THE PRESIDENT'S FISCAL YEAR 2024
BUDGET PROPOSAL

HEARING
BEFORE THE
COMMITTEE ON THE BUDGET
UNITED STATES SENATE
ONE HUNDRED EIGHTEENTH CONGRESS
FIRST SESSION

March 15, 2023

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THE PRESIDENT'S FISCAL YEAR 2024
BUDGET PROPOSAL

WEDNESDAY, MARCH 15, 2023

COMMITTEE ON THE BUDGET,
U.S. SENATE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:15 a.m., in the Dirksen Senate Office Building, Room SD–608, Hon. Sheldon Whitehouse, Chairman of the Committee, presiding.


Also present: Democratic Staff: Dan Dudis, Majority Staff Director; Joshua P. Smith, Budget Policy Director.

Republican Staff: Matthew Giroux, Deputy Staff Director; Krisann Pearce, General Counsel; Erich Hartman, Economist.

Witness:
The Honorable Shalanda D. Young, Director Office of Management and Budget.

Chairman WHITEHOUSE. The Committee will come to order.

This is a hearing of the Senate Budget Committee regarding the President's Fiscal Year 2024 Budget Proposal. We'll begin with my opening statement, and then Ranking Member Grassley's, and then we'll proceed to you, Ms. Young. Thank you so much for being here.

OPENING STATEMENT OF CHAIRMAN WHITEHOUSE

Chairman WHITEHOUSE. Ranking Member Grassley, Members of the Committee welcome. Special welcome to Director Young, who I know, who has had a very busy past few weeks. We look forward to your testimony. A budget is a statement of values. It makes clear what we prioritize. President Biden's budget would lower costs for households, strengthen Medicare and protect Social Security. It would invest in our kids and our families and in our communities. It would reduce the deficit, and it would make our corrupted Tax Code fairer.

It is decidedly not a budget for creepy billionaires and fossil fuel overlords. It is a budget for families. The investments proposed in this budget are more than worthwhile. They are overdue. I challenge anyone to say it's not worthwhile to make investments in our kids. The Biden budget would increase childcare options for 16 million more kids, lower costs for parents, fund pre-K access for all

1 Prepared statement of Chairman Whitehouse appears in the appendix on page 39.
four-year-olds, and restore the full child tax credit, which we beta-tested and saw work wonderfully well through COVID.

I challenge anyone to say it’s not worthwhile to ensure workers can care for a child or a loved one and still keep a steady paycheck. The Biden budget would guarantee up to 12 weeks of paid family and medical leave, bringing the United States in line with our peer countries around the world, all of whom guarantee paid leave. I challenge anyone to say it’s not worthwhile to reduce the astronomical cost of prescription drugs and college education, to improve Medicaid’s home and community-based services, and to reduce costs for homeowners and renters.

To accomplish all this and more, the Biden budget would stop the freeloading by large corporations, by the wealthiest families in our country, and by firms that pollute the environment and won’t clean their mess. Ending tax breaks for corporations sending profits offshore and outsourcing American jobs reduces the deficit by over a trillion dollars, ending nearly $100 billion in wasteful tax breaks for the fossil fuel industry, and hundreds more billions in subsidies to Big Pharma not only helps the deficit, but is the right thing to do.

Our corrupted tax system currently has teachers and firefighters paying higher tax rates than billionaires. The Biden budget puts a 25 percent minimum tax on those who earn over $100 million annually. The President’s budget would extend Medicare solvency by 25 years, in part by asking the wealthy to contribute a little more to Medicare, and by closing loopholes that allow those at the top to contribute less than nurses and cashiers. I plan to introduce legislation including this commonsense proposal.

These investments and these remedies to our Tax Code are worthwhile on their own merits. Put them all together, and they also reduce deficits by almost $3 trillion. This is a bright contrast to the dark House Republican plan to attack popular programs that promote economic growth, a plan that hides its evil effects behind political rhetoric like “woke” and “weaponized,” a plan where the math doesn’t add up and wealthy donors keep getting their free ride.

The new House Majority has said it will make permanent the Trump tax giveaways, over 40 percent of which go to the top five percent, at a cost to the country of $3 trillion over a decade. According to a letter Senator Wyden and I received yesterday from the Congressional Budget Office, the Republican promise to balance the budget in ten years, while extending the Trump tax giveaways and imposing draconian cuts to the programs that boost economic well-being is, in a word, impossible.

Mathematically it cannot be done. Even if Republicans were to zero out everything but Social Security, Medicare, veterans’ services and defense, that means eliminating 100 percent of the funding for public safety, border security, Medicaid, environmental protection, health care, treatment for opioid addiction and so much more, they would still not be able to meet their own goal of balancing the budget.

What they would be able to do is make nearly every family worse off and send our economy into a tailspin. So okay, if that’s what House Republicans really want, they should own it. Champion it
through the regular legislative order the Constitution provides, not by stealth, not with debt limit threats, not by trying to force some covert backroom deal to gut popular federal programs.

Here’s our choice: President Biden’s pro-growth investments, which also reduce the deficit by nearly $3 trillion, versus spending cuts deep enough, economists believe, to plunge the U.S. into a recession, coupled with extending the Trump tax giveaway and adding $3 trillion to the deficit.

Families versus creepy billionaires. Economic opportunity and fiscal responsibility versus chaos and corruption. Seems like an easy choice; we welcome the debate. Thank you. Member Grassley.

OPENING STATEMENT OF SENATOR GRASSLEY

Senator GRASSLEY. Well first all, I appreciate your holding this hearing, and I hope it’s the first of many more that will have—discussing the nation’s finances and Director Young, I welcome you to this hearing as well because we all know you have a very not only important job, but a difficult job. Some decades ago when federal government was staring at maybe something as small as $200 billion budget deficits, there was then a Senator Joe Biden, who warned of quote-unquote “economic disaster” unless Congress took quote-unquote “dramatic action on deficits right now.”

Senator Biden called for getting a grip on federal spending and limiting its growth with a temporary government-wide spending freeze. That’s right, including COLAs. He called for reviewing the efficiency and necessity of government programs, and he pushed for changes to the budget process that would improve accountability and make it harder for presidents to pass the buck. Today, we face a far dire situation and President Biden ought to borrow from Senator Biden’s playbook.

You might be interested in reading, not that you’re going to do it, but May the 2nd, 1984, when this across-the-board budget freeze called the Grassley-Kassebaum-Biden-Baucus budget freeze passed the Senate by a one vote margin. You might want to read about the hour-long speech that President, now-President Biden, then-Senator Biden gave during that debate. Unfortunately, the President’s budget proposal continues to take our nation down a path of fiscal and economic ruin.

The White House referred to this budget as Biden’s vision for the future of America. Let’s talk about what the vision looks like. President Biden is proposing levels of debt, deficits and spending previously reserved for times of world war or recession. President Biden’s vision for the future is job-killing tax hikes, cradle to grave entitlement proposals. If that sounds familiar, it’s because it’s the same proposal members of his own party rejected last Congress, as they called it, “too extreme.”

The President uses slight of hand to claim he’s reducing the deficit. Well, according to the non-partisan Congressional Budget Office projections, cumulative deficit between 2021 and 2031, that ten-year window, will be $6 trillion higher than what was projected when Biden took office. President Biden, whose spending priorities are on track to put even more on our already maxed-out credit

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2Prepared statement of Senator Grassley appears in the appendix on page 41.
President Biden’s vision for the future is a continuation of his administration’s assault on the fiscal health of our nation during times of economic uncertainty.

Annual deficits were always expected to decline from pandemic levels, because we put emergency programs in place and those emergency programs were to expire. In other words, when you put something in because we have a national catastrophe of a pandemic, and those programs wouldn’t be in place if it wasn’t for the pandemic, when those programs go away then you ought to get back to the level of expenditure pre-pandemic plus inflation, plus increase in population.

But the leadership here in Congress has recklessly accelerated the return to multi-trillion-dollar deficits through legislation and even executive actions. In 2021, despite warnings from President Obama’s former economic advisor, Democrats abused the budget reconciliation process to fast track a $2 trillion liberal wish list that sparked the highest inflation that we’ve seen in 40 years. Democrats followed that up last year with another partisan reconciliation bill that they claimed would reduce inflation and cut the deficit. But it should be to nobody’s surprise and backed up by CBO figures and other independent experts, found that the bill actually increases inflation.

And by this administration’s own estimate, the bill added another $200 billion to the nation’s tab. But at least those bills actually passed Congress. The same can’t be said of the administration’s $400 billion or more student loan bailout, or its unilateral expansion of the Food Stamp Program. In President Biden’s vision for the future, public debt towards our nation’s entire economic output, annual deficits under Biden budget grow from 1 and 4/10ths trillion last year to over $2 trillion ten years from now.

By 2027, public debt would surpass record levels set in the wake of World War II, and continue to climb, and we have a chart that shows that. Like a family or business that incurs more debt simply to make good on past debts, our nation risks entering a vicious debt spiral as interest rate costs soar. In President Biden’s vision of the future, interest on the debt costs more than the national defense. Interest costs nearly triple from 476 billion last year to over 1 and 3/10ths billion at the end of the ten-year budget window, and total a staggering 10 and 2/10ths trillion over ten years as you can see in the chart.

That’s $10 trillion in hard-earned tax dollars that will not go to improving the lives of Americans, with the largest share of the budget tied up in servicing our debt, we’ll be less able to respond to future recessions, pandemics and foreign threats. In President Biden’s vision for the future, American debt leaves us more vulnerable and less competitive on the world stage.

At home, private business investment is increasingly going to be crowded out, leading to anemic economic growth, lower wages and fewer jobs. You get out of this budget situation not by growing taxes, but by growing the economy. We had bank failures this past week. Those bank failures highlighted how fragile our economy is right now, given decades-high inflation and rising interest rates.
The more Congress borrows and spends, the higher interest rates will have to go up, and ultimately, it’s families and small businesses that will suffer the economic consequences.

President Biden’s vision for the future includes $5 trillion in tax hikes on all income levels, including millions on families with incomes under 400,000, regardless of what the President says, limiting it to just people 400,000 and above. Tax revenues are currently at historic highs. Yet the President wants to extract more from families and small businesses already struggling under decades-high inflation, and remember inflation is a tax, right now about five percent on everything you buy.

Under his budget, the government’s bite out of the economy would be the largest since World War II, and despite all that he continues adding to our national debt at breakneck speed. Clearly, we aren’t going to be able to tax our way out of the current fiscal mess. To climb out of a fiscal hole that we dug, we must stop digging. This isn’t just a Democrat problem of deficit spending; Republicans have been culpable as well.

Instead, the President’s proposed 2-1/2 trillion dollars in new mandatory spending programs, meanwhile he largely ignores the existing major trust fund programs that are on a path to insolvency. To the extent such programs are addressed, his budget relies on smoke and mirrors to kick the can down the road. So, President Biden’s vision for our future is more taxes, more debt, less opportunity and fewer resources for essential government services. If my colleagues on the other side of the aisle are happy with this budget and want to embrace it as their own, then I’d say fine, let’s have a vote on it. I’d challenge Leader Schumer to bring it to a vote and predict it would be getting very few votes, and that’s happened to Republican budgets as well.

In other words, presidents propose, Congress disposes. Let’s actually do our job and have the Budget Committee mark up a budget resolution. Let’s see how the—show how the process is supposed to work. Republicans are ready and willing to work with presidents to get a grip on Washington’s out of control spending and debt, but working together will require shared acknowledgment of the serious fiscal problems we’re facing, and a willingness to work across the aisle.

Unfortunately, I don’t see any evidence of that in this budget. But Senator Biden recognized that when he wanted to freeze the budget across the board, helping me do that. Thank you.

Chairman WHITEHOUSE. Thank you, Senator Grassley. Our witness today to speak about President Biden’s Fiscal Year 2024 Budget is Shalonda Young, the Director of the Office of Management and Budget. Thank you for being here, Director Young. Please proceed with your opening statement. Your full testimony will be made a matter of the record.
STATEMENT OF THE HONORABLE SHALANDA D. YOUNG, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Director Young. Great. I'll make this quick so we can get to the question-and-answer portion. Chairman Whitehouse, Ranking Member Grassley, distinguished Members of the Committee, thank you for the opportunity to testify on President Biden's Fiscal Year '24 Budget. President Biden came into office with a very clear plan, to grow the economy, not from the top down but from the middle out and the bottom up.

Over the past two years in the face of significant challenges, that strategy has produced historic results for the American people. Under the President's leadership, we've added more than 12 million jobs, more jobs than any president has created in a single four-year term. The unemployment rate has fallen to 3.6 percent, one of the lowest rates in over 50 years.

We've taken action to lower prescription drug costs, health insurance premiums and energy bills, while driving the uninsured rate to historic lows. The President's economic plan in rebuilding America's infrastructure, promoting workers and fueling a manufacturing boom that is strengthening parts of the country that have long been left behind.

The President has done all of this while delivering on this commitment to fiscal responsibility. During his first two years in office, the deficit fell $1.7 trillion, the largest decline in American history, and the Inflation Reduction Act will reduce the deficit by hundreds of billions of dollars more over the next decade.

The President's Fiscal Year 2024 Budget details a blueprint to build on this progress and finish the job. It's built around four key values: investing in America, lowering costs for families, protecting and strengthening Medicare and Social Security, and reducing the deficit. It does all of this while ensuring that no one earning less than $400,000 pays a penny more in taxes.

The budget more than fully pays for its investments, cutting deficits by nearly $3 trillion over the next decade, by asking the wealthy and large corporations to begin to pay their fair share, and cutting wasteful spending to special interests. The budget builds on the progress made over the last two years and proposes additional policies and lower costs for working families, including for health insurance, prescription drugs, childcare, utilities, housing, college, energy and more.

When working families have a little more breathing room, they can help power our economy forward. The budget protects and strengthens Medicare and Social Security, bedrock programs that America's seniors have paid into their entire working lives. It also invests in America and working families. The budget will bolster manufacturing, make our communities safer, provide paid leave, support research in cancer, deliver for our veterans, cut taxes for families with children and more.

These investments will pay dividends for decades to come, and in what will be a decisive decade for America and the world, this budget reflects the National Security Strategy by including robust

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3 Prepared statement of Hon. Young appears in the appendix on page 46.
investments in military readiness, our diplomatic and development tools, and honors a sacred commitment to our veterans.

Thank you, Mr. Chairman, Mr. Ranking Member, Members of the Committee for the opportunity to appear here today and testify on behalf of the President’s Fiscal Year '24 Budget.

Chairman WHITEHOUSE. Thanks, Director Young. It’s great to have you here. Last year, OMB estimated that by the latter part of this century, federal spending on crop insurance, coastal disasters, health care and fire suppression would increase by between 26 and 134 billion dollars per year due to climate change.

Put in terms of ten-year budget windows, which is the way we put things in this Committee, that would result in between 260 billion and 1.3 trillion dollars in additional federal spending, with a middle case estimate of around $700 billion in additional spending.

Now that estimate does not include a variety of other federal programs that would be affected by climate change, disasters, including defense spending and infrastructure, and it does not include that we’ve been hearing about in this Committee’s hearings, of what are called systemic risks, when there’s a whole economic meltdown associated with things going wrong.

For instance, when property values crash in coastal or wildfire areas because the risk is uninsurable and properties are therefore unmortgagable, or the widely reported carbon bubble risk, is it fair to say that OMB’s estimate is a lower bound estimate of the budgetary risk of climate change?

Director YOUNG. I agree with that assessment, your assessment that the expenditure impacts we have are undervalued or under-reported here. One thing we have to do a better job here and in the private sector is incorporate what climate damages will mean for our expenditures in the future. I just met with some economists in outside organizations who do economic forecasting, so we can share information and figure out how we accurately build this into our economic forecasts in this country and into our budgets.

Chairman WHITEHOUSE. Freddie Mac’s Chief Economist has suggested that a coastal property values crash is likely as a result of the sea level rise and storm risk, and that that could cascade out into the economy in the same way that the mortgage wreckage of 2008 cascaded across the economy.

How would you describe how well the federal budget did as a result of the 2008 mortgage meltdown?

Director YOUNG. We saw the impact of that meltdown. I think most people will tell you, the economic scarring from that took years to recover from. Some say we still see some of the weaknesses that that crisis brought to bear, and it gave us some lessons we learned in responding to the COVID pandemic and the economic outcome of that, which we learned to go big and address those problems head on so we didn’t see that scarring.

But you’re right. When you look at climate change the potential for that level of crisis, if you compare to the Financial Crisis of 2008, it could have sustained economic fallout for the United States and the rest of the global economy.

Chairman WHITEHOUSE. One of the things that my friend Kent Conrad used to point out when he sat in this chair years ago was that the only times, we’ve successfully balanced the budget over
the last 50 years have been when revenues accounted for 19 to 20 percent of GDP. If we go below that, we go into deficit and if we are accruing revenues at that level, then we've got the chance to have a solid budget.

Under the President's budget, what share of GDP would revenue account for, and how does that compare to the last time we had a balanced budget during the Clinton administration?

Director Young. So on average, the President's policies would bring in about 19.6 percent as a percent of GDP, and that's right in line where the policies were, tax revenue was under President Clinton, as you mentioned, the last time we've seen budget surpluses.

Chairman Whitehouse. And a time when the economy was doing very well.

Director Young. Yeah. You also saw economic growth, and frankly the investments we make here today is about growing the economy. If we want more people in the workforce, then you have to look at childcare policy in this country. Can women and families enter into the workforce in a meaningful way? Well, most of them will tell you they need adequate childcare in which to do that.

Chairman Whitehouse. Last question. The President's Medicare tax proposal seems like it would both make our Tax Code fairer and extend Medicare solvency, which looks like a win-win to me. Could you comment on that?

Director Young. We will have disagreements about tax policy I'm sure a lot today, but the President's vision is clear here. There are billionaires, hundreds of millionaires in this country who pay a less effective tax rate than nurses, teachers and firefighters. Some analyses have shown some billionaires have an effective tax rate of eight percent.

The President believes that inherently unfair. He believes that the Tax Code needs to be changed to make sure that everyone pays their fair share in this country, not just working families, and we have several proposals in which to do that. Medicare, we have several proposals that would extend the Medicare Trust Fund by at least 25 years. The actuaries at CMS have put out a report, so don’t take our word for it.

These policies would extend Medicare by one, making sure our net investment income tax, which was always meant to go into the Medicare Trust Fund, is actually going into that fund; making sure that those over 400,000 pay 1.2 percent more into Medicare; making sure that legal loopholes are closed, so that people who are supposed to pay into Medicare actually pay into Medicare. The wealthiest have found loopholes.

So those policies will extend the Trust Fund by at least 25 years.

Chairman Whitehouse. Thank you very much. Ranking Member Grassley, then Senator Murray.

Senator Grassley. OMB puts out an annual Pay-As-You-Go Act report. This report clearly shows that last year’s reconciliation bill added 199 billion in deficits to the budget scorecard OMB is required to maintain. Since the majority party have tried to claim phony tax gap savings from the law’s IRS funding last year, but when legally required to produce an accurate cost estimate, even
this administration was forced to admit the bill increases deficits. So, I'm asking you to put that report in the record.\footnote{Document submitted by Senator Grassley appears in the appendix on page 124.}

Chairman WHITEHOUSE. Without objection.

Senator GRASSLEY. Okay. The President in this budget's supporting documents continue to falsely claim that he is a deficit reducer. Nobody believes that. People know about the trillions spent in spending binge of the last Congress, and the costly administrative actions. CBO's current law baseline when compared to February 2021 baseline, when President Biden took office shows increased deficits of six trillion over 2021 to 31.

You can see it here. So, it seems to me the administration misleads the American people on real deficit reduction. Your response to that?

Director YOUNG. Senator Grassley, CBO's job is to show the path on deficits as if no policies happened. The President has policies. His policies would bring down the deficit by $3 trillion. CBO has not looked at the President's policies yet. They will do that later this summer, so CBO gave you a baseline.

That assumes none of this happens, and that is why the President is putting these policies forward, because we do believe staying on current course is not sustainable.

Senator GRASSLEY. You can see from the chart that the deficit actually goes up, and I'll just leave that where it is. What is the primary driver of our long-term deficit problem?

Director YOUNG. So, deficits, as you know, are year over year. So, if you don't want to make the longer-term debt problem worse, you've got to deal with yearly deficits. That's why this President's put forward policies that would say over the ten-year period deficits come down three trillion.

So as some doctors say, do no more harm. So, we have got to get our deficits under control, and that in return has impacts on our debt. But as you know, most of our spending in this country are in entitlements, the aging of our country, and that is typically what makes up at least half of federal expenditures on the year.

Senator GRASSLEY. So, it's—if you don't include climate change in that list of things, that the budget is going up, is that right?

Director YOUNG. So, as I exchanged with the Chairman, we have got to do a better job of incorporating climate change into our economic forecasts and into our budget. That is a deficit we have.

Senator GRASSLEY. Families in Iowa and across the nation are feeling the pinch of inflation, that is caused by the reckless spending that I've already referred to. This administration has repeatedly tried to downplay the country's inflation crisis. Why did the administration's first budget predict inflation would be in 2021?

Let me answer that for you, because I think that it was going to be two percent, but it ended up being 6.7, and then for 2022, 2.9, but the actual inflation was 7.1. So this administration has dramatically missed inflation for two years in a row. So why should we believe that you will say inflation's going to be three percent this year?

Director YOUNG. Senator Grassley, as you know, the Fed has tools that they are using, and what we see is the administration's
policies, what the Fed is doing. We are seeing an impact here on inflation. We are clear. Inflation is too high. American families are paying too much, and we have to keep our foot on the pedal to bring down costs.

What we have seen is a moderation and inflation on a yearly basis, total CPI is down more than three percent, three percentage points from its most recent peak of 9.1 percent in 2022. So we have to keep, keep our eye on bringing down costs. I'll point out that this budget has lots of policies that bring down health care costs, energy costs for families. Those are kitchen table issues that most families tell you they're paying too much for. That's why we put these policies forward.

Chairman WHITEHOUSE. Senator Murray and then Senator Johnson.

STATEMENT OF SENATOR MURRAY

Senator MURRAY. Thank you, Mr. Chairman. Director Young, thank you for coming here today and for all the work from you and your staff into delivering this budget. The President often says it, the Chairman said it a minute ago, a budget is a statement of your values.

This budget shows that President Biden's values are with the working people in this country, putting forth a budget that will build a safer, stronger country and ensure America stays competitive for decades to come, even lowering the deficit.

All by simply asking billionaires and giant corporations to pay their fair share. There is a lot to like in here. The President's budget understands that tackling the childcare crisis, as you just mentioned, is an investment in our workforce and in our economy, and includes a lot of other important investments, everything from boosting the supply of affordable housing to strengthening Medicare and Social Security for the next generation.

Those are the exact kinds of investments that House Republicans are attempting to hold hostage now, or cut entirely as Congress looks to address the debt ceiling. The full faith and credit of the United States to pay our bills on time like every family's expected to should never be held hostage to score cheap political points.

So let me be clear for the sake of the House Republican colleagues. Threatening economic catastrophe to cut Pell grants is not the political winner you think it is. The President is absolutely right. We need to drop the politics, address the debt ceiling without any strings attached and soon, just like we have done under administrations of both parties.

Director Young, my question for you. Can you talk to us about the importance of the level of non-defense discretionary spending proposed in this budget, and how a strong non-defense discretionary top line that does invest in our families and our infrastructure and our workforce directly strengthens our country's ability to compete with China and others on the world stage?

Director Young. Yeah, I'll add one thing to that as well Senator, our national security, and what still baffles me is we keep defense on one side and State Department, USAID, FBI, Department of Homeland Security all on what we call non-defense. So, if we have
to take drastic cuts to non-defense discretionary, some plans would actually wipe out non-defense discretionary.

We would see drastic cuts to the only childcare program we really have at the federal level. The childcare block grants will be obliterated. So families who use that for childcare assistance would be left out in the cold. Low-income heating assistance, which I know many of your communities rely on, also helps with cooling. That would be let go.

State Department would be harmed. Our border operations would be harmed. So, the list goes on and on. It would be detrimental to see those cuts. Sequestration, for example, we talked a lot about what happened in 2011 and 2012. That was a five percent cut, small in comparison to what some are talking about now, and some agencies, some programs that working families rely on are still trying to build back from those harmful sequester cuts.

Senator MURRAY. Well thank you for that, and I’m just going to say that now we do have the President’s budget, as Chair of the Appropriations Committee, we are going to be pressing forward with the work of writing our nation’s spending bills as quickly as possible in a bipartisan way.

I’m working very closely with Vice Chair Collins on this. I believe we have a real opportunity and responsibility to work together to make our country more safe, more competitive, and do some good for the people we represent.

And at the risk of sounding like a broken record, while it’s good to see many Republicans acknowledge the need to build on these key defense investments, I have to say it again as she just did, investments in non-defense spending are just as critical as investments in defense spending.

We have to invest in our workforce to build those semiconductors here in America, just as we invest in military readiness. It’s not a question of either/or; we need both. So, I do hope that my colleagues on both sides of the aisle take this into consideration. As we do move forward on our appropriations bills to regular order, rest assured we are going to be very busy in our Committee with hearings and markups, to get these bills to the floor as soon as possible.

Just let me say, my last 20 seconds, Director, thank you for the Hanford site in funding. You know that’s important to my state. I’m glad that President Biden heard me loud and clear, and I really appreciate the progress that this budget makes. Thank you.

Chairman WHITEHOUSE. Senator Johnson, then Senator Stabenow.

STATEMENT OF SENATOR JOHNSON

Senator JOHNSON. Thank you, Mr. Chairman. Director Young, welcome. Seeing that this is the Budget Committee, I’d like to separate rhetoric from actual numbers, and start using some numbers. We’ve heard a lot of rhetoric in terms of the wealthy. In your testimony, you said the wealthy “were going to begin to pay their fair share.”

So, I think my question for you is at what point would you consider the wealthy paying their fair share? The most recent analysis I have comes from the Tax Foundation for the tax year 2020, where
the top one percent made 22.2 percent of income, but paid 42.3 percent of the income tax.

Now the 2019 analysis showed that they made about 21 percent of income and paid 24 percent of total federal tax. So again, the one, top one percent paid about 42.3 percent income tax and somewhere around of 24 percent of total taxes. What would be a fair percent of total income taxes in your mind for the wealthy to pay?

Director Young. So, I will point out that you talked a lot about federal tax.

Senator Johnson. I also did total tax, which was about 24 percent.

Director Young. Yes.

Senator Johnson. So, in your mind, again you have to use metrics here. When will the top one percent pay their fair share? What percent of income taxes, what percent of total taxes will be their fair share?

Director Young. I'll go back to a statistic that I talked about earlier, where some analyses showed 400 of the wealthiest families in the country pay eight percent effective rate.

Senator Johnson. Let me start with the top one percent pay an average of 26 percent top rate. The bottom 50 percent pay 3.1 percent. So, the bottom 50 percent pay 3.1 percent. The top one percent pay an effective rate of 26 percent. That's a pretty big delta. That's a progressive tax rate.

Again, I want to know at what—what should the top one percent pay in terms of total income tax, what should they pay as a percent of total tax? What percentage should that be? Right now, it's 42.3 percent of total income tax; it's around 24 percent of total tax.

Director Young. Senator, I'll be happy to take a look at that analysis you're looking at. I'm happy to share ours, where

Senator Johnson. That's not answering the question.

Director Young. Okay.

Senator Johnson. Total tax paid in 2017 before Republican tax reform, $3.3 trillion revenue raised. Last year, 4.897. That's a 47.6 percent increase in total revenue raised. That's pretty good, don't you think? By the way, corporations paid in 2017 $297 billion. Last year they paid $425 billion. That's a 43 percent increase.

So again, we're raising a lot more revenue because of economic growth. I will say the tax reform worked in spurring economic growth. So those are just the facts. But in your testimony, you said that this budget, the President's budget reduced the deficit. In 2019, prior to the pandemic, we ran deficits of $984 billion, which
is still way too much. In 2022, it was $1.37 trillion. In 2023, it's projected to be over 1.5 trillion. The President’s budget now is projecting 1.8 trillion.

So from 1.3 to 1.5 to 1.8, how can you claim that’s reducing the deficit?

Director Young. Easily, Senator. My entire statement said over—we talk about ten-year budget windows. Over the ten-year budget window, if you go look at 2033, the President’s budget would bring down deficits by $3 trillion, nearly 3 point trillion dollars, 2.9.

Senator Johnson. But again, year to year. I mean I think most people say when you’re reducing the deficit, you’re looking at year on year. So, we’re going from 1.3 trillion to 1.6 trillion to now 1.8 in the budget. You’re actually increasing the deficit by about $300 billion in 2024 is your projection over the 2023 projection.

You’re increasing the deficit, and by the way, that’s a massive deficit, $1.8 trillion. What do you think is sparking inflation, which caused the Fed to start increasing interest rates, which is causing the run on these banks? At what point are you going to acknowledge the harm this massive deficit spending is causing our economy? You’re surely not recognizing in your 2024 budget.

Director Young. Senator, what I hope we all realize is that inflation is a global, a global phenomenon. The UK doesn’t have the same laws over the last two years of the United States has—it has inflation. India, the same.

Senator Johnson. When America sneezes, the rest of the world catches a cold.

Director Young. Senator, it absolutely has nothing to do with one piece of legislation. Every developed economy in the world is experiencing inflation. What that tells us is there’s not one piece of legislation passed by the United States that has an impact——

Senator Johnson. But our trillions of dollars of deficit spending, trillions of dollars printed chasing too few goods, that’s what caused inflation, and that’s what was promoted by this President. Thank you, Mr. Chairman.

Chairman Whitehouse. Thank you very much. We’re going to turn to Senator Stabenow.

STATEMENT OF SENATOR STABENOW

Senator Stabenow. Thank you, so much, and welcome Director Young. Thank you so much for your leadership for President Biden. So much to respond to, and I want to talk about one important Michigan project. But let me, let me start by just saying for the record that what we know is that all the deficits ever created in the history of the country, 25 percent came from four years of President Trump.

And so we are certainly moving forward to lower that amount. You indicated $1.7 trillion in deficit reduction in the first two years. I think it is important to know that in your ten-year budget, you are proposing a $3 trillion reduction.

What I’ve seen from, particularly House Republican proposals that are public, that what they want to do, it would increase the deficit by 3 point trillion, by maintaining the huge Trump tax cuts
and really doubling down on making sure that rich people don’t have to pay their taxes through IRS audits and so on and so on.

I also, just to respond to my colleague about what is the number, what should folks pay? Well, prior to the Inflation Reduction Act, 19 of the top 100 corporations basically paid zero. So, we’ll start with zero is not okay when small businesses are paying a top rate, when individuals are paying.

Zero is not okay if you benefit from clean air, clean water, drive on the roads, our health care system, our military, etcetera, etcetera. And so now at least we have a floor for those corporations, which I think is only fair for everybody else.

And so I’m glad that we’re now investing in America, and appreciate so much we’re bringing jobs home and investing in putting money in the pockets of the middle class and working folks and small businesses, because that is growing the economy, fastest-growing economy in the last, I don’t know. In my lifetime maybe under the first two years of the President, and so I appreciate that vision.

I also wanted to thank you for the wonderful funding for behavioral health in the budget, and this is a bipartisan priority. We added, as you know, to our gun safety legislation last year, an expansion of certified community behavioral health clinics, and you make that permanent in this budget.

And not only am I smiling, but our former colleague, Senator Roy Blunt I’m sure is as well, and all of our colleagues who care deeply about mental health and addiction services. So, I thank you for that. And the other thing I want to thank you for is understanding that Social Security and Medicare are great American success stories. We certainly don’t want to do what we again are hearing from House proposals, raise the age of Social Security to 70 or Medicare to 70, so you have to wait five more years to health care as a senior. But we want to keep those strong, so thank you.

I do want to spend my last moment talking about something you and I have talked about, but I want for the record to just really make the case as it relates to a job, national security economic project, that runs through Michigan. And that is the Soo Locks, a national project of significance.

We have a large Lock 1 that will allow large barges and ships to come down the St. Lawrence Seaway and into the Great Lakes. From there, they’re carrying raw materials. They’re carrying products that they go by rail and truck to every part of our country. This is major infrastructure project, and we know that simply put, if this one lock, which is the only large functioning lock we have went down, this would be devastating to our economy.

It would harm manufacturing, it would harm agriculture, it would jeopardize our national security. According to the Army Corps, who we have, really have an excellent relationship with, so appreciate their leadership. But a six-month unscheduled outage at the Soo Locks would result in 11 million jobs lost. Six months, 11 million jobs, $1.1 trillion hit to the economy.

And the Department of Homeland Security says it’s hard to conceive of a single piece of infrastructure more consequential in terms of its impact on the economy and national security from an unexpected and sustained closure. So, we need to get this done. We’re
in the middle of the project as you know and appreciate your support.

But we’re on borrowed time to get this done. And so I could go on and on, I will not. I appreciate what has happened to date, but I would just ask you Director Young, given the stakes of the Soo Locks project, is this a priority for you and the administration? Do I have your commitment to do whatever it takes to make sure that we complete the project, and to do that whatever it takes to secure the funding for the Soo Locks, not only this year but through completion?

Director Young. Well let me be clear. This budget holds $235 million for this project. That is not a small amount. That should hopefully show you our commitment. The federal government understands the importance of this project, and you have our commitment to remain partners and get this job finished.

Senator Stabenow. Thank you. Thank you, Mr. Chairman.


STATEMENT OF SENATOR MARSHALL

Senator Marshall. Thank you, Mr. Chairman. Listening to my friends across the aisle today and the rationale behind the President’s budget proposal, I’m fearful the White House is using the same voodoo accounting that brought down SVC Bank.

I’m often asked what’s the greatest threat our nation faces, and I’m here to tell you it’s not Russia, it’s not China, it’s not North Korea, it’s not Iran, and though I love the environment, it’s not climate change. The greatest long-term threat the United States faces is our national debt.

At $31 trillion and growing, paying almost $500 billion in interest last year alone, this national debt is unsustainable. For two years, Democrat one party rules-controlled Washington, D.C. and ran up the tab, maxed out the nation’s credit cards on the backs of hard-working Americans.

In the first 20 months of office, President Biden has spent more than any other president in United States history. This reckless spending agenda has added another $3.7 trillion to the debt, a 13 percent increase and costs hard-working families in the wave of 40-year high skyrocketing inflation, which we all know is a tax on hard-working Americans.

Under this administration, energy prices have risen more than 37 percent, home heating fuel more than 52 percent, electricity prices more than 23 percent, gasoline more than 45 percent, grocery more than 19 percent. All the while, real wages aren’t keeping up with inflation.

To the Biden administration, these added costs are just a number. But to families I meet in rural America, it’s their hard-earned wages that now get nearly 20 percent less groceries for their families than they just two years ago. Now the White House gives this Committee a new budget that will almost double the annual interest, and soon push our annual deficit towards $2 trillion.

If that’s not enough, they promise $4.7 trillion in new taxes, including raising corporate taxes that as we all know are going to be passed down to consumers, further fanning inflation. This budget
and issue and how we handle it will be the defining action of this Committee and the 118th Congress.

Let me tell you what this reminds me of. This is the equivalent of a young adult who's maxed out their own personal credit card, and now instead of cutting expenses, asks their parents for another credit card. I ask you what parent would comply with this ill-fated request? Folks, we have used this debt ceiling issue to pry the nation's maxed out credit card from Joe Biden's hands. He must come to the negotiating table and work towards balancing the budget. If not, he must be held responsible for the dramatic increase in spending over the next two years, the past two years, and blowing through the debt ceiling. He and he alone will bear this responsibility. This Committee needs to take back the nation's credit card and restore the purchasing power back to the American people.

I will not support any budget that does not work to responsibly balance. If the President would negotiate in good faith, this would be a different story. There's historical precedent for coupling spending reductions with increasing the debt limit. For the sake of my children and grandchildren, I will hold the line.

The President will not get permission from me to increase the debt limit without real substantive cuts to our spending. I hope the Members of this Committee will join me. Director Young, does this administration have any intention of negotiating in good faith with Republicans to stop this reckless spending and get back to balancing the budget, yes or no?

Director Young. Senator, I've been here. This is my third year on the budget. There's a budget process. There's an appropriations process. We work together every year to fund the government and talk about spending priorities, and we are happy to do that again this year.

Senator Marshall. So yes or no, will this President work in good faith towards negotiating a budget that gets back to a balanced budget?

Director Young. As he has done in December, he will work on a bipartisan basis to talk about what the appropriate spending levels are.

Senator Marshall. That doesn't sound very optimistic to me. How do you intend to do that when you know our goals, and you're bringing a budget that's a month late and has the highest sustained level of taxes, spending and deficits in American history?

Director Young. Senator, let me be clear. The President is not going to support cutting programs that are essential to working families in this country. What he believes is correct is ask those at the top of the ladder to pay more, so we can invest in those working families you talked about. I'm from a small town, less than 2,000.

What they tell me is they want infrastructure. They want the government to work for them. This budget does that, by asking billionaires, who don't exist in Clinton, Louisiana and places like it, to pay what they pay when they go to work as an effective tax rate——

Senator Marshall. Last quick question. Whose idea was it to cut $600 million from the Department of Homeland Security, when there's a raging crisis at the nation's southern borders?
Director YOUNG. I’m happy to give you a piece of paper that shows the DHS budget is increased by nine percent. That is not correct. There is a fee issue on passenger fees, where we—literally a budget scoring issue, where DHS will keep passenger fees rather than give them back to the Treasury in actual dollars in budget authority.

The Department of Homeland Security goes up by nine percent, including $4.7 billion contingency fund that would fund our operations at the southwest border.

Senator MARSHALL. This is the funky voodoo accounting I’m talking about that gets this nation in trouble, that brings down banks as well. But we look forward to working with your office. We’ll show you our numbers, we’ll show you the budget shown to us and we’ll look at yours as well.

Thank you so much for being here.

Director YOUNG. Thank you.

Chairman WHITEHOUSE. Senator Luja´n

STATEMENT OF SENATOR LUJÁN

Senator LUJÁN. Thank you, Mr. Chairman and to our Ranking Member for this important hearing, and to Director Young, thank you for the work that you and your team put in day after day, and to have your expertise here. I certainly appreciate it, and I also appreciate getting a chance to visit with you yesterday.

Now one of the areas that we chatted about is in the area of behavioral health, and I agree with our Chair, with Chair Stabenow, about the importance of the investment that came in mental and behavioral health, about $387 million which would help train about 18,000 behavioral health providers to help respond to the mental and substance abuse challenges that we face across the country.

The one area that I’m hoping that we can still work together and that we can work together as colleagues is in the area of retention. What I’ve heard from providers across New Mexico and in different parts of America is the concern of a reality, where we’re losing a lot of folks, and that tells me that we could be doing more for retention.

So, is that an area that we could work together to ensure that we’re able to retain what we have, while we’re still making a significant investment to train those that we need?

Director YOUNG. You absolutely have my commitment to do that. We saw during COVID the burnout for people who worked in those jobs, in nursing jobs, and we have got to do something or we’re going to have a long-term shortage issue in behavioral health. So, as we hopefully work together in a bipartisan manner to increase resources here, we don’t have the personnel to do the work, the resources are going to be for naught. So, you have my commitment to work on that together.

Senator LUJÁN. I appreciate that Director, and I certainly hope that again in a bipartisan way, you’ll see action by the Senate and by the legislative branch of government to work together for the good of the country.

Now turning to broadband, I have the honor of chairing a subcommittee in the Commerce Committee that has jurisdiction over many of these areas. What we have seen recently is through a bi-
partisan effort, the creation of the Affordable Connectivity Program, and authorize the Federal Communications Commission to provide $30 a month for families at 200 percent of poverty, and $75 a month on tribal lands.

As we’ve heard from many in a bipartisan the importance of this program towards affordability when it comes to broadband across America, Congress appropriated $14 billion, which is a lot of money, for this effort to help households to afford the broadband being used for work, school and health care.

16.6 million households currently participate in this program. That’s 43 million Americans. Unfortunately, the Affordable Connectivity Program is expected to run out of money in 2024. Some studies showed by June; some are suggesting by the end of the first quarter.

Director Young, yes or no, does the President support funding this critical program?

Director Young. Yes, and we thank you for the resources provided in the infrastructure law for this.

Senator Luján. I appreciate that. Why was there not additional support in the budget for the Affordable Connectivity Fund?

Director Young. As you pointed out, thanks for the infrastructure law. 42 billion was invested NTIA’s program. The planning grant has been awarded. The future awards to states and localities will be announced soon. So, there is a belief that there is money about to hit the ground that will make a historic difference, and before that money’s spent, there’s some view that it would be premature to add additional, so those grants to state and locals had not happened yet.

Senator Luján. And Mr. Chairman, the reason I asked that question is I think it’s important for all of us to bring more attention to this particular program, which was supported broadly, Democrats and Republicans. Former FCC Commissioner Mike O’Rielly, a conservative voice, has talked about conservative approach to this particular program.

My concern is that the Internet service providers and others that are responsible for this program, they have to start planning a few months in advance. If in fact projections show that this program’s going to run out in the first quarter of ’24, that means at the end of this year there’s not going to be anymore.

That’s a concern that I have. I certainly hope that we can look at all the ideas that are out there that allow us to ensure that this program will in fact eliminate the Digital Divide. I mean that was the point of the investment that we worked on together, and I would just point to a quote from the Urban League, where their observation was if Congress fails to reauthorize ACP, the federal government likely will end up overpaying for broadband deployments.

As a result, the federal dollars will end up funding deployments to significantly fewer unserved and underserved homes and businesses. So, I certainly look forward to working with the Committee in this space and with our colleagues across the board, and hope that this is something we can tackle together. Thank you, Mr. Chairman.

Chairman Whitehouse. Thank you, Senator Luján. Senator Scott, and then Senator Van Hollen.
STATEMENT OF SENATOR SCOTT

Senator Scott. Thank you, Chairman. Director Young, thanks for being here.

Director Young. Thank you.

Senator Scott. I think you have an impossible job. I can't imagine trying to defend a $6.8 trillion budget. I mean if you look at, if you look at what this President has done and you have to come here and defend it, the biggest budget in the history of the country, unbelievable increase, massive inflation, massive deficits, no plan to balance the budget, not even close to a plan to balance the budget, debt that continues to go up, wages not staying up with inflation, low labor participation. So, I think you have an impossible task.

I sent you a letter, you know, just to make sure you had some of the questions I was going to ask. So let me just go through some of those. Do you believe that excessive government spending, especially deficit spending, causes inflation?

Director Young. As I talked to some of your colleagues earlier, I believe inflation, we see as a global——

Senator Scott. No, no, no, no. My question's real simple. Do you believe excessive government spending, running big deficits, causes inflation?

Director Young. I believe one thing does not cause inflation and——

Senator Scott. Oh okay. You say no.

Director Young [continuing]. And that inflation is pervasive around the globe.

Senator Scott. That's fine. I mean that was an answer. That's no. The federal debt has risen to more than $31 trillion. Since Biden took office, it's almost up $4 trillion. Do you believe that his budget reduces debt, the debt of the country?

Director Young. Sir one, I use $24.7 trillion. That is publicly held debt. The rest of the debt that you cite is Other Government Trust Funds——

Senator Scott. Do you think his budget reduces debt?

Director Young. Our budget focuses on the deficit, which in turn has an impact on the debt.

Senator Scott. So, it doesn't. That's a no. Okay that's fine. So is President Biden's budget balanced, meaning does it—are we going to spend more than we collect?

Director Young. Senator no, because we believe that would hurt working families.

Senator Scott. Okay. Do you—what are you paying right now under—for interest? What is the trade-in?

What's the duration of the debt?

Director Young. The duration of the debt, as you know, depends on Treasury policy, on what they do in the bond market. But right now, it's about a little over five years, the maturity of the debt.

Senator Scott. And what's the interest rate that you're paying in your budget?

Director Young. The interest—yeah. The interest rate is close to three percent on the budget, on the debt.
Senator SCOTT. So, and do you believe that's—so you believe in your budget, are you assuming interest rates are going to come down then?

Director YOUNG. We do show what we believe are accurate forecasts, where interest will rise and then level off. Of course, interest rates are rising now as the Fed deals with inflation.

Senator SCOTT. And what, what will the federal government have? Under your budget, what will the federal government have to pay in interest expense next year?

Director YOUNG. Over 600 billion, 661 billion.

Senator SCOTT. So as a percentage of the budget, do you know what that is?

Director YOUNG. I'll be happy to not do math here but give that you for the record.

Senator SCOTT. So, since 2019, so you know pre-COVID, last budget pre-COVID, how much has the U.S. population gone up do you think? Do you have any idea?

Director YOUNG. We talked to your staff. But yeah, five-six million people.

Senator SCOTT. Six million. So as a percentage, how much is that do you think? It's less than two percent. It's 1.8 percent.

Director YOUNG. So, the question yeah, is like what do we spend per person?

Senator SCOTT. Yeah. So here—let me ask it this way.

Director YOUNG. Yeah.

Senator SCOTT. So, the population since 2019 has gone up 1.8 percent. How much do you think your proposed budget has gone up from the 2019 budget?

Director YOUNG. So, one way we look at it is that spending is down roughly five percentage points of GDP since the President took office.

Senator SCOTT. So it's up—so here's the numbers. So, the population in the last five years has gone up 1.8 percent, and your budget would take the budget up 55 percent. Now explain it? Why, and that's $400,000 per new American.

So why would—why would we only have a six million increase in the number of Americans since 2019, but we have a 55 percent increase in our budget? How could anybody explain that?

Director YOUNG. Senator, I'll take your information as fact, but the way we look at a lot of these budget measures are percent of GDP. We think that is the way to determine health, and I stated federal spending has gone down as a percentage of GDP since the President took office.

Senator SCOTT. Or there's COVID. Let's go back to pre-COVID. That's not even close to being true if you go back to 2019. So, the GDP has not gone up 55 percent. I mean so you—I mean Biden came in in the middle of a COVID crisis. So of course, there was extra COVID spending.

But I mean think about it, just go back. The population's only up 1.8 percent, and your budget's up 55 percent. That's staggering.

Director YOUNG. So, I know people don't want to give the President credit for presiding over a $1.7 trillion budget deficit reduction, but he did. That did not happen by accident.
Had he not gotten the pandemic under control, had a vastly successful vaccine program, I’m not sure pandemic spending would have ended, because we would have still been dealing with the scarring of the pandemic and the economic fallout from it. So, because he did that, I believe we are in a better place economically.

Chairman WHITEHOUSE. Senator Van Hollen, and then Senator Romney.

STATEMENT OF SENATOR VAN HOLLEN

Senator VAN HOLLEN. Thank you, Mr. Chairman. Madam Director, it’s great to see you. I would point out that the Inflation Reduction Act that we passed reduced the deficit by $200 billion. It also did something else very important, which was to cut the cost of prescription drugs to seniors on Medicare, including capping the cost of insulin for Medicare recipients at $35 a month and putting in place other changes that will reduce cost to seniors on Medicare. I applaud you and the President for going even further in this budget, in terms of saving costs for seniors on Medicare when it comes to prescription drugs. As I see it, you’re talking about $200 billion in savings, which not only saves the taxpayer and helps shore up the Medicare program as part of your strategy to keep it solvent for 25 years, but it will also bring down the cost of drugs to seniors, is that not right?

Director YOUNG. That is correct. And Senator, one thing we have not talked anything about is outside of the Medicare population, this President’s put in for the proposal to cap insulin prices for all Americans who have private insurance at $35 a month.

Senator VAN HOLLEN. Yes, and that’s something that I certainly strongly support. As you know, we had a vote on that in the Senate. Unfortunately—in the past Congress. Unfortunately, we were not successful in getting that passed. I hope that we will be successful in the coming years.

A lot of talk about the deficit and debt, and appropriately so. But this budget will reduce the deficit by $3 trillion over the next ten years. We’re all looking forward to seeing alternatives that are put out there. I know that the House Freedom Caucus is talking about various proposals. We’re all eager to see what they would do in terms of their budget proposals. The House Republicans really need to put something on the table.

But let me just say with respect to the deficit and debt, I also applaud the President and the Biden administration for looking at the issue of how we tax work unfairly relative to wealth. The President has a number of proposals in here to help change that equation, so that working people don’t face higher tax rates than people who make money off of money.

If you look at long term impact of the President’s revenue, revenue changes in this budget, as I look at it, in addition to the $3 trillion deficit reduction over the first ten years, the projection is $7 trillion in deficit reduction in the second decade.

While the debt as a shared GDP will rise because of the baby boomers and more people benefitting from Medicare and Social Security, under this budget it is—you stabilize the debt to GDP ratio in 2042. So could you just talk a little bit about that?
Director Young. Sure. So look, there’s a choice here. We can zero out programs that communities depend on in the name of fiscal responsibility. But if you keep tax cuts for the wealthy, you actually do not save any money for the deficit. Or we can continue to invest in the middle class through things like child care, paid leave, those policies that bring people into the workforce, while asking those at the very top, the very, very top to begin paying something that looks close to what people who go to work every day pay as far as the tax rate goes.

What that does is, as you pointed out, bring down the deficit over ten years by nearly $3 trillion, and when you deal with deficits and bring down the deficits, make sure that our debt problem does not get worse. As you pointed out, we do have a population that’s getting older. But what we can do is make sure our deficits are under control.

We’re happy to enter into conversation with anyone who wants to talk about that. But this President is very clear. He believes the economy grows when you focus on those in the middle and working families, and when you look at how those at the very top borrow against money, they never pay taxes on and have incomes that are never taxed, he believes that’s unfair.

This budget does something about it and puts us on a strong fiscal path.

Senator Van Hollen. I agree, and you know, I think it’s been pointed out here that if you look at the total cumulated United States debt, a quarter of that was accumulated during just the four years of the Trump administration, and the debt ceiling was raised three times during that period.

So I really hope going forward, as we work through the budget process and look at the House’s proposal and look at the President’s proposal and deal with the budget issues, that people will not take our economy off a cliff by threatening not to pay our bills on time. Thank you very much. Thank you, Mr. Chairman.

Chairman Whitehouse. Thank you, Senator. Senator Romney’s up next.

STATEMENT OF SENATOR ROMNEY

Senator Romney. Thank you, Mr. Chairman. You know, I think it’s helpful if we’re going to be responsible as we consider discussions about our spending and the budget, if we put COVID funding aside, because I think it’s embarrassing to suggest the President has reduced the size of the deficit or reduced spending as a percentage of GDP, when we had COVID.

When we were in the midst of COVID, we passed extraordinary measures. The President went far beyond Congress with a $1.9 trillion plan. To say somehow that he’s been cutting the deficit is just not realistic, and Senator Scott described the change in actual federal funding on a baseline basis. I think if you’re serious about discussing the budget and what’s going on and what our needs are, putting COVID funding aside is essential for that conversation.

On a separate topic, you know, I’m not aware of anyone in this category, but are you aware of any one of the elected officials we have in the federal government, at Congress or anywhere else, that
have opposed cutting current—or currently proposed cutting benefits for Social Security of any kind?
Director YOUNG. Senator, I have heard of proposals.
Senator ROMNEY. No, no. You’ve heard of proposals from a current Senator, currently—or a Congressman, currently proposing to cut benefits to Social Security?
Director YOUNG. Yes. Have they changed their position? Maybe, but yes.
Senator ROMNEY. No, no, no.
Director YOUNG. Members who are current members——
Senator ROMNEY. I said has anyone—I mean in the last several months or the last year, has anyone, Republican or Democrat, proposed Social Security benefits?
Director YOUNG. Now you’re asking have people changed their position? Maybe. But there are records——
Senator ROMNEY. Are you aware of anyone——
Director YOUNG. There is a record of current members of Congress——
Senator ROMNEY. Excuse me. Are you aware of anyone—are you aware of anyone proposing cutting Social Security benefits?
Director YOUNG. Your first question, current members have well-known policies out there to cut Social Security and Medicare.
Senator ROMNEY. That’s simply wrong. That is simply wrong, and it’s not honest to say that to Members of Congress. That is simply wrong. There is no one who’s recommending cutting Social Security benefits, all right? Number one.
Number two, do you recognize that in the next ten years or so, the Trust Fund on Social Security is going to run out, and under the law benefits would be cut dramatically, like 25 percent? You’re aware of that?
Director YOUNG. I’m aware.
Senator ROMNEY. Yeah, yeah. That’s a problem, right?
Director YOUNG. Of course.
Senator ROMNEY. Well, why is it then that in the President’s budget, there’s no effort to address that whatsoever?
Director YOUNG. And while we clearly disagree on this, there are some who have policies on websites, I’m happy to print them and send them to the Committee, whether they have changed their position is another thing, who want to cut—have policies to cut Social Security.
Senator ROMNEY. I’m sorry. That was not the question.
Director YOUNG. So, this President——
Senator ROMNEY. I’m sorry. You’ve got to answer the questions——
Director YOUNG. So, this President has put forth——
( Simultaneous speaking.)
Senator ROMNEY. I asked the question why did the President, why does the President’s budget not lay out what, how you would protect Social Security?
Director YOUNG. This President believes the existential threat to Social Security are those who want to cut it. His budget says no.
Senator ROMNEY. There’s nobody in this Committee that wants to cut it. I know of no Republican or Democrat in the House or the Senate who is proposing cutting Social Security benefits, and it’s
dishonest to keep saying it. It’s offensive and dishonest and not realistic. We have a problem in Social Security. We need to address it.

You agree we have a problem in Social Security. Make it clear 1000 percent. No Republican is proposing cutting Social Security benefits. Now the question is why have you not proposed in your budget any action to protect Social Security?

Director YOUNG. Sir, I look forward to seeing plans that are very clear——

Senator ROMNEY. The question is why have you not proposed them?

(Simultaneous speaking.)

Director YOUNG [continuing]. That those, that they will not cut Social Security. This President has put it in black and white. We look forward to seeing a plan that suggests that Social Security is off the table. This President believes the biggest threat to Social Security are those who want to cut it. His budget says no.

Senator ROMNEY. You know, I really do find that just offensive in the extreme, which is you can’t name anyone who is proposing cuts to Social Security benefits. I have said and I know my colleagues, no one is proposing cutting Social Security benefits for our Social Security recipients.

No one is proposing that on our side, and you keep on saying that’s the biggest threat. The biggest threat is in ten years or so, the Social Security Trust Fund runs out of money and benefits get automatically cut by 25 percent. We don’t want that to happen. I’m upset that the President hasn’t included any effort to address that shortfall, because I want to protect Social Security benefits for all of our recipients.

Now a question I have is you do fortunately look at Medicare and suggest hey, we need to take action to protect Medicare. I agree with that. I’m glad you do. You propose, however, the only solution is not cutting costs at all but only raising taxes. Do you believe there’s any prospect that Republicans are going to vote to raise taxes only as a way to save Medicare?

Director YOUNG. For those that are over 400,000, I hope so, that they would raise the——

Senator ROMNEY. I said do you believe—do you believe that Republicans in the House and in the Senate are going to vote to raise taxes and nothing else, just raise taxes to save Medicare?

Director YOUNG. Well, that is not the only proposal. If you look, the net investment income tax, which was always created to go into the Medicare Trust Fund and was not, we suggest moving that over as a part of keeping Medicare extended by at least 25 years. So that’s one part of the proposal. That is not a raising of tax. That is——

Senator ROMNEY. I know my time is up. Do you believe that it makes sense for a bipartisan effort to work together to find compromise positions, common ground to actually save Social Security and protect Medicare?

Director YOUNG. Yes.

Senator ROMNEY. Thank you.

Chairman WHITEHOUSE. Senator Kaine is up now.
STATEMENT OF SENATOR K AINE

Senator K AINE. Thank you, Mr. Chair, and thank you Director Young. You highlighted the job gains that we've seen under President Biden. That's been remarkable with an unemployment rate as low as it's been in many decades. But the flip side is that I'm hearing from an awful lot of employers who are having a hard time hiring people. A low unemployment rate is good, but it does create labor market challenges.

At the same time, I'm hearing from people all across Virginia who want to work, who have great skills, want to be in the workforce, but what's holding them up is the lack of high quality, affordable childcare. I think you mentioned this in one of your interchanges with either Senator Whitehouse or Senator Murray.

How will President Biden's budget continue progress in dealing with this issue by funding childcare that will be good for kids and parents, but also be good for the productivity of our nation's economy?

Director YOUNG. Yeah, you know, it matters what you invest in, and we believe we have to grow the economy. One of the important pieces of the President's investment is childcare. You've always funded or for the foreseeable past funded childcare block grants. I think everyone here would suggest that's not enough.

But this budget does, because it's our one existing program on the federal level, add $1 billion, building on the 30 percent increase Congress provided to that program on a bipartisan basis. So, we thank you for that.

We also go further, and we would establish a mandatory program that would frankly be a game changer for parents across this country, and the President believes that, along with our pre-K, universal pre-K, and for those high performers pre-K3, between those childcare proposals and pre-K proposals, families, especially women who we saw drop out of the workforce during COVID, can reenter. We can grow our labor pool and get more people into these jobs.

Senator K AINE. Thank you for that answer, and I look forward to supporting more childcare investments. Virginia's home to an awful lot of federal employees. They've been doing important work, maybe particularly the last few years as the constituent needs and demands escalated during COVID. Their wages and salaries haven't been keeping up with the cost of living. Talk to me about what the Biden budget does with respect to pay raise for both civilian federal workers and our service members.

Director YOUNG. So, one parity is very important to us. For the last three budgets, we have put forth a proposal to provide civilians and military. Many times, in DoD, civilian and military personnel sitting next to each other towards the same mission, it's only right that both receive the same pay increase, the same COLA.

We also took the recommendation that ECI. The pay raise of 5.2 percent was built based on economic factors, and it was right to follow that recommendation on an equal basis with the military and with civilians, many of them who worked diligently during COVID, after COVID and for the American people.

So, we followed the recommendations of that economic index, because it was the right thing to do and our federal workers really have over-performed during this difficult time, where the federal
government really had to respond to make sure our economy and our people got through this pandemic.

Senator Kaine. Here’s a question on a topic that is completely bipartisan, not only in this body but everywhere in this country. It's the desire to reduce deaths by fentanyl, and the desire to invest in strategies that will reduce fentanyl being brought into the United States.

Most fentanyl that comes in comes across the southern border. It doesn’t come in people’s backpacks. It comes through ports of entry. Cartels know that they can load trucks up with fentanyl. We only have technology to inspect every few trucks and they'll run the lottery risk of getting caught every once in a while, if they can get fentanyl through our ports of entry.

What does the Biden budget do to address strategies for interdicting more fentanyl at our ports of entry?

Director Young. So, what I’ve seen it, I’ve gone to land ports of entry. You see the car doors popped off and a pack full of narcotics, a lot of it’s fentanyl, is coming, as you pointed out, through our ports of entry. So we have got to have resources at our ports of entry, to make sure we have the equipment in place.

The infrastructure law I’ve mentioned a lot today, started us down that path of real, true investments in our land ports of entry. We’re going to build on that. This budget would have over $500 million for border technology. That will also help with technology that would look for fentanyl.

Additionally, 40 million for ICE to combat fentanyl trafficking and disrupt transnational criminal organizations, to get at the root of the problem, and nine million to expand DEA’s operations there. So we have got to keep a forward foot and deal with this problem before it gets across the border.

Senator Kaine. Thank you, Director Young. I yield back, Mr. Chair.

Chairman Whitehouse. Thank you. Senator Braun.

Senator Braun. Thank you, Mr. Chairman. I want to start off with just some statistics that are astounding to me, and also acknowledge that this migration into heavy debt through the federal government has been going on for a while, and I think it spans administrations.

2000, we were roughly $5 trillion in debt. We put a couple of wars on the credit card. By 2008, we were $10 trillion in debt. ’08 to ’16, the Obama administration, we went from ten trillion to 16 trillion. Two years later, I get to the U.S. Senate, we’ve now structuralized trillion-dollar deficits annually. Therefore, 18 trillion in debt.

In a little over four years, we’ve gone from 18 trillion in debt to 31 trillion in debt, and then a Blueprint for Success in this country puts us $51 trillion in debt by 2033. I don’t know how that could be sold to the American public as a sustainable, healthy business plan.

We had a conversation yesterday evening, that you’re assuming all of a sudden, we can raise 19 to 20 percent in revenues, when historically over 50 years, it’s been 17½ percent and yes, you did
cite for a few years back in the Clinton administration, we did raise close to that.

But you're assuming that we can do that going further. I almost had the CBO recalculate how that last tax cut Jobs Act was playing into the economy, and that was chump change compared to what we're doing now. Remember that was a $1.5 trillion giveaway to the rich. Pre-COVID, it was actually paying for itself.

Sooner or later, if you're going to try to raise revenue when it's above historic levels, it always comes with a price of lower economic activity. And how do you justify that we're then, as far out as you can see, spending money in the neighborhood of 24 to 25 percent of our GDP? This puts us into such lofty territory, the only country in recent history that's ever been there is Japan.

We now distinguish ourselves as being the most indebted country of any in the world that's got a developed economy, other than that of Japan. So, I know in the real world things have got to be sustainable. I also know that politically, everyone thinks you can do things differently here.

I acknowledge that it's been on both sides of the aisle to date. I got a question and where I think you can probably save some money. I'd love to hear if there's any interest from your point of view. We've got a broken health care system. It's way too high a percentage of our GDP.

18, 19 percent, most other places it delivers similar results, would be in that 11–12 percent range. Is the administration going to give any thought to trying to fix health care by making it more transparent, more competitive? You've got doctors now that are questioning whether they want to even invest the time and effort, employed by larger and larger corporations?

What about tackling the one thing that would actually make it cheaper for how you pay for health care through Medicare or Medicaid or the private sector. Are you interested in reforming that biggest sector of our economy?

Director Young. Absolutely, Senator. I mean you see some of our proposals here. Prescription drugs, for example, that not only saves money for seniors when we allow Medicare to negotiate; it actually saves the government about $160 billion to have more drugs in negotiation, to bring those negotiations forward. That's one of the proposals in this budget.

But I don't think anyone would argue with you that the United States pays more as a percentage of health care than most other large economies in this—

Senator Braun. So, you're going to try to use government to price control. Sometimes when you operate your business like an unregulated utility, you know, that's going to happen. I think the health care industry is asking for that. What about pushing things like transparency, competition?

There was an executive order from the Trump administration asking hospitals to be forthright on transparency in pricing. Are you trying to enforce that? That's already out there. To me, it seems like there's a lot of stuff that you could do other than using government to force it by trying to fix the health care industry from the bottom up.
Before I run out of time, it looks like you're at least interested in maybe considering that. Are you interested in what we're doing generally? Regarding of who's enterprising here politically, whether it's Democrats or Republicans, we certainly have embraced the idea that we want to borrow from our kids and grandkids.

And you can do things like saying, you know, real interest rates are kind of being looked at. The nominal interest rates that we're paying, and part of the kind of debt and inflation bomb that was unleashed over the last two-three years, some of what we did bipartisan in trying to go after the CARES Act, that is going to come home to roost, and it is right now.

In our own banking system, it's starting to show strain, because you cannot inflate the economy. You're going to sooner or later find these weaknesses and we're going through it, and it does ball down to the simple question. Do we want to run this enterprise unlike any other place in this country? Do you think it makes sense to borrow money from our kids and grandkids for the latest and greatest idea that comes out of this place?

That seems to be what you're doing here. Just give me a simple answer to that. Is it worth—that would be like asking your kids at Thanksgiving, I want to put an addition on their house. I want to take a vacation, and I want you to pay for it.

Director Young. Senator, the President's budget's clear. He's going to ask the wealthiest top one percent, large corporations to begin to pay their fair share, in order that we can continue to invest in the American people.

Senator Braun. Well good luck with it, because it's never generated more than a 17½ percent, percentage on tax revenues as a percentage of our GDP over 50 years. Therefore, I think you're being dishonest with the American public. Thank you.

Chairman Whitehouse. Senator Merkley is up next.

STATEMENT OF SENATOR MERKLEY

Senator Merkley. I thank you very much Mr. Chairman and thank you Director Young for your presentation. A group of colleagues in the House, the Freedom Caucus, they proposed a 30 percent sales tax as a way to address revenue issues, which would be about a $100,000 tax on a family buying a house, and about a ten percent, $10,000 tax on a family buying a car. The President did not choose to put this into his budget. Why not?

Director Young. Senator, I'll go back to what I just told Senator Braun. This President believes, and it is a core value. We can be fiscally responsible, and he's put forward proposals to do that. It will not be on the backs of middle class and working families in this country. It will—we need to ask those at the very top to begin to pay what nurses, teachers and firefighters pay in this country as an effective tax rate.

Senator Merkley. Well thank you, because the idea that we're going to cut taxes on the rich, which is what the Republican plan in the House is, and put this massive additional tax on the ordinary families, I know it would not sell in my state one moment.

I do a town hall in every county. Many of them are pure red counties, and the idea you're going to tax a family $100,000 on a
house and 10,000 bucks on a car, not a single person in the room would stand up for that proposal.

So I appreciate the President not taking that tack, and instead of saying fair share. By the way, I did read the analysis behind the richest 400 families paying about an eight percent effective tax. A very sound analysis. It notes that capital gains basically go untaxed, unrealized capital gains, and that the tax rate for dividends and realized capital gains are much lower than the regular tax rate.

I for one think that the richest 400 families should pay at least what a middle-class American pays, rather than eight percent. That's what the President's budget seems to be saying.

Director Young. It absolutely is. The billionaire minimum tax, for example, states that those billionaires, 100 millionaires should pay a minimum tax of 25 percent. We think that is a fair way to have a tax system in this country where middle class and working families have paychecks, they get taxed.

The ways you cited of getting around that, those same people often use that wealth that they never get taxed on to go out and borrow for homes, yachts, and if it's real enough to go out and secure loans, it's real enough to be taxed.

Senator Merkley. Let's talk about homes and housing for middle class Americans and low-income Americans. It is the biggest issue coming up in my town halls. Can you talk about how the President's budget addresses the affordability of housing for ordinary Americans?

Director Young. Absolutely. We have got to do something about housing supply. We often as a government have solutions to demand. We have voucher programs that have been hugely successful, still important in some areas that have supply. Not every area in this country is the same, so vouchers are still necessary. But we are proposing, like we did last year, tax credits that would go to developers who build affordable housing in this country.

Also recognizing that zoning laws are often an impediment to building. We have resources that would go to help streamline zoning laws. I think in some areas of the country, housing is already at prices levels when it comes to supply, which impacts, as you know, the affordability of that housing when you have too few.

Senator Merkley. Well thank you, because that is a huge issue, and we need to invest a lot more. I see that even the dream of home ownership fading away for so many families in my blue-collar community, and I see that the rising rents are driving, are driving folks to be paying sometimes more than 50 percent of their income, in a way that was not the case before.

I want to turn to the debt issue. The debt is like paying our national credit card. We pass the spending bills, we pass the revenue bills, and the result is a deficit. And then when the debt ceiling is related to whether or not we pay that, pay that bill.

I'm concerned that a failure to pay our credit card bill, if you will, is going to create a crisis. At a modest level, it might raise the interest rates, devalue our credit rating. It could crash the stock market. Isn't it possible that the strategy of creating a debt crisis is going to raise interest rates that will affect adjustable rate
mortgages, the cost of borrowing for a car, perhaps the cost of borrowing for college for ordinary families in America?

Director Young. I'll just say we should study 2011. We did not default, but even getting close to default lowered our credit rating, which meant we paid more, the American citizens paid more for goods.

Senator Merkley. So direct harm on ordinary families?

Director Young. Absolutely.

Senator Merkley. I have one more question if I have an opportunity, or otherwise I'm out of time.

Chairman Whitehouse. You're out of time.

Senator Merkley. I'm out of time.

Chairman Whitehouse. Senator Kennedy is next.

STATEMENT OF SENATOR KENNEDY

Senator Kennedy. Thank you, Mr. Chairman. Madam Secretary, and I'm going to call you Madam Secretary.

Director Young. You gave me a promotion. Thank you so much.

Senator Kennedy. No, I didn't. I'm intentionally calling you Madam Secretary, because you have cabinet level status, and you're also from Louisiana, which I'm very proud of. So, we claim you as our secretary. Doesn't it embarrass you, and I know it must because it embarrasses me—this is not a loaded question—that the federal government continues, as we have for a while, to send money to dead people and they cash the checks?

Director Young. You and I have talked about this a couple of years ago, and of course we should not—that should not be happening.

Senator Kennedy. Well, here's what I'm hoping that the administration will take a look at. During the stimulus period when we were trying to keep our society on its feet, we sent out checks to 1.4—we sent out $1.4 billion worth of checks to dead people, and they were cash, obviously fraud.

As best I can tell, we don't know for sure, but we sent out between one and two billion dollars of checks a year continuously to dead people and they're cashed, obviously fraud. We passed a bill that said Social Security, which gets the information about who's alive and who's dead from the states, has got to talk to the Department of Treasury, to make sure that its Do Not Pay list includes people who are dead.

It was—it was a shame we had to pass a bill to implement common sense, but nonetheless we did it. But in order to get the bill passed, I had to make some compromises. I can't imagine anybody would be against it. We're going to start doing that on December 23rd of this year, but it's only for three years.

And the Government Accounting Office says we ought to make it permanent, and I'm going to try to make it permanent. I really wish, I'm not going to ask you today because I know you have to talk to the President, but if you could talk to the President and try to get a commitment to let's pass this.

Director Young. I will. One of the things that was shocking to me is Treasury, in the last administration and this list from Social Security, had to develop an MOU to even share this database, and you would think it would be easy to do that. So, I support you. I'd
also ask you to work with us. We have a fraud proposal in the
budget that makes sure IGs have what they need, makes sure we
go after fraud in the UI system.

We saw transnational crime syndicates frankly take advantage of
the system. So, I'd love to work with you on that as well.

Senator Kennedy. Another area I'm hoping the administration
will look at, we're spending a lot of money to send pharmaceutical
drugs to certain hospitals at really, really low prices, the idea being
course that those hospitals will pass that savings on to people
who are less fortunate economically than you and me.

There's just one problem. There's no requirement that the hos-
pitals do that, and some of those hospitals, I think it's called the
340(b) program, some of those hospitals are going 'thank you very
much federal government for giving me these cheap drugs, and
they're turning around, because dollars are fungible, and basically
selling those drugs for a profit to paying patients.

We're spending billions on this. It makes no sense, Madam Sec-
retary. I really wish y'all would take a look at that.

Director Young. I'm happy to. We just had a long discussion
about health care costs, and I'm happy to work with you in your
office on this and bring in HHS and CMS to the conversation.

Senator Kennedy. My last question, I know, I listened to one of
the President's press conferences, and he said—he said, you know,
nobody, no middle-income people are going to have to pay any of
this $4.7 trillion worth of new taxes. Is that really accurate? I
mean isn't the administration proposing in its budget to roll back
some of the provisions, many of the provisions of the 2017 tax cuts.

Director Young. No sir, no sir.

Senator Kennedy. So, you're not, you're not arguing that we
should roll them back?

Director Young. We are very clearly in the budget state that the
President would support extending those tax cuts for those making
under 400,000. Now he does believe——

Senator Kennedy. Yeah but——

Director Young [continuing]. We should pay for those by——

Senator Kennedy. Yeah. But he's proposing to roll back tax cuts
for people who are making less than 400,000, isn't he?

Director Young. No sir. He's saying the Trump tax cuts, as we
call them, expire in 2025. So, the '24 budget does not——

Senator Kennedy. Some of them expire sooner.

Director Young. Some of them expire sooner, like the R&D tax
credit, and I know there are various proposals in the Senate to ex-
tend those. But on individual taxes, the President in black and
white says he would support extending those.

He would not support raising taxes on anyone under 400,000, but
he thinks those over 400,000, ensuring that those are rolled back
to pay for lower income, those under 400,000, should be on the
table so we can do that in a fiscally responsible way.

Senator Kennedy. I agree that's what he said. I just don't think
that's what his budget does. Thank you, Madam Secretary.

Director Young. Okay, thank you.

Senator Kennedy. Thank you. Come visit us in Louisiana.

Director Young. I'm always there.

Senator Kennedy. Get out of D.C., come back to America.
Chairman WHITEHOUSE. Senator Graham.

STATEMENT OF SENATOR GRAHAM

Senator GRAHAM. Thank you, Mr. Chairman. So yeah, South Carolina, come visit us too. Do you believe we should be voting on the President’s budget? Would you like to see the Senate take a vote on the President’s budget?

Director YOUNG. Senator Graham, you know I used to work here for a long time, and you know what I’m probably going to say. Budgets are Congressional processes, and it would not be appropriate for me as an administration official to weigh in on what comes on the Senate floor.

Senator GRAHAM. I think it would be—I think it would be a good idea to vote on this budget and take the House frigging Caucus budget, let’s vote on a bunch of these things, and we’ll find out what we’re up against. We’re eventually going to have to find out what we’re for. Do you support the idea that entitlements need structural reform to maintain their solvency over time?

Director YOUNG. Senator, I’m sure you know we have a proposal in to extend Medicare by 25 years. I heard some not excitement about some of the proposals in there, but the President stands behind those proposals—

 Senator GRAHAM. So yeah. Are you familiar with Senator Cassidy’s efforts to reform Social Security?

Director YOUNG. Don’t ask me to go too deep, but you know, he is also my home state Senator, so I am aware he has some proposals and are working with Senators across the aisle on that.

Senator GRAHAM. But we may have different approaches, but you agree with the concept Congress needs to come together in a bipartisan fashion to deal with the looming insolvency of Social Security and Medicare?

Director YOUNG. Yeah, and we’ve put a Medicare proposal forward and hope to work with you. The President has supported policies on Social Security, so absolutely. Both parties will have to come together and talk about the trust funds.

Senator GRAHAM. Okay. Well, that’s a really big step in the right direction, because I think when you look at the pie chart, it’s impossible really to get us in a good budget space and these programs, Medicare and Social Security, are certainly worth saving, and I would like to be part of the effort to do that. So, we’ll see if we can make some progress on that front.

Now about the budget before us here today. Inflation’s at six percent. Do you agree that’s about right?

Director YOUNG. Yes Senator, down from over nine percent.

Senator GRAHAM. Yeah. No, six percent down from nine. Who gave us the number six percent?

Director YOUNG. We look at the CPI report.

Senator GRAHAM. Is that the administration?

Director YOUNG. That is not, that is not from us.

Senator GRAHAM. Okay. Who’s it from?

Director YOUNG. Do we have—Bureau of Labor Statistics. So it is ours.

Senator GRAHAM. So I accept that. I assume that’s pretty accurate. 4.7 trillion in taxes in this budget, increases. Is that right?
Director Young. Yes Senator.
Senator Graham. Okay. When you say, “25 percent tax on billionaires,” if you buy an asset at a dollar for simplification, and it appreciates to $3 but you haven't sold it yet, would the president's budget propose taxing that unrealized gain?
Director Young. It would. But we would say because these things have ebbs and flows, it makes sense to do it over a long period of time. So we would suggest looking at——
(Simultaneous speaking.)
Director Young. Absolutely. Remember, a lot of those unrealized gains are used——
(Simultaneous speaking.)
Senator Graham. Do you think that will hurt investing or——
Director Young. Look, this President has been very clear Senator Graham. He believes we tried trickle down. It did not work. He is, he is about investing in the middle class. He believes we can grow the economy best from the middle class and working families.
Senator Graham. Yeah, I gotcha. Couldn't disagree more, but I understand where you're coming from. Now you dispute that this budget increases non-defense spending by 8 1/2; is that correct?
Director Young. I have 7.3 percent.
Senator Graham. Okay, and CBO is at 8.5?
Director Young. CBO has not scored the President's budget yet.
Senator Graham. Okay. Where does this 8.5 number come from? Is that our analysis on the Committee here on our side?
Director Young. Maybe, maybe.
Senator Graham. So you're saying it's 7.3 percent?
Director Young. Yes sir.
Senator Graham. Okay. Well, we'll see if that holds up. In this budget, defense increases 3.3 percent; is that correct?
Director Young. That's correct.
Senator Graham. So in this budget, we're increasing defense spending from last year under inflation?
Director Young. So Senator, I know you and I go back and forth on this. If you remember in December, our defense grew about ten percent. Some things——
Senator Graham. That's why I voted for it.
Director Young. Some things not necessarily administration priorities that we think would fully fund the National Defense Strategy.
Senator Graham. I guess—no, I gotcha. I'm just asking a really simple question. Inflation is six percent. The defense budget increase by the administration is 3.3. Those two numbers are accurate?
Director Young. I'm saying we are reprioritizing some of the funding.
Senator Graham. Now I mean, have I got the numbers, right?
Director Young. You have the top lines right. We go into December and reprioritize.
Senator Graham. And I'll just end with this effort here. You do not agree with the proposition that a 3.3 percent increase for defense spending when inflation is at six percent is increasing defense spending less than inflation?
Director YOUNG. Absolutely not. We reprioritize and we pay for inflation based on our economic assumptions in the budget.

Senator GRAHAM. Well, well, well, well. Okay, thanks.

Director YOUNG. Thanks.

Chairman WHITEHOUSE. Senator Padilla, and then Senator Lee.

STATEMENT OF SENATOR PADILLA

Senator PADILLA. Thank you, Mr. Chair. Director Young, good to see you.

Director YOUNG. Good to see you.

Senator PADILLA. As you know, despite all the recent rain in the states of California and other areas of the west, we still face a crisis on the Colorado River, as drying conditions bring water reservoirs along the Colorado River to dangerously low levels.

That means that 40 million Americans and farms across seven states face severe threats to their water supply. Just to drive home the point, when I reference the farms in the west, I’m speaking to a key segment of our nation’s food supply. So, I want to first thank you for OMB’s role in facilitating the administration’s commitment to invest $250 million for the Inflation Reduction Act, to address the public health and environmental disasters at the Salton Sea.

Because of drought conditions, changing agricultural practices and efforts to stabilize the Colorado River Basin, more and more of the lakebed of the Salton Sea is exposed due to decreased flows, which causes toxic clouds of dust and pesticides, and this pollution spreads for miles, goes airborne for miles.

Addressing the Salton Sea is a critical linchpin of securing long-term deals to address water use in the Colorado River Basin. Second, the $4 billion included in the Inflation Reduction Act for the Colorado River I think should be just seen as a down payment, given the magnitude of the crisis facing the seven states.

It’s going a long way. It was put to urging good use, but it’s a one-time investment in an ongoing concern. So, my question is this: how is the OMB working with the Department of Interior, the Department of Agriculture and other agencies to leverage Inflation Reduction Act and other funding as part of a whole of government approach to addressing the challenges facing the Colorado River?

Director YOUNG. Well one, we understand the problem. The Colorado River Basin impacts 40 million Americans, seven states. It is a complex problem, and it will take a whole of government approach, and OMB is situated to be able to bring the various agencies together and make sure that we are putting our best minds and creativeness to this problem.

As you pointed out, this is—this needs to be reimagined for the long term, and we appreciate the infrastructure and the IRA funds. They are helping get us started, and without those I don’t know where we would be. But this has to be a long systemic change in how the government views the Colorado River Basin, and we’re committed to doing that with your partnership.

Senator PADILLA. Thank you. I’ll tell where we would be without these investments. We’d be in dire straits. That’s exactly where we would be, and another data point to underscore. Half of the 40 million Americans who rely on the Colorado River are in California.
So, on a related issue Director, during your confirmation hearing, which probably at this point seems like a decade ago to you, I raised an issue of a specific Army Corps project to improve levees along the Powder River near Watsonville, California. I raised it then as an issue of equity. The Powder River project was long overlooked because it would protect a low-income community with low property values.

Now it may or may not have been conscious ignoring of that low-income community, but my point is that the systemic consideration of these factors by the Army Corps of Engineers. Their rigid benefit/cost ratio formula, systemically disadvantages projects that would protect communities like this one.

So I was proud to help secure $82 million in the Bipartisan Infrastructure Law to begin the project to reinforce the levees in this historically underserved and largely farm worker community of Pajaro, California. And unfortunately, I imagine you’ve seen the images for days now, Mother Nature did not wait for the Corps to complete its work.

This past week, the levee broke, flooding the town and displacing hundreds of households, and many of the residents now out of work long term because nearby fields remain underwater. These families won’t be able to return to their homes probably for months.

Director Young, you and I have talked about the need to address how the Army Corps, as well as OMB, should be thinking beyond just the benefit/cost ratio in order to ensure we’re protecting vulnerable communities equitably.

How can we shift the federal government’s approach to ensure that communities like Pajaro and Watsonville receive the resources they need before it’s too late?

Director Young. Yeah. Well one, you’re talking to a child of south Louisiana. I’ve pulled out more drywall than a human should have to and it’s devastating to families and communities, and those communities are more than a benefit/cost ratio. You have my commitment to work with you and Congress to make sure there is change beyond when I’m in this seat, to make sure that we’re looking at a way to be absolutely cost conscious, because there’s never enough money.

Even with the infrastructure law, lots of communities have flood control projects that we can’t get to. So we do have to be cost effective, but this idea that poor communities don’t deserve the same flood control protection as those with higher value and houses, is just patently unfair.

So I’m sorry we got there too late to those communities, but you know, I certainly want to work with you and see what we can do to systemically change this for the future.

Chairman Whitehouse, Senator Lee.

Senator Padilla. Thank you very much. Thank you, Mr. Chairman.

STATEMENT OF SENATOR LEE

Senator Lee. Thank you, Mr., Chairman, and thank you Director Young for being here. I want to start out by correcting the record. One of our colleagues made a comment moments ago suggesting
the House Freedom Caucus has proposed and is actively pushing a 30 percent national sales tax.

It’s just not true. House Freedom Caucus has one member who asked for a vote on something like that, but the Freedom Caucus itself doesn’t do that, nor would the Freedom Caucus support that in the absence of a full repeal of the 16th Amendment which seems, let’s just say, unlikely at the moment.

I do, however, applaud the House Freedom Caucus for the work that its done in proposing ideas to get us on a sustainable spending trajectory. I recently proposed in fact that Congress should be responsibly reducing spending growth rates. The biggest problem we’ve got is the rate at which government spending grows is faster than the rate of increase, the rate of economic growth within our country.

If we took care of that, in time we could get to balance over the course of a few years. They’ve also identified some areas where cuts would be appropriate, particularly on the discretionary side of the budget, while enacting meaningful regulatory reform to make sure that Congress, and not unelected, unaccountable bureaucrats, will have ultimately decision-making responsibility over regulations that affect economic growth and ultimately revenue.

I do want to remind everyone, anyone watching this hearing, as well as American taxpayers more broadly, that it’s Congress that ultimately determines annual spending and revenue levels, not the President’s annual budget. Although required by law, the budget request of the President that he submits annually to Congress has long been a political messaging document reflecting the policy, goals and ambitions of the current president’s administration.

It should be noted that many of the largest policies embedded in this particular request have zero chance of becoming law, particularly in the current divided Congress, and with good reason. President Biden’s FY ’24 budget message to Congress alludes posterosously to “delivering on his commitment to fiscal responsibility,” and then it quite misleadingly makes a claim in an effort to claim credit for reducing the FY 2022 budget deficit to $1.4 trillion from the record high $3 trillion budget deficits in both FY ’20 and FY ’21.

To provide actual context and set the record straight on this, remember that FY 20’s deficit included roughly $2 trillion in deficit-financed COVID relief from early 2020, something that was passed in both houses with overwhelming bipartisan support.

FY 21’s deficit included most of the $2 trillion cost of the deficit-financed spending bonanza that Congressional Democrats and President Biden enacted without a single Republican supporting it. At that time in March 2021 when inflation was still below two percent, and the economy was already well on its way to recovery.

FY 22’s sharp deficit decline is solely attributable to the expiration of pandemic spending, and yet it was still hundreds of billions of dollars greater than what CBO projected pre-pandemic. I’d further add that I find it curious if not troubling that the President claims to be a steward of fiscal responsibility, with a track record on deficit and debt accumulation in the last two years, during which there was Democratic control of both the House and the Senate. His claims there don’t add up.
Director Young, this budget request proposes even more spending over the next ten years than current law projections would suggest. We obviously disagree on that point, you and I do, but I’d be curious to know what if any proposed programmatic spending cuts or spending freezes the last—at a minimum on the discretionary side are contained within this budget? Can you identify any of those?

Director Young. Sure. We have an entire fact sheet. I’m happy to show this Committee about what spending cuts this President would take on. One Pharma, paying Pharma less by negotiating prescription drugs and saving the American taxpayer $160 billion. Also closing tax loopholes for Big Oil. We have approximately $200 billion.

Senator Lee. Those aren’t spending cuts, those are tax increases, but yeah.

Director Young. Yeah. I mean our tax cuts, do they not cost the American people?

Senator Lee. Yeah. We use different accounting terms, different language to describe those. I’m asking specifically—

Director Young. They add to the deficit, Senator. So we believe the appropriate thing to do is to close those tax loopholes.

Senator Lee. Understood. Now with non-defense discretionary spending, $661 billion in FY ’19 before the pandemic. The President’s budget calls for $1 trillion for non-defense discretionary spending in FY ’24. This is completely unrealistic as an increase, even from the FY 2023 levels, and I endorse wholeheartedly the Freedom Caucus proposal to cap non-defense discretionary spending.

Would the President ever consider capping non-defense discretionary spending, and if not, why not?

Director Young. Well one, those aren’t the correct numbers. Non-defense discretionary in the President’s budget for ’24 is $688 billion, compared to $886 billion for defense and $121 billion for VA medical care.

Chairman Whitehouse. Senator Lee, your time has expired. Thank you.

Senator Lee. Thank you, Mr. Chairman.

Director Young. Thank you, Senator.

Chairman Whitehouse. Thank you, Director Young. We have a vote to get to, so I’m going to conclude the hearing. I appreciate very much your testimony here. Anybody who has questions for the record has until noon tomorrow to get those questions in, and we’d ask you to try to respond to them within seven days of receipt.

I’ll just conclude by thanking you very much for the President’s attention to the blatant injustice of the Tax Code. It is the product of the power of big special interests and wealthy donors, and enormous amounts of money go out the back door of the Tax Code to benefit the wealthiest corporations and people in this country.

The number you used of an eight percent tax rate for the 400 biggest tax filers, the 400 number has long been a terrible problem, and it means that those super-wealthy tax filers are paying lower tax rates than their limo drivers, lower tax rates than their private jet pilots, lower tax rates than their household staff, and as Warren Buffet famously observed, he paid lower tax rates than his office staff.
That has to stop, not just as a matter of economic probity, but as a matter of simple decency and justice. So thank you for keeping the pedal to the metal on that, and with that, the hearing is concluded.

[Whereupon, at 12:15 p.m., Wednesday, March 15, 2023, the hearing was adjourned.]
Opening Statement of Chairman Sheldon Whitehouse  
Senate Committee on the Budget  
“The President’s Fiscal Year 2024 Budget Proposal”  
March 15, 2023

Ranking Member Grassley, members of the Committee: Welcome. And a special welcome to our witness as well, Director Young, who I know has had a very busy past few weeks. We look forward to hearing your testimony.

A budget is a statement of values. It makes clear what we prioritize.

President Biden’s budget would lower costs for households, strengthen Medicare and protect Social Security. It would invest in our kids, in our families, and in our communities. It would reduce the deficit. And it would make our corrupted tax code fairer.

It is decidedly not a budget for creepy billionaires and fossil fuel overlords, it is a budget for families. The investments proposed in this budget are more than worthwhile, they are overdue.

I challenge anyone to say it’s not worthwhile to make investments in our kids. The Biden budget would increase childcare options for 16 million more kids, lower costs for parents, fund pre-K access for all four-year-olds, and restore the full child tax credit—which we beta-tested and saw work wonderfully well through COVID.

I challenge anyone to say it’s not worthwhile to ensure workers can care for a child or a loved one and still keep a steady paycheck. The Biden budget would guarantee up to 12 weeks of paid family and medical leave, bringing the United States in line with our peer countries around the world—they all guarantee paid leave.

I challenge anyone to say it’s not worthwhile to reduce the astronomical cost of prescription drugs and college education, to improve Medicaid’s home and community-based services, and to reduce costs for homeowners and renters.

To accomplish all this, and more, the Biden budget would stop the freelancing by large corporations, by the wealthiest families in our country, and by firms that pollute the environment and won’t clean their mess.

Ending tax breaks for corporations sending profits offshore and outsourcing American jobs reduces the deficit by over $1 trillion. Ending nearly $100 billion in wasteful tax breaks for the fossil fuel industry, and hundreds more billions in subsidies to Big Pharma, not only helps the deficit but is the right thing to do.

Our corrupted tax system currently has teachers and firefighters paying higher tax rates than billionaires; the Biden budget puts a 25% minimum tax on those who earn over $100 million annually.

The President’s budget would extend Medicare solvency by 25 years, in part by asking the wealthy to contribute a little more to Medicare and by closing loopholes that allow those at the
top to contribute less than nurses and cashiers. I plan to introduce legislation including this commonsense proposal.

These investments, and these remedies to our tax code, are worthwhile on their own merits. Put them all together, and they also reduce deficits by almost $3 trillion.

This is a bright contrast to the dark Republican plan to attack popular programs that promote economic growth, a plan that hides its evil effects behind political rhetoric like “woke” and “weaponized” a plan where the math doesn’t add up and wealthy donors keep getting their free ride.

The new House majority has said it will make permanent the Trump tax giveaways, over 40% of which go to the top 5%, at a cost to the country of $3 trillion over a decade.

According to a letter Sen. Wyden and I received yesterday from the Congressional Budget Office, the Republican promise to balance the budget in 10 years while extending the Trump tax giveaways and imposing draconian cuts to the programs that boost economic well-being is, in a word, impossible. Mathematically, it cannot be done. Even if Republicans were to zero out everything but Social Security, Medicare, veterans’ services, and defense—that means eliminating 100% of the funding for public safety and border security, Medicaid, environmental protection, healthcare, treatment for opioid addiction, and so much more—they would still not be able to meet their own goal of balancing the budget.

What they would be able to do is make nearly every family worse off and send our economy into a tailspin.

So, okay. If that’s what Republicans really want, they should own it. Champion it through the regular legislative order the Constitution provides—not by stealth, with debt limit threats, trying to force some covert back room deal to gut popular federal programs.

Here’s the choice: President Biden’s pro-growth investments, which also reduce the deficit by nearly $3 trillion; versus spending cuts deep enough, economists believe, to plunge the U.S. into a recession, coupled with extending the Trump tax giveaway and adding $3 trillion to the deficit. Families, versus creepy billionaires. Economic opportunity and fiscal responsibility, versus chaos and corruption. Seems like an easy choice.
Mr. Chairman, I appreciate your holding today’s hearing on the President’s fiscal year 2024 budget. I hope that it will be the first of many hearings focused on our nation’s finances.

And I’d like to thank our witness, Director Young, for being here today.

Some decades ago when the federal government was staring at a $200 billion budget deficit, Senator Joe Biden warned of “economic disaster” unless Congress took “dramatic actions on deficits right now.”

Senator Biden called for getting a grip on federal spending and limiting its growth with a temporary, government-wide spending freeze. He called for reviewing the efficiency and necessity of government programs. And he pushed for changes to the budget process that would improve accountability and make it harder for the President to pass the buck.

Today, we face a far dire situation, and President Biden ought to borrow from Senator Biden’s playbook.

Unfortunately, his budget proposal continues to take our nation down a path of fiscal and economic ruin.

The White House referred to this budget as Biden’s vision for the future of America. Let’s talk about what that vision looks like.

President Biden is proposing levels of debt, deficits, and spending previously reserved for times of world war or recession.

President Biden’s vision for the future is job-killing tax hikes and cradle-to-grave entitlement proposals. If that sounds familiar, it’s because it’s the same proposals members of his own party rejected last Congress as too extreme.

The president uses sleight of hand to claim he’s “reducing the deficit.” Well, according to nonpartisan Congressional Budget Office projections, cumulative deficits between 2021 and 2031 will be $6 trillion higher than what was projected when Biden took office.
President Biden’s new spending priorities are on track to put even more on our already maxed out credit card.

President Biden’s vision for the future is a continuation of this administration’s assault on the fiscal health of our nation during a time of economic uncertainty.

Annual deficits were always expected to decline from pandemic levels as emergency programs expired. But, Democrat leadership has recklessly accelerated the return of multi-trillion-dollar deficits through legislation and executive actions.

In 2021, despite warnings from President Obama’s former economic advisor, Democrats abused the budget reconciliation process to fast-track a $2 trillion liberal wish list that sparked the highest inflation we’ve seen in decades. Democrats followed that up last year with another partisan reconciliation bill that they claimed would reduce inflation and cut the deficit. Well, CBO and other independent experts found the bill actually increased inflation. And by this Administration’s own estimate, the bill added another $200 billion to the nation’s tab.

But at least those bills actually passed Congress. The same can’t be said of the Administration’s $400 billion student loan bailout or its unilateral expansion of the food stamp program.
In President Biden’s vision for the future, public debt dwarfs our nation’s entire economic output. Annual deficits under the Biden budget grow from $1.4 trillion last year to over $2 trillion by 2033. By 2027, public debt would surpass record levels set in the wake of World War II and continue to climb.

Like a family or business that incurs more debt simply to make good on past debts, our nation risks entering a vicious debt spiral as interest costs soar.

In President Biden’s vision of the future, interest on the debt costs more than the national defense. Interest costs nearly triple from $476 billion in 2022 to over $1.3 trillion in 2033 and total a staggering $10.2 trillion over ten years.
That’s $10 trillion in hard-earned tax dollars that will not go to improving the lives of Americans. With a larger share of our budget tied up in servicing our debt, we’ll be less able to respond to future recessions, pandemics, or foreign threats.

In President Biden’s vision for the future, America’s debt leaves us more vulnerable and less competitive on the world stage. At home, private business investment is increasingly crowded out, leading to anemic economic growth, lower wages, and fewer jobs.

Bank failures this past week highlight how fragile our economy is right now given decades-high inflation and rising interest rates. The more Congress borrows and spends, the higher interest rates will have to go. Ultimately, its families and small businesses that will suffer the economic consequences.

President Biden’s vision for the future includes $5 trillion in tax hikes on all income levels. This includes millions of families with incomes under $400,000.

Tax revenues are currently at historic highs. Yet, the President wants to extract more from families and small businesses already struggling under decades-high inflation. Under his budget, the government’s bite out of the
economy would be the largest since World War II. And despite all that, he continues adding to our national debt at a breakneck speed. Clearly, we aren’t going to be able to tax our way out of our current fiscal mess.

To climb out of fiscal hole we’ve dug, we must stop digging. Instead, the President proposes $2.5 trillion in new mandatory spending programs. Meanwhile, he largely ignores existing major trust fund programs that are on a path to insolvency. To the extent such programs are addressed, his budget relies on smoke and mirrors to kick the can down the road.

So, President Biden’s vision for our future is more taxes, more debt, less opportunity and fewer resources for essential government services. If my Democratic colleagues are happy with this budget and want to embrace it as their own, fine—let’s have a vote on it. I challenge Leader Schumer to bring it to a vote. I predict it would only get a few votes, if any.

Let’s actually do our jobs and have the Budget Committee mark up a budget resolution. That’s how the process is supposed to work.

Republicans are ready and willing to work with the President to get a grip on Washington’s out-of-control spending and debt. But working together will require a shared acknowledgment of the serious fiscal problems we’re facing and a willingness to work across the aisle. And unfortunately, I don’t see any evidence of that in this budget.
Chairman Whitehouse, Ranking Member Grassley, Members of Committee:

Thank you for this opportunity to testify on President Biden’s Fiscal Year 2024 Budget.

President Biden came into office with a very clear plan to grow the economy from the middle out and the bottom up—not the top down. And over the past two years, in the face of significant challenges, that strategy has produced historic results for the American people.

Under the President’s leadership, we’ve added more than 12 million jobs—more jobs in two years than any president has created in a single four-year term. The unemployment rate has fallen to 3.6 percent, one of the lowest rates in over 50 years. We’ve taken action to lower prescription drug costs, health insurance premiums, and energy bills, while driving the uninsured rate to historic lows.

And the President’s economic plan is rebuilding America’s infrastructure, promoting workers, and fueling a manufacturing boom that is strengthening parts of the country that have long been left behind.

The President has done all of this while delivering on his commitment to fiscal responsibility. During his first two years in office, the deficit fell by more than $1.7 trillion—the largest decline in American history. And the Inflation Reduction Act will reduce the deficit by hundreds of billions of dollars more over the next decade.

The President’s FY 2024 Budget details a blueprint to build on this progress and finish the job. It’s built around four key values: investing in America, lowering costs for families, protecting and strengthening Medicare and Social Security, and reducing the deficit. And it does all of this while ensuring that no one earning less than $400,000 per year will pay a penny more in new taxes.

The Budget more than fully pays for its investments—cutting deficits by nearly $3 trillion over the next decade by asking the wealthy and corporations to begin paying their fair share and cutting wasteful spending to special interests.

The Budget builds on the progress made over the last two years and proposes additional policies to lower costs for working families, including for health insurance, prescription drugs, child care, utilities, housing, college, energy, and more. When working families have a little bit more breathing room, they can help power our economy forward.
The Budget protects and strengthens Medicare and Social Security—bedrock programs that America’s seniors have paid into their entire working lives.

It also invests in America and working families. The Budget will bolster manufacturing, make our communities safer, provide paid leave, support research in cancer, deliver for our veterans, cut taxes for families with children, and more. These investments will pay dividends for decades to come.

And in what will be a decisive decade for America and the world, this Budget reflects the National Security Strategy by including robust investments in military readiness, our diplomatic and development tools, and honors the sacred commitment to our veterans.

Thank you for the opportunity to appear before the committee today, and I look forward to your questions.

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RESPONSE TO
Questions for the Record
from The Honorable Shalanda D. Young
To Senators Braun, Crapo, Graham, Grassley, Marshall, and R. Scott
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Senator Braun

Buy America implementation

Question

OMB’s April 2022 interim guidance is giving departments permission to repeatedly delay Buy America implementation by requesting “adjustment period” general waivers. BABA included a May 14, 2022, implementation deadline, but ten months later departments are still distributing billions in federal assistance for infrastructure without the new Buy America policies. When do you anticipate that departments will move away from delaying implementation using general waivers and fully implement the law by using narrow, targeted waivers?

Response

The Build America, Buy America Act enacted transformative changes to domestic content preferences to federal financial assistance (or FFA) programs. The law added new, permanent domestic content preferences to every FFA program for infrastructure projects. Previously, Buy America applied to only a few FFA programs, most notably, transportation projects as well as iron and steel for EPA water projects. Domestic content provisions included in BABA are not limited to the funds appropriated or authorized in the BIL, but apply to Federal financial assistance for infrastructure projects more broadly.

The Made in America Office (MIAO), located within the Office of Management and Budget, is working closely with agencies to implement the law. For example, the Department of Transportation’s Federal Highway Administration recently announced its implementation plan for electric vehicle (EV) chargers. The strategy will initially ensure that EV chargers purchased through the $5 billion NEVI program will be assembled in the United States and all manufacturing processes for any iron or steel enclosures for the EV chargers will also occur in the United States. The strategy also ensures that EV chargers purchased with NEVI funds will be fully aligned with Build America, Buy America requirements for manufactured products by July 1, 2024. This will support investments in the supply chain consistent with an aggressive expansion of domestic manufacturing.
Senator Braun

Buy America waivers

Question
Some departments are relying on OMB’s April 2022 interim guidance to propose Buy America implementing policies that weaken existing, longstanding Buy America policies. For instance, DOT proposed a de minimis general waiver on November 4, 2022, that would allow non-compliant products and materials totaling up to 5 percent of total project costs, up to $1 million, rather than a percentage of materials costs. For context, the latest calculations have determined that iron and steel only account for 4.8 percent of a typical highway project, so this proposed new policy means that no domestic iron or steel would be required on a federal-aid highway project of $20,000,000 or less. The purpose is to enhance Buy America, not to water down decades of existing policies. When does OMB plan to update its guidance on the use of general waivers for de minimis, small grants, and minor components to ensure that they are narrowly used and limited in their application?

Response
On November 4, 2022, DOT posted for public comment a proposed de minimis costs, small grants, and minor components waiver. As you note, DOT received public comments with respect to the applicability of the proposed de minimis waiver, which would apply if “the total value of the non-compliant products is no more than the lesser of $1,000,000 or 5% of total allowable costs under the Federal financial assistance award.” DOT is considering the comments received during the comment period. The Made in America Office will ensure waivers issued by agencies are consistent with policy.
Senator Crapo

Firefighter pay

Question
The President's budget request includes increased funding for wildland firefighting, raising base rates to $15 an hour for federal wildland firefighters. Do you think the Administration's budget proposal will do enough to hire and retain enough wildland firefighters?

Response
Yes. President Biden has committed to build a more robust and resilient wildland firefighting workforce that is fairly compensated for the difficult and dangerous work they do.

The FY 2024 budget supports this commitment by proposing comprehensive reform for the wildland fire management workforce that will permanently increase pay, improve mental and physical health support, add more permanent hires, and expand housing options. Taken together, we believe this package will support meeting our goals for hiring and retention.

The Budget builds on the temporary pay increases that Congress authorized in the Bipartisan Infrastructure Law which are expected to run out at the end of FY 2023. The legislative proposal, which is fully supported by funding requested in the FY 2024 Budget, reflects a coordinated effort by the Department of the Interior, the U.S. Forest Service in the Department of Agriculture, and the Office of Personnel Management. Significant work has gone into examining the features that will promote hiring and retention.

Enactment of this proposal by FY 2024 will ensure that we have a permanent solution in place to hire and train our wildland firefighters.
Senator Crapo

Defense discretionary increase

Question
The request’s projected levels for defense spending are inadequate, especially when factoring in inflation. Given that our main “pacing challenge,” China, is increasing its nominal defense spending by 7.2 percent, can the Administration really say that we are keeping pace with near-peer adversaries in order to combat global threats?

Response
The FY 2024 Budget provides the resources necessary to implement both the National Security Strategy and the National Defense Strategy. This includes DOD’s priorities of defending the homeland, paced to the growing multi-domain threat that China poses, deterring strategic attacks against the United States, our allies, and our partners, deterring aggression, while being prepared to prevail in conflict when necessary; prioritizing China in the Indo-Pacific and then the Russia challenge in Europe; and building a resilient joint force and defense ecosystem.
Senator Crapo

Southern border funding

Question

The President’s request features a $4.7 billion contingency fund for “surges” at the border. Does this mean, finally, that the Administration considers the situation at our southern border a crisis?

Response

The Administration continues to call on Congress to enact meaningful immigration reform, consistent with the President’s immigration plan submitted to Congress on day one of his Administration. The FY 2024 Budget invests in personnel and technology to enhance border security, disrupt drug and human trafficking, and provide safe and orderly immigration pathways that stem irregular migration. That includes the creation of a $4.7 billion contingency fund to provide resources to address increases in southwest border migration when necessary. This is an acknowledgment that migration patterns can quickly change and a funding structure that allows for quick response if necessary is needed.
Senator Crapo

Debt burden

Question

The President’s Budget request would increase debt held by the public from $25.9 trillion in 2023 to $43.6 trillion by 2033. Does the Administration consider this burden a threat to our national security?

Response

The President’s Budget takes a responsible approach to reducing our fiscal risks. It does so by reducing the deficit by nearly $3 trillion over the next decade and a further $7 trillion over the second decade and by keeping the economic burden of debt low and in line with historical experience. Real interest—the Federal Government’s annual interest payments after adjusting for inflation—directly measures the cost of servicing the debt. Even as nominal interest rates have increased recently, real net interest is projected to remain at or below its long-run average over the Budget window. The President’s Budget demonstrates that we can responsibly reduce our fiscal risks, achieve meaningful deficit reduction, and invest in key national priorities, including bolstering our security both at home and around the world.
Senator Crapo

Advanced Small Modular Reactor (SMR) Program

Question

In January, I led a bipartisan letter urging President Biden to include robust funding for the Department of Energy’s Advanced Small Modular Reactor (SMR) Program. The Advanced SMR program is instrumental in speeding the development of this nuclear technology, and the first demonstration project is underway at the Idaho National Laboratory. The Department of Energy’s request includes only $20 million for small modular reactor research and development, which represents an astounding 87.9 percent drop in funding. Why did this Administration slash funding for a program committed to producing zero carbon, baseload energy? Given this Administration’s previously stated support for SMRs, please provide a full justification for this decision.

Response

The FY 2024 Budget for the Department of Energy’s Office of Nuclear Energy prioritizes activities that keep the existing fleet of nuclear power plants in operation, enable demonstrations and future deployments of advanced reactor technologies, secure and sustain the nuclear fuel supply, and expand international nuclear energy cooperation. The Budget provides $20 million for the Advanced Small Modular Reactor (SMR) research, development, and demonstration (RD&D) subprogram, which will support RD&D activities to assist in maturing SMR concepts toward commercial readiness, including highest priority design maturation and supply chain needs, with results which will be widely applicable and can be adopted by domestic nuclear reactor vendors. Funding will also support the most critical activities for the Carbon Free Power Project’s commercial demonstration of the NuScale SMR technology. Together, these cost-shared RD&D activities will accelerate the domestic demonstration of U.S. SMR technologies to facilitate further deployment of U.S. technologies in domestic and international markets.
Senator Crapo

Tax Cuts and Jobs Act (TCJA) tax extenders

Question

The President’s budget provides no specific plan for extending the broad, pro-growth TCJA tax cuts for job creators and hardworking Americans that simultaneously led to one of America’s best economic periods and record tax collections. Instead, it calls these expiring provisions ‘fiscally reckless’ and ‘irresponsible,’ all while not accounting for the vague promise to address the expirations so not to raise taxes on people making less than $400,000. And, the Budget proposes extending the President’s own temporary, targeted social spending programs in the tax code through 2025, known to cost trillions more if done permanently. In the Administration’s view, which expiring tax rates or other provisions from TCJA must be extended in order to not violate President Biden’s pledge that no taxes will be increased on anyone earning less than $400,000?

Response

The Tax Cuts and Jobs Act of 2017 included numerous provisions that were deliberately designed to expire after 2025 to conceal their true cost and their full distributional impact. The President’s Budget lays out three clear principles for resolving these expirations consistent with his unwavering commitment that no one making under $400,000 a year will pay more in new taxes. First, the President opposes increasing taxes on people making under $400,000 a year, and furthermore supports cutting taxes for working people and families with children. Second, the President opposes cutting taxes for the wealthy either by extending tax breaks for them that would expire or offering them new tax breaks. Finally, the President supports additional reforms to ensure that the wealthy and corporations are paying their fair share so that we can fully pay for the continuation of tax cuts for people earning less than $400,000.
Senator Crapo

Budget process reform

Question

This is yet another time where economic baselines have gone out of date by the time the actual budget request is unveiled. While I understand that these baselines must be completed first, are there any structural changes that can be made to not keep running into this issue? Could this include budget process reform?

Response

The Administration’s forecast was finalized in late November 2022. OMB then accounted for this economic forecast when developing the budget baseline and formulating the 2024 President’s Budget request. The Mid-Session Review is an opportunity for administrations to update economic assumptions that are more up to date with current data on the economy.

It is to the benefit of both policymakers and the public to better align the release of the President’s Budget with the actual enactment of annual appropriations, as was intended by the Congressional Budget Act. The Administration looks forward to working with the Congress to ensure that the annual budget and appropriations processes better align to the vision laid out in the Congressional Budget Act.
Senator Graham

Advanced Manufacturing Collaborative (AMC)

Question

Director Young, there is currently a reprogramming request pending at OMB for $16 million for a project in Aiken, South Carolina. The project, the Advanced Manufacturing Collaborative (AMC), is overseen by the Department of Energy and will allow for collaboration between industry, academia, and the Savannah River National Lab. Due to the increase in prices for construction, the project requires an additional $16 million in funding. A reprogramming request was processed by the Department of Energy in December 2022. Since early February 2023, the reprogramming request has been pending with OMB. Please provide me with a status update on this pending repurposing as soon as possible.

Response

OMB approved the reprogramming request on March 16, 2023. The reprogramming is back at the Department for processing and transmittal to Congress.
Senator Graham

Small Modular Reactors (SMR)

Question

Director Young, The Administration has publicly touted the role Small Modular Reactors (SMR) play in addressing its climate goals. This includes the State Department’s FIRST program and funding commitments as part of the Partnership for Global Infrastructure and Investment. In FY23, the Administration requested $40 million for SMRs, yet Congress appropriated $165 million. The Administration’s FY24 budget request only includes $20 million for SMRs. How does the Administration justify its FY24 request for SMR funding while publicly touting SMRs to a global audience? How does the Administration hope to achieve its 2050 climate goals without a robust investment in SMRs and nuclear energy?

Response

The FY 2024 Budget for the Department of Energy’s Office of Nuclear Energy prioritizes activities that keep the existing fleet of nuclear power plants in operation, enable demonstrations and future deployments of advanced reactor technologies, secure and sustain the nuclear fuel supply, and expand international nuclear energy cooperation. The Budget provides $20 million for the Advanced Small Modular Reactor (SMR) research, development, and demonstration (RD&D) subprogram. This funding will support RD&D activities to assist in maturing SMR concepts toward commercial readiness, including highest priority design maturation and supply chain needs, with results which will be widely applicable and can be adopted by domestic nuclear reactor vendors. Funding will also support the most critical activities for the Carbon Free Power Project’s commercial demonstration of the NuScale SMR technology. Together, these cost-shared RD&D activities will accelerate the domestic demonstration of U.S. SMR technologies to facilitate further deployment of U.S technologies in domestic and international markets.
Senator Grassley

Inflation Reduction Act cost estimates

Question

There are substantial differences in the Congressional Budget Office's estimate of the on-budget effects of last year's reconciliation act (P.L. 117-169) and OMB's cost estimate of the law entered on the Statutory PAY-As-You-Go Act scorecard. Please provide OMB's provision-by-provision cost estimate of the act and a crosswalk to CBO's estimate so that we can better understand difference in estimates.

Response

As reported on the scorecards, Public Law 117-169 is expected to reduce the unified deficit by over $230 billion over the 10-year PAYGO scoring window when considering the combined estimate of scoreable and non-scoreable effects. The Congressional Budget Office also estimated that Public Law 117-169 would reduce the deficit by over $200 billion in the first ten years.

As described in the PAYGO Act, we provide a single topline score for each separate enacted legislation subject to the PAYGO law. In the case of Public Law 117-169, the scorecard also included an estimate of the non-scoreable effects of the legislation, primarily stemming from the investment in tax enforcement for higher-income individuals. This presentation of a separate estimate for the non-scoreable effects is consistent with how the Congressional Budget Office presented its own score of the Inflation Reduction Act.
Baseline comparisons

Question
Proposing deficit reduction is one thing, but actually achieving it is another. When push comes to shove, this Administration has only caused our projected deficits to grow. What were cumulative deficits in OMB’s baseline budget projections over the 2022-2031 window before the enactment of the American Rescue Plan Act of 2021? Were they lower or higher than the $18.2 trillion in OMB’s current adjusted baseline or the $16.1 trillion proposed under the FY 2024 budget for the same period?

Response
OMB’s last published baseline before the enactment of the American Rescue Plan Act of 2021 was President Trump’s final budget, published in February of 2020. This three-year old baseline estimate, which predates the significant Federal response to and economic effects of the COVID 19 pandemic, projected a cumulative baseline deficit of $10.2 trillion over the 2021-2030 budget window.
Senator Grassley

PAYGO scorecard

Question
How much has been added to the Statutory Pay-As-You-Go Act scorecards since President Biden took office?

Response
Since President Biden took office, $443,138 million per year was added to the 5-year scorecard, and $242,729 million per year was added to the 10-year scorecard.
Senator Grassley

Debt sustainability

Question

Under the President's budget, debt surpasses the post-World War II high of 106 percent of GDP in 2027 and reaches nearly 110 percent of GDP in 2033. Do you believe that this debt trajectory, one which assumes all of your proposals are enacted, leaves the government on a sustainable budget path?

Response

The President’s Budget takes a responsible approach to reducing our fiscal risks. It does so by reducing the deficit by nearly $3 trillion over the next decade and a further $7 trillion over the second decade, and by keeping the economic burden of debt low and in line with historical experience. Real interest—the Federal Government’s annual interest payments after adjusting for inflation—directly measures the cost of servicing the debt. Even as nominal interest rates have increased recently, real net interest is projected to remain at or below its long-run average over the Budget window.
**Senator Grassley**

**Inflation and interest rates**

**Question**

According to the budget, interest costs climbed 39 percent from 2022 to 2023. Interest costs continue to mount throughout this budget and will cost taxpayers more than $10 trillion over the next 10 years. Interest rates have obviously risen due to the need to try and tame inflation caused by the dramatic overspending of this Administration. What do you tell hardworking American who are experiencing a double whammy from this Administration - first inflation that drove up the costs of everyday items and now higher interest rates that make things like buying a home or starting a business even more difficult?

**Response**

Interest rates have risen as the Federal Reserve works to slow inflation through monetary policy. The Federal Reserve is responsible for monetary policy and interest rates, and we do not comment on those decisions.

However, the President’s Budget includes a suite of proposals to reduce everyday costs for families and give them more breathing room—including lower costs for health insurance, prescription drugs, housing, higher education, child care, and utilities. Moreover, recent inflation data provides evidence that the President’s economic plan is working. Annual inflation fell for the last eight months to the lowest in more than a year. Gas is down about $1.60 from its peak. The cost of goods is falling as prices for electronics and used cars come down. Finally, it is important to note that inflation is a global phenomenon, affecting most developed countries. In fact, inflation rates in the United States are now lower than in nearly all developed economies.
Senator Grassley

Social Security solvency

Question

As you know, CBO tells us the Social Security trust fund will exhaust in 2032, at which point millions of beneficiaries will see their benefits cut unless action is taken. Despite your claims that the President's budget protects and strengthens Social Security, the budget includes no proposals to extend the solvency of the Social Security trust fund and prevent these cuts. In fact, your budget includes a $22 billion reduction in Social Security payroll tax revenues relative to baseline projections over the 2024-2033 window. By how many days does the budget's reduction in dedicated Social Security taxes hasten the insolvency of the Social Security trust fund and the resulting cuts to benefits?

Response

The Budget relies on the Social Security Trustees Report for characterizing the trust funds’ financial outlook, including projections of program revenues and costs, including payroll tax revenue. As noted in the Budget, the 2022 Social Security Trustees Report predicts the combined trust funds will deplete their reserves in 2035. The President has made clear he will not support proposals from Congress that cut benefits for Social Security.
Senator Grassley

Defense topline

Question

Outside of a nearly $5 trillion increase in taxes, one of the sources of deficit reduction in your budget is to limit the growth in defense spending below inflation each year after 2028. Do you believe this is a realistic outcome?

Response

Projections through FY 2028 are based on DOD's Future Years Defense Program. After 2028, the Budget reflects outyear growth rates consistent with the FY 2023 President’s Budget.
Senator Grassley

Global War on Terrorism (GWOT) and Overseas Contingency Operations (OCO) spending

Question

The Budget Control Act of 2011 established statutory limits on discretionary spending for FY2012 - FY2021. During that time frame additional funding was provided through the Global War on Terrorism (GWOT) and Overseas Contingency Operations (OCO) accounts outside of the caps placed on discretionary spending. Please provide a break down by year of expenditures utilizing GWOT/OCO funding for non-war related costs.

Response

While OMB does not track this specific category of expenditures, we have attached:

- A historical summary of budget authority designated as Overseas Contingency Operations (OCO) from FY 2012-2021, including both Defense and Non-Defense functions. This information is also available in the public OMB Final Sequestration Report to the President and Congress for Fiscal Year 2021.
- A table from DOD’s FY 2022 Defense Budget Overview Book showing DOD’s annual OCO budget authority from FY 2010-2022, broken out into categories that include Enduring Requirements, European Deterrence Initiative/Non-War, and OCO for Base Requirements. (Note: There are two discrepancies between the two attached files. First, the FY 2013 discrepancy in the DOD total between $87.2 billion in the OMB historical summary vs. the $82 billion in DOD’s chart is due to the effects of sequestration, which totaled $4.8 billion. Second, the FY 2018 number in DOD’s chart reflects a continuing resolution level for that year, and was not updated for the actual enacted level. The actual enacted level for FY 2018 was $65.9 billion, of which $2.3 billion was categorized as OCO for Base.)
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1 The amounts in this table tie to OMB scoring of discretionary appropriations provided in appropriations or supplemental appropriations Acts that were designated as Overseas Contingency Operations pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 and resulted in adjustments to the discretionary spending limits in place from 2012 to 2021 pursuant to the Budget Control Act of 2011 and further bipartisan budget Acts that subsequently amended these caps.
Overview – FY 2022 Defense Budget

The FY 2022 direct war and enduring request reflects a $28.3 billion decrease from the FY 2021 OCO enacted level of $70.4 billion to account for projected OFS, OIR, In-Theater Support, and OCO for base requirements. Figure 7.4 shows the trends in OCO funding.

Figure 7.4. OCO Funding Trends

Trends in OCO Funding

($ in Billions)

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<th>Fiscal Year</th>
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Senator Grassley

Mandatory funding for Veteran’s programs

Question

The President’s budget has several proposals for mandatory spending (major and minor construction at the Department of Veterans Affairs, Equity investments at the International Development Corporation) that are currently funded through discretionary spending. Does the administration see these new mandatory accounts as permanent accounts?

Response

The President recognizes the importance of these programs to America’s veterans and the American people at large and views these mandatory proposals as complementary, additional investments above the 2024 discretionary request meant to address specific, current circumstances.
Senator Grassley

Direct loan budget estimates

Question

Can you explain how the Administration books a negative $1.9 billion net reestimate for the Federal Direct Loan (DL) program in 2023? Budget materials say that it is primarily due to updated Income Driven Repayment (IDR) model assumptions, but given the executive actions on student loans, and the rapid rise of interest rates in 2023 it’s not clear how the reestimate of the DL portfolio results in lower costs.

- Can you detail how the Administration concludes that the Direct Loan volume as well as average loan amount will decrease in 2024?

- The budget justification provided by the Department of Education reflects a nearly 5 percent increase in DL subsidy costs however this assumes $0 for net reestimates and modifications in 2024 - even though the administration has already estimated a modification cost of $138 for the IDR proposed rule that will soon be finalized. When will OMB update the average subsidy rate for the DL program, and should taxpayers expect the rate to peak above 25 percent?

Response

The Budget does not include the potential effects of the new IDR plan proposal. Executive actions are modifications and are not part of the reestimate. The most significant factor in the net downward DL reestimate was a scoring change related to existing IDR plans. ED incorporated data on actual borrower income into their student loan budget model, resulting in slightly higher projected income for some groups of borrowers (notably graduate borrowers) and slightly lower projected income for other groups of borrowers. On balance, this scoring change creates a more accurate estimate that slightly increased projected future IDR payments from borrowers to the government, resulting in savings.

The Budget forecasts a slight increase in new student loan volume in 2024 of $1.2 billion (not including consolidation loans that repay existing loans). The Budget forecasts a $5.4 billion reduction in consolidation loan volume in 2024. Consolidation lending is expected to be lower in 2024 due to a reduction in the outstanding portfolio after the implementation of one-time student debt relief.

The 2024 reestimate will be calculated for the 2025 Budget using the economic assumptions for the 2025 Budget, as is customary. The net reestimate may be upwards or downwards depending on the 2025 Budget economic assumptions and observed portfolio data leading up to the 2025 Budget. Regarding possible modifications which may occur in the rest of 2023 or in 2024, the Notice of Proposed Rulemaking for IDR is still in the notice and comment process, which may materially change the costs. The final IDR regulatory cost will be included in future documents (which may include Mid-Session Review, future Budgets, and Treasury reports) once the rule is finalized. The subsidy rates for new cohorts of direct loans in the 2025 Budget will depend on
economic assumptions, any new relevant student loan data, and policy changes that would affect those loans.
Senator Grassley

Preschool funding

Question

The budget includes funding related to preschool for families in states that do not choose to participate in the new preschool program. Is there a set percentage of funding that will be guaranteed for direct payments to families, or how will the Administration’s proposal assure that States will not use all the provided funding?

Response

The Budget recognizes the importance of investing in children through its proposal to partner with states to provide all four-year-old children with high-quality, free preschool in the setting of a parent’s choice. The proposal includes funding to provide access to preschool to children in underserved communities in states that do not choose to participate in the new preschool program, so that families in every state have access to high-quality preschool.
Senator Grassley

Civil Monetary Penalties (CMP)

Question

The budget request includes $2.5 billion in deficit reduction over the ten-year window through a proposal to "increase civil monetary penalties for labor law violations"; however, there is no real explanation for how the receipts from civil penalties will increase. What is the specific policy change responsible for the increase in receipts?

Response

The Administration looks forward to working with Congress to meaningfully increase penalty levels in several of the statutes administered by the Department of Labor, the Equal Employment Opportunity Commission, and the National Labor Relations Board for employers that violate workplace safety, health, wage and hour, child labor, equal opportunity, and labor organizing rules. When employers violate these laws, workers can lose their wages, their health, or their lives. Often these are not harmless compliance errors, and the penalty levels should be increased to reflect the gravity of these violations and enhance the deterrent effect of the penalties.
Senator Grassley

Community Navigators Pilot Program

Question

The Small Business Administration (SBA) requests $30 million for the Community Navigators Pilot program (CNPP), which was established by the American Rescue Plan Act. However, outcomes relative to its cost have been abysmal. According to the applicable congressional budget justification, CNPP only served 16,000 clients for $100 million. For comparison, a similar technical assistant program, the Small Business Development Centers in FY 2022 received $140 million and served 306,141. Moreover, oversight of the CNPP program reveals concerns with organizations whose subawards were not operable nor competent to give business advice or guidance. Can you explain how SBA will address these concerns should another $30 million be provided for the program?

Response

The Community Navigator Pilot Program (CNPP) has been instrumental in SBA’s efforts to expand targeted technical assistance services to underserved communities where that connection to technical assistance was limited or did not previously exist. During the first year of the two-year period of performance, CNPP provided one-on-one counseling services to over 16,000 unique clients and group training to over 170,000 small businesses and entrepreneurs.

In accordance with 2 CFR § 2701.92, CNPP does not have subaward recipients.
Senator Grassley

Accountable Care Organizations (ACO)

Question

Value-based health care efforts are important to bending the cost-curve of our nation's health care spending. In 2019, CBO stated "the available evidence indicates that ACOs have had little or no net effect on Medicare spending." Since then, CBO has communicated they monitor "official evaluations of ACOs from the Center for Medicare and Medicaid Innovation (CMMI) as well as academic research about the performance of ACOs. Since the agency's statement in March 2019 and December 2020 QFRs, CBO's review of the evidence continues to indicate that ACOs have had little or no net effect on Medicare spending." What is the Office of the Actuary at CMS's independent actuarially sound estimate for combined Medicare and Medicaid unrealized savings to the federal government from ACOs since the ACA was implemented? Does the administration assume any of the actuarially sound estimate into its mandatory health spending outlays?

Response

Since the passage of the Affordable Care Act, CMS has accelerated participation in value-based care, including work with ACOs, to reward better care, smarter spending, and improved outcomes. In 2021, the Medicare Shared Savings Program (MSSP) saved Medicare more than $1.6 billion, marking the fifth consecutive year of net savings, while the participating ACOs maintained high ratings for quality of care. Many state Medicaid agencies have used the MSSP as a basis to build their own Medicaid shared savings arrangements. CMMI continues to use its authority to test ways to inform and improve MSSP, including through the ACO Realizing Equity, Access, and Community Health (ACO REACH) Model that aims to promote accountable care in underserved areas.
Senator Grassley

Premium Tax Credits (PTC)

Question

The President's budget seeks to permanently extend enhanced premium tax credits for high-income earners beyond 2025. The budget proposal indicates permanently extending enhanced premium tax credits costs $183 billion over 10 years. The Congressional Budget Office (CBO) has estimated making the subsidies permanent would result in a 2.3 million decrease in enrollment in employment-based coverage. What actions is the administration taking to expand other high-quality, consumer-protected affordable health care options, including employer-based coverage options, that do not cost the taxpayers anywhere near $183 billion over 10 years? I appreciate the administration's action in 2022 to extend transitional health plans.

Response

The enhanced premium tax credits established by the American Rescue Plan and extended in the Inflation Reduction Act contributed to a record-setting 16.3 million people signing up for Affordable Care Act Marketplace coverage in 2023. The enhanced credits are income-based, requiring lower contributions as a percentage of income for families with lower incomes, and individuals for whom employer coverage is unaffordable are eligible. The Administration is committed to building on this success to ensure all Americans have access to high-quality, affordable health insurance. The Budget lowers the cost of health care for families with private health coverage by capping insulin at $35 for a monthly prescription and extending Medicare drug inflation rebates to commercial plans, saving the federal government $40 billion over 10 years.
Senator Grassley

Prescription drug prices

Question

The President’s budget calls for dictating prices for more prescription drugs under Medicare. The proposal also calls for dictating prices sooner after a drug receives FDA approval. The administration has indicated this proposal will save $160 billion over 10 years. The administration has not disclosed details of the proposal. Government price dictation reduces the number of new cures and treatments according to CBO and academic studies. A University of Chicago study found the Inflation Reduction Act would result in 135 fewer new drugs approved. New evidence has shown the “Inflation Reduction Act” is reducing potential new treatments and cures for a rare eye disorder and blood cancer. I want to lower drug prices, including holding pharmacy benefit managers accountable. How is the $160 billion savings being achieved? How many additional drug prices will be dictated? Will you reduce the nine and 13 year non-dictation period? By how much?

Response

The Inflation Reduction Act is leading to lower prescription drug costs for American seniors and families. Drug manufacturers have announced price reductions for insulin, and Medicare beneficiaries’ costs are capped at $35 per month per insulin prescription. The Center for Medicare and Medicaid Services announced 27 prescription drugs for which Part B beneficiary coinsurances may be lower starting the second quarter of this year from April 1 – June 30, 2023, which may save beneficiaries between $2 and $390 per average dose depending on their individual coverage.

The President wants to build on the Inflation Reduction Act by negotiating more drugs and bringing more drugs into negotiation sooner. We look forward to working with Congress on the details to save an additional $160 billion.
Senator Grassley

IRS taxpayer services

Question

The IRS budget was supersized by nearly $80 billion in the partisan Inflation Reduction Act. The President’s FY 2024 budget seeks to continue a mandatory stream of funding for the IRS through 2032 and 2033 with a request for a total of more than $29 billion in additional mandatory spending. According to supporting documents of the budget request, absolutely zero of this new funding would be allocated to Taxpayer Services. Why isn’t any of this new mandatory spending allocated to taxpayer services?

Response

The mandatory proposal to provide additional enforcement and operations support funding in FY 2032 and FY 2033 is tailored to maintain the program integrity of IRA-funded enhancement of revenue generating enforcement activity consistent with IRS program integrity proposals supported by administrations of both political parties. The taxpayer service improvements this filing season are only possible because of the additional resources provided through the Inflation Reduction Act (IRA). Since enactment of the IRA, IRS has hired thousands of additional customer service personnel and thus far during the filing season, is seeing vastly improved taxpayer service metrics. IRS has also made meaningful progress in addressing the backlog of paper returns and taxpayer correspondence. The FY 2024 Budget includes an increase of $642 million in discretionary funding for taxpayer service to sustain this progress. Without additional discretionary funding, the IRS would be forced to divert IRA resources to support core operations and would be unable to maintain the taxpayer service improvements that we are seeing today.
Senator Grassley

IRS mandatory request

Question

The proposed budget requests roughly $29 billion in additional mandatory spending for the IRS in FY 2032 and FY 2033. Though apparently neglecting taxpayer services, the budget allocates that funding mostly to enforcement with some going to operations support. How many direct civilian full-time equivalent employees and reimbursable fulltime civilian employees does OMB project would be funded by the additional mandatory request, per account, and job function? How many additional auditors does OMB project would be hired with the additional requested mandatory budget authority?

Response

The mandatory proposal in the FY 2024 Budget is intended to maintain the program integrity of revenue generating investments funded by the Inflation Reduction Act independent of the job title or classification of individual employees. The FY 2024 Budget includes an increase of $642 million to improve the taxpayer experience.
Senator Grassley

IRS mandatory funding spending plan

Question

The IRS was provided with nearly $80 billion in mandatory spending mostly allocated to enforcement in the Inflation Reduction Act. Recently, the IRS missed a deadline set by Treasury Secretary Yellen to provide a plan for spending the extra money. However, supporting documents of the budget request provide estimates of the spending of the $80 billion in mandatory funding by year throughout the budget window. Has the Administration already decided how the $80 billion in new funding will be spent regardless of whatever plan the IRS comes up with? Will the IRS be able to decide how to spend the $80 billion the IRS was provided or will OMB or the Biden Administration decide and dictate to the IRS how the money will be spent?

Response

The estimates in the FY 2024 Budget were provided by the IRS based on current operating assumptions and do not constitute final spending plans. These estimates will be revised each year in the President’s Budget consistent with standard procedures for all spending under current law. The IRS is expected to transmit its Strategic Operating Plan for Inflation Reduction Act-funded transformation in the coming weeks.
Senator Grassley

IRS mandatory funding spending decisions

Question

Despite the delay in the IRS providing a plan for the nearly $80 billion in additional mandatory budget authority provided by the Inflation Reduction Act, supporting documents of the budget request showing estimated outlays by agency and account show mandatory outlays stemming from that $80 billion in FY 2022 and projections of mandatory spending in FY 2023. In the absence of a plan by the IRS in spending the $80 billion in mandatory funding, how have spending decisions been made and by what individuals? Please describe in detail how any of the $80 billion in mandatory budget authority has already been spent, and is projected to be spent throughout FY2023.

Response

The FY 2024 Budget Appendix provides detailed FY 2023 estimates for all IRS obligations, including a breakdown by object classification. The publicly available SF-133 report on budget execution and resources is updated monthly.
Senator Grassley

IRS mandatory funding offset

Question

The President’s budget attributes more than $105 billion in deficit reduction stemming from the additional mandatory funding requested for the IRS of $14.3 billion in FY 2032 and $14.8 billion in FY 2033. Please describe how the increase in revenues was calculated and provide the specific calculations and academic research justifying them that underlie these assumptions.

Response

The Budget builds on decades of analysis conducted by both OMB and the Congressional Budget Office (CBO) demonstrating that program integrity investments to enforce existing tax laws increase revenues and close the tax gap. Per CBO, in recent years, the Return on Investment (ROI) for fully productive IRS enforcement staff have ranged from 5:1 to 9:1. IRS also publishes realized ROI data for enforcement programs in its Congressional Justification, which ranged from 9:1 to 12:1 over the 2018 to 2022 period. Notably, these estimates exclude indirect revenue increases resulting from deterrent effects from additional IRS resources, which are expected to increase voluntary compliance within the tax system and deter tax evasion.
Senator Grassley

Highway Trust Fund

Question

Even through a multi-year reauthorization of surface transportation programs was enacted last Congress, the Highway Trust Fund is still on a path to insolvency. Based on the most recent information provided by CBO, payments from the trust fund will need to be delayed during FY 2027. In the avalanche of paper released over the past week by the administration, I have not found any proposal to make the Highway Trust Fund solvent. What proposal is the administration considering to either increase revenues to or decrease spending from the Highway Trust Fund?

Response

The President’s Budget projects HTF solvency through 2027; the Administration appreciates the bipartisan approach to the HTF embodied in the Bipartisan Infrastructure Law and looks forward to working with Congress on a bipartisan approach to extending HTF solvency once again when the time comes. Any proposals would need to ensure that those Americans making less than $400,000 will not pay more in new taxes.
Senator Grassley

Pandemic fraud prevention and enforcement

Question

In March President Biden requested approval from Congress for a $1.6 billion plan for the investigation and prosecution of pandemic fraud while addressing identity theft and assisting victims. The budget requests $1.6 billion in mandatory budget authority for pandemic fraud prevention and enforcement. Please describe in detail how this funding would be spent. Does the administration predict this additional requested budget authority would result in the recovery of any pandemic funds and the prevention of future fraud or theft?

Response

The proposal allocates $600M to enforcement actions, such as increasing the DOJ’s strike forces and providing pandemic IGs, who provide a 10-to-1 return on investment to taxpayers, with much needed funding to investigate systemic fraud. The proposal also invests $600M in prevention, to ensure that fraudulent actors are identified before funds are ever paid out, and the failed system of “pay-and-chase” enacted in 2020 is not repeated in the future. Finally, the proposal provides $400M to ensure that the innocent victims of identity theft are held harmless, and to simplify the complex maze of requirements for identity fraud victims into a single one-stop-shop experience at IdentityTheft.gov. These proposals would undoubtedly result in the recovery of pandemic funds and the prevention of future fraud. I have also attached the fact sheet released with the budget that includes additional information. It can also be found at:

https://www.whitehouse.gov/briefing-room/statements-releases/

FACT SHEET: President Biden’s Sweeping Pandemic Anti-Fraud Proposal: Going After Systemic Fraud, Taking on Identity Theft, Helping Victims

Past underinvestment in basic government technology and the crush of demand during the pandemic, combined with ill-considered decisions to take down basic fraud controls at the onset of the pandemic led to a historic degree of outright fraud and identity theft of emergency benefits. This systemic fraud particularly impacted the pandemic small business programs and the new and expanded unemployment benefits that were originated in the first half of 2020—often with too little regard for basic program integrity.

While the initial pandemic legislation in 2020—as well as the American Rescue Plan passed in 2021—were essential to mitigating the health and economic impact of this unprecedented pandemic, there must be a bipartisan response to punish those who engaged in major and systemic fraud against the American people during a time of national emergency, to put in place stronger fraud and identity theft prevention going forward, and to hold harmless those Americans who were innocent victims of identity theft.

President Biden is introducing a three-part historic Pandemic Anti-Fraud proposal:

- **Ensuring resources & time for investigations and prosecution of those engaged in major or systemic pandemic fraud ($600 Million):** It is imperative that those criminal syndicates who preyed on Americans during a time of unprecedented health and economic emergency know that they may run, but they cannot hide. We must prosecute serious offenders and go after those who have the largest amount of stolen funds to recapture.

- **Investing in fraud prevention and identity theft ($600 Million):** It is critical that we learn lessons from what went wrong with certain emergency programs that were subject to significant fraud in 2020 and invest in better prevention of identity theft and all forms of major fraud involving public benefit programs. We are committed to simpler access for intended beneficiaries and protecting our commitment to equity, civil liberties and privacy.

- **Helping victims of identity theft ($400 Million):** While we must take broad steps to prevent identity theft of public benefits, we must recognize the nature of the harms to
innocent victims who find themselves facing hardship, credit score deterioration, tax liability and extreme stress and helplessness through no fault of their own.

**Ensuring That Oversight and Enforcement Bodies Have the Resources and Time to Prosecute Major Pandemic Fraud & Recoup Taxpayer Dollars**

We must empower law enforcement to pursue, investigate, prosecute, and recover money from those who were engaged in major or sophisticated fraud—from well-off individuals who took hundreds of thousands, if not millions, of dollars from taxpayers to sophisticated criminal syndicates engaging in systemic identity theft. The oversight and law enforcement communities need both the time to prosecute the most serious and sophisticated cases and the resources to hire law enforcement and investigators for multi-year assignments. This is extremely important with regard to major acts of fraud in the Pandemic Unemployment Insurance and pandemic small business programs, where the Inspectors Generals (IGs) have led the investigative work behind major prosecutions that have recovered or prevented billions of dollars of fraud. Absent additional resources, the oversight community would be unable to investigate and prosecute the known caseload before the statute of limitations expires and to pursue sophisticated cases that will require more time and resources. This backlog, and the significant funds these IGs are able to recoup and save, also means that increasing their funding will result in a more than 10-to-1 return for taxpayers.

*Critical enforcement steps will include $600 million to provide watchdogs with the resources and the time needed to go after most serious pandemic fraud.*

- **Triple the COVID-19 Fraud Strike Force Teams that were created by the Department of Justice (DOJ) “Chief Pandemic Fraud Prosecutor” that President Biden announced in his State of the Union:** Following the President’s policy announcements in his 2022 State of the Union address, Department of Justice (DOJ) created three “strike forces” for Pandemic Fraud. These “strike forces” have been highly effective and must be expanded to recover more stolen taxpayer dollars. One case alone, brought with the support of the COVID-19 Fraud Enforcement Task Force, recently seized and recovered $286 million in stolen pandemic relief funds, and investigators have already identified several equally important cases. President Biden’s proposal requests $300 million for DOJ to add at least ten “strike forces” to target criminal syndicates and major fraudulent actors. These funds would ensure that the Department has the necessary resources to prosecute the full range of pandemic fraud, bring to justice the most egregious and sophisticated offenders, and recover stolen funds for the American people.

The strike forces will combine investigative, prosecutorial, and analytical capacities in
tackling COVID fraud throughout the country. Each strike force will include a Supervisory Assistant U.S. Attorney, a team of Assistant U.S. Attorneys, along with investigative support analysts and law enforcement agents—including those drawn from the IG community and other federal law enforcement partners such as the Federal Bureau of Investigation, Homeland Security Investigations, the U.S. Secret Service, the U.S. Postal Inspection Service, and Internal Revenue Service (IRS) Criminal Investigation. Mechanisms exist for non-DOJ agency reimbursements, such as through DOJ’s Organized Crime Drug Enforcement Task Forces. This effort will include funds to hire 30-45 additional prosecutors, as we create a Forfeiture Task Force.

- **Increase statute of limitations to 10 years for serious, systemic pandemic fraud including Pandemic Unemployment Insurance programs**: Building on our doubling of the extension of the statute of limitations for the Paycheck Protection Program and COVID-19 Economic Injury Disaster Loans, which President Biden signed this summer, this proposal calls for ensuring that the Justice Department and Department of Labor’s Inspector General have the time and multi-year resources to go after criminal syndicates committing systemic or multi-state fraud. It will also ensure that systemic fraud in any pandemic program will face the same statute of limitations.

- **Pass bipartisan legislation supported by the Oversight Community to increase the cap in the Fraud Civil Remedies Act**: Supported by heads of both the Government Accountability Office (GAO) and the Pandemic Response Accountability Committee (PRAC), this legislation would raise the administrative claims cap from $150,000 to $1 million to ensure that all remedies are available to recapture large, six figure fraud that might otherwise fall below the prioritization threshold for prosecution.

- **Ensure that the Department of Labor (DOL) Office of Inspector General (OIG) can easily access multi-state data to detect instances of multi-state fraud where the same identity is inappropriately used to apply for benefits in multiple states**: Early in 2021, the Biden Administration reversed a Trump Administration policy that required the DOL OIG and PRAC to subpoena each state and territory individually to get the data needed to detect and investigate massive multi-state fraud in the unemployment insurance (UI) program. In addition, the Biden Administration made a portion of American Rescue Plan grants offered to all 53 state and territories for UI modernization conditional on giving the DOL OIG data from the beginning of the pandemic to December 2023 to save billions in multi-state identity fraud. Future grants will extend this agreement through 2025, and the Department of Labor is committed to ensuring that the OIG will not experience a gap in accessing multi-state data.
• Provide at least $300 million for the Pandemic Inspectors General and PRAC investigative staff: At current Small Business Administration (SBA) and DOL IG staff funding levels, it would take decades to prosecute the known caseload. This funding would ensure they can bring on the resources needed to recover billions of dollars in fraudulent payments. The SBA and DOL IGs would each get at least $100 million for the express purpose of long-term hiring of investigators to pursue special cases of organized pandemic fraud and to support the interagency strike forces led by the DOJ Chief Pandemic Fraud Prosecutor. Additionally, this proposal provides funding for PRAC to hire or provide reimbursements for investigators to support major prosecutions and ensure that other pandemic IGs have the resources they need.

Investing in Fraud Prevention and Stopping Identity Theft

The pandemic exposed significant vulnerabilities in our government benefits systems, especially in regard to preventing systemic identity theft as a means to steal benefits designed for Americans coping with the health and economic impacts of the pandemic. It is clear that reliance on historic knowledge-based verification (e.g., Social Security number, date of birth), is more and more susceptible to attacks given the widespread ease of access by criminal syndicates to individuals’ personal information, which can be bought on the dark web for pennies. Through an upcoming executive order, the President will direct actions designed to provide guidance to federal agencies on the best ways to prevent identity theft in public benefits. In addition, the Administration is proposing significant resources to support stronger preventative steps to prevent identity theft in public benefits.

This proposal builds upon the lessons learned during the pandemic and will ensure robust fraud prevention and identity theft prevention investments totaling at least $600 million:

• Prevent Future Fraud by expanding the PRAC’s Pandemic Analytics Center of Excellence: The Pandemic Analytics Center of Excellence (PACE) is a cutting-edge analytic platform that provides analytic, audit, and investigative support to the Inspector General community. As evidenced by a recent PRAC Fraud Alert, this is a high-return investment. This proposal would establish a permanent anti-fraud data and analytics capability analogous to the PACE for the Inspector General community to be positioned to oversee future disaster relief and emergencies. The PRAC, the American Rescue Plan (ARP) Implementation Team and the Office of Management and Budget (OMB) pioneered a new model of early action fraud prevention—as opposed to chase and pay. This proposal would support further cooperative efforts to prevent fraud from taking place in the first place.
• **Expand Treasury’s Do Not Pay Service and increase checking tax transcripts:** During the pandemic, the previous Administration allowed $7,000 loans worth $3.6 billion to go out by August 2020, when all of them would have been flagged had the Trump Administration SBA simply checked them against Do Not Pay (DNP) databases. SBA loan applicants have also long allowed the SBA to check their IRS tax records to identify potential fraud before approving loans, but Congress at one point put in legislation language to discourage the checking of tax transcripts for potential fraud before giving out large SBA loans. Fortunately, the Biden Administration re-started checking DNP databases and authorized tax transcripts in 2021. This proposal will both add significant new funds to Treasury to increase capacity to identify, prevent, and recover improper payments and related fraudulent activity, and call on Congress to pass a law making clear that skipping payment integrity verifications for loans and grants above $25,000 should not happen again—even in an emergency situation.

• **Provide at least $300 million to prevent identity theft in public benefits:** To further prevent systemic identity theft and organized criminal syndicates from exploiting government benefits programs, this proposal would include funding to support the modernization of agency identity verification systems and support enhancements to lessen the impact on victims of identity theft. As recommended by the PRAC and outlined in their recent report, this funding would facilitate improved data sharing and enhancement of “yes” / “no” attribute validation services.

• **Invest $150 million to ensure lessons learned are applied going forward:** This funding would ensure that effective oversight and the best practices and lessons learned from the pandemic are institutionalized. This would include funding for under-resourced IGs, such as the Department of Energy, Department of Agriculture, and the Environmental Protection Agency.

• **Formalize “Gold Standard” meetings:** “Gold Standard” meetings were started by the Biden ARP Implementation Team and OMB, in partnership with the PRAC, to institute a more cooperative and early prevention model for fraud prevention and program integrity, while still respecting the independence of the oversight community. The Chair of the PRAC testified that it is a “model for how to manage large-scale emergency spending initiatives and balance the need for robust independent oversight with timely program implementation.” These Gold Standard meetings brought together the White House ARP Implementation Team, OMB, agency program staff, the agency IG, and the PRAC in one meeting—so everyone could hear all concerns and issues at the same time, before major implementation started. These meetings were later institutionalized by OMB Guidance and are being used for the Bipartisan Infrastructure Law and Inflation Reduction Act.
implementation. This process has led to major new anti-fraud controls at the front end and should be required for new major programs.

- **Strengthen the unemployment systems’ program integrity and fraud prevention through new legislation and deployment of American Rescue Plan funding:**
  - New UI program integrity resources for states in FY2024 Budget: In the upcoming release of the President’s Budget on March 9, 2023, the Administration will propose a package of legislative reforms to more effectively prevent, detect, and recover improper payments. These proposals would require states to use the tools already at their disposal to identify fraud and gives states access to more funding to reduce and recoup fraudulent and other improper payments, including an ability to reinvest 5 percent of recovered fraud into fraud prevention, detection and recovery. This proposal would also require states to check claims against the National Directory of New Hires and prisoner datasets.
  - $1.6 billion in American Rescue Plan funds to be available to states to modernize, improve access and prevent fraud and identity theft by June 2023: The American Rescue Plan committed $2 billion to strengthen UI oversight and help states modernize their UI systems to prevent fraud, identity theft and payment error, while at the same time promote equitable access and ensure the timely payment of benefits to legitimate claimants. By June 2023, $1.6 billion of these funds will be available to states to help them achieve these goals through measures including:
    - $2.46 billion for tiger teams to help states identify risks and implement fraud prevention solutions, such as improved identity verification, claims risk scoring, and increasing state usage of the multi-state UI Integrity Data Hub.
    - $380 million in anti-fraud grants and identity theft prevention, including $140 million in anti-fraud grants already available to states, $200 million in new grants to strengthen identity theft prevention, and over $40 million in investments to make equitable innovations in identity verification available to states through Login.gov and the U.S. Postal Service.
    - $600 million to modernize vulnerable state IT systems and improve program integrity, countering decades of underinvestment that led to significant fraud and payment errors. These new grants will help states modernize IT systems, enabling faster responses to fraud, decreases in erroneous payments, and more efficient claims processing.
• $100 million for solutions to help states reduce common mistakes and improper payments, such as simplifying difficult-to-complete forms to reduce the number of incorrect submissions that lead to payment errors and automating repetitive tasks that result in unnecessary staff burden and processing mistakes.

• $249 million in equity enhancements that improve payment accuracy, such as translating web pages, using plain language, and building more accessible websites for people with disabilities. These enhancements show that equity and program integrity can go hand-in-hand by enabling applicants to better understand program requirements and providing more accurate information, ultimately decreasing improper payments.

Major Investment in Helping Victims of Identity Theft

Identity theft exacts a devastating toll on its victims. Ever-evolving and increasingly sophisticated identity theft schemes cause significant tax and credit harms to the victims of identity fraud as well as equally serious challenges in resolving those harms. Victims are saddled with ruined credit scores and private sector debt, are liable for government-provided loans and overpayment claims, and are unable to qualify for home mortgages, auto loans, and other lines of credit—and are often denied access to public benefits.

President Biden is proposing $400 million in new funding for enhanced help for victims of identity theft to:

• **Pilot an identity theft Early Warning System**: Funds should be provided to GSA to evaluate, create government-wide recommendations, and pilot with specific agencies an Early Warning System to notify individuals and entities when their identity information is being verified in order to access a federally- or state-administered public benefits program and give individuals and entities the option to stop potentially fraudulent transactions before they occur and report such transactions to law enforcement entities.

• **Provide one-stop remediation experience for victims**: Funds would support FTC’s enhancement of IdentityTheft.gov, which will provide individuals a one-stop shop experience to both report identity crimes and receive personalized identity theft recovery assistance, coordinating, as appropriate, with state and local non-profit legal services and community-based organizations.

• **Offer grants for additional services to victims**: Additional funding would be available to state and local non-profits and legal services organizations that provide direct services to
victims. These grants will be administered by DOJ's Office for Victims of Crime and will help scale on-the-ground support for victims and existing partnerships.

###
Senator Grassley

Accounting for the budgetary impact of disasters

Question

Chairman Whitehouse cited OMB estimates of the impact of climate change on federal programs such as crop insurance and asked if you agreed with his assessment that OMB’s estimates were a lower bound estimate of the budgetary risks of climate change. You agreed that current expenditure impacts are undervalued and underreported. You further noted you had just met with economists and outside organizations who do economic forecasting to discuss building climate change into economic forecasts. Please note which economists and organizations you have met with and how they might be asked to contribute to OMB modeling. Are any of these economists or organizations conducting any work at your request or as a result of contact with OMB? Given that you seem to acknowledge that OMB is not currently incorporating the full impact of climate change in its modeling, is it appropriate for you to agree in advance of this work being done that current OMB estimates are a lower bound estimate of the budgetary risks of climate change? Have you determined what the modeling will show before the work is done?

Response

OMB met with members of private sector organizations, the government, as well as academia to discuss building climate change into economic forecasts. OMB has not requested any organization or individual outside of the government to engage in any modeling work for OMB. We have not asked the attendees whether any are conducting new work as a result of this contact with OMB.

In March 2023, OMB and CEA released a white paper on the macroeconomic channels of climate risk. OMB also released in March a separate white paper on the direct effects of climate risk on select Federal programs. Both white papers discuss scientific, peer-reviewed studies underscoring that current modeling techniques underestimate the economic and financial costs of climate risk.
Senator Grassley

Budget balance

Question
At the Committee's hearing, the question of what revenues as a percentage of GDP were when we last balanced the budget came up. What were revenues as a percentage of GDP last year? Was the unified federal budget balanced last year? What were outlays as a percentage of GDP the last time the unified federal budget was balanced?

Response
In 2022, revenues were 19.6 percent of GDP.

The unified Federal budget has run a deficit in each of the last 50 years except for during the Clinton Administration from 1998-2001.

Outlays were 17.7 percent of GDP in 2001, the last time the unified Federal budget was in surplus.
Senator Marshall

Buy America rule

Question

On February 9th OMB proposed an amendment to the code of federal regulations to implement the Build America, Buy America Act within the IIJA. Of the nearly 2,000 comments, a considerable number focused on the omission by OMB in the proposed rule of the exclusion of construction materials contain in Section 70917(c) from domestic content procurement preferences. When OMB publishes its final rule in the federal register, it will contain new, unseen provisions that will have avoided public comment. Will you comment to a notice and comment rulemaking on the entire OMB amendment proposal to implement the Build America, Buy America Act consistent the Administrative Procedures Act?

Response

Section 70917(c) of the Bipartisan Infrastructure Law provides that “the term ‘construction materials’ shall not include cement and cementitious materials, aggregates such as stone, sand, or gravel, or aggregate binding agents or additives.” It also provides that “the standards developed under section 70915(b)(1) shall not include cement and cementitious materials, aggregates such as stone, sand, or gravel, or aggregate binding agents or additives as inputs of the construction material.”

On February 9, 2023, OMB published a Federal Register Notice proposing a new part 184 in 2 CFR chapter I to support implementation of the Build America, Buy America Act within the Bipartisan Infrastructure Law. See 88 FR 8374. OMB sought public comment on the proposed guidance through March 13, 2023. The preamble to the proposed OMB guidance notes that:

Section 70917(c) of the Act provides that the term construction materials shall not include the following materials: (i) cement and cementitious materials; (ii) aggregates such as stone, sand, or gravel; or (iii) aggregate binding agents or additives (the “Excluded Materials”). However, the Act does not specify whether these Excluded Materials should be entirely excluded from coverage under Buy America Preferences.

OMB requested comment in the proposed guidance on how “excluded materials” should be treated in the context of the “manufactured product” Buy America Preference. OMB is considering the comments received in response to its proposed guidance.
Senator Marshall

Disaster reporting

Question

Ms. Young, has your office consulted with the Treasury Department in relation to their obligation under 50 U.S. Code § 1641 which requires the President to provide a specified accounting to Congress of all expenditures attributable to the exercise of powers and authorities conferred by a declaration of a national emergency within 90 days, which despite the clear statutory authority has not been done since January 20th, 2021?

Response

To the extent that your question concerns the national emergency declared with respect to COVID-19, OMB understands that the Treasury Department has not been delegated this responsibility and does not have access to or collect this information on behalf of the Federal government.
Inflation

Question

Ms. Young, do you believe excessive government spending, especially deficit spending, causes inflation?

Response

High inflation has been a global phenomenon. In fact, in the second half of 2022, inflation in the European Union and in the United Kingdom was higher than it was in the United States. The root causes of inflation are likely varied, complicated and widespread as reflected in the higher inflation experienced across nearly all developed countries. It’s also likely that interactions between several factors have contributed to higher inflation. In particular, increases in supply chain pressures coming out of the COVID-19 pandemic were strongly associated with increases in the price of goods. The invasion of Ukraine by Russia also led to higher prices on a range of commodities from food to energy, which flowed through to consumer prices. Some experts have asked whether increased corporate concentration has allowed large corporations to take advantage of the opportunity of higher underlying inflation to extract excess profits by increasing prices more than necessary, further exacerbating inflation. The Economic Report of the President also includes a useful discussion of the potential factors contributing to inflation.

Although we have been encouraged by the recent moderation in inflation, this Administration understands that there is more work to do. That’s why the President’s Budget includes proposals to directly reduce the cost of everyday necessities for working families.
Senator Scott

Labor force participation (LFP)

Question

Ms. Young, what was the average labor participation in 2019? What is it for the first two months of 2023? Do you believe it is important to get more people back into the workforce?

Response

The labor force participation rate averaged 63.1% in 2019, before falling to 61.3% in January, 2021, the month that President Biden took office. Since then, it has risen to 62.5%, as of February 2023. It is also worth noting that the employment-to-population ratio for people aged 25-54 has fully recovered from the shock of the pandemic and at 80.5% is now identical to the ratio in February 2020.

Increasing the pool of available workers is a critical for growing the economy. Too many Americans face the impossible choice of caring for their children and/or sick family members in lieu of advancing their careers. By supporting working families and increasing access to affordable child care, the President’s agenda will allow many Americans to rejoin the labor force.
Senator Scott

Interest costs

Question

Ms. Young, what is the current federal debt and the current interest rate that the federal government is paying on that debt? What is the total amount that the federal government is projected to pay on interest expense in current fiscal year?

Response

Debt held by the public was $24,694.0 billion at the close of Friday, March 17.

The projected interest expense on the public debt for FY 2023 is $687.155 billion.

Treasury pays many different interest rates on various securities. However, if you divide the FY estimated 2023 interest expense on the public debt above by the average of the end-of-FY 2022 and estimated end-of FY 2023 debt held by the public, the average rate is 2.7%.
Senator Scott

Interest burden

Question

Ms. Young, how does President Biden’s proposed budget address the enormous burden that interest expense places on American taxpayers who receive zero benefit or return on dollars spent paying interest on the debt?

Response

The President’s Budget takes a responsible approach to reducing our fiscal risks. It does so by reducing the deficit by nearly $3 trillion over the next decade and a further $7 trillion over the second decade, and by keeping the economic burden of debt low and in line with historical experience. Real interest—the Federal Government’s annual interest payments after adjusting for inflation—directly measures the cost of servicing the debt. Even as nominal interest rates have increased recently, real net interest is projected to remain at or below its long-run average over the Budget window.
Senator Scott

Daily government spending

Question

Ms. Young, on average, how much money was the federal government spending per day on March 15, 2019? If passed as proposed, how much money would the federal government spend on average per day on average under President Biden’s budget in its first fiscal year?

Response

The federal government spent about $4.5 trillion in fiscal year 2019, equivalent to 21 percent of GDP. That’s $12 billion or 0.06% of GDP per day. In fiscal 2024, under the President’s policies, the federal government is expected to outlay $6.9 trillion, equivalent to 25.3% of GDP. That’s an average of $19 billion or 0.07% of GDP per day. Actual outlays per day are included in the Daily Treasury Statement.
Senator Scott

Increase in spending and population

Question

Ms. Young, there are approximately 6 million more American citizens today than before the pandemic in 2019. This population growth has been met with disproportionate spending growth, meaning that the federal government is spending about $400,000 for each of these 6 million new citizens. How does the administration justify this?

Response

As the President has said many times, budgets are a reflection of our values. The President’s Budget demonstrates that we value safeguarding our commitments to America’s senior citizens, meeting our obligations to America’s veterans, defending the country and securing our Democracy, investing in the middle class and those who are struggling to get into the middle class, supporting communities all over the country who have too often been overlooked or left behind, and reducing costs for hardworking families. These are the values that are embedded in the budget, as proposed by the Biden-Harris Administration. This administration also values fiscal responsibility, which is why the Budget also proposes to reduce the deficit over the next 10 years by nearly $3 trillion. The Budget demonstrates that we can responsibly reduce the deficit while at the same time investing in America to reflect these core values.
Senator Scott

Social Security and inflation

Question

Ms. Young, the trust fund which supports Social Security is projected to face major shortfalls in just 10 years. The threat of insolvency facing this critical program has been exacerbated by President Biden’s raging inflation crisis, which forced the largest Social Security Cost of Living Adjustment (COLA) increase in history last year. With this in mind, how does President Biden’s proposed budget protect Social Security by mitigating or eliminating the threat of insolvency without cuts to benefits?

Response

As the President has made clear, he will reject any efforts to cut the Social Security benefits that seniors and people with disabilities have earned and paid into their entire working lives.

The Administration is committed to protecting and strengthening Social Security and opposes any attempt to cut Social Security benefits for current or future recipients. The Administration looks forward to working with the Congress to responsibly strengthen Social Security by ensuring that high-income individuals pay their fair share. The Budget also strengthens Social Security by investing in improving service delivery and advancing equity to reverse the downward performance caused by years of underfunding and staffing losses.
Senator Scott

Federal debt

Question

Ms. Young, the federal debt has risen to more than $31 trillion, increasing more than $4 trillion since President Biden took office. Does President Biden’s proposed budget reduce the federal debt?

Response

The policies in President Biden’s Budget would result in lower debt, both in nominal dollars and as a percentage of GDP, than under current law and if the Budget policies are not enacted.
Senator Scott

Budget balance

Question

Ms. Young, is President Biden's proposed budget balanced? If not, why has he chosen to not challenge Congress to balance the budget and force the federal government to live within its means?

Response

The President’s budget reduces deficits by nearly $3 trillion over the next decade by asking the wealthy and big corporations to pay their fair share. Every dollar of new investment is more than paid for.

Under the Budget, the economic burden of debt will stay low, with the real cost of federal debt payments in line with the historical average through the coming decade.

The Administration believes paying for investments that encourage economic growth is necessary to demonstrate our commitment to fiscal responsibility while also addressing the pressing challenges facing Americans today. President Biden believes that investing in America, growing the economy from the bottom up and middle out, lowering costs for families, and reforming our tax code to reward work and not wealth are economic and fiscal imperatives. Strong and shared growth that benefits all Americans isn’t just good for the economy; it will also lead to better fiscal outcomes. At the same time, President Biden believes that long-term investments in our Nation and its people should be paid for.
OMB has an important role in the implementation of the Build America, Buy America Act (BABA), which was enacted as part of the Bipartisan Infrastructure Law (BIL) to fix shortcomings in existing Buy America laws — including limited coverage, excessive use of waivers, and loopholes. Specifically, OMB is directed to provide guidance to departments so that implementation policies reflect the statute and President Biden’s support for the policy. If implemented as intended by Congress, BABA will result in more tax dollars spent on infrastructure being reinvested back into the U.S. economy, generating strong market signals for U.S. investments and supply chain reshoring. However, implementation delays mean that billions of dollars are being spent to purchase foreign-produced products and materials.

**Question #1**: OMB’s April 2022 interim guidance is giving departments permission to repeatedly delay Buy America implementation by requesting “adjustment period” general waivers. BABA included a May 14, 2022, implementation deadline, but ten months later departments are still distributing billions in federal assistance for infrastructure without the new Buy America policies. When do you anticipate that departments will move away from delaying implementation using general waivers and fully implement the law by using narrow, targeted waivers?

**Question #2**: Some departments are relying on OMB’s April 2022 interim guidance to propose Buy America implementing policies that weaken existing, longstanding Buy America policies. For instance, DOT proposed a de minimis general waiver on November 4, 2022, that would allow non-compliant products and materials totaling up to 5 percent of total project costs, up to $1 million, rather than a percentage of materials costs. For context, the latest calculations have determined that iron and steel only account for 4.8 percent of a typical highway project, so this proposed new policy means that no domestic iron or steel would be required on a federal-aid highway project of $20,000,000 or less. The purpose is to enhance Buy America, not to water down decades of existing policies. When does OMB plan to update its guidance on the use of general waivers for de minimis, small grants, and minor components to ensure that they are narrowly used and limited in their application?
Questions for the Record from Senator Crapo for Director Shalanda Young
The President's Fiscal Year 2024 Budget Proposal
March 15, 2023
Senate Budget Committee

Question #1:
The President’s budget request includes increased funding for wildland firefighting, raising base rates to $15 an hour for federal wildland firefighters. Do you think the Administration’s budget proposal will do enough to hire and retain enough wildland firefighters?

Question #2:
The request’s projected levels for defense spending are inadequate, especially when factoring in inflation. Given that our main “pacing challenge”, China, is increasing its nominal defense spending by 7.2 percent, can the Administration really say that we are keeping pace with near-peer adversaries in order to combat global threats?

Question #3:
The President’s request features a $4.7 billion contingency fund for “surges” at the border. Does this mean, finally, that the Administration considers the situation at our southern border a crisis?

Question #4:
The President’s Budget request would increase debt held by the public from $25.9 trillion in 2023 to $43.6 trillion by 2033. Does the Administration consider this burden a threat to our national security?

Question #5:
In January, I led a bipartisan letter urging President Biden to include robust funding for the Department of Energy’s Advanced Small Modular Reactor (SMR) Program. The Advanced SMR program is instrumental in speeding the development of this nuclear technology, and the first demonstration project is underway at the Idaho National Laboratory. The Department of Energy’s request includes only $20 million for small modular reactor research and development, which represents an astounding 87.9 percent drop in funding. Why did this Administration slash funding for a program committed to producing zero-carbon, baseload energy? Given this Administration’s previously stated support for SMRs, please provide a full justification for this decision.

Question #6:

The President’s budget provides no specific plan for extending the broad, pro-growth TCJA tax cuts for job creators and hardworking Americans that simultaneously led to one of America’s best economic periods and record tax collections. Instead, it calls these expiring provisions ‘fiscally reckless’ and ‘irresponsible,’ all while not accounting for the vague promise to address the expirations so not to raise taxes on people making less than $400,000. And, the Budget proposes extending the President’s own temporary, targeted social spending programs in the tax code through 2025, known to cost trillions more if done permanently. In the Administration’s view, which expiring tax rates or other provisions from TCJA must be extended in order to not violate President Biden’s pledge that no taxes will be increased on anyone earning less than $400,000?

Question #7:

This is yet another time where economic baselines have gone out of date by the time the actual budget request is unveiled. While I understand that these baselines must be completed first, are there any structural changes that can be made to not keep running into this issue? Could this include budget process reform?
Questions for the Record
from Senator Lindsey O. Graham
for The Honorable Shalanda D. Young
“The President’s Fiscal Year 2024 Budget Proposal.”
March 15, 2023
Senate Budget Committee

Question #1:
Director Young, there is currently a reprogramming request pending at OMB for $16 million for a project in Aiken, South Carolina. The project, the Advanced Manufacturing Collaborative (AMC), is overseen by the Department of Energy and will allow for collaboration between industry, academia and the Savannah River National Lab. Due to the increase in prices for construction, the project requires an additional $16 million in funding. A reprogramming request was processed by the Department of Energy in December 2022. Since early February 2023, the reprogramming request has been pending with OMB.

Please provide me with a status update on this pending repurposing as soon as possible.

Question #2:
Director Young, The Administration has publicly touted the role Small Modular Reactors (SMR) play in addressing its climate goals. This includes the State Department’s FIRST program and funding commitments as part of the Partnership for Global Infrastructure and Investment. In FY23, the Administration requested $40 million for SMRs, yet Congress appropriated $165 million. The Administration’s FY24 budget request only includes $20 million for SMRs.

How does the Administration justify its FY24 request for SMR funding while publicly touting SMRs to a global audience? How does the Administration hope to achieve its 2050 climate goals without a robust investment in SMRs and nuclear energy?
Questions for the Record
From: Ranking Member Charles E. Grassley
To: Office of Management and Budget Director Shalanda Young
The President’s Fiscal Year 2024 Budget Proposal
March 15, 2023
Senate Budget Committee

Inflation Reduction Act Cost Estimates
1. There are substantial differences in the Congressional Budget Office’s estimate of the on-budget effects of last year’s reconciliation act (P.L. 117-169) and OMB’s cost estimate of the law entered on the Statutory PAY-As-You-Go Act scorecard. Please provide OMB’s provision-by-provision cost estimate of the act and a crosswalk to CBO’s estimate so that we can better understand difference in estimates.

Biden’s Disastrous Fiscal Legacy
2. Proposing deficit reduction is one thing, but actually achieving it is another. When push comes to shove, this Administration has only caused our projected deficits to grow. What were cumulative deficits in OMB’s baseline budget projections over the 2022-2031 window before the enactment of the American Rescue Plan Act of 2021? Were they lower or higher than the $18.2 trillion in OMB’s current adjusted baseline or the $16.1 trillion proposed under the FY 2024 budget for the same period?
3. How much has been added to the Statutory Pay-As-You-Go Act scorecards since President Biden took office?

Debt and Interest
4. Under the President’s budget, debt surpasses the post-World War II high of 106 percent of GDP in 2027 and reaches nearly 110 percent of GDP in 2033. Do you believe that this debt trajectory, one which assumes all of your proposals are enacted, leaves the government on a sustainable budget path?
5. According to the budget, interest costs climbed 39 percent from 2022 to 2023. Interest costs continue to mount throughout this budget and will cost taxpayers more than $10 trillion over the next 10 years. Interest rates have obviously risen due to the need to try and tame inflation caused by the dramatic overspending of this Administration. What do you tell hardworking American who are experiencing a double whammy from this Administration—first inflation that drove up the costs of everyday items and now higher interest rates that make things like buying a home or starting a business even more difficult?

Social Security
6. As you know, CBO tells us the Social Security trust fund will exhaust in 2032, at which point millions of beneficiaries will see their benefits cut unless action is taken. Despite
your claims that the President’s budget protects and strengthens Social Security, the
budget includes no proposals to extend the solvency of the Social Security trust fund and
prevent these cuts. In fact, your budget includes a $22 billion reduction in Social Security
payroll tax revenues relative to baseline projections over the 2024-2033 window. By how
many days does the budget’s reduction in dedicated Social Security taxes hasten the
insolvency of the Social Security trust fund and the resulting cuts to benefits?

Defense
7. Outside of a nearly $5 trillion increase in taxes, one of the sources of deficit reduction in
your budget is to limit the growth in defense spending below inflation each year after
2028. Do you believe this is a realistic outcome?
8. The Budget Control Act of 2011 established statutory limits on discretionary spending for
FY2012 – FY2021. During that time frame additional funding was provided through the
Global War on Terrorism (GWOT) and Overseas Contingency Operations (OCO)
accounts outside of the cap placed on discretionary spending. Please provide a break
down by year of expenditures utilizing GWOT/OCO funding for non-war related costs.

Veterans
9. The President’s budget has several proposals for mandatory spending (major and minor
construction at the Department of Veterans Affairs, Equity investments at the
International Development Corporation) that are currently funded through discretionary
spending. Does the administration see these new mandatory accounts as permanent
accounts?

Education
10. Can you explain how the Administration books a negative $1.9 billion net reestimate for
the Federal Direct Loan (DL) program in 2023? Budget materials say that it is primarily
due to updated Income Driven Repayment (IDR) model assumptions, but given the
executive actions on student loans, and the rapid rise of interest rates in 2023 it’s not
clear how the reestimate of the DL portfolio results in lower costs.
  • Can you detail how the Administration concludes that the Direct Loan volume as
    well as average loan amount will decrease in 2024?
  • The budget justification provided by the Department of Education reflects a
    nearly 3 percent increase in DL subsidy costs however this assumes $0 for net
    reestimates and modifications in 2024 - even though the administration has
    already estimated a modification cost of $138 for the IDR proposed rule that will
    soon be finalized. When will OMB update the average subsidy rate for the DL
    program, and should taxpayers expect the rate to peak above 25 percent?
11. The budget includes funding related to preschool for families in states that do not choose
to participate in the new preschool program. Is there a set percentage of funding that will
be guaranteed for direct payments to families, or how will the Administration’s proposal
assure that States will not use all the provided funding?

Increase Civil Monetary Penalties for Labor Law Violations
12. The budget request includes $2.5 billion in deficit reduction over the ten-year window
through a proposal to “increase civil monetary penalties for labor law violations”;


however, there is no real explanation for how the receipts from civil penalties will increase. What is the specific policy change responsible for the increase in receipts?

Community Navigators Pilot Program

13. The Small Business Administration (SBA) requests $30 million for the Community Navigators Pilot program (CNPP), which was established by the American Rescue Plan Act. However, outcomes relative to its cost have been abysmal. According to the applicable congressional budget justification, CNPP only served 16,000 clients for $100 million. For comparison, a similar technical assistance program, the Small Business Development Centers in FY 2022 received $140 million and served 306,141. Moreover, oversight of the CNPP program reveals concerns with organizations whose subawards were not operable or competent to give business advice or guidance. Can you explain how SBA will address these concerns should another $30 million be provided for the program?

Health Care

14. Value-based health care efforts are important to bending the cost-curve of our nation’s health care spending. In 2019, CBO stated “the available evidence indicates that ACOs have had little or no net effect on Medicare spending.” Since then, CBO has communicated that they monitor “official evaluations of ACOs from the Center for Medicare and Medicaid Innovation (CMMI) as well as academic research about the performance of ACOs. Since the agency’s statement in March 2019 and December 2020 QFRs, CBO’s review of the evidence continues to indicate that ACOs have had little or no net effect on Medicare spending.” What is the Office of the Actuary at CMS’s independent actuarially sound estimate for combined Medicare and Medicaid unrealized savings to the federal government from ACOs since the ACA was implemented? Does the administration assume any of the actuarially sound estimate into its mandatory health spending outlays?

15. The President’s budget seeks to permanently extend enhanced premium tax credits for high-income earners beyond 2025. The budget proposal indicates permanently extending enhanced premium tax credits costs $183 billion over 10 years. The Congressional Budget Office (CBO) has estimated making the subsidies permanent would result in a 2.3 million decrease in enrollment in employment-based coverage. What actions is the administration taking to expand other high-quality, consumer-protected affordable health care options, including employer-based coverage options, that do not cost the taxpayers anywhere near $183 billion over 10 years? I appreciate the administration’s action in 2022 to extend transitional health plans.

16. The President’s budget calls for dictating prices for more prescription drugs under Medicare. The proposal also calls for dictating prices sooner after a drug receives FDA approval. The administration has indicated this proposal will save $160 billion over 10 years. The administration has not disclosed details of the proposal. Government price dictation reduces the number of new cures and treatments according to CBO and academic studies. A University of Chicago study found the Inflation Reduction Act would result in 135 fewer new drugs approved. New evidence has shown the “Inflation Reduction Act” is reducing potential new treatments and cures for a rare eye disorder and blood cancer. I want to lower drug prices, including holding pharmacy benefit managers accountable. How is the $160 billion savings being achieved? How many additional drug
prices will be dictated? Will you reduce the nine and 13 year non-dictation period? By how much?

IRS Mandatory Funding

17. The IRS budget was supersized by nearly $80 billion in the partisan Inflation Reduction Act. The President’s FY 2024 budget seeks to continue a mandatory stream of funding for the IRS through 2032 and 2033 with a request for a total of more than $29 billion in additional mandatory spending. According to supporting documents of the budget request, absolutely zero of this new funding would be allocated to Taxpayer Services. Why isn’t any of this new mandatory spending allocated to taxpayer services?

18. The proposed budget requests roughly $29 billion in additional mandatory spending for the IRS in FY 2022 and FY 2033. Though apparently neglecting taxpayer services, the budget allocates that funding mostly to enforcement with some going to operations support. How many direct civilian full-time equivalent employees and reimbursable full-time civilian employees does OMB project will be funded by the additional mandatory request, per account, and job function? How many additional auditors does OMB project would be hired with the additional requested mandatory budget authority?

19. The IRS was provided with nearly $80 billion in mandatory spending mostly allocated to enforcement in the Inflation Reduction Act. Recently, the IRS missed a deadline set by Treasury Secretary Yellen to provide a plan for spending the extra money. However, supporting documents of the budget request provide estimates of the spending of the $80 billion in mandatory funding by year throughout the budget window. Has the Administration already decided how the $80 billion in new funding will be spent regardless of whatever plan the IRS comes up with? Will the IRS be able to decide how to spend the $80 billion the IRS was provided or will OMB or the Biden Administration decide and dictate to the IRS how the money will be spent?

20. Despite the delay in the IRS providing a plan for the nearly $80 billion in additional mandatory budget authority provided by the Inflation Reduction Act, supporting documents of the budget request showing estimated outlays by agency and account show mandatory outlays stemming from that $80 billion in FY 2022 and projections of mandatory spending in FY 2023. In the absence of a plan by the IRS in spending the $80 billion in mandatory funding, how have spending decisions been made and by what individuals? Please describe in detail how any of the $80 billion in mandatory budget authority has already been spent, and is projected to be spent throughout FY2023.

21. The President’s budget attributes more than $105 billion in deficit reduction stemming from the addition mandatory funding requested for the IRS of $14.3 billion in FY 2032 and $14.8 billion in FY 2033. Please describe how the increase in revenues was calculated and provide the specific calculations and academic research justifying them that underlie these assumptions.

Highway Trust Fund
22. Even though a multi-year reauthorization of surface transportation programs was enacted last Congress, the Highway Trust Fund is still on a path to insolvency. Based on the most recent information provided by CBO, payments from the trust fund will need to be delayed during FY 2027. In the avalanche of paper released over the past week by the administration, I have not found any proposal to make the Highway Trust Fund solvent. What proposal is the administration considering to either increase revenues or decrease spending from the Highway Trust Fund?

Pandemic Fraud Prevention and Enforcement

23. In March President Biden requested approval from Congress for a $1.6 billion plan for the investigation and prosecution of pandemic fraud while addressing identity theft and assisting victims. The budget requests $1.6 billion in mandatory budget authority for pandemic fraud prevention and enforcement. Please describe in detail how this funding would be spent. Does the administration predict this additional requested budget authority would result in the recovery of any pandemic funds and the prevention of future fraud or theft?

Accounting for the Budgetary Impact of Disasters

24. Chairman Whitehouse cited OMB estimates of the impact of climate change on federal programs such as crop insurance and asked if you agreed with his assessment that OMB’s estimates were a lower bound estimate of the budgetary risks of climate change. You agreed that current expenditure impacts are undervalued and underreported. You further noted you had just met with economists and outside organizations who do economic forecasting to discuss building climate change into economic forecasts. Please note which economists and organizations you have met with and how they might be asked to contribute to OMB modeling. Are any of these economists or organizations conducting any work at your request or as a result of contact with OMB? Given that you seem to acknowledge that OMB is not currently incorporating the full impact of climate change in its modeling, is it appropriate for you to agree in advance of this work being done that current OMB estimates are a lower bound estimate of the budgetary risks of climate change? Have you determined what the modeling will show before the work is done?

Historical Spending and Revenues

25. At the Committee’s hearing, the question of what revenues as a percentage of GDP were when we last balanced the budget came up. What were revenues as a percentage of GDP last year? Was the unified federal budget balanced last year? What were outlays as a percentage of GDP the last time the unified federal budget was balanced?
Questions for the Record
from Senator Roger Marshall, M.D.
for the Honorable Shalanda D. Young
The President’s FY 2024 Budget Proposal
March 13, 2023
Senate Budget Committee

Question #1:

On February 9th OMB proposed an amendment to the code of federal regulations to implement the Build America, Buy America Act within the IIAA. Of the nearly 2,000 comments, a considerable number focused on the omission by OMB in the proposed rule of the exclusion of construction materials and in Section 70917(c) from domestic content procurement preferences. When OMB publishes its final rule in the federal register, it will contain new, unseen provisions that will have avoided public comment. Will you comment to a notice and comment rulemaking on the entire OMB amendment proposal to implement the Build America, Buy America Act consistent the Administrative Procedures Act?

Question #2:

Ms. Young, has your office consulted with the Treasury Department in relation to their obligation under 50 U.S. Code § 1641 which requires the President to provide a specified accounting to Congress of all expenditures attributable to the exercise of powers and authorities conferred by a declaration of a national emergency within 90 days, which despite the clear statutory authority has not been done since January 20th, 2021?”
Questions for the Record
from Senator Scott
for Director Shalanda Young
The President’s Fiscal Year 2024 Budget Proposal
March 15, 2023
Senate Budget Committee

Question #1:
Ms. Young, do you believe excessive government spending, especially deficit spending, causes inflation?

Question #2:
Ms. Young, what was the average labor participation in 2019? What is it for the first two months of 2023? Do you believe it is important to get more people back into the workforce?

Question #3:
Ms. Young, what is the current federal debt and the current interest rate that the federal government is paying on that debt? What is the total amount that the federal government is projected to pay on interest expense in current fiscal year?

Question #4:
Ms. Young, how does President Biden’s proposed budget address the enormous burden that interest expense places on American taxpayers who receive zero benefit or return on dollars spent paying interest on the debt?

Question #5:
Ms. Young, on average, how much money was the federal government spending per day on March, 15, 2019? If passed as proposed, how much money would the federal government spend on average per day on average under President Biden’s budget in its first fiscal year?

Question #6:
Ms. Young, there are approximately 6 million more American citizens today than before the pandemic in 2019. This population growth has been met with disproportionate spending growth, meaning that the federal government is spending about $400,000 for each of these 6 million new citizens. How does the administration justify this?
Question #7:

Ms. Young, the trust fund which supports Social Security is projected to face major shortfalls in just 10 years. The threat of insolvency facing this critical program has been exacerbated by President Biden’s raging inflation crisis, which forced the largest Social Security Cost of Living Adjustment (COLA) increase in history last year. With this in mind, how does President Biden’s proposed budget protect Social Security by mitigating or eliminating the threat of insolvency without cuts to benefits?

Question #8:

Ms. Young, the federal debt has risen to more than $31 trillion, increasing more than $4 trillion since President Biden took office. Does President Biden’s proposed budget reduce the federal debt?

Question #9:

Ms. Young, is President Biden’s proposed budget balanced? If not, why has he chosen to not challenge Congress to balance the budget and force the federal government to live within its means?
President Biden's FY 2024 Budget Invests in the American People by:

- Restoring the full Child Tax Credit
- Extending Medicare solvency for 25 Years
- Providing national, comprehensive paid family and medical leave
- Increasing childcare options for 16 million more kids, lowering costs for parents, and funding pre-K access for all 4-year-olds
- Expanding and improving the Earned Income Tax Credit
President Biden’s Budget will Protect Social Security and Strengthen Medicare

The plan includes:

- Extending Medicare solvency for 25 years
- Negotiating the price of more prescription drugs, lowering out-of-pocket costs for patients, and saving the federal government money
- Closing loopholes in existing Medicare taxes so wealthy business owners pay into Medicare on all their income just like regular workers
House Republicans have an arithmetic problem.

Their “balanced budget” pledge is IMPOSSIBLE given their own promises.
Submission for the record by Senator Grassley

Submitted for the record is the Office of Management and Budget’s 2022 Statutory Pay-As-You-Go Act Annual Report.

Page 14, entry number 28 in the report shows that the Office of Management and Budget estimate Public Law 117-169 (the reconciliation bill enacted in 2022) added $211 billion in deficits to the five-year PAYGO scorecard and $199 billion in deficits to the ten-year PAYGO scorecard.
OFFICE OF MANAGEMENT AND BUDGET

Notice; 2022 Statutory Pay-As-You-Go Act Annual Report

AGENCY: Office of Management and Budget (OMB).

ACTION: Notice.

SUMMARY: This report is being published as required by the Statutory Pay-As-You-Go (PAYGO) Act of 2010. The Act requires that OMB issue an annual report and a sequestration order, if necessary.


SUPPLEMENTARY INFORMATION: This report can be found at https://www.whitehouse.gov/omb/paygo/.

Authority: 2 U.S.C. 934

Kelly A. Kinneen
Assistant Director for Budget
This Report is being published pursuant to section 5 of the Statutory Pay-As-You-Go (PAYGO) Act of 2010, Public Law 111-139, 124 Stat. 8, 2 U.S.C. 934, which requires that OMB issue an annual PAYGO report, including a sequestration order if necessary, no later than 14 working days after the end of a congressional session.

This Report describes the budgetary effects of all PAYGO legislation enacted during the second session of the 117th Congress and presents the 5-year and 10-year PAYGO scorecards maintained by OMB. Because neither the 5-year nor 10-year scorecard shows a debit for the budget year, which for purposes of this Report is fiscal year 2023, a sequestration order under subsection 5(b) of the PAYGO Act, 2 U.S.C. 934(b) is not required.

The budget year balance on each of the PAYGO scorecards is zero because the Consolidated Appropriations Act, 2023 (Public Law 117-328) shifted the debits on both scorecards from fiscal year 2023 to fiscal year 2025. The change directed by Public Law 117-328 is discussed in more detail in section IV of this report.

During the second session of the 117th Congress, no laws with PAYGO effects were enacted with emergency requirements under section 4(g) of the PAYGO Act, 2 U.S.C. 933(g). Seven laws had estimated budgetary effects on direct spending and/or revenues that were excluded from the calculations of the PAYGO scorecards due to provisions excluding all

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1 This report encompasses laws enacted between January 3, 2022 at noon and January 3, 2023 at 11:57 am (Public Law 117-82 through Public Law 117-328).
2 References to years on the PAYGO scorecards are to fiscal years.
or part of the law from section 4(d) of the PAYGO Act, 2 U.S.C. 933(d).

I. PAYGO Legislation with Budgetary Effects

PAYGO legislation is authorizing legislation that affects direct spending or revenues, and appropriations legislation that affects direct spending in the years after the budget year or affects revenues in any year.\(^3\) For a more complete description of the Statutory PAYGO Act, see Chapter 8, "Budget Concepts," of the Analytical Perspectives volume of the 2023 President’s Budget, found on the website of the U.S. Government Printing Office (https://www.govinfo.gov/app/collection/budget2023/BUDGET-2023-PER).

The PAYGO Act’s requirement of deficit neutrality is based on two scorecards that tally the cumulative budgetary effects of PAYGO legislation as averaged over rolling 5- and 10- year periods starting with the budget year. The 5-year and 10-year PAYGO scorecards for each congressional session begin with the balances of costs or savings carried over from previous sessions and then tally the costs or savings of PAYGO laws enacted in the most recent session.

The 5-year PAYGO scorecard for the second session of the 117th Congress began with balances of $741,265 million in 2023 and $370,633 million per year for 2024-2026. The 10-year PAYGO scorecard for the second session of the 117th

\(^3\) Provisions in appropriations acts that affect direct spending in the years after the budget year (also known as "outyears") or affect revenues in any year are considered to be budgetary effects for the purposes of the PAYGO scorecards except if the provisions produce outlay changes that net to zero over the current year, budget year, and the four subsequent years. As specified in section 3 of the PAYGO Act, off-budget effects are not counted as budgetary effects. Off-budget effects refer to effects on the Social Security trust funds (Old-Age and Survivors Insurance and Disability Insurance) and the Postal Service.
Congress began with balances of $374,039 million in 2023 and $187,020 million per year for 2024-2031.

Laws enacted during the second session of the 117th Congress created balances on the 5- and 10-year scorecards of $72,505 million and $55,709 million in each year, respectively. Public Law 117-328 shifted the fiscal year 2023 debits on both scorecards to fiscal year 2025. Therefore, the 2023 balance on both the 5- and 10-year scorecards is zero. There are balances on the 5-year scorecard of $443,138 million in 2024, $1,256,908 million in 2025, $443,138 million in 2026, and $72,505 million in 2027. There are balances on the 10-year scorecard of $242,729 million in 2024, $672,477 million in 2025, $242,729 million per year for 2026-2031, and $55,709 million in 2032.

In the second session of the 117th Congress, 55 laws were enacted that were determined to constitute PAYGO legislation. Of the 55 enacted PAYGO laws, 15 laws were estimated to have PAYGO budgetary effects (costs or savings) in excess of $500,000 over one or both of the 5-year or 10-year PAYGO windows. These were:

- Public Law 117-103, Consolidated Appropriations Act, 2022;
- Public Law 117-108, Postal Service Reform Act of 2022;
- Public Law 117-109, Ending Importation of Russian Oil Act;
- Public Law 117-110, Suspending Normal Trade Relations with Russia and Belarus Act;
- Public Law 117-128, Additional Ukraine Supplemental Appropriations Act, 2022;
- Public Law 117-139, RECA Extension Act of 2022;
- Public Law 117-158, Keep Kids Fed Act of 2022;
- Public Law 117-160, Formula Act;
- Public Law 117-168, Sergeant First Class Heath Robinson Honoring our Promise to Address Comprehensive Toxics Act of 2022;
- Public Law 117-169, To provide for reconciliation pursuant to title II of S. Con. Res. 14 (Inflation Reduction Act);
- Public Law 117-172, Public Safety Officer Support Act of 2022;
- Public Law 117-180, Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2023;
- Public Law 117-225, First Responder Fair Return for Employees on Their Initial Retiremenr Earned Act;
- Public Law 117-263, James M. Inhofe National Defense Authorization Act for Fiscal Year 2023; and

In addition to the laws identified above, 40 laws enacted in this session were estimated to have negligible budgetary effects on the PAYGO scorecards—costs or savings of less than $500,000 over both the 5-year and 10-year PAYGO windows.
II. Budgetary Effects Excluded from the Scorecard Balances

A. Legislation Designated as Emergency Requirements

No laws were enacted in the second session of the 117th Congress with an emergency designation under the Statutory PAYGO Act.

B. Statutory Provisions Excluding Legislation from the Scorecards

Seven laws enacted in the second session of the 117th Congress had estimated budgetary effects on direct spending and revenues that were excluded from the calculations for the PAYGO scorecards due to provisions in law excluding all or part of the law from section 4(d) of the PAYGO Act.

All of the budgetary effects in 4 laws were excluded from the scorecards:

- Public Law 117-86, Further Additional Extending Government Funding Act;
- Public Law 117-159, Bipartisan Safer Communities Act;
- Public Law 117-264, Further Additional Continuing Appropriations and Extensions Act, 2023; and
- Public Law 117-167, Making appropriations for Legislative Branch for the fiscal year ending September 30, 2022, and for other purposes.

In addition, certain portions of the budgetary effects in 3 laws were excluded from the scorecards:
### III. PAYGO Scorecards

**STATUTORY PAY-AS-YOU-GO SCORECARDS**

(In millions of dollars; negative amounts portray decreases in deficits)

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IV. Legislative Revisions to the PAVGO Scorecards

Section 1001(d)(1) of division O of Public Law 117-328, the Consolidated Omnibus Appropriations Act, 2023, states, “For the purposes of the annual report issued pursuant to section 5 of the Statutory Pay-As-You-Go Act of 2010 (2 U.S.C. 934) after adjournment of the second session of the 117th Congress, and for determining whether a sequestration order is necessary under such section, the debit for the budget year on the 5-year scorecard, if any, and the 10-year scorecard, if any, shall be deducted from such scorecards in 2023 and added to such scorecards in 2025.” Accordingly, both the 5- and 10-year scorecards deduct the debit from 2023 and add that debit to 2025.

Section 1001(d)(2) of division O of Public Law 117-328 directs that, at the end of the first session of the 118th Congress, any debits on the scorecards in 2024 be deducted from 2024 and added to 2025. That action will be reflected in next year’s report if such debits exist.

V. Sequestration Order

As shown on the scorecards, the budgetary effects of PAVGO legislation enacted in the second session of the 117th Congress, combined with section 1001(d)(1) of division O of Public Law 117-328, resulted in no costs on either the 5-year or the 10-year scorecard in the budget year, which is 2023 for the purposes of this Report.
as shown on the scorecards, were set to zero for the budget year, there is no "debit" on either scorecard under section 3 of the
PAYGO Act, 2 U.S.C. 952, and a sequestration order is not required.4

4 Sequestration reductions pursuant to the Balanced Budget and Deficit Control Act (BBEDCA) Section 251A for 2023 were calculated and ordered in a
separate report and are not affected by this determination. See:
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<td>83,064</td>
<td>83,447</td>
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<td>85,766</td>
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<td>82,313</td>
<td>82,686</td>
<td>83,064</td>
<td>83,447</td>
<td>83,833</td>
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<tr>
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**Note:** PAYGO forecasts are based on specific legislative proposals and assumptions. Variations may occur due to changes in policy and economic forecasts.
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<td>Tax provisions for reconciliation pursuant to title II of S. Con. Res. 18.</td>
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* Non-recurring direct enforcement revenue

This estimate does not include direct effects from additional IRS measures, which are expected to increase voluntary compliance within the tax system and thereby reduce the deficit. The total direct and indirect revenue increase resulting from IRS funding enacted in P.L. 113-168 is estimated at $250 billion. This estimate does not include direct effects from additional IRS measures, which are expected to increase voluntary compliance within the tax system and thereby reduce the deficit. The total direct and indirect revenue increase resulting from IRS funding enacted in P.L. 113-168 is estimated at $250 billion.
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* CBO estimates. [Insert offset folio here] 52111B.104
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