drives this perception is the sense that wealthy individuals are often able to skirt tax requirements and avoid paying their fair share. This undoubtedly is true, and more must be done to address it. I was extremely pleased to review the recently released American Families Plan Tax Compliance Agenda, which takes aim at reducing the severity of our tax gap and cracking down on wealthy tax evaders.

Could you please go through what you see as being the most important pillars of the tax compliance agenda, as well as whatever other initiatives you see as critical to rebalancing the scales toward the average American taxpayer?

Secretary YELLEN. Well, thank you for that question, Representative Kirkpatrick.

The Treasury and the Biden administration feel very strongly about having a Tax Code and enforcement of that Tax Code that is fair and doesn't unduly burden working people at the expense of corporations and wealthy individuals.

And the Treasury has found, you know, the estimated tax gap over the next 10 years, \$7 trillion. Now when an individual earns wages and they are reported as a W-2 or other things that are reported to Treasury, filings, the tax gap there is almost nonexistent. The amounts that are paid are reported on people's tax returns. But it is where there is not very good reporting and independent information provided to the IRS that compliance is lower, and that is among wealthy taxpayers who receive income in forms that isn't reported on a W-2 or smaller corporations or partnerships. So the proposal has a number of different planks.

First of all, the enforcement budget has just shrunk to the point where it is almost impossible to undertake complex tax negotiations and to hire people with the requisite skills. So the audit rates on wealthy individuals and corporations has declined utterly massively, and we are requesting funds to change that to make sure that those resources are available and on a multiyear basis so that they have the resources they need.

They also—the IRS also needs information so that it knows where the lack of compliance would be. And our tax compliance proposal is proposing that the IRS be allowed to collect a little bit of additional information that would be very valuable in targeting auditing resources. And, in particular, banks and other financial institutions routinely report to the IRS the amount of interest paid on accounts. If they were to just report two additional pieces of information, the aggregate of inflows into an account and the aggregate of outflows from that account directly to the IRS, that information, those two pieces of information, would be immensely helpful and in targeting resources and it would probably also increase voluntary compliance. Knowing that that information was being provided would be an incentive to comply and report income. There also needs to be a modernization of IT systems at the IRS. And there are tools like artificial intelligence that can be deployed effectively, especially with that information to help target auditing resources.

So we estimate overall that we could, over a 10-year budget window, collect an additional \$700 billion with the proposals in this budget and the Families Plan.

Mrs. KIRKPATRICK. Good answer. Thank you. I really appreciate that you took the time to be here with us today to discuss these important issues and want to wish you the very best. Take care.

Secretary YELLEN. Thank you very much, Representative Kirkpatrick.

Mr. QUIGLEY. The gentlelady yields back.

Mr. WOMACK, we are going to try to do what is left of who is still left, a quick second round. Are you of interest to ask an additional question, sir?

Mr. WOMACK. Yes. Thank you, Chairman Quigley.

And, again, Madam Secretary, thank you for your time here this morning.

I want to follow up my colleague Chris Stewart talked about deficits and debt, and, of course, you can't have an issue like that discussed, in being a former budget chairman and a ranking member on the Budget Committee, not at least weigh in on the subject.

Secretary YELLEN. Sure.

Mr. WOMACK. There are so many questions, and I have just got a limited amount of time.

You know, in judging from the spending proposal that we expect to get from the administration and the long-term, the multiyear deficits that are going to be projected, are you concerned about this deficit spending? And are you concerned about what will happen to interest rates? We talked about that a little bit earlier, that should—any reasonable economist would expect that those interest rates are going to rise over time. But just the fact that we are putting so much more of a debt burden on future generations, it is going to lead to future tax increases on them. Help me understand where Treasury is in this entire discussion.

Mr. QUIGLEY. And, Mr. Ranking Member, I want to make sure you know. You are not to be rushed at the ranker. You can go ahead and finish your thoughts and your questions.

Secretary YELLEN. So it is critically important that we have a responsible fiscal policy and not burden our children and their children with tax increases that will rob them of chances to achieve prosperity and—

Mr. WOMACK. But at what point in time will the administration look to reducing Federal spending as part of our long-term solution to this challenge?

Secretary YELLEN. So I think we need to discuss what metrics we should be looking at and discussing in evaluating the fiscal program, and traditionally we would be talking about numbers like the debt-to-GDP ratio. And that is already around 100 percent and, over the next 10 years, in the budget that will be presented tomorrow, is estimated to rise a little bit higher. And I know those are high numbers traditionally and worrisome. So it is not wrong to be focusing on those.

But that doesn't in and of itself tell you whether or not a program is fiscally responsible. I think a better metric is the real interest payments on the debt as a share of GDP. So interest rates matter, and the way of thinking about the burden of the debt and

deficits on the economy is how many resources does the Federal Government need to pay interest on the debt.

And the real interest rate right now is negative, and in that sense, actually there is no interest burden of the debt, given that we—the 10-year Treasury rate is currently 1.6 percent. Financing costs are very low. And in real terms, with inflation around 2 percent, the real interest costs currently are negative. Now that will increase over time, but at least over the span of the budget that we are going to be presenting tomorrow, it remains well within and under historic norms, and I think it needs to stay that way.

So that is a metric that I am looking at to judge the sustainability of Federal finances. So we have a—we have a problem with respect to deficits after 2030 due to an aging population, Social Security, and Medicare. We will need to come back and address that. The President's proposal you will see will have a temporary period of spending and permanent increases that, beyond the budget window, will result in lower deficits and more tax revenue to support those expenditures. I believe it is a fiscally responsible program, but you are very right to ask these questions, and it is important it be judged fiscally responsible.

Mr. WOMACK. Well, as someone who believes, as my colleague said earlier, you know, a lot of us ran for Congress because of these kinds of matters. We do think that deficits and debt do matter. And as an appropriator, I will tell you I am deeply concerned about the upward trend of the net interest on our debt and how much money that is taking away from the spending capabilities on the discretionary side for government that actually needs to be resourced and funded, particularly national security issues and the like, at an adequate level.

Again, thank you for your time this morning. As always, we look forward to the continued working relationship.

And I yield back.

Mr. QUIGLEY. Mr. Bishop, are you still with us?

Mr. BISHOP. Yes, sir.

Mr. QUIGLEY. Sir, please go ahead if you have another question.

Mr. BISHOP. Yes. Madam Secretary, the COVID 19 pandemic taught us that access to broadband is essential everywhere, and many across southwest and middle Georgia still lack access to that. We need significant investment in broadband infrastructure so that we can connect every household to the internet, and that is throughout rural America particularly.

In the Rescue Plan, we included \$10 billion for Capital Projects Fund, which has been implemented by Treasury. The program provides States and local municipalities with funds for broadband infrastructure. I know that Treasury has not yet released data on the program. But can you provide us with some insight as to how our local governments will be able to utilize the fund for broadband infrastructure and what Treasury is doing to ensure that our rural communities, our small, rural communities, will be able to have access to the program?

Secretary YELLEN. So, this is a complex and important program, and Treasury is taking the time to make sure we understand how best to structure the program, but we hope to issue full guidance

on the Capital Projects Fund soon and begin taking applications this summer.

You know, it is important that this money be used as the law intended, to serve underserved households and businesses, those that lack connections that are capable of delivering minimum speeds. And when investments are made, we had put in place rules to ensure that those investments will go beyond the minimum and will provide capacity at modern standards that will enable it to work for many years to come. Things like video conferencing and remote schooling, education opportunities require high-quality investments in broadband, and we are trying to get that right, but the funds will be made available.

Mr. BISHOP. Thank you. And Federal medicine.

Secretary YELLEN. Yes.

Mr. BISHOP. Thank you, Madam Secretary.

I have got 26 seconds, but I will yield it back, Mr. Chairman. Thank you very kindly.

Mr. QUIGLEY. Thank you so much.

Mr. Stewart, you are recognized, if you have additional questions.

Mr. STEWART. Yes, I do.

And I will be brief, Madam Secretary. A couple of times you have mentioned today that, if inflation actually isn't just transitory, that the Fed had several tools. It seems to me that the tools are all very painful. You know, Fed could raise interest rates. We could cut spending, but, I mean, if we have an interest rate, as you have mentioned here, one of the benefits right now and one of the things that lessens people's concerns about debt is we are paying such an incredibly low interest rate, but we certainly anticipate that is not going to be the case forever.

I wish you would talk through what the tools that the Treasury has and what would be the implications, what would be the impact of those tools upon the American people.

Secretary YELLEN. Well, I mean, some of the recent inflation we have seen over the last couple of months have to do with bottlenecks and supply shortages, and those are things that we are trying to deal with in the Federal Government, but the core responsibility for controlling inflation over time rests with the Federal Reserve. You know, short-term interest rates are at near-zero levels. The Fed's own projections indicate that a more normal level that they think will prevail in the long run is around 2.5 percent. That is still a very low level by historical standards.

But most market participants anticipate that, as the economy recovers and we get back to pre-pandemic full employment conditions, eventually it will become appropriate for short-term interest rates to rise above rock-bottom levels, and the budget that will be presented tomorrow also assumes that over time interest rates will revert to low but still more normal levels than we have now.

Mr. STEWART. Okay. And I just want to make sure I understand your response, and maybe I will reframe my question to make sure we are talking about the same thing.

So, if we find out that inflation isn't transitory and we are looking a year from now at, you know, the same interest rate or inflation rate that we have now or potentially even higher even 6

months from now, is there anything that—and I know the Fed is outside of your direct control. But is there anything the U.S. Government could do to control inflation other than raising interest rates, which would, as we all know, would be incredibly painful for anyone who is trying to buy a car, trying to buy a home, or for the Federal Government who is trying to finance this step?

Secretary YELLEN. Well, you know, the Biden proposals with respect to the Jobs Plan and the Families Plan are really proposing long-run investments in this economy that will expand the supply potential and boost potential output. Investments in R&D and education, in training, in infrastructure, in support to working families that will boost labor force participation, and from our side, from the fiscal side, I think those supply-boosting proposals and investments will also help on the inflation side.

Mr. STEWART. Well, again, thank you, and our time is short on the second round. And I have expressed my respect for you. That is sincere, but I fear that you are wrong, and I fear for all of us if it turns out that we don't get this right, but—

Mr. QUIGLEY. Mr. Stewart, if you have another question, please go ahead.

Mr. STEWART. No, no, that is fine. That is my primary concern, and I want to be respectful of the Secretary's time as well.

So thank you both.

Mr. QUIGLEY. All right. Thank you.

Mrs. Torres.

Mrs. TORRES. Thank you.

Mr. QUIGLEY. I am going to yield you my time in the second round, which would give you a couple more minutes. But if you could still keep it close to 5, that would be appreciated.

Mrs. TORRES. Thank you so much, Mr. Chairman.

And, Secretary Yellen, I want to turn to the situation in the Northern Triangle. We will not see any meaningful sustainable progress towards addressing migration from the Northern Triangle until we tackle the root cause of migration, including rampant corruption and the degradation of the rule of law. I am pleased that the Biden administration is placing anticorruption measures at the center of our foreign policy and assistance towards the region.

The Global Magnitsky Act is one of the most effective tools we have in our arsenal to fight corruption, and your Department plays a major role in sanctions under that act. However, to date, only a handful of individuals have been sanctioned under the Global Magnitsky Act from the Northern Triangle specifically. The two recent Guatemalan designations were already well-known and targeted. If we want to see—to be impactful, we need to expand our targets to reflect the depth of corruption and challenge to rule of law in the region.

So is Treasury's current focus on the Northern Triangle and commitment of personnel dedicated to the region adequately reflect of the Biden administration's prioritization of the region and emphasis on anticorruption? And with as many specifics as possible, can you tell me why Treasury hasn't sanctioned more individuals from the Northern Triangle?

Secretary YELLEN. Well, I mean, what I can tell you is that the Biden-Harris administration is committed to helping Northern Tri-

angle countries combat corruption and improving economic and security conditions. There, as you know, the Vice President has been tasked with leading an effort that will use many tools of government and sanctions or one of them.

We work closely with the State Department in implementing sanctions. We are trying to bring—use the Global Magnitsky Act and bring financial pressures to bear on when there are human rights violations and corruption. We recently sanctioned a current and a former Guatemalan Government official for their roles in corruption that builds on the Global Magnitsky Human Rights Accountability Act. We have—we did this in conjunction with the United Kingdom, and we certainly are ready and willing to cooperate with State in imposing sanctions when we can identify appropriate targets and think they will be effective.

Mrs. TORRES. Okay. So, in the past, I have heard from Treasury that there is not sufficient evidence to build cases and that this is a significant roadblock. However, the State Department has a list of individuals that they have deemed corrupt. Are Treasury and State in consensus about the standard needed to sanction individuals? I know that you said that you are talking to them. But does that include consensus on, you know, what deems a person to be corrupt? Can you explain a little bit about that?

Secretary YELLEN. So I maybe can't give you as much detail as you are seeking here, and it probably makes sense for me to put some of our staff at OFAC in touch with you. What I can say is that we work closely with—you know, we implement sanctions. We work closely with State Department. We have certain legal requirements. I am not aware of disagreements between State and Treasury on this, but I will put you in touch with people who can give you more detail in terms of—

Mrs. TORRES. Thank you.

Secretary YELLEN [continuing]. This answer.

Mrs. TORRES. I would very much appreciate that, as I am requesting additional funding to ensure that you have the resources that you need to do your job in this field.

Thank you, and I yield back.

Mr. QUIGLEY. Thank you.

Mr. Womack, I believe everyone who had questions the second round completed them. Do you have anything to say in closing?

Mr. WOMACK. I do not, other than to say thanks again to the Secretary for her time this morning. I appreciate it.

Mr. QUIGLEY. Thank you.

Madam Secretary, we appreciate your service and your time today.

Mrs. LAWRENCE. Mr. Chair, I would like to ask a question.

Mr. QUIGLEY. I am sorry.

Mrs. LAWRENCE. I would like to ask a question.

Mr. QUIGLEY. I was told by staff that you didn't. Please go ahead.

Mrs. LAWRENCE. Okay. Beginning in 2022, the women faces will appear on quarters for the first time and the public will help choose who will be minted. Can you discuss where we are in that process and how the public can weigh in?

Secretary YELLEN. Yes. I believe that there is a website. I am not positive. I will get you details on this. But we are soliciting public

input on this, on the quarter program. I have approved two women to appear on the quarters so far, Maya Angelou and Sally Ride, and I believe there is a website where you can provide input, but we are looking for public input, and I think it is a very—it is an important program.

Mrs. LAWRENCE. I just would ask if you could send me that information so we can promote it, and thank you so much. I am very excited about this.

Thank you, Mr. Chair. I yield back.

Mr. QUIGLEY. Thank you so much.

Again, Madam Secretary, we thank you for your service. Thank you for giving us so much of your time today. We look forward moving forward together.

And, without objection, this hearing is adjourned.

Thank you so much.

Secretary YELLEN. Thank you, Chair Quigley.

Thank you, everybody.

Mr. QUIGLEY. Thanks for your time.

Secretary YELLEN. Thank you.

FRIDAY, MAY 28, 2021.

SMALL BUSINESS ADMINISTRATION

WITNESS

HON. ISABELLA CASILLAS GUZMAN, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION

Mr. QUIGLEY. This hearing will come to order.

As this hearing is fully virtually, we must address a few house-keeping matters, although in the future, we may prerecord this part of it so you don't have to watch the same thing, you can fast forward.

For today's meeting, the chair or staff designated by the chair may mute participants' microphone when they are not under recognition for the purposes of eliminating inadvertent background noise.

Members are responsible for muting and unmuting themselves. If I notice that you have not unmuted yourself, I will ask if you would like the staff to unmute you. If you indicate approval by nodding, staff will unmute your microphone.

I remind all members and witnesses that the 5-minute clock still applies. If there is a technology issue, we will move to the next member until the issue is resolved, and you will retain the balance of your time.

You will notice the clock on the screen that will show how much time is remaining. At 1 minute remaining, the clock will turn to yellow. At 30 seconds, I will gently tap the gavel to remind members that your time has almost expired. When your time has expired, the clock will turn red, and I will recognize the next member.

In terms of speaking order, we will follow the order set forth in the House rules, beginning with the chair and ranking member. Then members present at the time the hearing is called to order will be recognized in order of seniority, and finally, members not present at the time the hearing is called to order.

Finally, House rules require me to remind you that we have set up an email address to which members can send anything they wish to submit in writing at any of our hearings or markups. That email address has been provided in advance.

This morning we welcome the Administrator of the Small Business Administration, Isabella Guzman.

Administrator Guzman, thank you for being here today.

Small businesses are the backbone of the U.S. economy. The United States has more than 30 million small businesses that employ nearly half the country's private workforce.

These small businesses were hit hardest in March 2020 when many businesses, including restaurants, live entertainment venues,

and gyms were forced to close or dramatically scale back operations.

In response, Congress created several new programs and provided more than \$1 trillion in economic relief to small businesses that were impacted. These programs have helped millions of small businesses continue to pay the rent, keep employees on payroll, and stay afloat during these difficult times.

Administrator, I thank you and your dedicated staff at the Small Business Administration for your commitment and hard work.

I look forward to hearing from you this morning on the challenges SBA has faced to implement these relief programs and the work that remains to help small businesses recover and rebuild.

I am pleased to see that since you have taken office, SBA has taken steps to focus its outreach to the hardest-hit small businesses and those in underserved communities to ensure fair and equitable access to resources.

The fiscal year 2022 budget for SBA builds upon these efforts. The request includes an increase of \$31 million for SBA entrepreneurial development programs that support women, people of color, and other underserved small businesses and entrepreneurs, a stark contrast to previous cuts proposed.

The request also provides additional resources to support the expansion of Federal contracting opportunities for socially and economically disadvantaged small business owners.

I am eager to hear your vision for SBA moving forward and how you will continue to increase support for small businesses and entrepreneurs of all backgrounds.

Before I turn to our witness for her statement, I would like to recognize our ranking member, Mr. Womack, for his opening remarks.

Mr. WOMACK. Thank you, Chairman Quigley.

And welcome to the committee, Administrator Guzman, and congratulations on your confirmation. And many thanks for the time that we spent the other day in our visit.

You are leading the SBA at a very challenging time. I would like to thank all of the SBA staff throughout the country who have been working so hard for over a year to provide critical assistance to America's small business.

In fact, just last week, I visited a company in my district, Pruitt Oil and Gas, a Third District, family-owned company headquartered in Fort Smith. They directly told me that without the PPP program initiated by Congress and run by SBA, they might have grappled with having to close their doors.

PPP supported local jobs and that company. Your work on this front is truly appreciated.

With the administration only just releasing its budget request today—sometime this afternoon is my understanding—we haven't been able to review all the details of your fiscal 2022 request. However, we know SBA is requesting a total of \$852 million, which is a 9.4 percent increase above the fiscal 2021 discretionary numbers.

I was hopeful that in fiscal 2022, with seeing more of the pandemic in a rearview mirror, we could begin to reduce Federal spending. Instead, the request calls for a nearly double-digit funding increase to your fiscal 2021 discretionary appropriations.

With the Federal debt in excess of GDP, I think we need to start finding ways to reduce Federal spending.

In addition to your annual discretionary funds, SBA has been appropriated about a trillion dollars to help struggling businesses overcome the economic impact of the pandemic.

I know that at the height of the pandemic it was important to get funding out quickly. However, I think providing protections against waste, fraud, and abuse are very critical, and I hope that you and your OIG are working to prevent fraud and recover funds where fraud has occurred.

One pandemic program that I am particularly concerned with is the Restaurant Revitalization Fund. I understand the program does not require a review of documentation or immigration status. I hope this initiative isn't prioritizing funding for undocumented business owners over business owners living and working in America legally.

Thank you for being with us today and to answer our questions, and I look forward to your testimony.

And I yield back my time.

Mr. QUIGLEY. Thank you, Mr. Womack.

Administrator Guzman, thank you for being here today.

Without objection, your full written testimony will be entered into the record. With that in mind, we would ask for you to please summarize your opening statement in 5 minutes.

Ms. GUZMAN. Good morning, Chairman Quigley, Ranking Member Womack, and members of the committee. Thank you for the invitation to be here and for the opportunity to discuss SBA's programs in response to the COVID pandemic.

When I appeared in the Senate Small Business Committee as a nominee not too long ago, I mentioned how this unprecedented crisis for our Nation's 30 million small businesses had created a sense of urgency to work harder, think more creatively, and build more collaboration to meet the desperate need presented by this moment.

And in my first two and a half months, I can share with you that my motivation to deliver against that for our entrepreneurs has intensified.

And I have to share how proud I am of my incredible mission-driven team at the SBA, who despite having had to scale at a high intensity the past year-plus, remains incredibly committed to our Nation's entrepreneurs.

They have been working around the clock to deliver the American Rescue Plan's crucial relief programs to ensure our small businesses can survive this disaster and get on the path to recovery, growth, and resilience.

We are making significant progress, particularly in our efforts to reach small businesses owned by women and people of color and veterans who have, because of longstanding barriers to capital markets and networks, suffered disproportionately from this pandemic as well and, by many accounts, weren't able to access relief.

We are seeing the impact. The latest economic reports show that small business jobs have begun to rebound and proprietors' income levels have begun to recover. And we are hearing from the small businesses we serve that both our traditional and our new relief

programs have created vital lifelines, like that case in Arkansas that the ranking member just referred to.

Earlier this month, we successfully launched the \$28.6 billion Restaurant Revitalization Fund. As of Monday, when the application portal closed, we have received more than 372,000 applications, representing over \$76 billion in requested funds, including strong reach to food and beverage businesses owned by women, veterans, and people of color, those socially and economically disadvantaged businesses as well who, as directed by Congress, received priority access to the program initially.

And we are reaching the smallest of the small food and beverage businesses as well, with one-third of the total funds set aside just for them, including a specific set-aside created for businesses with revenues of \$50,000 and under.

I am proud of how we rolled out this program in under 2 months while focusing on my key priorities of meeting small businesses where they are and integrating a customer-first, technology-driven, and equitable approach.

We also launched the \$16.2 billion Shuttered Venues Operators Grant program. And as of today, the SVOG program has received more than 13,000 applications for approximately \$11.2 billion in requested funds.

We started distributing our SVOG funds this week, and we hope to continue to help our Nation's venues hold on until they can bring back the performances and experiences that are the lifeblood of our American culture.

Through our Paycheck Protection Program, PPP, and our Economic Injury Disaster Loan program, EIDL, we have now gone beyond that \$1 trillion in relief. And, so far in 2021, 95 percent of PPP loans have gone to small businesses with fewer than 20 employees.

Our priority across all our relief programs is to get funds into the hands of small businesses swiftly, efficiently, and equitably.

At the same time, we are also committed to maintaining a high level of oversight, to minimize fraud and abuse, while elevating transparency and open communication. We have implemented controls and oversight to better achieve the balance and reverse some of the previous fraud challenges that initially plagued EIDL and PPP programs.

I was pleased to hear both GAO's Bill Shear and SBA's Inspector General Mike Ware say in a recent House committee hearing that transparency at the SBA has improved under my watch and that our relationship is off to a very good start.

There is a lot of work to do, but we are working diligently to ensure funds get into the hands of the businesses for whom it was intended.

Beyond our COVID relief programs, we are also looking to the future and our Nation's economic recovery with an eye toward equity.

Small businesses are starting to reopen, but they are still reeling from major revenue losses, and most expect recovery will take more than 6 months. This means that we will continue to see the need for capital, which is why SBA is exploring all options to open up capital access, including direct lending.

Additionally, we know that the best thing we can do for our small businesses is to help our Nation recover from COVID and get our marketplaces and Main Streets back to normal. With more than 61 percent of adult Americans who have taken at least one shot of the COVID vaccine, we are making progress.

The SBA is doing its part by getting the word out to our small businesses about the American Rescue Plan's tax credit available to them that provides paid leave to employees receiving or recovering from a COVID vaccination.

There is so much more work to do. As the voice for America's small businesses and innovative startups, I will be leveraging every tool at my disposal to bring businesses back, create jobs, and build an equitable economy that works for everyone in all regions.

I look forward to partnering with you to give all entrepreneurs the tools they need to start, sustain, and grow into the future.

Thank you, Chairman Quigley and Ranking Member Womack and all the members of the committee, for the opportunity to appear before you today.

Mr. QUIGLEY. Thank you. We will begin with questions.

In December, Congress established the Shuttered Venue Operators Grant program to support live entertainment venues that have sat empty since the start of the pandemic, over a year for many. While many other businesses were able to adjust their operation to at least adapt to the new normal, the live events industry was forced to shutter almost completely.

My district, which includes the north side of Chicago, among other areas, has more live performances venues than in almost any other congressional district. We are looking forward to seeing shows at the Metro and the Vic and so forth again. But many of those businesses were hanging on a thread and anxiously waiting for the grants to be awarded.

Tell us a little bit about what those challenges were getting that stood up and what caused the delays in the disbursement of funds.

Ms. GUZMAN. Thank you.

Yes, we have seen that some specific industries were not able to access PPP in the same way, as many of them were closed, first to close and probably last to fully reopen, like shuttered venues across the country.

And as I mentioned in my opening, we have seen over 13,000 applications submitted. And of that, 12,000 were under 50 employees or less. So we are also talking about smaller entities as well. So these grants to recover revenue are really critical for them.

The SBA did work to deploy this as soon as possible. And, obviously, this was a very complex program that we had to stand up, with multiple different entities, from producers to stage venues, folks with control of the building and those not of those operators.

So very unique eligibility criteria for each type of entity. But we worked closely with industry to make sure that we could stand this up in a way that was navigable for them.

But as a result of the complex eligibility, it has been a little bit longer to implement, and we experienced some technology issues when we first launched nationally without any pilot.

I think what is key about this program is that we have been getting funds out this week, finally. It is not soon enough. And we are working diligently to try to process these as soon as possible.

Mr. QUIGLEY. Are there still issues with the processing or going through this or technology? Or is it now just catching up?

Ms. GUZMAN. It is a combination as we continue now to work through the important parts of actually reviewing eligibility and disbursements. We are still implementing. But those are starting to roll out. It was just a longer, more complex build.

One thing to keep in mind is that we do use the Rule of Two to make sure that we have strong controls in place on this program. And so there is a manual review as well because of the complexity of this program. I mean, there is a very prescriptive nature of this. For example, I mean, we have applicants having to prove that they have a lighting rig, as an example.

And so, because of that, that is taking a little bit longer for review, but our team is pushing these out as quickly as possible now moving forward. And we will continue to work with our vendors on the technology to continue to streamline as quickly as we can.

Mr. QUIGLEY. Sure. We know the need is great in the industry, yet the cumulative amount requested so far is below what was anticipated. Do you have any sense of understanding why the demand wasn't as high as we thought it would be?

Ms. GUZMAN. We have seen all of the different priority groups apply in the beginning at the outset, and so we are just not sure. We are not hearing anything specific from the industry in terms of people's inability to access the program.

We still continue to get new applications submitted every day. However, there is a supplemental at the end. And the industry continues to promote and make sure that people are aware of this program.

Mr. QUIGLEY. Very good.

Mr. WOMACK.

Mr. WOMACK. Thank you.

In the COVID package in March, \$29 billion for the Restaurant Revitalization Fund. You got double the amount of applications. As a matter of fact, correct me if I am wrong, but I think you got about almost \$29 billion worth of requests from the prioritized groups, which would tell me that the prioritized groups are going to be taken care of.

However, a whole lot of other folks that were not in the priority groups, the disadvantaged businesses and what have you, veterans, that people not in those groups are going to be on the outside looking in.

Is that a correct assessment?

Ms. GUZMAN. Congress had required a specific priority period. However, we also put set-asides in for small businesses. And so we have already started processing nonpriority applicants as well, and funding will be disbursed across the board.

Mr. WOMACK. And as I said in my opening remarks, I have got some concerns about the immigration status of people applying for some of these funds. Is it possible that illegal immigrants operating restaurants are going to get grants out of this program?

Ms. GUZMAN. All of the businesses will be taxpaying businesses, operating and established in the U.S. We are funding across the board those businesses that can establish an eligibility and identity, and we are following all the rules from that perspective.

So we do know that restaurants are a critical pathway for so many immigrant communities. It is an entryway into our capitalistic country. So we know that those people are also equally working hard to create jobs. If they are tax paying and have the proper documentation, then they are eligible for the program.

Mr. WOMACK. What is that documentation?

Ms. GUZMAN. You can have a Social Security, EIN number, ITIN. And these are broadly food and beverage businesses. Remember, it is not just restaurants as well. We have defined it broadly so that it does include—we have defined it as food carts and caterers. There could be independent contractors in there as well.

Mr. WOMACK. All right. I want to shift to PPP for just a minute. A couple of questions about it.

One, what is our current status right now? How much, as far as the application process, the forgiveness of loans, the amount of money that has gone out, any money, any residual amount of money that has not? Can you just give me a Reader's Digest version of where that program stands today?

Ms. GUZMAN. Yeah. I am really pleased to see the impact of that bipartisan PPP. And I do continually hear from businesses that that was a turning point for them when they got that PPP loan, and it helps keep them afloat during this time.

I can report that the agency has nearly exhausted all of the initial PPP funds that were allocated by Congress. And so we have just three more days, I guess, the 28th. The end of the month is the final time.

We are in the process of finalizing all those hold codes, issues that maybe the bank or the SBA had to resolve those between us so that we can process all those final applicants through the system.

And, of course, in the final days, the CFIs, the community financial institutions, which are the CDFI banks and local banks, as well as the CBCs and minority institutions, we are processing billions of loans through the system as well for that set-aside.

So we have really seen this program leveraged all the way to the end, and SBA is working through those final loans now in these final days.

Mr. WOMACK. Is it your opinion that we are on the tail end of this thing now and not going to need additional relief? Or what are you hearing from small business?

Ms. GUZMAN. I am still hearing that there is interest in the PPP program, folks who have not—maybe they haven't gotten their second or they never were able to access the first. So I still continue to hear that there is some demand, but it is definitely winding down.

We do have other relief programs available as well with the EIDL program for loans, low interest, long term, and then the targeted EIDL for low-income communities.

But we can report that, of course, this year nearly \$275 billion was loaned in 2021, and we saw that they were going to those

smaller entities who weren't able to access it in previous rounds and at the very beginning, so employees 20 and under. So we are seeing trends of those smaller finally accessing that.

Mr. WOMACK. Thank you.

I am going to yield back and come back for a second round. I am going to have a question about waste, fraud, and abuse and the OIG. So we will be prepared for that.

Thank you, Mr. Chairman. I yield back.

Mr. QUIGLEY. Very good.

Mr. Cartwright.

Mr. CARTWRIGHT. Thank you, Mr. Chairman.

And, Administrator Guzman, nice to sort of be with you, and congratulations on your confirmation.

I want to follow up about the Restaurant Revitalization Fund.

Independent restaurants really are the cornerstone of communities across the country. And from the outset of the pandemic, it was clear that this crisis would take a devastating toll on these small businesses, the restaurants.

So I spent the better part of this past year fighting to secure targeted relief for northeastern Pennsylvania independent restaurants. And now that that relief is finally on its way to our restaurants, I want to ensure the SBA is taking every precaution to see that it gets into the right hands. So the first couple of questions are about that.

Number one, what internal controls did the SBA put in place to ensure that people engaged in fraud did not crowd out legitimate small businesses from the Restaurant Revitalization Fund program?

And number two, how effective have those controls been in ensuring Restaurant Revitalization Fund program integrity?

Ms. GUZMAN. Thank you for that.

Yeah, across the board we have made controls and fraud mitigation a priority. We want to ensure consistency across all of our programs and have been working to make sure that the money gets into the hands of those that it is intended.

We have looked at best in class practices across our programs. Our Office of Capital Access is implementing the Restaurant Revitalization Fund, of course leveraging some of those automated and systematized progress controls across the program.

We continue to see that—of course, we are requiring tax documents, as well as ensuring that eligibility is verified.

So we feel strongly, and we have been working in collaboration closely with the IG on all of those controls. We are trying to design and implement those controls at the front end of all of our programs and work with them collaboratively to make sure that there is comfort level. So we feel good about the controls that we have in place.

One of the great features of the restaurant program is that we try to leverage technology and also private partners. And so we also have a lot of the point of sale vendors who have existing restaurant clients who they are directing to the site and providing data as well. So that is also a strong existing base of restaurants that we can leverage to put into the system.

Mr. CARTWRIGHT. Okay. Well, thank you for that. And let's continue to talk about that, because fighting fraud is not a one-time deal. It is a continuing fight.

I want to skip to the amount of the funding.

Administrator Guzman, you note in your testimony that when the Restaurant Revitalization Fund portal closed this Monday, more than 362,000 applications have been submitted with a total of \$75 billion in funding requested.

That is more than two and a half times the entire amount that Congress allocated for the Restaurant Revitalization Fund program, two and a half times more money applied for than we allocated to it.

So the question is, do you believe more targeted relief for restaurants is warranted?

Ms. GUZMAN. I would be happy to continue to provide data, final data. Now, I can report over 372,000 applications received and over \$76 billion.

I think, obviously, there is a huge deficit. We have heard from the Independent Restaurant Coalition and the National Restaurant Association that additional funds would have been needed. That is proven in the demand, the applications.

And so we are happy to work with Congress to make sure that you have the data that you need to make that decision and then implement it on your behalf.

Mr. CARTWRIGHT. Well, Administrator Guzman, I happen to agree with you that more funding is needed, and that is why I have called for the Restaurant Revitalization Fund to be replenished.

I don't have enough time to ask the whole next question I have, so, Mr. Chairman, I am going to yield back.

Mr. QUIGLEY. We will get back to you.

Mr. Womack, I believe that Mr. Joyce would be next in line. Is that correct?

Mr. WOMACK. That would be correct.

Mr. QUIGLEY. Mr. Joyce.

Mr. JOYCE. Thank you, Chairman Quigley and Ranking Member Womack.

And greetings, Administrator Guzman.

As you may know, I joined several of my colleagues in sending you a letter back in March noting disagreement on the SBA's decision to exclude air shows from the Shuttered Venue Operators Grant program.

Northeast Ohio hosts one of the strongest air shows in the country on Labor Day weekend every year, the Cleveland National Air Show. It is a big economic driver for the region, creating jobs, supporting many small businesses who contribute to the event.

And it is a tremendous amount of civic pride watching the Blue Angels. No matter where you live in northeast Ohio, they seem to fly over during the deployment.

Can you comment on how the SBA came to its determination that air shows would not be eligible for this program designed for live industry small businesses?

Ms. GUZMAN. Yes. The full statute was reviewed, of course. It was a very prescriptive statute and limited our flexibility in many

respects. And so we took exactly what we were given and designed the program that way.

So I appreciate the need for additional types of operators to get into the program. Working with our Office of General Counsel we interpreted the statute and stuck to that prescription.

Mr. JOYCE. I have got one guy in the district, he does nothing but food at air shows around the country, and the pandemic completely broke his back.

But anyhow, there has been a lot of important discussion about the actions of Congress and the SBA over the last year in an effort to help small businesses.

As more and more Americans are vaccinated and normal economic activity returns, I also want to look at the future and consider how we can help small businesses reboot and contribute to our economic recovery as we return to normal, as the return to normal is going to bring its challenges with that.

One challenge I have heard constantly from small businesses in my district is they cannot find workers to meet the demand for their services, a demand which is coming back quickly in many industries.

I would like to know if we have any ideas why small businesses are having this problem and what challenges you see ahead for them in this post-pandemic recovery.

Ms. GUZMAN. I have heard a full range of concerns. I think, number one, across a lot of the data, is that the COVID environment, the risks for health issues as well as the resulting care economy issues that come with it, meaning a small child, small children at home, limits your ability to work.

I think those issues are paramount. So that is why the SBA has launched an initiative to do extensive outreach to our small businesses to make sure that they know about those tax credits in the American Rescue Plan, to give time, paid time off to their employees to go get the vaccination.

I think returning to normalcy in the marketplace and getting our kids back in school and in childcare is, I think, the really critical thing. So that is first and foremost.

We continue to work across our field offices, with the Department of Labor, to make sure that our field offices as well as our resource partners are equipped with as many tools as possible to help connect businesses to workforce and help them overcome some of those challenges.

Mr. JOYCE. That is great.

Here in the district as well many small finance industry businesses who provide critical services to communities and played a key role during the pandemic are now being denied when they apply for forgiveness of their PPP loans despite Congress' intention that forgiveness be accessible to businesses in a wide range of industries.

Can you explain how and why the SBA's interpretation of the law written by Congress is preventing many finance companies from receiving forgiveness on their PPP loans?

Ms. GUZMAN. I would have to look in specifically to that industry. I know overall over 60 percent of the first round of loans have been processed for forgiveness and cleared by the SBA.

There is a small percentage of them that are being held. I understand that it is less than 1 percent over that 90-day requirement that we are going back and forth with some of the banks on.

So I would look forward to finding out a little bit more detail and make sure that we are addressing that specific issue. So thank you for flagging.

Mr. JOYCE. Thank you for all you are doing, and hopefully we can continue the good work and get our economy back up and roaring together.

With that, I yield back, Mr. Chairman.

Mr. QUIGLEY. Thank you.

Mr. Bishop.

Mr. BISHOP. Thank you, Mr. Chairman.

Thank you, Administrator Guzman, for being here and for your service.

I would like to ask you, with regard to the Office of Entrepreneurial Development, the fiscal year 2022 budget request includes an increase of \$49 million above the fiscal year 2021 request for the entrepreneur development program, of which \$31 million is for programs to support women, people of color, and other underserved entrepreneurs.

The entrepreneur development program oversees the network of programs and services that support the training and counseling needs of small business.

And, of course, the training for small business provided by the program is especially important for small and rural communities, which often lack access to technical expertise to assist with their business development.

How will the SBA utilize this additional funding to better support women, people of color, and other underserved entrepreneurs and rural entrepreneurs that don't have access to that technical expertise?

Ms. GUZMAN. Thank you for that.

Yes, we do know that bold action is needed to address some of those racial inequities and ensure that all of our entrepreneurs, no matter what region or what background, have access to the resources and opportunities.

And, of course, our Office of Entrepreneurial Development plays a key role in providing technical assistance and connection to all of these relief programs as well. And so the discretionary request does include that \$31 million increase over 2021.

Of course, the full budget will be released later today, but the focus will be on trying to help underserved entrepreneurs better connect to capital, better connect to marketplaces, and better connect to networks that really support them in the ecosystem so that they can either start up or grow.

We are really going to be focusing on making sure, especially in recovery, that that is possible through our other programs at the SBA.

Mr. BISHOP. Thank you.

The American Rescue Plan established the Community Navigator Pilot Program and helped set up networks nationwide that will reach the smallest businesses with a priority focus on those that are owned by socially and economically disadvantaged individ-

uals as well as women and veterans. It is intended to bridge the gap between local entrepreneurs and SBA's resources and programs.

A lack of access to these governmental programs has long been an issue across my district in southwest and middle Georgia.

So how will small businesses and entrepreneurs be able to utilize this program to gain fair access to programs that are offered by the SBA?

Ms. GUZMAN. Thank you for that.

I am really excited about the Community Navigator Pilot Program. We just released the Notice of Funding Opportunity this week so that local governments as well could access this resource. We are trying to get more hyper local with local trusted sources so that we can better connect and help businesses navigate the resources that are available to them.

This will, of course, augment our strong field presence as well as our resource partners in the field, like our small business development centers and women's business centers, which have been expanding recently, including to five SBDC locations.

And so with the Community Navigator Pilot Program, though, this gives us a unique opportunity to branch out with new partners to get more local and to get trusted advisers to work with local communities that are underserved, rural, urban, and especially those with women, veterans, and socially and economically disadvantaged individuals.

So we do look forward to implementing this. In the next few weeks, we will be able to report more in terms of who has been awarded to help us become these navigators nationally to support entrepreneurs across your districts.

Mr. BISHOP. Okay. Thank you.

The 2022 budget request includes \$10 million to facilitate access to capital investments to help small businesses become more resilient to climate change and support a clean energy economy.

How is SBA going to utilize the funding to help support small businesses in their efforts to combat the effects of climate change and build clean energy?

Ms. GUZMAN. Thank you for that.

That has been our focus, is to try to make sure that when we are looking across our programs that we are trying to be more customer-centric and accessible to all businesses. And the smallest of the small have a more challenged access to our programs, typically.

That same would apply to combat climate change. We do know that small businesses will play a critical role in combating climate crisis as well through modernization, as well as innovative goods and services.

But in terms of their own resilience, we hope that we can continue to do the kind of extensive outreach, especially leveraging the Community Navigator Pilot Program, to really reach businesses to build resilience to combat climate change.

Mr. BISHOP. Thank you.

My time has expired. I yield back, Mr. Chairman.

Mr. QUIGLEY. Mr. Pocan.

Mr. POCAN. Thank you, Mr. Chairman. Appreciate it.

And, thank you, Administrator Guzman. It is a pleasure to meet you. I look forward to working with you. I am a small business owner for 32 years, a very small business, about a handful of employees, but not many people in Congress come with that background.

I would like to get to several areas, but let me start with just one that may be a little unpleasant.

We have had some of the most difficult time of dealing with any Federal agency is dealing with SBA on communication, especially in the last year, on behalf of our caseworkers working on behalf of constituents and, quite honestly, even on the policy side of our Washington office.

I know you have only been there since March. But what can we do in a very brief amount of time to try to improve those relations? Because it really has stood out as one of the most difficult agencies to work with.

Ms. GUZMAN. Yes. In my time here, I have implemented a culture of transparency and collaboration. We know that there have been failures on communication, even interdepartmental, as well as in the field offices, to support your constituents.

And so one of the big [inaudible] I changed access from our field to give them direct access to our platforms to give updates on our Office of Disaster Assistance and our Office of Capital Access. That was limited in the past. So we have opened that up as an example, a great example of the collaboration that we are seeking and that openness.

So we are working hard every day to try to change that, and we look forward to working with you locally to make sure your constituents have more [inaudible].

Mr. POCAN. I appreciate that just because, again, it has stood out. And especially being a small business owner, I think I hear from a lot more small businesses owners, and it just really was difficult in the last year. I appreciate any changes we can do on that front.

Having said that, I do think this recession was different than some other recent recessions. In 2008, it felt like there was a general malaise, except for maybe the housing industry, obviously, had a very specific hit.

This time, there were winners and losers, right? If you were a grocery store, a liquor store, someone who dealt with people who were spending more time at home, you were doing better than ever. But if you were a restaurant or bar, the meeting industry, tourism, you might have been completely zeroed out as a business. And it was a very unusual recession, I think, in that sense.

We saw the need for the PPP, and you are out of funds already again on the PPP for the demand.

The Main Street Alliance and the Small Businesses Majority have expressed the need for more unrestricted, direct grant assistance to hard-hit small businesses.

And I can tell you very personally and specifically that I had difficulty in conveying some of my concerns in the last year as we were putting plans together for small business because—and I hate the term “micro business,” but that is what people seem to be using

these days for under 20 employees. But using gross sales is a gross mistake, is what I would call it.

So when we are saying in order to get that PPP loan, which was vital to so many businesses that second time, you needed a 25 percent drop, well, many small businesses might have taken on lower margin sales in order to survive, so their gross numbers mean nothing compared to their profit, that they actually are using their operating expenses to pay their employees with.

The same is true of startups. If you keep increasing sales, you can't necessarily compare a year ago to now. You could be down in sales, but your sales could be up. But that is the growth cycle, and that is where most of the jobs these days are started.

So what can we say specifically about providing any assistance? Are there any ideas you might have to different criteria as the Main Street Alliance is looking at or I just explained? Because I, unfortunately, still see some sieve holes that I think hopefully we could be innovative and try to figure out how to fix.

Ms. GUZMAN. I appreciate that. And I have definitely had my own experience as a small business owner, including as an independent contractor on different occasions. So I appreciate the challenges.

I do think that the way that we design our programs is really critical for who is going to access them. That dictates who can better leverage the program. So we are open to exploring options as we look to expand on the recovery.

Mr. POCAN. Are you looking at any specific programs right now, or is this something we are going to need to probably try to initiate with you?

Ms. GUZMAN. [inaudible] All the programs right now do look at revenues, in terms of the relief programs. And so we will need to think creatively and out of the box as we develop programs for recovery and look at all of our programs through a new lens as well.

Mr. POCAN. And it sounds like you do understand a couple of those sieve holes I mentioned, right, startups where it won't work and a small business. If you are really small, gross revenues don't necessarily mean anything if you took on business that might have a lower margin. You are still in the same bad place you might be in.

Ms. GUZMAN. And if I could add as well, Congressman, that we do have, of course, the Small Business Innovation Research Grant, the Office of Investment and Innovation, and Growth Accelerators. We do want to lean into that startup system and really provide support. And so we will be leaning into those innovation assets at the SBA as well.

Mr. POCAN. Great. Thank you.

I yield back, Mr. Chairman. Appreciate it.

Mr. QUIGLEY. Thank you.

Mrs. Kirkpatrick, please.

Mrs. KIRKPATRICK. Thank you, Mr. Chairman.

And thank you, Administrator Guzman, for being here to answer our questions today.

I just want to ask you about a couple of issues that are important in my district.

So I want to take us back to April of 2020, to the first round of the Paycheck Protection Program. As I am sure you remember, the rollout didn't go quite as smoothly as we had hoped.

But by the time the dust settled after the first tranche, it was very clear that businesses in certain districts had fared far worse—far worse—than those in others. Unfortunately, Arizona was one of the States that struggled the most.

While the scales eventually evened out after additional funding was distributed, it still concerns me that there was a gap between the States.

Of course, the PPP also faced other issues, namely, the exclusion of CDFIs during the first round, requirements implemented by private vendors, lack of clear guidance from the SBA.

So I hope that in your new role as Administrator you have been taking steps to ensure there is equity in the way COVID relief programs are administered and avoid some of the pitfalls we saw with the PPP rollout.

To that end, how has the SBA been working to ensure the RRF and SVOG are equitably distributed? And are there any lessons you have taken from some of the PPP rollout struggles?

Ms. GUZMAN. Thank you for that. And I was California's advocate for small business at the time, and so dealing with COVID directly and experiencing the initial PPP rollout as well. So I can appreciate, since the State initially was having challenges accessing PPP as well. We faced similar challenges. Eventually, of course, we got back on track.

I think that across the board what we have tried to emphasize, first off, leveraging the resources we have. We have a great field network, we have a great resource partner network, and we wanted to make sure that communication was strong with them.

For SVOG, there were so many different industries included, but we have gone above and beyond, reaching out to stakeholder groups and making sure that their members, by industry, had the information that they needed, that they were involved in the process at the front end, as well as receiving the outreach once the program was launched.

And then RRF, which was a much broader program in terms of the numbers, we have done over 1,000 events across the country, working again with industry, the National Restaurant Association and the Independent Restaurant Coalition.

But as well, lots of ethnic chambers and local groups across the country to make sure that we were reaching as many people as possible, reaching out to ethnic media sources, those trusted voices in communities, as well as veterans groups.

I think I did 20 veterans group calls in 1 week just to try to make sure that all of these organizations had the information they needed to distribute to their members.

So it is really about that connection to resources, which is why the Community Navigator Pilot Program is so fundamental to all of our programs. You can launch something, but if it is not implemented and successfully reaching those who need it, then it is not as effective.

So we hope to work in partnership with you to continue to do a better job across our States through the resource partners and the field offices that we have.

Mrs. KIRKPATRICK. Thank you. I appreciate your answer. I really do.

I have one other question.

Being from Arizona, the concerns of our Tribal nations are always top of my mind. A consistent theme I take from meetings with Tribal leaders is they don't feel the Federal Government prioritizing their needs, whether that is related to COVID response or more broadly.

As it relates to the SBA, I want to make sure these communities have the same access to capital resources and all the SBA and its partners can provide.

As SBA Administrator, can you please share how you intend to prioritize Native communities and build on what the SBA has already undertaken?

Ms. GUZMAN. Thank you for that.

Yes, we definitely count on Tribal communities as part of our critical outreach to ensure, both through the Community Navigator Pilot Program or through our normal outreach, that we are able to connect to those entrepreneurs as Native-owned businesses.

And that is across the board, through our capital programs as well as our government contracting programs, where they are included as disadvantaged businesses and so that it can leverage the Federal marketplace.

So we are all in on trying to ensure that Tribal communities have access to our programs. In California, I did the same, worked collaboratively with our Tribal entities and leaders to try to make sure that we were meeting their needs and reaching their communities.

Mr. QUIGLEY. Thank you.

Mrs. KIRKPATRICK. Thank you so much, and I yield back.

Mr. QUIGLEY. Thank you.

Mrs. Torres, please.

Mrs. TORRES. Thank you, Mr. Chairman and Administrator Guzman, for joining us today and including this robust conversation around how we can help our economy come back as we are beginning to vaccinate more people and turn things around.

I want to focus your attention to cybersecurity threats as it relates to small businesses. One survey shows that 23 percent of small businesses in the U.S. suffered from a cyber attack in the last year.

Cyber attacks are costly for these small businesses and our economy and can put small businesses at significant risk of going out of business.

As the threat of cybersecurity grows, there needs to be emphasis on supporting and protecting them. So for this reason, fiscal year 2021, FSGG appropriations included \$3 million to fund the cybersecurity assistance pilot program.

Can you provide an update to the status of this initiative? And what else is the SBA doing to help the small business community protect themselves from cyber attacks?

Ms. GUZMAN. Thank you so much.

Yes, the SBA is in the midst of drafting the final funding announcement for the cyber assistance pilot project that we will be launching. The team has been assessing best practices in State programs and plans to make sure that the NOFO is reflective of that. And so it should be fully cleared and posted in the very near term, and we will make sure that your staff receives that for sharing with you.

As per the legislation, awards will be geared towards States who can assist small businesses. I know in California, we had our own programs on cyber risks for small businesses and trying to get them better equipped.

I think the silver lining of the pandemic is that businesses, small businesses, have adopted technology at really high rates, whether that was through e-commerce pivots or more operational type of support for their organizations.

And so I do feel that this is going to increasingly become a very critical issue for our small businesses as far as their long-term resilience.

The \$3 million that was appropriated in this pilot, we do anticipate a handful of State awards will be awarded through the NOFO. So we look forward to that important resource.

But in addition to that, we will continue to work with our Federal partners who lead on this issue in terms of best practices, the FBI, NIST, and others, as well as our grantee resource network, our SBDCs, SCORE, WBCs, VBOCs, veterans centers, just to make sure that America's small businesses are aware of the tools that are available to them and solutions.

Mrs. TORRES. They hold a lot of data and information of consumers. So we want to make sure that, with that in mind, that we are protecting the most vulnerable people that are trying to do right by shopping small.

We want to continue to encourage that, but we also want to make sure that they feel confident enough that their information, when they swipe their credit card, that that information is going to be protected.

Thank you, Chairman. I yield back.

Mr. QUIGLEY. Thank you.

Mrs. LAWRENCE, please.

Mrs. LAWRENCE. Good morning. Thank you, Chairman, for this meeting, and Ranking Member Womack.

Administrator Guzman, small businesses, and especially the restaurants, in the city of Detroit, the small business restaurants were a part of the comeback of our city. And as you know, May 24, the Restaurant Revitalization Plan has received more than 300,000 applications with a total of \$75 billion in funding requested.

This is a program that is in high demand and critical to my State. I would appreciate your assessment on where we are with this program, and how do we address the demand that has been followed.

And before you answer, I wanted to add, Congresswoman Kirkpatrick mentioned it, it was painful what we had to go through during this pandemic to connect resources to our small businesses. And the definition of insanity, to keep doing the same thing expecting different results.

I would love to hear from you your vision. I know you are new in the job. Because it is an assumption that if you are a business owner you have all these resources, you are connected. And a lot of these small restaurants literally have a great recipe from their mother and just get brick and mortar and open up a restaurant. The food is good, but their business sucks.

So what can we do? That industry is so important to the economy of a lot of major cities. What are we going to do with connecting the resources?

And I don't mean you sit there in a building, and you say we have these resources, and if you go online and connect it.

What are we going to do innovative and different so that we can build back better and with more people included in your department resources?

Ms. GUZMAN. Thank you for that.

Yes, we know that restaurants are the third-largest source of jobs in this country, and so that is why we are very excited to quickly get out the Restaurant Revitalization Fund program. Demand is definitely outsized, beyond \$28.6 billion. It is now over \$76 billion.

The program portal has closed to new applicants as a result. And so we definitely see that that is not going to meet the needs of all these restaurants.

And, yes, I agree, they have been first to close and highly impacted and had slim margins to begin with, and so really operating under challenges. Many of them have expressed the fact that PPP didn't necessarily work for them, that they were going to close. And so they have had challenges across the board.

So we stand ready to continue to implement this program if additional funds are awarded and provide you with whatever data that you need to make those decisions in Congress.

I do think, though, connection to resource is not working, I agree. And President Biden's Community Navigator Pilot Program, he is very passionate about that program because he recognizes that not all small businesses have that connection, let alone a teachable on-screen [inaudible]. They don't have—they may not even know about a Small Business Development Center or the SBA.

So we do need to do a better job. I plan, as I did in California, to work extensively with local systems and with private partners as well. SBA is great at leveraging public-private partners, as demonstrated during this longstanding loan program, that we need to do with funding across the board.

So I want to be customer first, technology driven, and equitable, and that includes collaborating and being open and transparent and working to ensure that people see the SBA as a pathway to growth for their businesses.

Mrs. LAWRENCE. I want, Administrator Guzman, to personally invite you to Detroit. I would love for you, in your developing and improving the accessibility, to sit down with some of our restaurant owners and to hear.

Or even if you don't come, someone at the top of the administration, your administration, to come and actually touch and smell and see the impact of the policies. To me, being in government over 30 years, that has had the greatest impact.

And I want to thank you, and I hope to see you in Detroit. And just know that we hear that you need more funding for the Restaurant Revitalization.

Thank you so much, and I yield back, Mr. Chairman.

Mr. QUIGLEY. Thank you, Mrs. Lawrence.

Administrator, I think you are invited to all of our districts to try our local fare if you want. I am sure Detroit is outstanding, but if you want real pizza, hot dogs, Italian beef, Chicago awaits.

A quick question to follow up on Mrs. Lawrence. Are we keeping a list of those restaurants who applied but were told that we were out of resources? Are they being kept in line so that they don't have to start all over if and when we are able to charge up that fund again?

Ms. GUZMAN. Yes. Thank you for that, Chairman. Yes, they are. So our system maintains all the applicants, all applicants in the system.

Mr. QUIGLEY. In order that they hopefully can. And we are not discouraging anybody, like don't even apply, we don't have money, right?

Ms. GUZMAN. Well, the portal itself did close on Monday.

Mr. QUIGLEY. Right. But for those who did apply before Monday. Okay.

Ms. GUZMAN. That is correct.

Mr. QUIGLEY. Sure.

Ms. GUZMAN. And it was certainly open and outreach was extensive to everyone. We asked everyone to apply based on the first in, first out.

Mr. QUIGLEY. Very good. Okay. Thank you.

Mr. WOMACK.

Mr. WOMACK. Thank you, Mr. Chairman.

My dad always tells me that—and he is a wise guy—that you make your biggest mistakes in life under a couple of different conditions, one of those when you are really emotional, and number two, when you are in a hurry. And because we had this pandemic on our hands and really didn't have a playbook for it, we were doing everything we could to speed money out the door, that sort of thing.

And given the theme of my dad's sage advice, I know that the speed at which some of this happened did cause some problems as well.

And so I am curious, whether it is PPP or the EIDL or the Shuttered Venue program, what have we learned through our Office of Inspector General.

And how can we take those lessons, first of all, claw back from some of these folks, but at the same time learn so we can not make those same mistakes the next time around when our playbook is a little bit more—when we have it on the shelf and we can pull it out and see what we did last time and how we can avoid those problems in the future?

Ms. GUZMAN. Thank you for that, Ranking Member.

Yes, I think that what we have learned is that that commitment has to be at inception, that commitment to balance speed with some strong guardrails and oversight controls at the design phase, whenever that is possible, as quickly as possible, and that it is

iterative as we go. Because, clearly, defending against fraud is an ongoing battle, and we have to be as smart as those fraudsters out there.

And so those two things I think have to be integrated across our program design. And that is what we are focusing on doing, making sure that teams are embedded within program offices and that we have an enterprise-wide approach to fraud risk detection and prevention. And so that is what we are committed to do from a management perspective and structure.

And I think that across the board with these programs, though, I mean, clearly speed is important as well and efficiency and simplicity, because small businesses, as we have heard from so many, need assistance in not only connecting to the resources but understanding the process.

And so leveraging technology tools to simplify so that we can still get speed but with controls in place. And I think that we have to continue to learn from private sector best practices across the board. And we have a great opportunity to do that, knowing that we have one of the best public-private partnerships with our financial institutions through our lending programs.

And so I think that that culture of collaboration with the IG and GAO will serve us well as we continue to design programs that focus on controls as well from the inception.

Mr. WOMACK. Well, I am glad to hear a Federal—a director at one of our agencies say—admit that the private sector does do a lot of great things and we can learn from them. And it pleases me to know that you will talk to the people that you represent out in the private sector and learn, because that is a matter of survival for them.

And any time we are going to throw hundreds of billions if not trillions of dollars at a problem, there are those working out there that want to get their piece of it and will do a lot of nefarious things to get a hold of it.

But thank you for your time. And like all my colleagues, we look forward to the day that you can visit northwest Arkansas.

Ms. GUZMAN. Thank you so much. I look forward to all these invitations.

Mr. QUIGLEY. Thank you.

And as we try to go through a quicker second round for those who still have additional questions, we are going to run at 3 minutes, beginning with Mr. Cartwright.

Mr. CARTWRIGHT. Thank you, Mr. Chairman.

I want to follow up on Mr. Womack's theme of nefarious people, Administrator Guzman.

As you well know, in recent weeks the Department of Justice has ramped up its enforcement efforts to combat COVID-19-related fraud, including schemes targeting the Paycheck Protection Program, the Economic Injury Disaster Loan program, and unemployment insurance programs as well.

Now, Administrator Guzman, we have not met before, but I serve as the chairman of the House Appropriations Subcommittee on Commerce, Justice, and Science. We fund the Department of Justice.

So I am going to be very interested to hear from you what your assessment is about how those joint Small Business Administration and Department of Justice coordination efforts are going.

So specifically my question is, what more can SBA, DOJ, or Congress be doing to ensure the SBA and the DOJ are efficiently and effectively working together to minimize fraud in the Restaurant Revitalization Fund program or, frankly, any other of these SBA COVID-19 relief programs?

Ms. GUZMAN. Thank you for that question.

Yes, we are committed to supporting investigations and convictions. And so, obviously, it is required that we support those investigations. We provide a lot of the information and then work with the DOJ and OIG and U.S. Secret Service and other law enforcement agencies closely to support those criminal investigations and actually recover funds disbursed under fraudulent pretenses.

And so, for example, in the EIDL program, we have over 160 staff members now. We have ramped up with the additional administrative funds to make sure that we are reviewing cases of fraud and that we have dedicated support on the program that has been impacted by those fraud attacks.

And so I think it does come to that collaboration and being open to support with information flow, to ensure that those investigations are successful.

We will continue to do that and would look for any suggestions as we dive deeper into this to see if the Attorney General and the Inspector General have any further recommendations. But so far, they continue to be thankful for that support that we are giving, and we will continue to support that.

Mr. CARTWRIGHT. Well, you are pretty new in the job, so I am going to ask you that question a little bit later on in your tenure to get a retrospective review of how that collaboration has been going. And I thank you for your testimony and your time today.

Ms. GUZMAN. Thank you so much.

Mr. CARTWRIGHT. Yield back, Mr. Chair.

Mr. QUIGLEY. Thank you, sir.

Mr. Bishop.

Mr. BISHOP. Thank you, Mr. Chairman.

Ms. Guzman, I was interested in your comment that you have learned a lot from your interaction and your collaboration with the private sector during the CARES relief programs.

And they worked very well for the most part, except that the complaints that I got were the programs that were administered directly by SBA and the relief that came directly from SBA was very, very, very slow in getting out, and that the feedback was that the SBA was simply overwhelmed with the volume and just could not handle the capacity.

So I wanted to ask you whether or not, going forward, you have sufficient IT infrastructure and whether you have sufficient personnel, those resources, in order to be able, going forward, to avoid being overwhelmed as you were—as the agency was, you weren't there at the time—during the initial phases of that pandemic.

Ms. GUZMAN. Thank you.

I did serve previously at the SBA as a deputy chief of staff during the Obama administration. And this is a new agency. It has

scaled from \$40 billion to managing over a trillion in relief. And so I am never going to deny the opportunity to be able to say that, of course, we need more FTEs, more salary and expenses.

However, across the board, what we are trying to do is be as efficient as possible, leverage technology, leverage private partners and our great resource partners and ecosystems across the country to better support small businesses and help keep the SBA connected.

We do recognize that customer service needs to be ramped up, and so we will continue to try to find creative ways to improve the services that we provide directly, as demonstrated on the Restaurant Revitalization Fund, which is a great example of how we provided excellent customer service.

Mr. BISHOP. I was really trying to get at whether or not the failures initially with the programs that SBA had to distribute themselves were the result of inefficiency or were the result of lack of personnel, because there was such a backlog, and it seemed as if they just couldn't get it together.

Ms. GUZMAN. The scaling-up was, of course, challenging, and having to adopt technology and scale that really quickly as well. The administrative funding is really important. And, of course, some of that administrative funding is expiring in September.

We always appreciate no year money or extended times on all of these programs. They all have some end dates that are going to be coming.

And so as much as SBA can collaborate with you to see about extending some of those would be great as we can continue to try to use technology and expand our temporary resources to support these programs.

Mr. BISHOP. Thank you.

I yield back, Mr. Chairman.

Mr. QUIGLEY. Thank you.

Mr. Pocan.

Mr. POCAN. Thank you, Mr. Chairman, and thanks for the extra time.

Administer Guzman, I just want to wrap up that final bit of conversation I had.

Do you agree that a single metric of a 25 percent reduction of gross sales does, unfortunately, not capture all businesses that need and needed assistance?

Ms. GUZMAN. I mean, clearly, as evidenced by SVOG, which has those revenue deficit—or the Targeted EIDL Advance that requires [inaudible] revenues, not everybody has experienced it that way. That is an underutilized program that we are trying to use more effectively and do more outreach on. But that is always a challenge.

Mr. POCAN. Great. I just want to know that others are hearing what I am saying. I had some strong difficulties in the last year getting that across, and I know that sometimes it is hard when we are writing a giant bill, but I hate seeing people left behind.

Having said that, you probably saw the New York Times article in January of 2021 talking about people receiving PPP loans of \$100 or less. Clearly, that wasn't addressing the small businesses that had need.

What can we do, again, about those small businesses left behind?

And let me just say, technical assistance isn't the answer for every small business. If you are in the meeting industry, convention and meeting industry, there were no conventions or meetings, period. And there are other people who may not have qualified by the other parameters.

So looking for what we can do for the people that did get left behind.

Ms. GUZMAN. If some simple changes were made, in terms of in the PPP allowing for independent contractors to look at their Schedule C gross revenues instead, they could get more funding since they didn't have payroll. So tweaks like that are definitely of significance.

I think that across the board our current programs that we are implementing, obviously, we are following administrative programs that were created by Congress, and so we are required to look at those losses and revenues specifically across so many programs.

But I would welcome the opportunity to collaborate on how we can make recommendations and give you—provide you with data.

Mr. POCAN. I would love to do that, and I will take you up on that offer, as well as extend the offer that our chairman has. Madison, Wisconsin, may not have some of the food that Mike mentioned in the same way that Chicago does, but certainly beer and cheese is going to be outstanding in my State.

Final very quick question. Do you have an update on the EIDL Targeted Advance program and the Supplemental Targeted Advance program, where we are at on those?

Ms. GUZMAN. Yes. We are still going through those initial priority folks who were people who had applied and received less than the \$10,000. So over ten million emails went sent out to them. And of course not all of those were eligible, but being in a low-income area and suffering 30 percent loss in revenues.

But we continue to try to process that. It is 1.5 billion processed so far on the program, but we are now starting to ramp up our expected outreach, as in June we will open that up [inaudible] for those who applied after December 27 or those who did not apply at all.

And so we will be doing outreach to low-income communities to try to get the funding out on Targeted EIDL.

With Supplemental, clearly, we have done extensive outreach for that, 1.4 million. So far, we have funded just under \$350 million for that Supplemental Advance of 5,000, and that is the same [inaudible] to the low-income with higher revenue thresholds of 50 percent.

So we will continue to do outreach to try to make sure that we are connecting with those businesses who qualify.

Mr. POCAN. Thank you.

I yield back, Mr. Chairman.

Mr. QUIGLEY. Thank you.

Obviously, if we were in person, I could see more easily, but I don't see any members who have not had a chance at the second round. Correct me if I am wrong.

Otherwise, Mr. Womack, you get the last shot at any comments you want to make before we leave, including the restaurants' food

that you would recommend when the Administrator visits your district.

Mr. JOYCE. Mr. Chairman.

Mr. WOMACK. Well, it is always good barbecue. We do have good barbecue. But we have got a lot of other things. We are famous for great hospitality down here, and I look forward to that.

Chairman, thank you so much for the opportunity to have this interaction with Administrator Guzman.

We are looking forward to working with you. And I know I speak for all of my colleagues that there is no question what the backbone of our economy happens to be—all these millions and millions of small businesses out there. And anything we can do to advance their cause I think is a great investment in the economy of the United States of America.

So thank you for your service to our country. Look forward to working with you.

And, Chairman, thanks again for the opportunity to have this interaction today.

Mr. QUIGLEY. Sure.

Did someone seek recognition?

Mr. JOYCE. Mr. Chairman, I would be remiss if I did not offer the Administrator to come to taste all the fine cuisine of northeast Ohio, whether it be at the air show or the walleye and perch that are caught in Lake Erie.

Thank you.

Mr. QUIGLEY. We appreciate that.

Madam Administrator, we just want to thank you for being here, for your work. We know your work is not done yet.

And we also know there are other industries that have been hit equally hard by the pandemic. I would just throw out the gym and fitness industry, for example. Something like 80 percent of their clubs are small businesses, and they have lost about 1.4 million.

So we are hoping to come to you, be ready, when we get an opportunity to help that industry as well.

But I want to wish everyone a safe and happy Memorial Day weekend.

And we look forward to working with you in the future.

And given that, this meeting is adjourned. Thank you.

Administrator GUZMAN. Thank you.

WEDNESDAY, JUNE 9, 2021.

**OFFICE OF MANAGEMENT AND BUDGET FISCAL YEAR
2022 BUDGET REQUEST**

WITNESS

HON. SHALANDA YOUNG, ACTING DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. QUIGLEY. This hearing will come to order. As this hearing is fully virtual, we must address a few housekeeping matters. For today's hearing, the chair or staff designated by the chair may mute participants' microphones when they are not under recognition for the purposes of eliminating inadvertent or advertent background noise.

Members are responsible for muting and unmuting themselves. If I notice you have not unmuted yourself, I will ask if you would like the staff to unmute you. If you indicate approval by nodding, staff will unmute your microphone.

I remind all members and witnesses that the 5-minute clock still applies. And we are going to try to do two rounds today, folks, so please try not to ask the most lengthy, complicated question with 30 seconds left. If there is a technology issue, we will move to the next member until the issue is resolved, and you will retain the balance of your time.

You will notice a clock on your screen that will show you how much time is remaining. At the 1-minute mark, the clock will turn to yellow. At 30 seconds, I will gently tap the nonexistent gavel to remind members that time is almost expired. When your time has expired, the clock will turn red, and I will begin to recognize the next member.

In terms of speaking order, we will follow the order set forth in the House rules, beginning with the chair and ranking member, then members present at the time the hearing is called in order—and will be recognized in order of seniority. And, finally, members not present at the time the hearing is called.

Finally, House rules require me to remind you that you have set up an email account to which members can send anything they wish to submit in writing at any of our hearings and markups. That email address has been provided in advance to staff.

This morning, or this afternoon, we welcome the Acting Director of the Office of Management and Budget, Shalanda Young. I should say we welcome back because the committee knows the Acting Director very well. She worked for the committee for 14 years serving as Democratic staff director beginning in 2017.

I am thrilled that President Biden has chosen Ms. Young for this role. He could not have made a better choice for one of the government's most important and influential positions.

Be warned, Ms. Young, that we know well the great job you did on the Appropriations Committee, and will have equally high expectations to you in your new role. In Chicago, instead of saying to the victors go the spoils, it is the other way around. So congratulations, sometimes condolences. The task is at hand, we know you will do great.

Last time OMB testified before this committee in March 2020, and obviously a big difference in a year. At that time, we heard about a budget that aimed to drastically shrink almost every part of the Federal Government, except for Defense. That view of limited government has not aged well. It was swift action by Congress and execution by Federal agencies that allowed us to deliver much-needed support to the American people during the COVID pandemic, and developed the vaccines that are helping us emerge in this crisis.

This year's budget builds upon the lessons of the last year by recognizing the important role of the government in making long overdue investments in critical domestic programs. The budget proposes necessary increases to ensure that we can deal with the lingering effects of the pandemic, and help us become more resilient against future crisis.

It takes step to address the structural, economic, and racial inequalities highlighted by the pandemic, alleviate poverty, and ensure that we have a society that works for everyone. It recognizes the urgency of taking aggressive action to mitigate an existential threat to America and the rest of the world: Climate change.

I look forward to discussing these proposals with you in more detail, Acting Director. What is true in the large scale is also true in the smaller scale. The last administration undermined the authority of OMB career staff, overruled their expertise to legally delay and divert funds, and attempted to remove their job security. Many experienced staffers left the agency, and we fear they may have left Federal service forever.

According to the most recent Federal Employee Viewpoint Survey, job satisfaction at most agencies improved in 2020, but it plunged at OMB by 16 percent. This year, the new leadership team is placing the priority on supporting and expanding the OMB career staff. The agency is asking for \$121.9 million in fiscal year 2022, a 14.3 percent increase over fiscal 2021, to help rebuild the agency's expertise and morale.

Acting Director, I look forward to discussing with you in more detail these OMB initiatives and how you will leverage the experience you gained at the committee to maximize the impact of any new Federal agency. Again, congratulations on your new role.

Before we turn to the Acting Director, I would like to recognize Ranking Member Mr. Womack for his remarks.

Mr. WOMACK. Thank you, Mr. Chairman.

And welcome back to the committee, Acting Director Young. Let me congratulate you on your confirmation. Thank you for your years of service to the committee and the American people. We have missed you, but are pleased that such a talented and dedicated person is managing the budget process for the new administration.

And let me just say, as a matter of personal pride, the work that you have helped us do on the Joint Select Committee on Budget and Appropriations [inaudible] Provided opportunity for future activities along that front.

You are in charge of [audio malfunction] As the country struggles with the health and economic impact of COVID-19. I appreciate the hard work of all the staff [audio malfunction] Mandatory and discretionary spending along with massive tax increases.

I am concerned that the excessive level of Federal spending by this administration will lead to both inflation and historically high debt that will hinder the recovery and burden future generations of Americans. I am also troubled that while proposing significant spending increases for most agencies and programs, the administration's discretionary proposal shortchanges the resource needs of our military and for border security. Our Nation faces real national security threats from adversaries, such as China and Iran, and now is not the time to be complacent.

Regarding the border, I have seen firsthand the crisis currently underway. I would encourage you and every senior official in the administration to visit the border and observe how dire the conditions at our southwest border have become. We should be increasing resources for border security instead of ignoring the situation and allowing this humanitarian crisis to continue.

I am also very troubled with the administration's tax proposals. I don't see how increasing taxes on American corporations will unleash economic growth, create jobs, and help American companies compete globally. I understand the administration can propose an aspirational budget, especially in a year without budget caps; however, I hope that you will work with leaders on both sides of the aisle as this process unfolds to come to bipartisan and bicameral agreements.

Using partisan tools such as reconciliation to force through the current majority's policies is not a long-term solution to our challenges, especially during times when the majority party frequently changes from one Congress to the next.

Regarding the budget request for OMB, I believe a 14 percent increase over the current year is excessive; however, I will work with Chairman Quigley to ensure that you have an appropriate level of resources to complete OMB's important work.

Director Young, I look forward to working with you in your new position. Hopeful to have a successful, bipartisan appropriations process this year, and let's pray that we can get it on time.

Thank you, Mr. Chairman. I yield back.

Mr. QUIGLEY. Thank you, Mr. Womack.

Next, I will turn to our distinguished chair of the full committee, Ms. DeLauro.

The CHAIR. Thank you. Thank you, Chairman Quigley, and thank you, Ranking Member Womack.

And I am delighted to be here today to welcome Acting Director Shalanda Young back to the Appropriations Committee and offer my congratulations. During her 14-year service on this committee's staff, I saw firsthand her commitment to America's working families. And Acting Director Young understands the profound role that government can play in improving people's lives. She understands

that while ensuring our government services and programs are effectively funded and efficiently managed may not seem like the most exciting role of government, but it is the most important.

Like the Appropriations Committee, the work of the Office of Management and Budget touches every aspect of our daily lives. By distributing funding to the programs and services that need it most, OMB encourages jobs, businesses, communities, opportunities, and our Nation to grow, which is also what the Biden-Harris administration's budget does by sowing the seeds of prosperity in the lives of working families, the middle class, and the vulnerable.

It begins the long process of growing our Nation back from the declaration of this pandemic, and the decades of disinvestment that have starved our communities for far too long. More specifically, the Biden-Harris administration's budget increases investments for schools and childcare; it protects workers and strengthens the safety net; it expands local food systems and works to address the existential threat of climate change; it begins to rebuild our public health infrastructure, provides millions for gun violence research, and makes investments to address the opioid, mental health, and maternal health crisis.

I am especially pleased that it enables more women to access safe, affordable, reproductive healthcare, and I am proud that it not only strengthens our Nation at home but restores America's place in the world.

I might add that this budget blueprint would not be what it is today without the tireless and dedicated work of the OMB staff, including Acting Director Young. That is why I am glad to see a funding request of \$121 million for OMB, an increase that would boost the morale of OMB's public servants and restore expertise to an agency that has been abused over the past 4 years.

I am eager to get to work turning this blueprint into funding bills that will meet the challenges and the opportunities of this historic moment. So, again, I say thank you to you, Acting Director Young, for your work, and thank Chairman Quigley and Ranking Member Womack, and I yield back.

Mr. QUIGLEY. Thank you, Madam Chairwoman.

And, Acting Director, I want to thank you again for being here today. Without objection, your full written testimony will be entered into the record. With that in mind, we ask for you to please summarize your opening statement in about 5 minutes.

And before you begin, let me just say, from my heart, and I think most members feel this way, I don't know of anyone in government who has earned their position through hard work, dedication, and accomplishments than you. So, again, thank you for your service and thanks again for being here today.

Ms. YOUNG. Thank you, Chairman Quigley, Ranking Member Womack, Chairwoman DeLauro, and I would say members of the subcommittee, but really it is more like friends and family. This is surreal. It is like talking to extended family members and coming back home. I know you will be tough on me today, and we will have a healthy dialogue, but I really can't tell you what it feels like to come back and talk to all of you in this position.

And thank you for the chance to be here today. The President's fiscal year 2022 budget request for the Office of Management and

Budget is to discuss the details many of you have outlined. The full request of \$121.9 million represents a 14 percent increase over last year's enacted level, consistent with the budget's general approach to restore staff capacity at agencies after a decade of harmful spending caps.

This increase would allow OMB to rebuild the agency's career staff and to continue its pivotal role in developing and executing the President's budget, overseeing the performance of Federal agencies, and ensuring an efficient and accountable government, which I think are goals we all share.

The incredibly hardworking career staff at OMB have been running a marathon, and they need these critical resources to continue effectively serving the American people long after my tenure with the institution is over. The fiscal year 2022 request reflects an investment in our outstanding career workforce at a moment when OMB has taken on numerous new responsibilities and faced persistent staffing shortages.

Over many years, OMB staffing levels have declined and staff have been realigned across the agency, leaving many offices at historically low staffing levels, as much as 30 percent below fiscal year 2012 levels, in some instances. The requested increase is entirely for career positions, and more than half of the estimated increase in staffing is for existing positions that OMB has not been able to fill since fiscal year 2020.

OMB is also requesting \$10.4 million for the Information and Technology Oversight and Reform Fund, what we like to call ITOR. The requested ITOR funding also represents an investment in staff enabling the OFCIO to reach 46 full-time employees. This staffing level is critical to the delivery of the OFCIO's important mission of providing strategic direction and oversight for the development and management of IT and cybersecurity across the Federal Government in the wake of SolarWinds and other recent attacks.

OMB's request also includes funding to restore a paid intern program, which I know many of you on the Hill are operating under and helped start on Capitol Hill. That is key, we believe, to establishing a strategic recruitment and outreach effort to strengthen the pipeline of diverse and historically underrepresented candidates into OMB, and to promote the administration's efforts to advance equity, remove barriers to equal opportunity, and attract top talent that reflects the full diversity of this Nation.

I will point out, I started in Federal budgeting through the presidential management intern programs, now the fellow program, so these programs really do create a pipeline that pays dividends.

Before I close, I would like to speak to the President's overall fiscal year 2022 budget request. Under the President's leadership, our country is getting back on track after one of the most challenging periods in our history. At least 63 percent of Americans have now received one vaccine shot. The economy has added 2 million jobs since the President took office. The unemployment rate has dropped to 5.8 percent, the lowest since the start of the pandemic.

A very encouraging sign is the decline we see in the long-term unemployed, by 431,000 last month, as well as the decline in those seeking initial claims of unemployment, by about half of what they

were in January. All of this is due, in no small part, to the American Rescue Plan, which put money in pockets and shots in arms.

The President's budget before you builds on this economic momentum to reimagine a new American economy that invests in the middle class and those trying to break into the middle class.

The President's fiscal year 2022 budget details the President's agenda for this year to help grow the economy, create good-paying jobs, and do so responsibly by requiring the wealthiest Americans in big corporations to pay their fair share. It includes the two historic plans the President has already put forward: the American Jobs Plan and the American Families Plan, and reinvests in education, research, public health, and other foundations of our country's strength through the discretionary request.

The budget also calls on Congress to take action this year to lower prescription drug costs, and expand and improve coverage. And it does all of this while proposing long overdue changes in our Tax Code that will improve our country's long-run fiscal health, and help lay the foundation for shared prosperity.

Thank you for the opportunity to be here today, and I look forward to your questions.

Mr. QUIGLEY. Thank you. We will now turn to questions. With the utmost respect, I will defer to the chairwoman of the full committee, Ms. DeLauro, if for any questions she might have.

The CHAIR. Thank you very much, Mr. Chairman.

I have a couple of questions. I will try to do it in the allotted time. The budget does propose sweeping generational changes, restructures the role of government, expands economic opportunity, improves education, deals with a climate crisis. But it also includes programs that continue to address the pandemic, and its economic and health implications, the racial and economic equity, and public health infrastructure.

As pointed out, many of these proposals are in the American Jobs Plan, the American Families Plan, which is bundled together, much of the administration's infrastructure, caregiving, and educational legislative proposal.

The budget proposal is not about returning to normal. For far too many Americans, normal was never fair, equitable, or just. Can you discuss how the President's budget moves us forward to build that architecture for the future?

Ms. YOUNG. Madam Chair, that is a great point to start out with. We think we are on the right path, thanks to the passage of the Rescue Plan to full recovery. We have the 5.8 percent unemployment, the lowest it has been since the start of the pandemic. We think that assistance has put us on the right track.

What the Jobs and Families Plan is intended to do is exactly what the President has promised the American people before the pandemic was not good enough. We have to reimagine the economy so that all can share in the prosperity of this country.

You talked about pandemic response. A lot of the pandemic spending last year was to play catchup, because we had underinvested in public health and a lot of other discretionary places long before that. So you will see this budget invest in CDC. It provides a \$1.6 billion, 23 percent increase, the largest in nearly two decades. And we think that is necessary to look forward and retool,

and make sure we are not just getting back to where we were, but building back better.

The CHAIR. You mentioned the pandemic, and if you could just elaborate more on the investments across the agencies with respect to the pandemic resilience and recovery. Look, you know as well as I, and you know my view on sequestration and the damage that that has inflicted on the limits of non-defense discretionary spending, so—and you are right; that hindered our response to the pandemic.

So just thinking about some of these investments and where you think that we are able to go with that, and if we have the—if the direction has been outlined for the future on this and post pandemic.

Ms. YOUNG. Thank you, Madam Chair. I will start with where I ended the last question. You will see a 23 percent increase for CDC in this budget on the discretionary side. The budget also provides new flexible spending for public health infrastructure for States and territories, something many of them called for during the pandemic. It also includes funding to build international capacity to detect global emerging threats and pathogens, and it provides nearly \$1 billion to restore the strategic national stockpile.

In the Jobs Plan portion of the budget, we invest \$30 billion over 4 years for pandemic preparedness. And this funding, we hope, will accelerate development of vaccines against pathogens for each of the viral families, so we have a good basis to respond to what hopefully is only once in a generation, but we owe it to future generations to be prepared.

The CHAIR. Thank you. And my last point would be to say is, what my hope is, is that I think the Rescue Plan really laid out the parameters of where our focus is, and that is middle class, working families, the vulnerable, and the benefits are going there. My hope is, is that with the—both the Jobs Plan and with the Families Plan, that we will incorporate the infrastructure piece, but we will not leave behind the care economy and the infrastructure as well.

Some of that is built in, and my hope is is that as we move forward and we look at the negotiation around these issues, that we will not leave behind things like childcare and the long-term services in healthcare for people, that that has got to be critical to buttressing both jobs, infrastructure, and a care economy that we need for that architecture for the future.

Thank you.

Ms. YOUNG. Thank you, Madam Chair, and you see all of that presented in the budget today.

The CHAIR. Thank you very, very much, and, again, congratulations.

And thank you, Mr. Chairman, and thank you to the Ranking Member Womack.

Mr. QUIGLEY. Thank you.

Mr. Womack, you are next.

Mr. WOMACK. So that means you are going to defer your questions. The Bureau of Labor—

Mr. QUIGLEY. Well, I let the chairwoman of the full committee go before me, so I will go after you.

Mr. WOMACK. And that is very gracious of you, Mr. Chairman. Director Young, the Bureau of Labor statistics reported last month that, over the past year, CPI increased by 4.2 percent, the largest 12-month increase since September of 2008. I am concerned that as the post-pandemic economy grows, and the Federal Government is still spending as if we are in the height of the pandemic, inflation will continue to rear its ugly head. How high will the CPI have to increase before you believe it is a problem for Americans, or do you believe this is really a temporary issue?

Ms. YOUNG. Thank you, Ranking Member Womack. Clearly, we have to watch this. We have a team of economists from Secretary Yellen, Ceci Rouse. Really, we also have to, you know, acknowledge the Fed has the tools to deal with a lot of these issues, but we absolutely are keeping an eye on these.

We do believe, though, that what we are seeing are base effect coming out of the pandemic year with depressed low prices, so it matters what you compare current prices to. And we aren't seeing the long-term indicators that would suggest that we are going anywhere close to the inflation levels I know many of us would be concerned about in the 1970s. So we continue to monitor, but we are just not seeing the long-term effects and think that we remain well-anchored in the long run.

Mr. WOMACK. If inflation becomes a problem, or if it becomes a more long-term issue for the country, we all know that that is going to have an impact on interest rates, and those interest rates are going to impact how much money we are spending to satisfy our debt obligations. But if the inflation becomes a problem, will the administration consider reducing, or maybe clawing back some of this Federal spending, because we have pumped a lot of money into an economy, and I don't think there is anybody on this call today that isn't hearing from their job creators about how many people they are looking for. They have got the "Help Wanted" sign out virtually everywhere in our country.

And, so, we have pumped a lot of money into the economy, we are creating a lot of demand because of this money, and then we are having difficulty matching the supply to the demand because we just don't have the available workforce. So like I say, if this becomes a problem, or continues to be a problem, will you consider reducing the Federal Government's impact on it?

Ms. YOUNG. Ranking Member Womack, I want to make sure I point out, kind of in reference to what I talked to the chairwoman about. Yes, we believe we appropriately spent it a time when Americans were dying at a rapid rate of COVID for the Rescue Plan. Jobs and Families make long-term investments where we don't see an overheating, because we are pacing it over a 10-year period, the spending. So we have hopefully, you know, thought about this issue of overheating in a responsible way, where you see a long tail on the spending, this is about transformational change.

And, you know, I heard also a little, and I don't know if you want me to respond to the idea of, you know, shortages, those people looking for jobs. You know, I know some people have suggested unemployment enhanced benefits might play a role into that. That was always intended to be temporary. Those proposals do lapse in September.

But we—before any of the ideas of pulling the \$300 from some governors, which is their right to do, we still saw, I think, a strong growth pattern in the last job report with 559,000 jobs, including great numbers on low-wage jobs, which we like to see.

But, yeah, we are going to have to—we are going to see wage growth. We have to see wage growth. People are going to have to pay their workers more. So I think these are complex issues, you are absolutely right, we are going to have to look at and play close attention to, and this team is.

Mr. WOMACK. So a real quick question about debt and deficit and then I will yield back, and that is, and, I mean, we are in uncharted territory, in my opinion. Debt held by the public can grow from \$21 trillion in fiscal year 2020 to \$39 trillion in [audio malfunction]. Are you concerned about deficit spending if the interest rates continue to rise, or if they go up, and which we all assume they will?

Ms. YOUNG. Ranking Member, you went out a little but I think I got the gist of it. We do think it is important that we put forth a fiscally responsible plan. You may disagree with the offsets, but the President's policies are fully offset. Over a 15-year period, you see jobs and families fully offset. Over a 20-year period, you see a reduction in deficits of \$2 trillion.

Clearly, the debt is a different issue. We see the aging of our population, and some other key measures, I know you know, as the former Budget Committee chairman, that play into those numbers. But we also have to look—we are living under low interest rate times, and we are paying less on real debt service payments, which we think is a bigger indicator of fiscal health.

Mr. WOMACK. Mr. Chairman, thank you for the opportunity. I yield back.

Mr. QUIGLEY. Thank you. And just so your folks can check it out before I begin, your service seems to be popping in and out a little bit occasionally.

But, Acting Director, let me ask you, let's talk about the FBI Building. You know, the GSA comes through this subcommittee. In 2021, we included language requiring GSA to set up a plan for the new headquarters during conference negotiations that turned to statement language. But does the administration currently have a plan to provide to Congress about the—a new FBI Building?

Ms. YOUNG. This administration is coming up here. We think it is appropriate to review where we are with regards to the FBI Building. We have to work with the FBI to figure out what the Director believes is an appropriate scope and location. We don't believe we can just pick up where the last administration left off.

So I would think you would want us to take some time and make sure we get this right. You know, it is not only a security issue. I am sure you all have seen the Hoover Building, Mr. Chairman. It is not in the best shape.

Mr. QUIGLEY. Well, we have pieces of concrete landing on people's desks there, so obviously, not just for their safety, but for the efficient building that keeps us safe.

Ms. YOUNG. That is right. We have to look at the setback requirements. But, you know, the Obama administration had one plan; the Trump administration had another plan; the FBI Director

had thoughts on this, so we—I have had at least two meetings on this. We need to retool and figure out, hopefully, a Biden administration plan that we can see to fruition because the Hoover Building situation can't continue.

Mr. QUIGLEY. And what are we basing this on now? And I am not suggesting anything; I just don't know. Is it the administration's understanding that Congress needs to pass, enact, a legal requirement to move the project forward?

Ms. YOUNG. I would never tell you what steps to take. I can imagine the frustration here, as an issue that has been over now three administrations continues to percolate. You are going to give us a certain amount of time to get this right. So I would never suggest, you know, how you go about expressing those frustrations.

I will agree with you that what we have now cannot continue, but I do think we need to engage in a process with this administration to figure out what those parameters are. We know it makes sense for any government agency to have co-location. Right now, we are in many different buildings. We know the setback requirements can't be achieved necessarily at Hoover, so we are trying to work that out. But I would never suggest—I know it is a very frustrating process, and I have worked on this project for a long time from the other angle. So, you know, I share in that, and we want to move as quickly as possible.

Mr. QUIGLEY. Well, what is your understanding of what the FBI Director wants? Has he expressed anything to this administration about timing or location or desires for the building?

Ms. YOUNG. I have not spoken directly to him, so until that happens, I have—you know, we have had staff speak. I would want to speak to him directly before I suggest his position on such an important issue. But we will be talking, in short order, about this and make sure—I would like to point out, and I know you hear a lot from GSA, but GSA does what the client asks. So we need to get a good understanding of what the client believes its needs are, so that GSA can operate from that standpoint.

And, of course, OMB has some equities to make sure we are doing so with taxpayers in mind, and that we are making smart decisions. So we will weigh into that, but GSA can only do what its client has, you know, scoped out and we really need to work that out.

Mr. QUIGLEY. Well, there is a—as you sense, a sense of urgency on our side, on the congressional side, to move this forward and to get it, as you say, done right. Thank you.

At this point, Mr. Amodei, is recognized.

Mr. AMODEI. Thanks, Mr. Chairman. I appreciate your courtesies.

Shalanda, good to see you. I appreciate you contacting us before the meeting to talk about, I believe the phrase you used was, how I was going to be mean to you or something like that. And after much reflection, I don't think I am capable of being mean to you. So I will go ahead and follow offline on some of the stuff we talked about the agencies, just in terms of follow-up and that sort of stuff.

But congratulations, that is quite a distinguished background you have behind you there. I notice there is a wire going to one of those doors. You have got to find out what that is about. I don't

know whether it is a safety thing or a big brother thing or whatever. But anyhow, make sure you know what is going on with that.

And with that, Mr. Chairman, since the ranking member took so much time, and in consideration of the committee's—the importance of the committee's time, I yield back.

Ms. YOUNG. And, Mr. Chairman, can I say, I am in the appropriately named War Room. I didn't know what I was coming into, so we are in the old War Room in the Old Executive Office Building. But thank you, Mr. Amodei, for taking it easy on me. But in all seriousness, I have always appreciated your thoughtfulness on issues, and I look forward to continuing to talk to you.

Mr. QUIGLEY. Let us know if there is any battle maps in there from days gone by.

Mr. Cartwright.

Mr. CARTWRIGHT. Thank you, Mr. Chairman.

And, Acting Director Young, it is great to see you. I want to talk about, you know, personnel. I want to hear a little bit about quantitative, but a lot about qualitative, you know, your view of the matter.

What we have seen, you know, during my entire time in the Congress, is an erosion of numbers of people working in the government, you know, following this philosophy that smaller government is better. And, so, we have seen things happen like, you know, during the pandemic, when we were depending on employees of the Treasury Department to get out relief money, checks, get relief out to the people in the entire Nation, because they had—the numbers of people working in Treasury had been dwindling, and at the IRS over the years, they were unable to meet those requirements.

And, you know, Members of Congress, like me and like all the other members of this committee, we would call up the IRS and want to help constituents, you know, get their relief money during the COVID crisis, and they didn't have enough people to answer the telephones.

And then we look at the Post Office, you know, what has happened to postal delivery service under the philosophy that less government is better, and less money going into public services is better? I mean, holy cow. I had somebody call me up and tell me that it took a month—a month for a letter to be delivered from Wilkes-Barre, Pennsylvania, to Scranton, Pennsylvania under the current Postal Service standards.

But OMB, your department, over the past decade, there has been a decrease in full-time equivalents from 527 in 2010 to 466 in 2019. And in the current budget, of course, OMB is asking for—finally, asking for an increase of 39 FTEs and some new paid internship programs. I fully approve of that.

But I want you to comment, if you would, Acting Director Young, how have these issues of decreasing and fluctuating staff and losing people by attrition, as well as the erosion of expertise and morale under the prior administration, how have they affected the ability of OMB to be effective and do its job?

Ms. YOUNG. Well, one, I am glad to talk to you about this in an Appropriations Committee setting, because these are not necessarily the issues you get a lot of traction for. Really, if the appropriators don't pay attention to this, we often, you know, forget

about what these investments mean. A lot of people look at programs and spending. Well, it matters how we implement them. If we don't have the staff available, we miss things. So we really see a degradation of services to the American people, and we do a disservice.

The career civil servants, let me—there is a reason we hired a lot of Office of Management and Budget staff on the Appropriations Committee, both sides of the aisle. They are the ultimate professionals. You want them regardless of what party occupies the White House. They bring the expertise needed.

They know the historical knowledge of these programs. They can tell you when you want to undertake a, frankly, not smart initiative, and point out the 20 reasons why you shouldn't—you could still do it, but you can't deny that you have the expertise behind you explaining to you what roadblocks and why—you know, why that might create long-term problems for the country.

And I think you would find that same level of dedicated staff from NIH scientists, like myself, a former NIH budget, you know, budget nerd, to DOD civilians. You know, I really think we do ourselves a disservice not investing in them because they keep us honest no matter who is in power here, and that is why we have the investment in career.

Mr. CARTWRIGHT. Well, let me ask you this: What are you planning to do to fight the recent erosion of expertise and morale at OMB?

Ms. YOUNG. The first step is asking you to consider seriously rebuilding. We have what we call RMOs, so the office that deals with—they are almost by subcommittees. If you think of them as how we separate Appropriations Subcommittees, so each of them looks at pieces of the budget they are experts in. We have seen extreme erosion in the environmental staff, in the international and defense staff, but if you look at where we would put the staff, we try to rebuild evenly across all of the offices of OMB.

Really, I just want to reiterate, this is not about me. We will see the fruits of this labor if you approve it, you know, after I am gone. This is really about making sure that the American people are served.

Mr. CARTWRIGHT. Well, thank you, Acting Director Young.

And, Mr. Chairman, I yield back.

Mr. QUIGLEY. Thank you. The gentleman yields back.

Mr. Stewart is recognized.

Mr. STEWART. Thank you, Chairman.

And, Ms. Young, thank you for being here. We are proud of you. It is an honor to have you. Congratulations. I appreciate having the chance to talk with you last week and, as you said, to have a robust conversation today.

I will simply say, I recognize this is the President's budget, and I don't believe it is fair to criticize the messenger. I believe it is your job to defend this budget; I understand that. I think it is a difficult task. I think, frankly, some of it is nearly indefensible, and I want to mention just a few before I get to my question, but they are so troubling to me.

And, by the way, there is many more that I would mention, but just for clarity of time, I won't. I don't understand how the budget

request for defense is actually below the rate of inflation, and the reality is, is that is a cut to the Department of Defense. If we are not keeping up with the rate of inflation, that is a cut to the Department of Defense. I just think that is inexplicable in this day and age.

And, by the way, when other agencies are getting double-digit increases, I think this turns a blind eye to the realities of the world. At a time when we have got approaching nearly 200,000 illegal border crossings every month, the President's proposed a reduction in DHS funding.

And, finally, one more I want to mention briefly is the Hyde Amendment. This has been bipartisan for generations, including it was bipartisan support from the President. I don't understand why he would take such a divisive proposal and insert that into the budget.

But the thing I want to focus on, Ms. Young, is some of the numbers—and some of them have already been mentioned by the ranking member—consumer price index increase of 4.2 percent, the highest in a long, long time. And as the pandemic economy grows, the Federal Government spending, I don't think that the Federal Government spending helps the problem, I actually think it makes it worse.

I mean, we are talking about \$6 trillion spending every year for 10 years, which would be at least a \$1.3 trillion deficit every year for 10 years.

And I know you have partially answered this question, but I would like to re-ask it, and maybe with more specificity, and that is, if the consumer price index were to, you know, say it is 4.3 now, but say it was 10 percent, I mean, at what point would the President become concerned to suggest, well, we probably need to address and reduce our spending.

If the CPI was 10 percent, do you think the President would be willing to cut spending at that point? Or at what point between now, 4.2 and the President says, no, we want to suggest more spending, at what point would it be too much? At what point would the CPI be too high and the President want to address the spending and the deficit?

Ms. YOUNG. Congressman Stewart, thank you for your question. It was a pleasure talking to you. Look, we have our hands full dealing with, you know, real-life recovery out of pandemic. We certainly won't pontificate on, you know, hypotheticals in the budget. Clearly, inflation is one thing we look at when we are dealing with a complex—trying to bring a complex economy out of a pandemic. I am not sure anyone in this generation has ever had to do that.

But what we are seeing now does not indicate that this is a long and persistent issue, and I will remain—the long-term indicators matter in whether we are well-anchored in those indicators. But what we are seeing are, we believe, base effect coming out of a pandemic year. But, absolutely, we have to, you know, monitor this situation closely.

Mr. STEWART. And that actually leads me to my second question that I wanted to follow up with you, Ms. Young, and that is, I understand that we have had some chokepoints in supply chain, but that does not explain by itself—it doesn't begin to explain the pres-

tures on the economy and I think these inflationary pressures, and yet we are told by you and the President and Ms. Yellen and others, these are transitory. But what evidence do you have that these actually are transitory inflationary pressures?

I mean, when we are suggesting the type of spending that we are, when the Federal Reserve, as we know, has, I think, used virtually every tool available to them, why do you actually believe this is a transitory and not a systemic long-term economic environment? We are going to be dealing with inflation perhaps for years.

Ms. YOUNG. I am happy to say, this isn't just the administration saying this. We are also looking at, and we think we are in a similar place as market forecasters. So, yes, if we were the only people saying that, you know, I would understand the concern, but we are in good company in believing these are short-term transitory effects of the economy.

Mr. STEWART. Well, and I am out of time. I appreciate it. I mean, again, I don't think you answered my question since I was asking what the evidence is. I know there is some people who agree with that, but people are wrong all the time. Economists are wrong all the time. My heavens, I am an economist. I was trained in economics, and I know we are wrong frequently. But, Ms. Young, it is good to be with you and look forward to continuing the conversation.

Ms. YOUNG. Thank you, Congressman.

Mr. QUIGLEY. Thank you. The gentleman yields back.

Mr. Bishop is recognized.

Mr. BISHOP. Thank you, Mr. Chairman.

And let me welcome the Acting Budget Director, Ms. Young. Thank you for your conversation earlier in the week. And let me associate myself with the laudatory remarks of Chairman Quigley, Ranking Member Womack, as well as Appropriations Chair Ms. DeLauro. I think I could speak for the entire Appropriations Committee in saying that we are busting with pride to have one of our family in that position. You have a portfolio of skills that are needed to effectively lead the office, and I am glad you are there.

Let me go directly to my question here. On January 19, 2021, the Metropolitan and Micropolitan Statistical Area Standards Review Committee posted recommendations to OMB concerning changes to the 2010 standards for delineating metropolitan and micropolitan statistical areas. These recommendations would raise the minimum population of cities that constitute the core of metropolitan statistical areas from 50,000 to 100,000. The proposal will go into effect in 2023.

Under the current rules, metropolitan statistical areas have urbanized areas of 50,000 or more people. The latest OMB recommendations could have significant unintended negative impacts to the six Georgia cities that are currently located and designated metropolitan statistical areas, as well as have devastating effects on rural communities throughout the State.

Our rural communities are concerned that more micropolitan areas would increase the competition for Federal funding that is targeted for rural areas. In March, there was a bipartisan letter that was signed by 15 Democrats and 38 Republicans, which was sent to OMB, expressing our concerns about these recommenda-

tions. Can you give the subcommittee an update on the status of these changes?

Ms. YOUNG. One, Mr. Bishop, this issue, unlike any others since I have gotten here, shows bipartisanship is alive and well. I have heard from Members on both sides of the aisle, Senate and House, about the problems this, if it went into effect, would create.

We had a public comment period. You probably know, after the initial change was released January 19, we, you know, heard the outcry, but we also thought that it was appropriate to continue an open process and we received public comment. I am waiting for the analysis from staff about what the public comment showed us, and we will make our final decision based on the comments we get—we receive from that public comment period. And I certainly hope, given the hugeness it means for many locals and their programs, I understand the nervousness it is creating, that we can make a decision soon.

Mr. BISHOP. Thank you. Thank you for that. Let me switch gears for a moment. Can you tell the subcommittee what you envision the role of the Deputy Director of Management to be under this administration, especially in relation to the Director of the Office of Personnel Management?

The Director of Management's responsibilities are codified, I think, in 31 USC 503. In your view, are there any amendments to the statutory authority that would better define or clarify the DDM's position, and in what specific ways would you expect the DDM to assist you in managing and administering the agency?

Ms. YOUNG. Thank you, Mr. Bishop. This side of OMB doesn't get nearly the attention it should. It is extremely important. As we talk about the management challenges throughout the government, you often see in the GAO high-risk lists. Many of those are management challenges that have built up over two decades.

So I certainly expect Jason Miller, who's our Deputy Director for Management, who's confirmed by the Senate, to tackle those issues heads on. Typically, we work very closely with agency deputy directors who often deal with, like, the day-to-day management issues. Jason has begun meeting with all the confirmed deputy directors to get a head start on these really tough issues that have been persistent problems, like human capital, we have to get right.

And speaking of human capital, and how we work with OPM, we expect he and the OPM Acting Director will keep a close line of communications. Often, OMB will send out the broad management guidance to agencies and OPM will follow up on the detailed prescription to agencies on how they expect implementation of the broad OMB guidance sent out.

I don't think that is different than how other administrations have dealt with the OMB management role in OPM, so we expect that to continue. But we expect a significant focus—we are sick of seeing some of these issues never get resolved, and I know Jason is up for the challenge, and we expect big results.

Mr. BISHOP. Thank you, Ms. Young. My time is expired, and, so, I yield back my exhausted, unexpired time.

Mr. QUIGLEY. The gentleman yields back.

Mr. JOYCE is recognized.

Mr. JOYCE. Thank you, Chairman Quigley.

And it certainly is a pleasure to be with you today, Acting Director Young. I know this may surprise you, but I want to ask you about the Sage Grouse. Obviously, Amodei must have his volume off because—no, we had a lovely discussion the other day about the Great Lakes, and I won't bug you about the Sage whatever the hell it is called.

And I appreciate that the President's budget, while increasing, it did not—the Great Lakes restoration initiative did not go to \$375 million that was authorized. But I am sure that as you move the numbers around, you will be able to find the appropriate number there.

But as you also know, the pandemic has, unfortunately, led to a troubling rise in addiction and drug abuse in many communities across the country. This is especially concerning for Ohioans with the work we have done to combat the opioid epidemic. It is at the risk of coming back after we were starting to finally starting to make it down the turn.

In February, I introduced H.R. 654, the Drug-Free Communities Pandemic Relief Act, which would boost Federal resources to the drug-free communities program and put money in the hands of local leaders to identify and respond to drug and alcohol problems in their communities.

The drug-free communities program, which is funded by this subcommittee through the Office of National Drug Control Policy, has a proven track record of reducing drug abuse. How does the President's fiscal year 2022 budget support this, and other programs which are critical to responding to this concerning upward trend of addiction we have seen in the last year?

Ms. YOUNG. Congressman Joyce, I didn't hear you that well, so if I don't address anything, feel free to ask me to. And I think you were joking about the Sage Grouse, so I am just going to talk about drug-free communities. But the budget includes \$1.4 billion in discretionary funding for health workforce programs and HRSA, which is an increase of \$156 million, or 13 percent, through that program.

Within this amount, the budget includes \$268 million for nursing programs, an increase of \$4 million over the last year. The budget also includes increases for behavioral health training and activities that seek to improve the diversity of the healthcare workforce.

But I know this issue is of great importance. We're also investing in ONDCP, which you pointed out is in the financial services area. We include \$4 million for administrative expenses over the 2021 enacted level for a total of \$106 million to ensure that ONDCP can provide DFC coalitions with appropriate oversight and timely responses to technical assistance.

So just not ONDCP, we tried to present a fulsome budget that deals with this very critical issue. I know many of you have been leaders in responding.

Mr. JOYCE. Thank you. The pandemic has also taken a toll on the healthcare workforce—can you hear me now? Is that better? Okay—which has unfortunately experienced growth and retention problems for years without actually [inaudible] Doctors and nurses to keep up with the demand.

One troubling report from the U.S. Bureau of Labor Stats projection, an additional 175,900 openings for registered nurses each year over the next decade. As a cochair of the House Nursing Caucus, I made the nursing workforce a priority since coming to Congress. I am also in love with a nurse. This happens to be my wife.

I was glad to see my bill, the Title 8 Nursing Workforce Reauthorization Act, signed into law last March. Continued resources for this and other similar programs are crucial. Lacking healthcare workforce puts stress on healthcare professionals and limits access for patients. What does the President's fiscal year 2022 budget do to address the shortages in this critical sector?

Ms. YOUNG. Congressman Joyce, I would like to point out, we provide \$1.4 billion for health workforce programs in HRSA, including \$268 million for nursing programs. We also include increases for behavioral health training. So we think we do provide a robust budget there, and I hope this allows you to point to that leadership you have provided for these areas when you talk to your wife, and you should take credit for being a leader here.

Mr. JOYCE. Happy wife is a happy life. And I was just kidding about the Sage Grouse, because I saw Amodei come back schooling in with his lunch and everything else, give him indigestion. I am out of time. Thank you very much, Chairman Quigley.

Mr. QUIGLEY. Thank you.

Mr. Pocan is recognized.

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

And it is great to see you, Acting Director Young. We miss you, and we are very excited for the position that you are now in.

If I could just make two quick comments kind of responding to some questions that people did bring up. You know, I just did a roundtable with a bunch of restaurants in the district, and I have been an employer for over 32 years here in my district, and I can tell you that UI is not the problem. A lot of our industries are still really hurting. They are not back and people need the unemployment.

I think when more people get vaccinated and things get to normal there will be less COVID adversity. That is what I am hearing a lot from people going back into the workforce. So I think if we all work on that, including maybe Republican Members of Congress getting vaccinated, we will all be better off and people will be getting back into the market, So I just want to mention that.

And to the questions on defense spending, as I mentioned to you on our call, you know, I do think there have been a lot of overdue investments that I think the President put in his budget. Very grateful for those. However, on defense, in the last 4 years, under the Trump administration, we had a 20 percent increase in defense spending at a time of relative peace that artificially rose—made the number increase quite a bit.

And just the increase alone that President Biden has is more than 50 percent larger than the entire CDC budget, just the increase. So put me on the other side of the column from those other comments that you got just so you have those.

My question today really is, you know, I am so glad we have investments now in a lot of areas that have been neglected for a number of years. But what really got me was an article that came

out this week that says, “You May Be Paying A Higher Tax Rate Than a Billionaire.” And I don’t know if you got a chance to see this from ProPublica or ProPublica.

But I will tell you, it was pretty scary in the sense that, you know, a lot of my—matter of fact, almost all of my constituents are paying a higher tax rate than people like Jeff Bezos and Elon Musk and Michael Bloomberg and others. And, you know, when you start seeing how they have been able to get around paying taxes, it is pretty extraordinary. In fact, at one point, I believe it was Jeff Bezos claimed a \$4,000 child tax credit because of how he was able to maneuver his taxes.

So I guess my question very specifically, because I so strongly believe in the investments that you have in this budget, is, you know, what is the President’s budget doing to tackle this particular problem, and what can we do to make the wealthy and the ultra-wealthy that, as pointed out in this article, contribute and pay at a level that is more in line with where all of our constituents are actually paying taxes?

Ms. YOUNG. Yeah, Congressman Pocan, I am happy to talk about the tax policies in the budget. I do want to point out that I won’t comment on, you know, individual tax mentions. There is an investigation going on about that particular story. So putting that aside, I would like to point out that, as of 2018, the richest 400 Americans were actually paying a lower effective tax rate. That is the total amount of taxes of the share of their income than a household making around \$75,000.

So we do see the, you know, the inheritance tax, the capital gains piece, raising the corporate rate, not back to even pre-tax-cut levels, as a way to begin to bring some equity and fairness into the tax system so we can make those investments in a fiscally sound way.

Mr. POCAN. Yeah, I will tell you that tax fairness, I finally was getting around in my district a little bit post COVID and, you know, had a conversation on this article actually with some folks down at Rock County in my district. You know, when you look at how they have been able to—basically they don’t give themselves an income, right. All of their actual income is through these other investments. There are rates that none of us can actually pay. It really skews it for the wealthiest, and especially the ultra wealthy.

So have you guys looked at all at anything that we can do on the ultra wealthy so that they could, you know, perhaps pay a greater percent of what they are holding as opposed to, you know, just raising that top rate, if they are already not paying that top rate, unfortunately won’t get after some of those folks?

Ms. YOUNG. Yeah. We also do think, if you look at the inheritance tax, which, you know, you do pass that level of wealth on from generation to generation, that is one of the ways the tax policies in here could help bring that fairness to bear and the capital gains changes we have proposed in the budget. I know others have ideas that aren’t reflected here, and we will have to continue to, you know, enter into a debate about that. But we do think the inheritance piece and the capital gains piece does do something about this inherent unfairness.

Mr. POCAN. Great. Thank you. No, I agree with you, and I appreciate that. And I yield back, Mr. Chairman.

Mr. QUIGLEY. Thank you.

If we could all make sure that we are muted when we are not talking, please.

Mrs. Torres is recognized.

Mrs. TORRES. Thank you, Chairman.

And, Acting Director Young—I love saying that out loud—it is really great to see you again, and welcome to our committee. During your time on the Hill, you helped pass historic legislation, and I look forward to your continued success at OMB.

I would like to turn your attention to an issue that is incredibly important to me, and that is the status of 9/11 dispatchers.

Before I ran for public office, I worked for 17½ years as a public safety telecommunicator. The experience drove me to run for office. As a public safety telecommunicator and 911 dispatcher, every time you pick up the line, you make life-altering decisions.

I regularly coached people through CPR. I talked people out of suicide. I provided situational awareness to officers during armed pursuits and many other very dangerous situations. I talked to a fleeing suspect, one specifically who barricaded himself inside a mini-mart while he held a gun to the head of a cashier.

And, of course, I will never forget 11-year-old Yahaira as she screamed her last words, “Uncle, please don’t kill me, it is not my fault,” while being shot five times point-blank after her head was bashed against the wall of her living room.

The work I did was protective. I was present in the room when those crimes occurred. And the courts confirm that and agree with that statement, because I often was called to court to serve as the witness to the crime. In the case of little Yahaira, there was a dispute of how many shots were actually fired. I heard five. I told the officers five. And eventually they found five shells. I was present.

Because of the protective and stressful nature of this work, PTSD rates for this profession are around 18 to 25 percent, comparable to combat veterans. Unfortunately, OMB’s Standard Occupational Classification, SOC, catalog categorizes public safety telecommunicators as office and administrative support occupations. This includes secretaries, office clerks, and taxicab dispatchers.

This is based on an outdated view of the work that is actually being performed. To classify a profession that is a primarily female workforce, many of whom are single parents, as secretaries is antiquated, and it needs to be changed.

So, to address this problem, I introduced the 911 SAVES Act, a bipartisan bill that directs OMB to classify public safety telecommunicators as a protective service occupation. However, we don’t need to wait for this bill to pass to update this classification. OMB can change the SOC to reflect the accurate nature of this profession on its own.

So, Acting Director Young, will you commit to reexamining the misclassification of public safety telecommunicators under the SOC?

Ms. YOUNG. So, one, thank you for bringing this to my attention. You know, I want to thank you for your service. I mean, what a harrowing role to be in. And I have such strong, you know, strong

feelings of support for what you described and also the honorable work other dispatchers do across this country. You don't think about it often, but hearing you explain that, I think, brings it to the forefront for all of us. So thank you very much.

You are absolutely right; OMB does periodically revise the SOC, the Standard Occupational Classification. It was last revised in 2018. And we need to make sure we get input, including yours, when we next update that document. And we will make sure to consider everything you brought up today when we review that.

And I encourage—you know, I hope all participate in that public comment process, because we really do make better decisions when we hear from those who have done the jobs and who know how these jobs really are.

So I want to thank you for bringing this up and bringing it to my attention.

Mrs. TORRES. Thank you.

And I yield back, Mr. Chairman.

Mr. QUIGLEY. Thank you.

Mrs. Kirkpatrick, please.

Mrs. KIRKPATRICK. Thank you, Mr. Chairman. Thank you for having this hearing.

Thank you to the Director for appearing before us. A couple of questions I have for you. First of all, it is great to see you. And you have been a tremendous help to my office, and I thank you for that. It has really made a difference for my district, so thank you, thank you.

I was especially pleased to see that you are seeking funding to restore OMB's paid internship program. I use a lot of interns in my office, and it allows us to hire a diverse group of talented individuals who may not have otherwise been able to afford living and working in D.C.

How important do you see this internship pipeline as being to OMB's future? And, in a broader sense, how does this budget request ensure OMB is able to fill its ranks with topnotch talent moving forward?

Ms. YOUNG. One, you know, Federal budget work is not something you find a lot of experts, even amongst government employees. So we absolutely, you know, need a pipeline of people who are experts in this field. The internship is one way to develop that.

I talked about the Presidential Management Intern Program, now Fellows Program, that OMB has greatly utilized. I participated in that. I am, you know, diverse in many respects—you know, racial diversity; I am from a small town of 1,600. I am not sure I would have found my way into the Federal Government, into Federal budgeting, if it wasn't for an intern opportunity that allowed me to really think about Federal budgeting. Even if I was interested in government, it is not the first thing people think about when they think about government service. So I have seen it play firsthand with myself.

And I think all of us know we are better served with people from geographic diversity, from ethnic diversity, all walks of life of the American people, because you want people looking at budget resources from different vantage points. And that is really what we are trying to achieve.

Mrs. KIRKPATRICK. I really appreciate that answer. You know, we want a diverse group of talented individuals, and I think the internship pipeline is a great way to fulfill that.

I have one other question, and that is: In addition to sitting on FSGG, I also sit on the Defense Subcommittee, so I certainly understand how important it is that the United States have a strong national defense and well-funded and -equipped military.

That said, it is clear, defense spending has grown disproportionately quickly to nondefense discretionary funding. The President's budget calls for an over-\$100-billion increase in this nondefense spending. In my view, this is an incredibly important investment in our Nation's future.

But I would like to hear from you, as Acting OMB Director, why is it so important that we rebalance the scales and make sure we are investing at least as much in nondefense spending as we do in defense spending?

Ms. YOUNG. One, if we could take a step back and talk about this line of defense and nondefense. And, remember, in nondefense, we also have several things that ensure that this country, you know, remains competitive with countries like China. It is just as important, what we spend on research and development to remain leaders in the world. Our economic strength is just as important as the strength provided, you know, through our military might.

So the increases you talk about, nondefense, discretionary, to us, you know, they are necessary pieces to maintain our position in the world and rebuild that position in some ways.

One place we are rebuilding is in diplomacy. I think General Mattis said it best: You reduce your diplomatic budget, you may as well buy him more bullets.

This budget reinvests to make sure that our strength is not just in one place but it is in our economic outlook and it is in our diplomacy. And, you know, I think we have to look at national defense from that broader lens.

Mrs. KIRKPATRICK. Thank you so much. Like I said, it is great to see you again.

I yield back.

Mr. QUIGLEY. Thank you.

Mrs. Lawrence is recognized.

Mrs. LAWRENCE. Thank you so much.

And to our amazing interim acting chair, whatever your title is, you are amazing beyond titles.

I want to take a moment to focus on the President's budget. A Federal budget is a statement of our national values. The budget is a once-in-a-generation investment in America to help grow the economy, create good-paying jobs, and to make us more competitive globally.

My question is: President Biden has said he wants to make racial equality the business of the entire government. In addition to programs that deal exclusively with racial equality, how are you working to ensure that the issue of racial equality is considered in everything budgetary that the government does?

Ms. YOUNG. Thank you for that.

Congresswoman, the foundational human values of equity, justice, and fairness are embedded throughout the President's budget, and I am proud to have been a part of that.

You can see this budget commitment to racial equity in everything from housing and healthcare to education and small business support, to addressing the climate crisis and criminal justice reform. You forget about climate with regards to those, you know, equity issues, but that is exactly why we have robust funding in our environmental justice pieces that you see mostly in EPA.

It reflects this administration's view that advancing racial equity requires a whole-of-government approach. So it goes even beyond the budget in how we implement programs, make sure we are using a lens to ensure that taxpayers from all walks of life get those investments back. And that is also a great way to grow the economy and make sure we aren't leaving people behind and that our government is working for all citizens.

So you see it in our budget; you see it in the executive order the President signed on this issue. And we are fully committed to making sure this isn't just a short-term initiative but just a different way of looking and doing business.

Mrs. LAWRENCE. Thank you for that. I appreciate everything the President has done. And I want to count on you, in your role as Director, whatever status that is, is that you will continue to use your bully platform to raise your voice when you see the budget leaving that place, that we are leaving the racial diversity.

I have one other question. The pandemic has worsened the challenges, including the physical infrastructure, lack of access to childcare education. And the childcare is something that is very important to me as the co-chair of the Women's Caucus.

How does the President's budget help create long-term solutions to deal with these structural issues—healthcare, education, childcare?

Ms. YOUNG. Congresswoman, one, I would like to point out, there are several pieces. You have to look at, on the discretionary side, we make a historic investment so that the annual budget is more reflective of, you know, probably shortfalls in the block grant program that existed for a long time. We have increased that program by 25 percent to \$7.4 billion. But also what is needed is a transformational investment, and you will find that in the Families Plan.

Mrs. LAWRENCE. Uh-huh.

Ms. YOUNG. So we think it is important that, both on the appropriations side, with the annual influx of the block grant, that has to also be, you know, to ensure that, when Families runs out in the long run, we are spending up so there isn't also a big cliff at the end of the Families Plan.

So we certainly hope, you know, Congress looks at both those pieces. We think they work well together; they are complementary. So we need both the large investment in childcare to be transformational but the appropriations and annual process to slowly build to make sure we are keeping up with inflation in a way that we haven't been over the last probably more than decade in childcare.

Mrs. LAWRENCE. Thank you so much. That is why we need you in this position, and I am so glad you are here. Because your lens of looking at how we appropriate and budget and pay for what we believe in in our country, you add so much value. I want to say thank you so much.

And I will yield back.

Mr. QUIGLEY. Thank you.

We have a smaller crowd lined up for our second round, but I am going to let the ranking member begin that second round if he has another question.

Mr. WOMACK. Yeah, just a couple of quick questions.

Director Young, in the COVID package, you know, we put \$350 billion in there for grants to State and local governments. And the first tranche goes out this year; there will be a second tranche next year.

Look, I know COVID has been a problem for a lot of people, but I am getting reports from not just my State but other States that they have done a lot better. And I think a lot of that can be attributed to the fact that a lot of people, particularly those States that rely on sales taxes, saw a lot of online sales activity, and because of a Supreme Court ruling, you know, that money is now being collected back by the States, and they are doing very well.

So, you know, because this is taxpayer money and a lot of it is borrowed money, the question is about that second tranche. Given the fact that there are surpluses in places like Arkansas, even California, Wisconsin, you know, others, shouldn't we maybe claw back some of that second tranche of money if, in fact, we find that it hasn't necessarily been as big a hardship as we thought it was at the time we passed that bill?

Ms. YOUNG. Congressman Womack, you know, the push and pull of Federal spending has always been, you know, people want to obligate quickly, because they don't want these questions to arise, "Well, if you didn't spend it fast, you don't need it."

What we want State and locals to do is have an adequate planning process. You saw with the first tranche of State and local spending last year, many of them said they didn't have enough time. So the effort here is to make sure, you know, we aren't pushing just for the sake of pushing. We want to see fully developed plans that make sense. That is why we think it made sense to spread that out.

And I heard on the radio the other day Tribal nations praising the additional time. They thought the first CARES Act, State and local, didn't give them enough time to adequately plan. So, you know, we want to see the time spread out and make sure people are making wise decisions and we have time to look at these plans so we know the money is going to serve the people we want.

And I will point out also, Mr. Womack, we had a strong jobs package, but if you look—numbers—but if you look under that 559,000, we aren't seeing as strong of local government numbers that we need to see. We can't have State and local employees go on the unemployment rolls. So we still see some indicators that show State and locals aren't necessarily doing well everywhere.

Mr. WOMACK. Well, they are doing well in a lot of places. And, like I say, in a perfect world, you know, who wouldn't want the

Federal money? But the fact is, this is a form of generational theft. I mean, we are giving money out where there is not a definitive need, and we are going to ask future generations to pay for it. And I just don't—I just don't think we really should be doing that.

The last question is this. You know, I referenced you in my opening about the Joint Select Committee on Budget Process Reform. We didn't quite get across the finish line. We did some things. Where are you right now?

Obviously, if you took a vote of the American people right now, if the budget process is working in the Federal Government, it would be a resounding, not “no,” but “hell no.”

Where are you right now with advocating for some changes, i.e., biennial budgets, debt-to-GDP targets, certain things that can constrain Congress's desire to want to continue to move these debt numbers higher and increase deficits? Where are you in relation to a timely budget process?

Ms. YOUNG. Ranking Member Womack, I have to remind myself every day where I sit. And, on this one, I would have to say that, you know, the congressional budget process, that really, you know, is for the congressional body to make a determination, what works best for them.

I will say, of course, clearly, from this perch, we want to see as close-to-on-time appropriations measures as possible. Government agencies are best when we have—and work best for the American people when we have full-year appropriations.

So we certainly do watch the results, because those matter for how we serve the people, but as for how you get there, make sure you have a system that gets on-time bills, you know, I would leave that to you all. We have a separate branch of government, and I respect greatly, you know, your authority through the Constitution to make those decisions.

Mr. WOMACK. Well, we are not doing a very good job of it.

With that, Mr. Chairman, thank you for the hearing. I yield back.

Mr. QUIGLEY. Thank you.

At this point, through staff, I understand that Mr. Bishop may have another question, if he is still on.

Mr. BISHOP. I am, Mr. Chairman. And thank you very much for yielding.

I would like to ask the Director: The American Rescue Plan departed from previous emergency response legislation in one major way; the spending was mandatory, in that it was appropriated by the authorizing committees, rather than discretionary spending by the Appropriations Committee.

As a result, the programs historically funded with annual appropriations, such as the pandemic response by the Centers for Disease Control of Georgia and rural development programs that fall under my subcommittee's jurisdiction, received mandatory appropriations through the authorizing committees.

Can you tell me whether or not this approach is a one-time anomaly and that the Biden administration won't take this approach in future White House funding packages in line for congressional action?

My understanding of the rationale for the mandatory spending approach is that it turned on concerns about sequestration of discretionary spending. However, it is also my understanding that the mandatory spending also triggers sequestration and that the Congress already suspended that action as it affects Medicare in April.

So, if Congress can obviously suspend sequestration for mandatory spending, then why couldn't Congress do the same for appropriated discretionary spending?

Ms. YOUNG. Congressman Bishop, in many of the same ways I answered Ranking Member Womack, it is a similar concept. You know, we propose a way we think makes sense from a budgetary standpoint from the administration. At the ARP, you know, we did a similar assessment where we asked for specific programs. Here, we are asking for them in either discretionary or mandatory. But, really, how Congress answers that call is up to you. And, you know, that decision is much more yours on how you move, and we are not going to get in the middle of process decisions. You know, we want to see it done.

And you raise interesting points, but, you know, frankly, past administrations have made requests of Congress on mandatory side or discretionary side and they have answered the call for that spending on the opposite side of that ledger.

So, you know, you really—you have the authority to make those decisions. We want to see these investments made, but I think it is best left to you and leadership on how best to make sure that investment happens.

Mr. BISHOP. Thank you very much. And I do have to respect the seat that you are now in, as opposed to the former seat that you held.

Thank you very much for your cooperation and your testimony. I yield back, Mr. Chairman.

Mr. QUIGLEY. Thank you.

Mr. Womack, I don't believe there are any other questions on the Republican side. Is that accurate?

Mr. WOMACK. Unless Joyce has one.

David, do you have any questions?

Okay. Yeah, Mr. Chairman, we are finished.

Mr. QUIGLEY. Okay. And our staff has informed me that there are no more, other than myself, on the Democratic side. Is that—if there is nobody else yelling at me, I will assume that the staff is accurate.

So, that being the case, I will take the last crack.

Madam Acting Director, I know you heard about this, you know, issue before in all your time working on this, and I understand you heard about this in confirmation time, the Army Corps of Engineers and the OMB repeatedly making changes to their work plans, including removing essential projects relating to the Great Lakes.

Our 2021 bill included bipartisan statutory language preventing OMB from using funding to alter the work plans. And the Energy and Water bill also included a provision related to this. But we understand OMB staff is still making significant changes to this.

Could you explain what the philosophy is there and the practice is and how we can avoid these issues as we go forward?

Ms. YOUNG. Yeah. And we are, just as like the MSA, I have heard probably the second most on the Army Corps process. And we need to work through some things, because you are absolutely right; we are seeing, you know, unfortunately, that probably did happen, some of the worst-case scenarios. And I heard from both sides of the aisle.

I think OMB does have a role in any administration to make sure the agency decisions are in line with the President. That is the role OMB should be serving, certainly not to go out of our way to change projects based on who we may or may not like on a given day. These are national projects. They matter a lot to local communities. And we need to take that process seriously.

So you have my commitment to do that, to work with Army Corps as a partner. Often, in my limited tenure here, that has not been the case. I have met with the acting head of Army Corps. We are waiting on a confirmed director. But we have to get this right, because the frustration is real. And OMB, you know, we can do better, and we will do better. And we are working through that process.

Mr. QUIGLEY. No, and I appreciate that, and we know you are new at this. I think the most important thing is, if there are issues that OMB wants to raise, communication first is always, as you know, very, very, very helpful.

Ms. YOUNG. And, Mr. Chairman, we haven't had a work-plan process yet. You know, we get the work plan after you give us an appropriation. So that is where, you know, I have, at least, in my limited time here, seen where some of the, you know, shenanigans may have occurred.

Mr. QUIGLEY. Okay.

Ms. YOUNG. And we have some time to make sure that does not happen, and serve a role, you know, to make sure they are aligned with the vision when they send out projects, but not anything more personal than that.

Mr. QUIGLEY. Okay. And I appreciate that.

Mr. Ranking Member, do you have anything to say in conclusion?

Mr. WOMACK. Not at all, other than congratulations again, Director Young, and we look forward to working with you.

Mr. QUIGLEY. Yeah.

And, Director, thank you for your time today. We really appreciate it. Now we will begin phase two of the 3,000 questions we have left in your opening day before us, but—

Ms. YOUNG. That is really directed to the staff.

Mr. QUIGLEY. Again, we wish you the best. If we can help, let us know. Otherwise, thank you so much for your service and your help, and everyone involved today, especially the staff.

At this point, this hearing is adjourned. Thank you.

Ms. YOUNG. Thank you.

INDEX

	Page
Chaney, Joi, senior vice president, policy and advocacy, National Urban League	117
DeJoy, Hon. Louis, Postmaster General, U.S. Postal Service	86
Dunne, Matt, executive director, Center on Rural Innovation	114
Gensler, Hon. Gary, Chair, Securities and Exchange Commission	141
Guzman, Hon. Isabella Casillas, Administrator, Small Business Administration	183
Hovland, Benjamin, chairman, U.S. Election Assistance Commission	5
Lungstrum, Hon. John W., Chair, Judicial Conference Committee on the Budget	60
Mauskopf, Hon. Roslynn R., Director, Administrative Office, of the U.S. Courts	59
Rettig, Hon. Charles P., Commissioner, Internal Revenue Service	27
Stier, Max, president and chief executive officer, Partnership for Public Service	115
Yellen, Hon. Janet, Secretary, U.S. Department of the Treasury	160
Young, Hon. Shalanda, Acting Director, Office of Management and Budget	210
Zimmerman, Lang, vice president, Yelcot Telephone Company and Mountain View Telephone Company	119