[COMMITTEE PRINT]

HOUSE OF REPRESENTATIVES
COMMITTEE ON THE BUDGET

VIEWS AND ESTIMATES

OF

COMMITTEES OF THE HOUSE

(With Additional and Minority Views)

ON THE

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2014

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

MARCH 2013

Serial No. CP–1

Printed for the use of the Committee on the Budget

U.S. GOVERNMENT PRINTING OFFICE

79–995 CC WASHINGTON : 2013

COMMITTEE ON THE BUDGET

PAUL RYAN, Wisconsin, *Chairman*

TOM PRICE, Georgia
SCOTT GARRETT, New Jersey
JOHN CAMPBELL, California
KEN CALVERT, California
TOM COLE, Oklahoma
TOM McCLINTOCK, California
JAMES LANKFORD, Oklahoma
DIANE BLACK, Tennessee
REID J. RIBBLE, Wisconsin
BILL FLORES, Texas
TODD ROKITA, Indiana
ROB WOODALL, Georgia
MARSHA BLACKBURN, Tennessee
ALAN NUNNELEE, Mississippi
E. SCOTT RIGELL, Virginia
VICKY HARTZLER, Missouri
JACKIE WALORSKI, Indiana
LUKE MESSER, Indiana
TOM RICE, South Carolina
ROGER WILLIAMS, Texas
SEAN P. DUFFY, Wisconsin

CHRIS VAN HOLLEN, Maryland,
Ranking Minority Member
ALLYSON Y. SCHWARTZ, Pennsylvania
JOHN A. YARMUTH, Kentucky
BILL PASCRELL, JR., New Jersey
TIM RYAN, Ohio
GWEN MOORE, Wisconsin
KATHY CASTOR, Florida
JIM McDERMOTT, Washington
BARBARA LEE, California
DAVID N. CICILLINE, Rhode Island
HAKEEM S. JEFFRIES, New York
MARK POCAN, Wisconsin
MICHELLE LUJAN GRISHAM, New Mexico
JARED HUFFMAN, California
TONY CÁRDENAS, California
EARL BLUMENAUER, Oregon
KURT SCHRADER, Oregon

PROFESSIONAL STAFF

AUSTIN SMYTHE, *Staff Director*
THOMAS S. KAHN, *Minority Staff Director*

CONTENTS

U.S. House of Representatives
Committee on Agriculture
Washington, DC 20515

February 26, 2013

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

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and clause 4(f) of House Rule X, we are providing below the recommendations of the Committee on Agriculture with respect to the suite of policies within the Committee's jurisdiction. The Committee on Agriculture appreciates this opportunity to share its views and estimates for the fiscal year 2014 budget cycle.

The Committee on Agriculture is dedicated to ensuring that the Federal government continues to promote policies and risk management tools that will keep American agriculture and rural communities strong and our citizens healthy and safe. We also know that this country continues to face a fiscal crisis that, if not addressed, will not only harm the agricultural sector and rural America but the country as a whole. The agriculture sector wants to be part of the solution to our nation's debt crisis.

The Committee on Agriculture worked diligently last year to identify over $35 billion in net savings from programs under the Committee's jurisdiction, including $14 billion from commodity and crop insurance programs, over $6 billion from conservation programs, and $16 billion from nutrition programs. The Committee would have also extended a number of currently authorized but unfunded programs, including livestock disaster programs which are necessary given the extreme drought conditions facing many livestock producers across the country. The cost of funding these programs would have been fully offset.

The Committee's main focus this year will be on reauthorizing the farm bill, which expires on September 30, 2013, and improving on the product the Committee passed last year. The Committee spent the past two years holding hearings and "audits" of various policies under the

Agriculture Committee's jurisdiction, including those related to nutrition, commodities, conservation, crop insurance, trade promotion, rural development, credit, research, forestry and energy. The Committee believes the best way to achieve deficit reduction is in the context of the reauthorization of the farm bill with sustainable and fiscally responsible reforms.

The Committee identified significant yet simple reforms to the farm safety net such as eliminating benefits on land that may no longer be farmed and to farmers even when the agricultural economy is doing well. The Committee firmly believes in a true safety net, not payments regardless of market conditions. These and many other substantial reforms produced over $14 billion in savings from the farm safety net.

In addition we reaffirmed that crop insurance, which is distinct from traditional farm policy, has become the cornerstone of risk management in agriculture for a great many producers. At numerous hearings, both in the field and in D.C., the Committee heard about the importance of the federal crop insurance program and how it must not be weakened, particularly since it has already experienced billions of dollars of cuts in recent years. Last year's drought exemplified exactly how important crop insurance is to producers and the rural economy. With almost half of the country experiencing severe to exceptional drought, there were no calls for ad hoc disaster assistance as there have been in the past, because of the protection crop insurance provides.

The conservation title authorized cost-share and technical assistance for farmers, ranchers, foresters, and landowners through voluntary, incentive-based conservation programs. Through these programs, producers protect and restore water quality and quantity, air quality, wildlife habitat as well as address regulatory requirements while providing a safe, abundant, and affordable food supply. These programs have grown in size and significance over the last 25 years. Through bipartisan consensus, the Committee identified reforms that would maintain the core functions and goals of the conservation title while eliminating or combining 23 duplicative and overlapping programs into 13 programs to allow for streamlined delivery, while also providing $6.1 billion in savings. The Committee will continue to look for inefficiencies as we move forward.

The largest program under the Committee's jurisdiction—the Supplemental Nutrition Assistance Program (SNAP)—comprises the portion of the agriculture budget that has seen the most dramatic spending increase, tripling over the last ten years. Given the economic downturn and high unemployment which left many Americans with few options, some increase in nutrition assistance spending is to be expected. In fact, in 2001 there were 17.3 million SNAP (formerly called Food Stamps) recipients. That figure rose to 23.8 million in 2004, 28.2 million in 2008 and now stands at 46.6 million recipients in 2012. While the Congressional Budget Office (CBO) forecasts that number declining to 34.3 million recipients by 2023, the program will still account for $760 billion over the next 10 years.

The nutrition title revised SNAP eligibility polices to reflect a more accountable and uniform national policy by reducing state options to change federal eligibility standards. The Committee also ended bonuses for proper administration of the program. In a different fiscal climate that may have made sense, but given budget deficits it is difficult to justify. It also included common sense reforms to improve the program's integrity such as preventing lottery winners from participating in the program. While illegal immigrants have never been eligible for SNAP benefits, the Committee required states to use the tools we have at our disposal to further ensure only those legally present can access the program.

Beyond the $35 billion of savings that the Committee passed last year, it is important to note the budget reductions that programs under our jurisdiction have experienced both recently and over the past several years. For example, the 2008 farm bill reduced crop insurance by an estimated $6.8 billion at the time and then the renegotiation of the Standard Reinsurance Agreement further reduced the CBO baseline for crop insurance by more than $6 billion. In contrast to many other mandatory funding policies, spending on farm policy has declined significantly. It is also important to note the traditional Title I commodity policies have come in under their projected CBO budgets by an average of $1.2 billion per year since 2002.

Another way to reduce the deficit is to grow the economy. To that end, the Committee will continue its oversight of regulations that affect jobs and the economies of rural communities. The MF Global and PFG BEST bankruptcies have highlighted the need for continued oversight of the Commodity Futures Trading Commission (CFTC) and a review of the adequacy of customer protections authorized under the Commodity Exchange Act. There is concern that implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act will have a direct impact in rural America. Regulatory overreach may adversely affect production agriculture and the communities and businesses they support. In general, regulations appear to be promulgated in spite of potential negative real-world economic consequences that could undermine U.S. producers' ability to produce the safest, most abundant, most affordable food and fiber supply in the world.

Some may argue that the current agricultural economy and farm prices are strong and, therefore, now would be a good time to cut our agriculture policies even further. This conclusion ignores lessons from history. The agriculture economy is highly cyclical. When record-high prices fall—which they inevitably will do—having sound farm policy in place is vital not just for producers but for the entire national economy and has proven time and again to be the most fiscally responsible approach. Recent high prices have not made the family enterprises that make up our farm sector any less vulnerable—indeed it has just raised the stakes in what is still an exceptionally costly, risky business.

It bears mentioning that during some of the worst economic times in the last 50 years, production agriculture served as a catalyst for economic growth. Last year alone, U.S. farmers and ranchers produced $470 billion of goods after spending $250 billion to purchase inputs, made $72 billion in rent payments, paid $26 billion in wages to employees, and spent $15 billion in interest and financing. While American agriculture would be greater than all but about 30 of the world's economies based on the value of goods produced alone if it were its own country, the farm safety net now constitutes less than one quarter of one percent of the federal budget.

Recognizing the dire fiscal situation this country is in, we developed a bipartisan farm bill last summer that would have contributed substantially to deficit reduction while simultaneously reforming policies and providing risk management tools for the nation's agricultural producers.

The Committee looks forward to continued hearings and input from Members to achieve the most fiscally responsible farm bill.

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

Sincerely,

Frank D. Lucas
Chairman

Collin C. Peterson
Ranking Minority Member

Congress of the United States
Washington, DC 20515

March 1, 2013

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

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

Dear Chairman Ryan and Ranking Member Van Hollen,

As Members of the Committee on Agriculture, we write to provide additional views to the Committee's Views and Estimates that were considered and adopted by the Committee on February 26, 2013. We appreciate the opportunity to provide these additional views.

We recognize the fiscal challenges facing our nation and the need to focus on long-term solutions to reducing the nation's deficit. However, much has changed since the Agriculture Committee submitted Views and Estimates in the 112th Congress. Of critical importance are two measures – the Budget Control Act and the sequester – which impose cuts in a number of federal programs. The Budget Control Act set budget limits for the next ten years and the sequester, which begins today, will impose mandatory cuts in spending for both defense and non-defense discretionary programs. While we believe the sequester is bad policy and should be replaced, it is important to note the majority of the programs slated to be cut by the sequester do not fall within the Agriculture Committee's jurisdiction. It is also important to note that the Supplemental Nutrition Program (SNAP) is exempted from sequestration.

While the Committee's Views and Estimates rightfully recognize the increase in SNAP participation and spending over the past few years, it is disappointing that the Committee fails to acknowledge that the increase in SNAP was due to a record number of food insecure people in America which was directly attributable to the economic downturn and high unemployment. It is also disappointing that the Views and Estimates fails to point out that SNAP is indeed exempt from sequestration. In fact, SNAP was purposefully excluded from automatic cuts in every major deficit reduction plan. By omitting these important facts, the Committee is implying that SNAP spending is out of control and needs to be reduced. We disagree with this implication and believe the facts show the importance of SNAP to our economy and to the people who rely on this important program.

We would like to note one especially troubling argument and one that we believe is inconsistent with 2013 letter's overall focus on the relationship between programs in the Committee's jurisdiction and the need to address our fiscal challenges. The letter states, "some may argue that the current agricultural economy and farm prices are strong, and therefore, now would be a good time to cut our agriculture policies even further. This conclusion ignores lessons from history." We are deeply troubled that this statement seemingly applies only to our safety net for production agriculture and excludes our vitally important safety net programs for nutrition, namely SNAP. We know that millions of Americans did not go hungry during these difficult economic times because of SNAP and it is illogical to cut this important safety net program as our economy continues to recover.

The Committee's Views and Estimates correctly points out that the Committee acted in the 112th Congress to cut SNAP. H.R. 6083, the Federal Agriculture Reform and Risk Management Act (FARRM), included a $16.5 billion cut to SNAP. These cuts would not just reduce SNAP spending, they would reduce the amount of food available to SNAP recipients. Simply, these cuts would increase hunger among those who are already struggling to put food on their tables.

As the Committee on Budget begins work on the Fiscal Year 2014 budget resolution, we hope you will consider all of the programs that fall within the jurisdiction of the Committee on Agriculture, including the need for and the fiscal impact of these programs. Singling out SNAP for cuts, whether for deficit reduction or not, is not only bad policy, it is harmful to our economy and to those who rely on SNAP for assistance to feed their families during difficult economic times. Deficit reduction should not result in increased hunger and poverty and we believe that any budget framework the Committee on Budget pursues should incorporate the basic principle of improving our budget outlook while protecting our most vulnerable citizens from harm.

We believe it is important to look at the impacts of the cuts imposed by H.R. 6083 in the 112th Congress. The provisions in H.R. 6083, which the Congressional Budget Office estimated would cut SNAP by $16.5 billion, would cut the Categorical Eligibility (Cat El) option, the Standard Utility Allowance (SUA)/Low Income Home Energy Assistance Program (LIHEAP) connection ('heat and eat'), and the State Performance Fund ('performance bonuses'). It is important to know that Cat El, heat and eat, and performance bonuses help States provide SNAP benefits to needy people through streamlined procedures that cut down on red tape and minimize State administrative expenses and that these cuts would have the following, dramatic effects:

- Cat El cuts would result in 1.8 million to 3 million people being cut from SNAP entirely
- The heat and eat cuts would cause 500,000 households to see their SNAP food benefits cut by an average of $90 each month
- The Cat El cuts would cause 280,000 low-income children to lose access to free school lunches
- SNAP performance bonuses have helped States in their efforts to reduce payment errors and promote excellent customer service

Overall, the cuts in H.R. 6083 would deprive low-income Americans of nearly 1 billion meals in 2014 alone and will increase food insecurity over the life of the bill. Congregations, food banks, and other charities already struggle to meet the existing elevated need and will be unable to meet the significant increase in need that would be caused by the cuts in H.R. 6083. These cuts are simply misguided and will have dramatic, negative long-term effects for the hungry in America.

We believe the Committee on Budget must also know the fact about hunger in America as the Committee decides on the priorities included in the FY 2014 budget resolution.

- 50.1 million people lived in food insecure households in 2011
- SNAP served more than 47.5 million persons in October 2012
- Half of all new SNAP participants receive benefits for 10 months or less and 74 percent left the program entirely within 2 years
- The average SNAP household has income slightly less than 59 percent of the poverty level, and 83 percent of all benefits go to households with a child, elderly person, or disabled person
- The SNAP benefits average less than $1.50 per person per meal
- 83 percent of families on SNAP make less than $24,000 a year for a family of 4
- The average allotment per household is approximately $267 per month
- SNAP would have lifted 3.9 million Americans, including 1.7 million children, out of poverty in 2011 if its benefits were included in the official measures of income and poverty
- SNAP achieved the highest level of overall payment accuracy in the history of the program at 96.2 percent
- The national overpayment error rate, defined as the percentage of SNAP benefit dollars issued in excess of the amounts for which households are eligible, fell to 2.99 percent
- The national underpayment error rate, defined as the percentage of SNAP benefit dollars issued that are lower than the amounts for which households are eligible, was less than 1.0 percent
- Every dollar in new SNAP benefits generates up to $1.79 in economic activity
- Each $1 billion increase in SNAP benefits is estimated to create or maintain 18,000 full-time equivalent jobs, including 3,000 farm jobs

While the economy is slowly improving, we know that it is not improving fast enough – especially for low-income families. We know that SNAP has prevented millions of Americans from going without food and that arbitrary cuts to SNAP will slow down the economic recovery for those low-income families who rely on SNAP to put food on their tables. We continue to believe that we can achieve sensible deficit reduction without cutting programs that support our most vulnerable Americans. While the concept of shared sacrifice is understandable during these difficult economic times, one cannot overlook the facts surrounding poverty and hunger in America. We are concerned that cuts to SNAP could be included in the Fiscal Year 2013 budget resolution, and we believe the Fiscal Year 2014 budget resolution should not include these cuts.

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

Sincerely,

Marcia L. Fudge
Member of Congress

James P. McGovern
Member of Congress

David Scott
Member of Congress

Joe Courtney
Member of Congress

Juan C. Vargas
Member of Congress

William L. Enyart
Member of Congress

Michelle Lujan Grisham
Member of Congress

Cheri Bustos

Cheri Bustos
Member of Congress

GLORIA NEGRETE McLEOD
35TH DISTRICT, CALIFORNIA

1641 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-6161

Congress of the United States
House of Representatives
Washington, DC 20515–0535

March 1, 2013

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

Dear Mr. Chairman:

Thank you for the opportunity to submit an additional view to the approved Budget Views and Estimates letter submitted by the Committee on Agriculture for the fiscal year 2014 budget cycle.

I have a growing concern with the proposed budget that relies on savings to the budget through narrowing the eligibility for the Supplemental Nutrition Assistance Program (SNAP). SNAP is the keystone of the nutrition safety net, helping to feed 46 million low-income participants every month. As our country struggles to achieve economic stability, the number of families that struggle to cover their expenses are rising, SNAP helps ensure that these same families do not go hungry. The program serves as the nation's front line of defense against hunger. If eligibility is narrowed, the needs of millions of elderly, disabled, children and parents-who are unemployed or under-employed, will suffer.

I urge you to consider the negative long term impacts that will result with changing eligibility for people that are in need of this program in exchange for short term savings.

I look forward to working with you in creating a responsible budget policy on agriculture that does not cap or reduce SNAP benefits to the most vulnerable and indigent members of our society. Should you have any questions, please do not hesitate to contact me in my capitol office at (202) 225-6161.

Respectfully,

Gloria Negrete McLeod

GLORIA NEGRETE MCLEOD
Member of Congress

COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515–6035

ONE HUNDRED THIRTEENTH CONGRESS

March 1, 2013

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

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, and clause 4(f) of rule X of the Rules of the House of Representatives, we are forwarding to you our views regarding the National Defense Budget Function (050) for fiscal year 2014 (FY14).

Budget Overview

As of the date on this memo, the President has not yet met his statutory obligation to provide Congress with his FY14 budget request. Section 1105 of title 31, United States Code, states, "[O]n or after the first Monday in January but not later than the first Monday in February of each year, the President shall submit a budget of the United States Government for the following fiscal year."

Without an adequate budget request to review, we will discuss our views of the current funding levels for the National Defense Budget Function (050) as dictated by the Budget Control Act (BCA) of 2011 (Public Law 112-25), as well as the possibility that full sequestration under this legislation will be applied to national defense.

Under the BCA, the FY14 funding level for discretionary spending under budget function 050 is capped at $552.0 billion. While the committee maintains reservations about the adequacy of the BCA Cap, the Administration has stated that this level of funding is sufficient to support the new defense strategy, which was released in January, 2012. The new defense strategy was developed over the course of eight months and reflects both the Commander in Chief's guidance, as well as the $487.0 billion in cuts to the military under the BCA. The efforts of the Department of Defense (DOD) to implement this change in strategy and these funding cuts have only gotten underway in the last several months. Deputy Secretary of Defense Ashton Carter testified to the

The Honorable Paul Ryan
March 1, 2013
Page 2

committee on February 13, 2013, "...we are just beginning to make that big move represented by the $487.0 [billion] and the Gates cuts before that, the huge strategic adjustment from the era of Iraq and Afghanistan to the era that is going to define our security future. So we have laid in those plans, but we have to actually carry them out. They are challenging managerially, they are challenging budgetarily. They are challenging for everybody at this table actually to carry out, and we are just embarking on them."

To significantly alter the funding levels from current plans would require a complete redevelopment of our defense strategy. As General Martin Dempsey, Chairman of the Joint Chiefs of Staff, testified in April, 2012, "We adjusted our strategy after the lessons of 10 years of war and our projection on what the Nation would need in 2020, and we mapped the [FY]'13–'17 budget to it, absorbing the $487 billion cut. And that if we have to absorb more cuts, we have got to go back to the drawing board and adjust our strategy. What I'm saying to you today is that the strategy that we would have to adjust to would in my view not meet the needs of the Nation in 2020 because the world is not getting any more stable. It is getting increasingly unstable, for all of the reasons we are talking about here today. So, I think we've done as much as we can do, given what I know about the future we are about to confront."[1]

General Dempsey was not alone in his assessment. The Chief of Staff of the Army, General Raymond Odierno, testified, "So, once you get beyond $465.0 billion, we have taken all of the efficiencies we can take. We have taken out structure. We have reduced modernization, in my mind, in some cases lower than we really needed to reduce modernization, already. If we go beyond that, we now—it becomes critical, and it becomes a fact that we will no longer modernize. We will no longer be able to respond to a variety of threats. We will have to get to a size that is small enough where I believe, as I said earlier, we might lose our credibility in terms of our ability to deter. And that is the difference. So it is not ''okay'' at $465 billion. It is something we have been able to work ourselves through, with risk. But anything beyond that becomes even higher risk."[2]

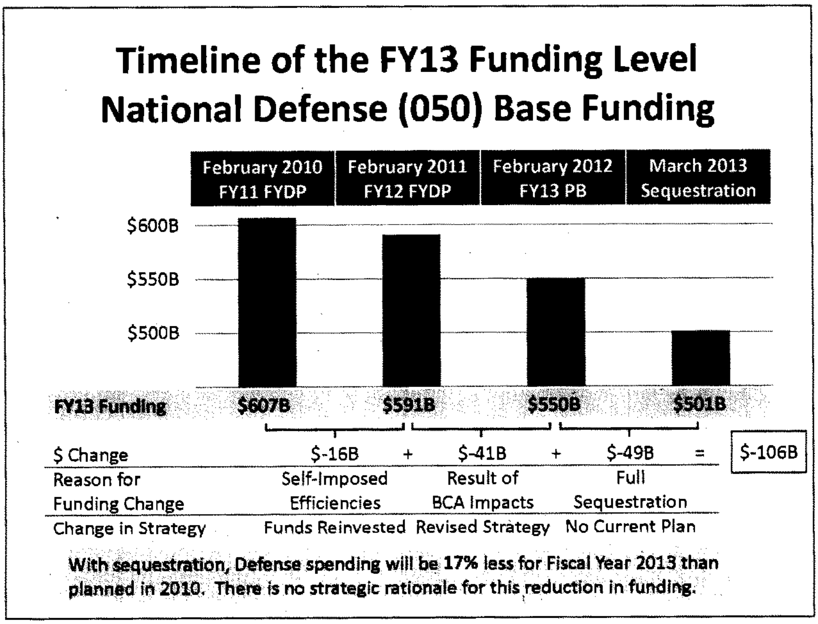
Similarly, then-Air Force Chief of Staff, General Norton Schwartz, testified, "But beyond the manner in which the potential budget cuts are executed, even the most thoroughly deliberated strategy will not be able to overcome the dire consequences if cuts go far beyond the $450.0 billion-plus in anticipated national security budget reductions over the next 10 years. This is true whether cuts are directed by sequestration or by Joint Select Committee proposal or whether they are deliberately targeted or across-the-board. From the ongoing DOD budget review, we are confident that further spending reduction beyond the Budget Control Act's first round of cuts cannot be done without substantially altering our core military capabilities and therefore our national security."[3]

[1] General Martin Dempsey, Chairman of the Joint Chiefs of Staff, before the House Armed Services Committee, "Recent Developments in the Middle East: the Security Situation in the Syrian Arab Republic," April 19, 2012.
[2] General Raymond Odierno, Chief of Staff of the Army, before the House Armed Services Committee, "The Future of the Military Services and Consequences of Defense Sequestration," November 2, 2011.
[3] General Norton Schwartz, Chief of Staff of the Air Force, before the House Armed Services Committee, "The Future of the Military Services and Consequences of Defense Sequestration," November 2, 2011.

The other members of the Joint Chiefs of Staff agree with these predictions. Therefore, the committee requests the current BCA levels be maintained as the minimum required to support our national defense needs.

Declining Defense Funding Over Time: Progression of Fiscal Year 2013 Funding Levels

Over the last three years, this committee has seen the level of funding requested for defense decline. In fiscal year 2013, defense spending would decrease by 17% under sequestration when compared with the level projected for fiscal year 2013 in the Future Years Defense Program (FYDP) that was submitted in February 2010. Even prior to sequestration, defense spending has already been reduced by 9% from the plan submitted just two years earlier.



This is in spite of the recommendations of Secretary of Defense Robert M. Gates, who served in both Republican and Democratic administrations. When discussing the defense budget and efficiencies, Secretary Gates stated on January 6, 2011:

"This [FY12 budget] plan represents, in my view, the minimum level of defense spending that is necessary given the complex and unpredictable array of security challenges the United States faces around the globe...In recent weeks there have been calls from various quarters for major reductions in defense spending – to include substantial cuts in modernization, force

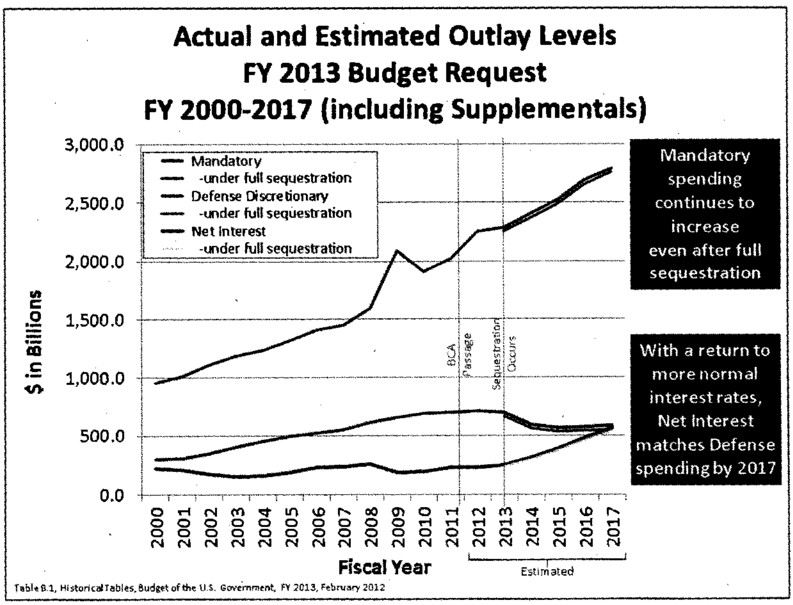
The Honorable Paul Ryan
March 1, 2013
Page 4

structure, troop levels and overseas bases. I consider such proposals risky at best and potentially calamitous."[4]

Impacts of Sequestration on Mandatory and Defense Discretionary Spending

As of the date on this memo, the President and Congress have failed to reach an agreement to avert sequestration. This committee has held more hearings and briefings on sequestration than any other committee in Congress. The record is compelling. Time and again over the last 18 months, the committee has received testimony that the effects of sequestration will be devastating – not only for our armed forces, their family members, and the defense industrial base, but also for local communities and the economy. Therefore, we urge the Budget Committee to allocate funding at current BCA levels. What's worse is that although sequestration will be destructive to our national security and economy, it does not significantly change the drivers of our national spending.

The chart below displays the recent outlays for mandatory and defense discretionary spending, as well as the actual and estimated net interest payments required since FY 2000. The impact of sequestration would not significantly change the rate of growth in mandatory spending (including mandatory spending for National Defense and Veterans Affairs), while net interest outlays continue to grow. In fact, our spending to service the debt is projected to be at the same levels as defense discretionary spending within four years.



---

[4] http://www.defense.gov/speeches/speech.aspx?speechid=1527

Risks Associated with Sequestration

As discussed, in hearings and briefings during the 112th and 113th Congresses, defense officials addressed the potential consequences associated with additional, drastic budget cuts. During a full committee hearing on October 13, 2011, Secretary Panetta concluded: "But I want to close by cautioning strongly against further cuts to defense, and for that matter, to other discretionary accounts, particularly with the mechanism that has been built into the debt ceiling agreement called sequester. It is a blind, mindless formula that makes cuts across the board, hampers our ability to align resources with strategy and risks hollowing out the Force."[5] General Dempsey added: "Be assured, I am fully committed to reducing costs without compromising our Nation's security needs. We must make hard choices that balance risk and as the Secretary mentioned, avoid hollowing the Force. These choices need to be deliberate and precise. Indiscriminate cuts would cause self-inflicted and potentially irrevocable wounds to our national security."[6]

At a committee hearing on November 2, 2011, General Odierno said that, "[Sequestration] would require us to completely revamp our national security strategy and reassess our ability to shape the global environment in order to protect the United States. With sequestration, my assessment is that the Nation would incur an unacceptable level of strategic and operational risk."[7] Regarding sequestration's impact on the Navy, Admiral Greenert noted, "We are a capital-intensive force. Going in and summarily reducing procurement accounts here and there will upset quite a bit of our industrial base, which in my view, if we get into sequestration, might be irrecoverable."[8]

In September 2012, the committee convened a hearing to address the Sequestration Transparency Act of 2012 report and the way forward. The vice chiefs of the military services provided testimony on their views of the risks and consequences associated with the onset of sequestration. General Austin pointed out that, "Such mechanical cuts will significantly increase risk in what is a most complex and volatile global operating environment, thus potentially requiring us to relook our national military strategy."[9] Regarding the impact of sequestration to the Air Force, Vice Chief of Staff General Spencer stated that, "Sequestration will leave the Air Force with people who are not adequately trained, who lack the equipment they need and who

---

[5] The Honorable Leon E. Panetta, Secretary of Defense, before the House Armed Services Committee, "The Future of National Defense and the United States Military Ten Years After 9/11: Perspectives of Secretary of Defense Leon Panetta and Chairman of the Joint Chiefs of Staff General Martin Dempsey," October 13, 2011.

[6] General Martin Dempsey, Chairman of the Joint Chiefs of Staff, before the House Armed Services Committee, "The Future of National Defense and the United States Military Ten Years After 9/11: Perspectives of Secretary of Defense Leon Panetta and Chairman of the Joint Chiefs of Staff General Martin Dempsey," October 13, 2011.

[7] General Raymond Odierno, Chief of Staff of the U.S. Army, before the House Armed Services Committee, "The Future of the Military Services and the Consequences of Defense Sequestration," November 2, 2011.

[8] Admiral Jonathan Greenert, Chief of Naval Operations, before the House Armed Services Committee, "The Future of the Military Services and the Consequences of Defense Sequestration," November 2, 2011.

[9] General Lloyd Austin III, Vice Chief of Staff of the U.S. Army, before the House Armed Services Committee, "DOD Plans for Sequestration: The Sequestration Transparency Act of 2012 Report and the Way Forward," September 20, 2012.

The Honorable Paul Ryan
March 1, 2013
Page 6

must make do with weapons systems that are not fully equipped, representing a hollow force unable to support the current defense strategic guidance."[10]

Continued Committee Emphasis on Program Reforms and Efficiencies

In your letter dated February 8, 2013, requesting our views and estimates, you asked the committee to review current programs and policies and propose reforms. Fifty-one consecutive National Defense Authorization Acts can attest to the fact that the committee continues to review defense programs and recommend reforms for action on an ongoing basis. The following list is merely a sample of the committee's efforts to reduce federal spending and reform the way the Department executes its national defense strategy, contained within the most recent authorization act, the National Defense Authorization Act for Fiscal Year 2013 (Public Law 112–239) (FY13 NDAA):

Multi-year Procurement

The committee continued to expand the use of multi-year procurements to create efficiencies and lower units costs for a number of weapons platforms. As the Congressional Budget Office (CBO) has identified, "[b]ecause multiyear procurement allows a contractor to plan for more efficient production, such a contract can reduce the cost of an acquisition compared with the cost of buying the items through a series of annual contracts."[11] For example, CBO notes that the Navy anticipates that a single multiyear contract to purchase V-22 aircraft for the Marine Corps, the Air Force, and the U.S. Special Operations Command would cost $852 million less than five annual contracts.[12]

Competition through the Full Acquisition Life-Cycle

The FY13 NDAA modified the requirements of the Weapon Systems Acquisition Reform Act of 2009 (Public Law 111-23) to mandate greater competition throughout the life cycle of major weapon systems, in order to reduce costs, improve contractor performance, and result in better products for the warfighter.

Military Personnel Commission

The FY13 NDAA recommended the establishment of the Military Compensation and Retirement Modernization Commission to (1) ensure the long-term viability of the All-Volunteer Force; (2) enable a high quality of life for military families; and (3) modernize and achieve fiscal sustainability of the compensation and retirement systems.

TRICARE Co-Pays

The FY13 NDAA included a provision that would allow for a modest fee increase in pharmacy fees, while protecting military families from steep fee increases in other TRICARE programs. The National Defense Authorization Act for Fiscal Year 2012 (Public Law 112–81)

---

[10] General Larry Spencer, Vice Chief of Staff of the U.S. Air Force, before the House Armed Services Committee, "DOD Plans for Sequestration: The Sequestration Transparency Act of 2012 Report and the Way Forward," September 20, 2012.

[11] Cost estimate for H.R. 4310, the National Defense Authorization Act for Fiscal Year 2013, May 15, 2012.

[12] ibid.

also included authority for the Secretary of Defense to raise TRICARE Prime enrollment fees. In addition, the committee continued to encourage the Department to address the cost of providing health care by adopting proven practices to improve the health status of the beneficiary population and improve the cost-effectiveness of the care provided to beneficiaries.

Reduction of Military End Strength

Based on the Administration's revised defense strategy, this year's NDAA authorized a reduced end strength for military personnel of nearly 25,000 military personnel in FY13, in support of the goal of reducing the Army by 80,000 and the Marine Corps by 20,000 over the next five years. This lower end strength will ensure that our Nation's military will not operate as a hollow force, while continuing to provide the personnel necessary to carry out the current strategy.

Reduction of Civilian Personnel

The committee required the Secretary of Defense develop and begin implementation of a plan to achieve savings in funding for the Department's civilian and service contractor workforce not less than, as a percentage of such funding, the savings in funding for military personnel achieved by the planned reduction in military end strength contained in the budget request for fiscal year 2012. Current Department plans call for a reduction in military end strength in excess of five percent through fiscal year 2017. The committee estimated that a comparable level of savings in the civilian and service contractor workforces will total in excess of $5.0 billion over five years, over and above any savings that the Department may already plan or expect to achieve as a result of initiatives already in place.

The committee expects the Secretary of Defense to continue to seek savings with regard to critical functions, such as maintenance and repair of military equipment, even though they are exempt from the reductions under this provision.

Commission on the Structure of the Air Force

The committee established a commission to study the appropriate makeup of the Air Force, considering that the Department of the Air Force draws upon active duty forces, the Air Force Reserve, and the Air National Guard. The commission will focus on longer-term decisions, but would not freeze near-term force structure changes pending the recommendations of the commission. This commission will appropriately balance affordability, efficiency, effectiveness, capability, and readiness of the Air Force.

Proactively Prevent a Hollow Force

The committee acknowledges that hard choices will have to be made to prioritize capabilities in this era of declining budget requests. However, the committee continues to provide oversight and recommendations to the proposed military force structure in order to preserve depth and capacity within the force. For example, the committee is concerned with the overall size of the Navy's fleet and the sustained demand for naval forces, particularly in light of the strategic re-balance to the Asia-Pacific. Nevertheless, the fiscal year 2013 budget request proposed to retire four additional Ticonderoga-class guided missile cruisers, well before the end of their expected service life. The committee reinstated in the FY13 NDAA the requisite funding to operate and maintain, modernize and upgrade the U.S.S. Cowpens (CG 63), U.S.S. Anzio (CG 68), and the U.S.S. Vicksburg (CG 69) in fiscal year 2013 and expects the Navy to properly maintain these critical assets in the fleet in the future. The committee notes that it is less costly to maintain existing assets and supports providing the correct naval capabilities and fleet mix through a balance of new procurement and adequately maintaining the existing force structure for the length of time for which assets were initially designed.

Similarly, the FY13 NDAA required the President to limit annual reductions in Army and Marine Corps end strength in future budget requests to no more than 15,000 soldiers and 5,000 Marines - measured from that service's end strength at the end of the preceding fiscal year. The committee is concerned with the pace of the planned drawdown of the ground forces while the nation is still at war, as well as the impact of further defense budget reductions on personnel accounts. While the fiscal environment continues to dictate many aspects of national security policies, it is imperative that the Department fully fund its end strength requirements in accordance with the services' force reduction plans in the annual budgets through fiscal year 2017 as it draws down the force.

The committee will continue its oversight of the National Defense Budget Function, preventing a hollow force wherever possible, despite external fiscal pressures.

Retaining Support for Overseas Contingency Operations Funding

In last year's Budget Resolution, your committee estimated approximately $450.0 billion for Overseas Contingency Operations over the ten-year period as part of the House Budget Resolution. In fiscal year 2013, National Defense received over $90.0 billion for operations pertaining to the current conflict in Afghanistan, as well as reset and recapitalization of equipment returning from Iraq. The committee supports the continuation of the remaining $360.0 billion as an estimate for the upcoming ten year period to support ongoing operations in Afghanistan, the presumed drawdown of activities in theater in the near future, and resetting of equipment returned to a pre-war operational state.

Perspectives on Balancing Future Budgets

The committee believes that the 050 budget category should be preserved at current BCA funding levels to ensure Congress retains the ability to fulfill our Constitutional responsibility to raise and maintain armies. In the past few years, the committee has requested an increase to National Defense above the President's budget request to support critical shortfalls and underestimated economic assumptions. Your committee has recognized the shortfalls of developing a budget-driven strategy for our Nation's military, providing an increase of over $2.0 billion in last year's House Budget Resolution above the request in FY13, and $187.0 billion above the request across the ten-year period through FY22. The committee requests your continued support for our armed services.

Summary

The most significant threat to our national defense may be the arbitrary reduction to defense funding without accounting for the impacts to our National Security Strategy. The committee recalls testimony from defense leadership on how detrimental further cuts to defense would be, whether through sequestration or other deficit reduction proposals. Defense officials have identified a need to redefine its strategic guidance if the military's funding is further reduced. In a hearing on July 26, 2012, before the Subcommittee on Readiness, the following officers expressed concerns about the effects of full sequestration:

> General Chiarelli: "Whatever reductions are made carry risk, and with reductions we will not be able to do as much tomorrow as we are able to do today."[13]
>
> Admiral Greenert: "We are looking very, very hard at a $400.0 billion cut [referring to the BCA cut]. We don't totally understand the total impact that's going to have on the force, but when you double that . . . $800.0 billion or more, that is -- you're reaching an area there that I think would definitely we'd have to look very, very hard at our strategy, what we can and cannot do."[14]
>
> General Breedlove: "A $400.0 billion cut would force us to constrict our force in order to maintain a ready and fit force to fight. . . . Beyond $400.0 billion, we would have to go into a fundamental restructure of what it is our nation expects from our Air Force."[15]
>
> General Dunford: "I think, within $400.0 billion, we would have some challenges in taking those cuts. I think, if they would exceed $400.0 billion, we would start to have to make some fundamental changes in the capability of the Marine Corps."[16]

The members of this committee believe that everything should be on the table in order to address this Nation's deficit spending. However, we must once again reiterate that while defense represents only 17% of our national budget, our military has absorbed 50% of the cuts to date. And the world is watching. As the Commandant of the Marine Corps, General James Amos, recently stated:

> "In closing, allow me to articulate one more set of risks: the risk to our Nation. In the final analysis, sequestration potentially asks the most from those who have borne the greatest sacrifice. The effects of sequestration over the next 10 years will threaten the foundations of our All-Volunteer Force, putting the Nation's

---

[13] General Peter W. Chiarelli, Vice Chief of Staff of the Army, before the House Armed Services Committee, Subcommittee on Readiness, "Total Force Readiness," July 26, 2012.
[14] Admiral Jonathan W. Greenert, Vice Chief of Naval Operations, before the House Armed Services Committee, Subcommittee on Readiness, "Total Force Readiness," July 26, 2011.
[15] General Philip M. Breedlove, Vice Chief of Staff of the Air Force, before the House Armed Services Committee, Subcommittee on Readiness, "Total Force Readiness," July 26, 2011.
[16] General Joseph F. Dunford, Jr., Assistant Commandant of the Marine Corps, before the House Armed Services Committee, Subcommittee on Readiness, "Total Force Readiness," July 26, 2011.

The Honorable Paul Ryan
March 1, 2013
Page 10

> security on a vector that is potentially ruinous. It will dramatically shape perceptions of our government as both an employer and as a customer, thereby reducing confidence throughout our Nation's institutions."[17]

Finally, General Dempsey may have summed up the concerns of our Nation's military leadership best in a recent hearing on February 13, 2013:

> "The question I would ask this committee: What do you want your military to do? If you want it to be doing what it's doing today, then we can't give you another dollar."[18]

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

Sincerely,

Howard P. "Buck" McKeon

Howard P. "Buck" McKeon
Chairman

cc: The Honorable Chris Van Hollen

HPM:jas

---

[17] General James Amos, Commandant of the Marine Corps, before the House Armed Services Committee, "Impacts of a Continuing Resolution and Sequestration on Defense," February 13, 2013.
[18] General Martin Dempsey, Chairman of the Joint Chiefs of Staff, before the House Armed Services Committee, "Impacts of a Continuing Resolution and Sequestration on Defense," February 13, 2013.

COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515–6035

ONE HUNDRED THIRTEENTH CONGRESS

March 1, 2013

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

Dear Mr. Chairman:

We are writing to express views and estimates alternative to those submitted by Chairman McKeon in accordance with Section 301(d) of the Congressional Budget Act of 1974 and clause 4(f) of Rule X of the Rules of the House of Representatives, regarding the national defense budget function for fiscal year 2014 (FY14). There is no doubt that our country faces extensive national security challenges. We are committed to maximizing the military's preparedness for, and effectiveness in, meeting the spectrum of present and future challenges, just as we are committed to the courageous men and women who sacrifice daily to make that effectiveness a reality through their service. We must ensure that we honor these commitments by fulfilling our duty to provide the Armed Forces with the proper resources, policies, and flexibilities to excel.

Unfortunately, political dysfunction has undermined timely and productive budgetary planning for FY14. To date, the Congress has failed to enact a comprehensive deficit-reduction plan that combines revenue enhancements with greater fiscal discipline. The Budget Control Act of 2011 (the BCA) was enacted to avert a default on federal debt obligations, and it reduced discretionary spending levels by approximately $1 trillion through fiscal year 2021 (FY21). Furthermore, because the Joint Select Committee on Deficit Reduction did not succeed in recommending legislation providing an additional $1.2 trillion in deficit reduction, the law mandates that those additional savings be sequestered. Sequestration was designed as a forcing mechanism for an agreement on a balanced, deficit-reduction plan. Clearly, the sequester has failed to produce the intended results, and it no longer makes sense to rely on it as a motivator. The costs to the Federal system and to the American economy are too great.

Under sequestration, automatic, indiscriminate cuts would be applied, through FY21, to a wide variety of discretionary spending programs to achieve $1.2 trillion in savings, forestalling the sound planning needed for prudent and meaningful investments in national security, the workforce, transportation, infrastructure, education, health care, public safety, housing, innovation, small business development, and many other facets of enduring national strength. We cannot afford to sacrifice wholly any of these vital interests when budgeting for our future.

Even the prospect of sequestration is disruptive to regular order and to the congressional budget cycle, and it fosters damaging economic uncertainty. Entering the FY14 budget cycle without a budget request, detailing vital executive branch priorities such as funding for overseas contingency operations, is just one of the many disruptive results of the congressional failure to enact a comprehensive, deficit-reduction solution. Moreover, short-term remedies only suspend the prospect of sequestration, perpetuate disorder and uncertainty, and debilitate recovery efforts.

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

The foundation of our national defense is a strong and vibrant economy. We continue to confront concerning economic conditions, deficit spending patterns, and exorbitant debt. A healthy economy is a national security priority, and budgeting in a tough economic climate demands diligence and decisiveness in making difficult choices. Regular order allows the Congress to work closely with the Federal agencies in making these choices and in building a discretionary spending plan that targets savings, while maintaining effectiveness. All national expenditures should be carefully evaluated for budgetary savings, and savings can be realized within the defense budget. Moreover, shielding defense dollars from deficit-reduction efforts will only require other important federal spending priorities to shoulder disproportionate shares of the burden. That would be unacceptable. National security involves much more than defense.

In the absence of an agreed comprehensive, long-term, deficit-reduction solution or a long-term, discretionary spending plan that could be incorporated into such a solution, we cannot advocate maintaining top-line allocations for the national defense budget function at, or above, the funding levels established by the BCA, as amended. Further reductions to national defense spending may still be necessary.

As we strive to reduce deficit spending, to pay down the national debt, to create employment opportunities, and to empower economic performance, we ask that the national defense budget function allocation for FY14 provide a basis, from which strategic national security priorities can be realized and from which justifiable savings may be garnered.

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

Sincerely,

Adam Smith
Ranking Member

Additional signature pages attached

cc: The Honorable Chris Van Hollen

Madeleine Z. Bordallo

[illegible]

Tammy Duckworth

Pete P. Gallego

Jim Langevin

[illegible]

[illegible]

Robert E. Andrews

Loretta Sanchez

Carol Shea-Porter

[illegible]

Jim Cooper

Madeleine Z. Bordallo

Richard Larsen

Tammy Duckworth

Pete P. Gallego

Jim Langevin

Marc A. Veasey

Derek Kilmer

Robert E. Andrews

Loretta Sanchez

Carol Shea-Porter

Colleen W. Hanabusa

Jim Cooper

COMMITTEE ON EDUCATION AND THE WORKFORCE

U.S. HOUSE OF REPRESENTATIVES
2181 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6100

March 1, 2013

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

Dear Chairman Ryan:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and clause 4(f) of House Rule X, enclosed please find the Budget Views and Estimates for Fiscal Year 2014 of the Committee on Education and the Workforce, with minority views and estimates attached.

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

Sincerely,

John Kline

John Kline
Chairman

BUDGET VIEWS AND ESTIMATES FOR FISCAL YEAR 2014

COMMITTEE ON EDUCATION AND THE WORKFORCE

113^{TH} CONGRESS, FIRST SESSION

FEBRUARY 27, 2013

The House Committee on Education and the Workforce recognizes the nation's spending crisis and pledges to take concrete steps to reduce waste and duplication within federal programs and policy initiatives.

As the committee submits its Budget Views and Estimates for Fiscal Year (FY) 2014, several facts should be highlighted:

- The national debt now stands at more than $16.5 trillion, nearly $6 trillion of which has been added since President Obama took office in 2009.
- In FY 2013, the federal government is projected to run a deficit of more than $845 billion.
- The federal government spends an average of $2.3 billion more per day than it takes in.
- The FY 2013 budget deficit is currently estimated at 5.3 percent of the Gross Domestic Product (GDP). As of the end of FY 2012, outstanding federal debt was 103.2 percent of GDP.
- The average American's share of the national debt stands at $53,380 – an increase of $18,961 since 2009.
- More than 12 million Americans remain out of work as unemployment continues to hover around 8 percent.

In the face of such monumental challenges, there is one solution: responsible reductions in spending along with thoughtful planning to help put America back on the path to fiscal stability. However, for the fourth time in five years, President Obama has failed to submit a responsible budget proposal on deadline. In fact, the president's budget proposal for FY 2014 is still missing in action, nearly a month after deadline. Adding insult to injury, nearly four years have passed since the Democrat-led Senate last passed a budget.

The American people know the importance of setting a budget to ensure they live within their means. Washington should do no less.

In the 113th Congress, the House Education and the Workforce Committee will do our part to work toward a balanced budget by curbing wasteful spending and enacting fiscally responsible reforms. Education and workforce policies are vital to the success of our country and the future prosperity of our citizens. Advancing meaningful reforms in both areas without piling more debt on future generations will be key to re-energizing our economy and preparing Americans for 21st century challenges.

EDUCATION PRIORITIES

The U.S. Department of Education's budget –and the role of the federal government in education –has grown significantly over the last 45 years. For FY 2013, the department operated more than 150 programs totaling more than $68.7 billion. Over the past century, the federal government has spent more than $2 trillion on public education, yet student achievement remains flat. Clearly, money is not the answer.

Despite evident problems within our country's education system, the Obama Administration has decided the solution is to bypass Congress and create new programs and initiatives that coerce states, school districts, and institutions of higher education to adopt its top-down version of education reform. These flawed policies from Washington are adding to the burden on states, schools, communities, and students. The administration appears intent on continuing this trend as evidenced by the president's recent State of the Union address, in which he said, "If Congress won't, I will." Instead of adopting this "my-way-or-the-highway" approach, it is time to re-examine the federal role in education; end wasteful, inefficient, and unauthorized spending to help balance the federal budget; and limit the amount of burdensome regulations imposed on states and schools.

The committee respectfully offers the following recommendations for consideration by the Committee on the Budget as it prepares its FY 2014 budget resolution:

Empowering State and Local Education Reform

Across the country, state and local leaders are promoting innovative solutions to improve student achievement and fostering school and teacher accountability to ensure students have the skills they need to graduate high school. The committee believes the federal government should reduce its interference in the day-to-day operations of our elementary and secondary schools and free these education reformers to succeed.

Despite the president's rhetoric that schools should have greater flexibility and teachers should be empowered to teach with creativity and passion, his actions perpetuate more of the same top-down approaches to education reform that have proven unsuccessful for students and families. By rewriting the *No Child Left Behind Act* (NCLB) by executive fiat under the guise of flexibility and waivers, President Obama has replaced one set of federal mandates with another that force states to adopt the administration's preferred education reforms for uncertain and temporary relief. The committee supports freeing all states and school districts from the prescriptive requirements of federal law so they can truly innovate. To this end, the committee continues to work aggressively to reauthorize the *Elementary and Secondary Education Act* (ESEA) in a way that removes the barriers to critical state- and locally led reform efforts, and calls on the president to work with Congress to provide real flexibility to state and local leaders and empower parents.

Reforming Elementary and Secondary Education

When NCLB was signed into law 11 years ago, it was heralded as a game changer for public education policy. While it was an important step toward providing student achievement data to parents, the law desperately needs reform. Recognizing the shortfalls of current law, many states have taken matters into their own hands. At the behest of parents, teachers, and principals, reform-minded individuals are working to expand transparency, reform outdated teacher tenure practices, provide additional choice options to students trapped in low-performing schools, and enhance accountability for student achievement at the local level. The results have been nothing short of impressive: states have managed to shrink student achievement gaps, engage parents, and improve student learning without federal intervention. The committee supports federal efforts that help state and local leaders reform our nation's broken education system.

Instead of continuing the administration's waiver scheme or supporting new programs that call for a more intrusive federal role in education, the committee passed two bills to reauthorize ESEA in the 112th Congress. The *Student Success Act* and the *Encouraging Innovation and Effective Teachers Act* built on the exceptional progress being made at the state and local levels, while also including responsible measures to ensure all students continue to have access to a quality education. The bills focused on restoring local control, reducing the federal footprint, improving teacher effectiveness, and empowering parents.

Most importantly, the *Student Success Act* and the *Encouraging Innovation and Effective Teachers Act* authorized federal elementary and secondary education programs at the FY 2012 appropriated levels and rejected what has been the administration's irresponsible budgeting approach. The bills focused the federal role in education on supporting long-standing programs designed to improve student achievement and teacher effectiveness. The legislation consolidated most of the more than 80 programs currently authorized under ESEA into a single Local Academic Flexible Grant to provide states and school districts maximum flexibility in the use of federal aid. Most of the consolidated programs are low-priority and have been found to be duplicative, ineffective, or too small to have a meaningful benefit for student achievement. For example, the Ready-to-Learn program has demonstrated limited benefit for student achievement; the School Leadership and Arts in Education programs are duplicative of the main Teacher Quality Grants program; and the Physical Education program is duplicative of initiatives administered by the Centers for Disease Control and projects and school wellness policies created and funded under the *Child Nutrition Act*.

In addition, the committee's bills did not authorize funds for administration priorities like Race to the Top, Investing in Innovation, School Improvement Grants, or Promise Neighborhoods. The committee believes Congress should fulfill its current commitments to federal education initiatives before creating new programs and mandates. The House version of the FY 2013 *Departments of Labor/Health and Human Services/Education Appropriations Act* would have protected Title I funding while eliminating administration priorities, most of which were created in the *American Recovery and Reinvestment Act* and supported in subsequent appropriations bills. The committee urges the Committee on the Budget to reject the administration's approach to public education and incorporate our effort to streamline federal K-12 education programs that provide funding flexibility into the budget resolution.

Supporting Effective Teachers

The Obama Administration continues to request an overall increase in elementary and secondary education funding for new and current programs focused on teacher quality. These new initiatives come on top of the 82 existing teacher quality programs administered across 10 federal agencies that were identified by the Government Accountability Office (GAO) in its "Teacher Quality: Proliferation of Programs Complicates Federal Efforts to Invest Dollars Effectively" report. The report found the federal government spent more than $4 billion on teacher quality initiatives, many of the programs shared similar goals, a majority had limited benefit, and many had their own separate administrative processes.

The committee's ESEA reauthorization effort in the 112th Congress rejected the administration's irresponsible teacher proposals. The *Student Success Act* and the *Encouraging Innovation and Effective Teachers Act* consolidated many of the current teacher quality programs into a single Teacher and School Leader Flexible Grant, allowing states and school districts to support a variety of innovative and proven teacher effectiveness strategies. The legislation engaged the private sector, including the for- and non-profit communities, to partner with school districts to drive improvements and innovation in the teaching profession. The measures eliminated the onerous Highly Qualified Teacher (HQT) requirement that is an enormous burden on states and districts and tells superintendents, teachers, and parents very little about teacher effectiveness. Instead, the committee supported the development and implementation of district teacher evaluation systems around broad parameters to ensure parents have the information they need to make decisions about their children's education. Parents know the best teachers are the ones who keep students motivated and challenged in the classroom. The committee urges the Committee on the Budget to reject the administration's approach to teacher quality and incorporate our effort to promote effective teachers and better classroom instruction into the budget resolution. In addition, the committee believes additional savings can be realized through a more coordinated effort to consolidate teacher quality programs across Congressional committees.

Supporting Science, Technology, Engineering, and Math Education Programs Responsibly

A January 2012 GAO report found that in FY 2010, 13 federal agencies invested more than $3 billion in 209 programs designed to increase knowledge of science, technology, engineering, and math (STEM) fields and attainment of STEM degrees. In addition, 83 percent of the programs overlapped to some degree with at least one other program. Less than half of the programs surveyed indicated they coordinated with other agencies. GAO stated that opportunities exist to enhance coordination, align government-wide efforts, and improve efficient use of limited resources by identifying opportunities for program consolidation and reducing administrative costs. A robust education and training system with a more coordinated focus on increasing the number of elementary and secondary students and college graduates interested and employed in the STEM fields is essential to the nation's future economic competitiveness and a necessary pipeline into high-demand fields. Because of this, the committee urges the Committee on the

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

Making Special Education a Priority

The committee believes the federal government must keep the commitment it made to states, school districts, parents, and students with disabilities to assist with special education costs. In 1975, Congress passed the *Individuals with Disabilities Education Act* (IDEA) and committed to pay states 40 percent of the average per-pupil expenditure in the nation's public schools. To date, Congress has not come close to meeting this funding commitment. The president's FY 2013 budget proposal included only $11.6 billion for the Grants to States (Part B) program, the same as the previous fiscal year. Had this funding level been enacted, it would have reduced the federal government's contribution to less than 16 percent of the national average per-pupil expenditure. In contrast, the House version of the FY 2013 *Departments of Labor/Health and Human Services/Education Appropriations Act* would have increased Part B funding by $500 million. While the committee recognizes current budgetary constraints make it difficult to fully fund IDEA, ongoing administration proposals to reduce the IDEA funding contribution to advance its own unauthorized priorities are troubling. The committee urges the Committee on the Budget to redirect any savings generated from eliminating unnecessary and wasteful education spending to IDEA, Part B in order to noticeably increase the federal government's contribution toward special education costs.

Continuing the Successful DC Opportunity Scholarship Program

The committee continues to support educational choices for parents, equipping them with the tools they need to send their children to higher-performing schools that provide a better opportunity for their child's future. The DC Opportunity Scholarship program, created almost a decade ago, has allowed thousands of students in the District of Columbia to attend a high-performing private school of their choice. If not for this critical program, more than 85 percent of students who receive scholarships would otherwise be forced to attend some of the district's lowest performing schools.

In 2011, Congress enacted the *Scholarships for Opportunity and Results Act*, which reauthorized the DC Opportunity Scholarship program with important updates. Among its provisions, the bill increased the limits on scholarships to ensure students could have access to additional schools, especially high schools. Unfortunately, even though the president chooses to exercise private school choice for his children, his past budgets continue to deny the same opportunities for low-income families who live blocks from the White House. While continuing to request additional funding for District of Columbia public schools and public charter schools, the administration continues to oppose this important educational choice for parents. The committee strongly supports funding for the DC Opportunity Scholarship program to give District of Columbia parents access to quality education options for their children. The committee urges the Committee on the Budget to demonstrate support for this important educational choice for parents in the Department of Education's budget.

Expanding College Access and Promoting College Affordability

For almost 50 years, the federal government has provided students with the ability to select the college and university that best suits their postsecondary education needs. The diversity of the more than 6,000 institutions of higher education participating in federal student aid programs is vital to educating the current population of college students.

America's higher education system is changing. Colleges and universities now enroll a majority of non-traditional students (those beyond the traditional 18-to-22 year-old high school graduate). Many of these students are current workers looking to gain the necessary skills to excel in the workplace. These students are not looking for a four-year college degree, but instead want to update their skill sets while working full-time and/or raising a family. They tend to be more cost conscious, and want to obtain their degree or credential as fast as possible. As the committee begins the process of reauthorizing the *Higher Education Act*, it strongly supports policies that promote informed student choice, streamline complex federal student aid programs, and eliminate burdensome federal requirements or regulations that increase the overall cost of a postsecondary education.

Promoting Policies to Further College Affordability

Since it provides the overwhelming majority of student financial assistance (almost $142 billion through Title IV of the *Higher Education Act* alone), the federal government has an important role to play in ensuring students and families have access to necessary information so they can make informed choices about the colleges and universities that meet their unique needs. This includes providing information to students on institutional cost factors such as tuition and fees and student outcomes such as graduation rates. Unfortunately, the amount of information institutions of higher education are required to disclose to potential students and report to the Department of Education has grown exponentially over the last decade, with limited evidence of its value. As such, the committee supports proposals that refine data collection requirements to ensure the information being reported reflects the current student population and is useful to students and families. The committee also believes the federal government should coordinate efforts to streamline federal higher education data collection requirements and reduce confusion for students and compliance costs for institutions.

While it is pleased to see the Obama Administration experimenting with user-friendly ways to display institutional data through its College Scorecard, the committee believes there are significant problems that need to be resolved. The committee is concerned current federal law and regulations already require institutions of higher education to disclose information on a number of data points, using a different methodology than that used in the College Scorecard. For example, the cost information provided on the scorecard is calculated differently than the information required to be disclosed under the gainful employment regulation. The committee is interested in learning more about the administration's College Scorecard to ensure it provides accurate information that does not mislead students and families.

As Congress examines efforts to increase college access and affordability, the committee will keep in mind the significant costs imposed on colleges and universities through burdensome federal regulations. In recent years, the Department of Education has churned out regulation after regulation in the name of program quality with seemingly little regard for the true compliance costs for colleges and universities or how these regulatory actions have allowed the federal government to increase its footprint on college campuses. Last Congress, the House of Representatives passed H.R. 2117, the *Protecting Academic Freedom in Higher Education Act*, to strike down the credit hour regulation and state authorization regulation by a bipartisan vote of 303 to 114. These two regulations promulgated in 2010 by the Obama Administration put the federal government in the heart of academic issues that were historically the responsibility of colleges and universities or states. The committee continues to oppose the credit hour and state authorization regulations, as well as the gainful employment regulation. These burdensome and inflexible regulations will destroy jobs and stifle local economic development and innovation.

The committee supports federal efforts to simplify, streamline, and improve federal student aid programs and plans to examine these issues during the reauthorization of the *Higher Education Act*. The committee intends to begin this effort by addressing the student loan interest rate cliff. In 2006, congressional Democrats made a series of campaign promises to the American people that included a pledge to cut all student loan interest rates in half. After gaining control of Congress, Democrats realized that cutting interest rates in half was too costly and instead championed legislation that temporarily phased down subsidized Stafford loan interest rates for undergraduates for four years. After four years, the rate was set to return to the previous, higher level. Last year, Congress chose to delay for one year the scheduled interest rate increase under the premise that the time would be used to develop a permanent solution to the problem. The committee supports resolving the interest rate cliff by moving toward a market-based interest rate for all Stafford loans in a fiscally responsible manner.

The committee is concerned, however, that the administration's FY 2014 budget proposal may complicate the nation's student aid programs by creating new and unnecessary higher education programs; ignoring long-term challenges facing a number of federal programs, including Pell Grants; and dramatically expanding the reach of the federal government into college and university budgetary decisions. In particular, the committee opposes any changes to the Perkins Loan program or any other initiative that serves as a back-door effort to impose price controls on college campuses. While it agrees with the administration that rising tuition and fees continue to make college unaffordable for low-income and middle class families, the committee favors competition and transparency rather than using the heavy hand of the federal government to lower tuition. Institutions also have a shared responsibility, along with federal and state governments, to do everything they can to provide a quality education at an affordable price. Instead of taking a piecemeal approach to reforming student aid programs, the committee will begin a comprehensive examination of possible changes through the reauthorization of the *Higher Education Act*. The committee urges the Committee on the Budget to support our efforts to ensure the stability of student aid for future generations, including streamlining multiple grant, loan, and institutional programs, and eliminating low-priority higher education programs.

Putting Pell Grants on a Path to Stability

The committee supports Pell Grants as the foundation of our nation's commitment to help low-income students access higher education, but believes the program is on an unsustainable path. Even after enacting a number of short-term fixes through the *Budget Control Act* (BCA) and reducing student eligibility though the FY 2012 *Consolidated Appropriations Act*, the annual program costs for the Pell Grants program continue to grow. From FY 2006 to FY 2012, discretionary program costs increased from $12.8 billion to $28.0 billion, and from FY 2013 to FY 2023 discretionary program costs are expected to grow from $27.83 billion to $31.63 billion. When mandatory funding is included, expected program costs jump from $33.15 billion in FY 2013 to $41.28 billion in FY 2023.

Congress continues to struggle to provide enough funds to cover these costs. For example, for FY 2013, the House and Senate Appropriations Committees provided $22.96 billion for the discretionary portion of Pell Grants, though program costs are expected to total $27.83 billion.

Even though a recent estimate by the Congressional Budget Office (CBO) showed a temporary surplus in the program for FY 2014 because of revisions to previous estimates and one-time funding included in the BCA, the program is expected to experience a $946 million funding gap in FY 2015. The funding gap is expected to grow in the later years, even if Congress continues to provide historically-high appropriations for the Pell Grant program. Instead of making tough choices about the future of Pell Grants, the president's past budget proposals have ignored the problem by masking the true cost of the program through scoring gimmicks that create fictional mandatory "savings." The committee urges the Committee on the Budget to continue its work to put the Pell Grant program back on the path to long-term stability, enabling millions of low-income students to pursue their dream of a postsecondary education.

Assessing the True Taxpayer Costs for Student Loans

The committee believes budget gimmicks that have masked the cost of federal student loan programs for decades should not be allowed to continue. The Committee on the Budget should be commended for its work last year to pass H.R. 3581, the *Budget and Accounting Transparency Act*, which includes reforms to more clearly illustrate taxpayer costs associated with federal student loan programs. Congress has seen how CBO estimates are affected by taking market risk into account. Not only did the alleged "savings" from eliminating the Federal Family Education Loan (FFEL) program decrease dramatically, but the purported savings garnered from the president's FY 2012 budget proposal to convert FFEL loans to Direct Loans shrank by approximately $550 million. In addition, the savings from the budget proposal to expand the Perkins loan program and bring it onto the government's books vanished entirely.

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

Improving Early Childhood Education Programs

The federal government currently supports 45 different programs with the explicit purpose of supporting or providing early childhood care and education programs for children under the age of five. In its 2012 report, the GAO noted these programs are housed in multiple agencies and amount to at least $13.3 billion in taxpayer funds. One of the largest early childhood education programs is Head Start, which provides grants directly to organizations, school districts, and other community-based entities to promote school readiness in low-income children from birth to age five. While the federal government spends $7 billion annually (and more than $180 billion since its creation in 1965), the program is not fulfilling its obligation to improve the kindergarten readiness of low-income children. The Department of Health and Human Services' 2010 Head Start Impact Study showed the program had little to no benefit for cognitive, social-emotional, health, or parenting practices of its participants, and any benefits that may have accrued while a child is in the program had dissipated by the time he reached first grade.

Released in December 2012, the Third Grade Follow-up to the Head Start Impact Study found similar results: the few benefits achieved by children enrolled in Head Start were no longer present by the end of third grade. The committee believes the proliferation of overlapping programs and the lack of sustained program results in the early childhood sector do a disservice not only to vulnerable children who seek important services, but to the American taxpayer who is required to pay for duplicative and often inefficient programs.

In his recent State of the Union address, President Obama proposed a plan to create new early childhood programs and expand existing services for low- and moderate-income children ages 0-5. In particular, the president called for providing 4-year olds with high quality preschool through a "cost-sharing partnership" with states based on federal benchmarks. He also called for a program to incentivize states to provide full day kindergarten. In addition, he proposed investing in an Early Head Start-Child Care partnership, expanding home visiting services, and increasing funding for Head Start. Unfortunately, the president's proposal lacks specific details. For example, will the new programs be effective, considering the lack of results for our national preschool program (e.g., Head Start)? Will the new programs be duplicative? How will they differ from the dozens of early childhood programs already in place? Will the new programs be affordable?

Although the White House has not provided any cost estimates for the president's proposal, the Center for American Progress, a think tank with close ties to the administration, recently released a similar proposal estimated to cost taxpayers almost $100 billion over 10 years. At a time when our country faces more than $16.5 trillion in debt, it is irresponsible to create new early childhood programs rather than improving its current programs to improve kindergarten readiness.

By adding other initiatives to the mix, the president's proposal would expand the fragmentation of the government's early childhood education programs, perpetuating the duplication of services and encouraging inconsistent standards for program quality. Instead, the committee will work to reform and refocus our nation's early childhood education and care programs by promoting parental choice through access to high-quality care and transparent consumer information; streamlining and simplifying the fragmented federal role in early childhood education and care; maintaining program integrity while ensuring program efficiency; serving the most at-risk children first; and supporting, not hindering, states' efforts to coordinate early childhood education and child care programs. The committee urges the Committee on the Budget to support our efforts to streamline and strengthen existing programs to better serve low-income children.

Race to the Top

The administration's budget request for the Department of Education will likely expand its Race to the Top program, a slush fund operated at the sole discretion of the Secretary of Education to coerce states and school districts into implementing preferred and narrow policies. The president's FY 2013 budget requested nearly $2 billion for three different iterations of Race to the Top to influence state and local education policies from birth through postsecondary education.

Based on the State of the Union address, the committee expects the FY 2014 request to include yet another iteration, despite state struggles to implement earlier rounds of the program. For example, the Department of Education recently released a report detailing Race to the Top activities for the 12 states that received funding in the first two phases of the program. The reports show ongoing problems with implementation in two areas: implementing teacher and principal evaluations and building and upgrading sophisticated data systems for monitoring student progress and tailoring curriculum and assessment. Second year performance was particularly poor for three of the 12 states, which struggled with implementing teacher evaluations and working with persistently low-performing schools. A fourth state remains on "high risk" status for its struggles to implement different elements of its grant. Given limited federal resources and the unproven track record of national competitions, the committee urges the Committee on the Budget to reject the administration's expected request for additional rounds of Race to the Top, and instead maintain its commitment to long-standing elementary and secondary education, special education, early childhood education, and student financial assistance programs that are producing results.

Ensuring Quality Child Nutrition

The National School Lunch program and the other initiatives that make up the *Child Nutrition Act* are designed to combat hunger and poor nutrition among low-income children and families. According to the Congressional Research Service (CRS), federally supported child nutrition programs reach more than 40 million children and two million lower-income expectant and new mothers daily. In 2010, congress passed the *Healthy, Hunger-Free Kids Act*, which updated and extended these programs. However, the legislation also opened the door to federal micromanagement of school lunches, breakfasts, suppers, snacks, and other food sold on school campuses. The committee believes the regulatory agenda coming from the U.S. Department of Agriculture (USDA) through the new school nutrition standards and competitive foods rules are overly burdensome and costly to our nation's schools. To this end, the committee asked the GAO to investigate whether the new school nutrition standards result in higher costs and more food waste in school cafeterias. Recently, the committee urged USDA to provide additional flexibility to school food service agencies struggling to meet the new nutrition standards. The department responded by allowing school districts to raise the maximize size of servings as long as they meet minimum requirements for meat and grain services. Unfortunately, the change is for only one-year. The committee will continue to monitor USDA's actions and work to reduce the cost and burden of new federal requirements. The committee encourages the Committee on the Budget to provide adequate funding for the program and explore whether changes need to be made to the *Child Nutrition Act* to reverse the costly nature of the new regulations.

WORKFORCE PRIORITIES

The American economy remains in peril. During the fourth quarter of 2012, GDP shrank for the first time since early 2009. Though the unemployment rate is lower than it was this time last year, workers continue to face significant challenges. Only 64 percent of eligible people are participating in the workforce today. More than 12 million Americans remain unemployed and searching for work. Roughly 8 million workers have been forced to accept part-time work, a record 47 million people are eligible for food stamps, and the median family income is dropping to 1995 levels. It is clear the policies promoted by the Obama administration have failed America's workers and their families. Despite this failure, the administration continues to advocate spending priorities, mandates, and costly regulations that have significantly weakened job creation by adding new burdens and creating uncertainty.

The committee is focused on finding solutions to the nation's economic crisis. The committee is advancing policies to streamline job training programs while providing job seekers with better access to programs that can teach them the skills needed for a growing economy. The committee also remains committed to ensuring workplace democracy, protecting retirement security, and promoting workplace safety. Finally, the committee will continue to evaluate government programs and scrutinize regulatory proposals.

The committee respectfully offers the following for consideration by the Committee on the Budget as it prepares its FY 2014 budget resolution:

Streamlining Workforce Development Programs

The nation's primary assistance for unemployed and underemployed workers is authorized through the *Workforce Investment Act* (WIA), which provides states and localities with federal resources to support worker training through a network of 3,000 One-Stop Career Centers. In January 2011, the GAO released a report entitled "Multiple Employment and Training Programs: Providing Information on Collocating Services and Consolidating Administrative Structures

Could Promote Efficiencies," that identified 47 separate employment and training programs across nine different federal agencies. GAO's analysis noted that almost all of the job training programs identified overlap with at least one other program, with most of the programs targeting similar populations and providing similar services. The report found only five of the programs had been evaluated for effectiveness and success in finding employment opportunities for unemployed and underemployed workers.

Instead of providing necessary skills and training for workers, the current workforce development system is wasting taxpayer dollars on bureaucracy, employers are unable to hire adequately trained workers, and workers lack the skills necessary for success. Federal requirements also have left state and local workforce boards – which are responsible for policy and oversight of area employment services – mired in bureaucracy with little flexibility to target resources to meet the workforce needs of workers and employers. Especially at a time of high unemployment and record federal deficits, Congress must do more than maintain the status quo. President Obama during his 2012 State of the Union address recognized the need to consolidate federal workforce development programs declaring, "... I want to cut through the maze of confusing training programs, so that from now on, people...have one program...one place to go for all the information and help that they need. It is time to turn our unemployment system into a reemployment system that puts people to work." Unfortunately, the administration's past budgets lack any comprehensive proposal to modernize WIA. Instead of working with Congress to streamline federal workforce development programs, the president has proposed new programs aimed at unemployed and underemployed workers (in addition to the 47 GAO-identified programs). Most notably, the president has proposed an $8 billion Community College to Career Fund, which would provide federally administered incentive grants to community colleges and states to partner with employers to train workers for in-demand industries. Though the committee recognizes the importance of community colleges to workforce preparation, this new program is duplicative of the Strengthening Institutions program and the Fund for the Improvement of Postsecondary Education (FIPSE) run by the Department of Education, and the main funding streams under the *Workforce Investment Act* (WIA) administered by the Department of Labor, further fragmenting our nation's job training system. While the committee commends the administration for proposing the elimination of the Women in Apprenticeship and Non-Traditional Occupations and the Veterans Workforce Investment Programs, and committing to closing down chronically low-performing Job Corps Centers, this is simply not enough.

Recently, the committee introduced its proposal to reauthorize WIA, the *Supporting Knowledge and Investing in Lifelong Skills (SKILLS) Act*. The bill will help deliver a more dynamic, effective, and accountable workforce development system. It consolidates and eliminates dozens of ineffective and redundant job training programs; establishes a single, flexible Workforce Investment Fund to help workers find the support they need; rolls back the red tape and bureaucracy that has crippled local workforce investment boards' ability to serve area workers; provides job creators additional opportunities to play a stronger role in workforce development decisions; and ensures real accountability without burying state and local leaders under a mountain of paperwork. The committee urges the Committee on the Budget to reject the administration's approach to job training and incorporate into its budget resolution our efforts to reform the nation's workforce development system. Instead of adding to the maze of federal programs, this effort will provide workers, employers, and taxpayers with a more effective, flexible, and accountable workforce investment system that will foster the long-term growth and prosperity our nation needs and deserves.

Protecting Workplace Democracy

The committee will scrutinize actions taken by the Obama administration in favor of its special interest supporters. Specifically, the committee is concerned by the administration's promotion of an activist agenda that diminishes opportunities for workers and employers. The administration's misguided approach to labor-management relations threatens not only the rights of workers to choose whether to join a union, but also the ability of employers to maintain and create jobs. The committee will continue its strong oversight of the activist policies and priorities advocated by this administration.

National Labor Relations Board

The committee continues to oppose the National Labor Relations Board's (NLRB) activist agenda and will continue its work to protect employee and employer rights. Over the last four years, the NLRB restricted workers' right to a secret ballot, made it more difficult for employees to challenge union representation, issued a rule that would require employers to post vague, union-biased posters on employee rights under the *National Labor Relations Act* (NLRA), changed the test for determining employee bargaining units to allow unions to gerrymander the workplace, reduced neutral employer protection from union attacks, and issued the first part of a final rule that will significantly restrict employer free speech and employee free choice. Taken together, the NLRB's actions have destabilized labor-management relations.

To ensure a continuation of this agenda, on January 4, 2012 – relying on a new legal opinion by the U.S. Department of Justice – President Obama appointed three individuals to the NLRB while the Senate was regularly meeting in *pro forma* session. On January 25, 2013, in *Noel Canning v. NLRB*, the U.S. Court of Appeals for the District of Columbia held unanimously that President Obama's January 2012 recess appointments to the NLRB were unconstitutional.

It is clear the NLRB will continue its aggressive union agenda in 2013. In response to the holding in *Noel Canning v. NLRB*, the NLRB Chairman stated "the Board respectfully disagrees with the Court's decision and believes the President's position in the matter will ultimately be upheld. …[T]he Board…will continue to perform our statutory duties and issue decisions." The committee will continue its oversight of the NLRB and oppose actions that impair the rights of workers and employers. In addition, the committee will consider making reforms to the NLRA that promote job growth, while ensuring employees have the right to choose whether to join a union.

Office of Labor-Management Standards

For those employees who choose to join a union, the Department of Labor's Office of Labor-Management Standards (OLMS) plays a critical role in holding union leadership accountable to rank-and-file members. However, during the Obama administration, policies at OLMS have been redirected in ways that concern the committee. The committee is concerned by OLMS's efforts to make changes to the longstanding interpretation of the *Labor-Management Reporting and Disclosure Act's* "advice" exception, which could jeopardize the confidential client-lawyer relationship and employers' fundamental right to counsel. The committee is troubled by the elimination of the international union compliance audit program and cuts in the number of compliance audit programs. Union compliance audits are an important tool for uncovering embezzlement and other criminal and civil violations. The committee will continue to conduct aggressive oversight of OLMS and support measures that improve union transparency and accountability on behalf of workers.

Promoting Retirement Security

The committee remains committed to promoting the retirement security of American workers by safeguarding existing pensions, eliminating onerous regulations, and providing greater opportunities to save for retirement. The committee continues to support policies that help workers access private sector pensions that are strong, voluntary, and portable. In so doing, the committee will scrutinize proposals curtailing or eliminating workers' ability to utilize 401(k) retirement accounts or increasing costs to participants and plan service providers through burdensome new regulations. To ensure the viability of the defined benefit pension system, the committee will continue to investigate reforms of the funding rules governing multiemployer pension plans, and will provide close oversight of the Pension Benefit Guaranty Corporation's (PBGC) finances and management of terminated plans.

The committee remains skeptical of vague budget proposals from the Obama administration, including a mandate for employers to create new individual retirement accounts for their workers and providing the PBGC with the authority to determine insurance premiums assessed to defined benefit pension plans. Instead, the committee will continue to promote and safeguard future retirement opportunities for American workers.

Promoting Policies to Lower Health Care Costs

The committee supports policies that make health care and insurance coverage more affordable for all Americans and is concerned the *Patient Protection and Affordable Care Act* (PPACA), President Obama's signature health care law, has already begun to accelerate the rising cost of health insurance and jeopardize Americans' ability to receive quality, affordable health care services. Worse, new mandates, taxes, and regulatory uncertainty are burdening the more than 160 million Americans who receive employer-sponsored insurance.

With PPACA's most significant and onerous mandates becoming effective in 2014, the committee will conduct a close examination of PPACA and efforts by the Obama administration to implement the law. The committee will continue to scrutinize PPACA's insurance coverage mandates that increase the costs of providing employer-sponsored coverage, including so-called "essential health benefits." In addition, the committee will examine repealing certain provisions of PPACA under the committee's jurisdiction and will consider other policies to lower the costs of health care and health insurance. These efforts will be conducted with a view toward promoting policies that strengthen the ability of employers to grow their businesses and create jobs.

Safeguarding Against Employment Discrimination

The committee stands strong in its support for equal employment opportunity and will continue its oversight of the federal government's enforcement of the *Civil Rights Act of 1964, the Equal Pay Act,* and the numerous other civil rights statutes that protect individuals from employment discrimination. Specifically, the committee will continue oversight of new regulations proposed by the Department of Labor's Office of Federal Contract Compliance Programs (OFCCP) that would impose significant and excessive burdens on federal contractors.

Most notably, the committee is concerned by OFCCP's proposal under Section 503 of the *Rehabilitation Act,* which would, for the first time, impose a hiring goal for individuals with disabilities and sweeping new paperwork and compliance obligations related to tracking the identification, recruitment, and advancement of such individuals. The committee is concerned that these new requirements divert employer resources away from economic growth and job creation, and OFCCP has failed to provide credible evidence that the new burdens would increase employment opportunities for minorities, women, qualified veterans, or individuals with disabilities.

In addition, the committee plans to examine the Equal Employment Opportunity Commission's guidance on employers' use of criminal background checks in employment decisions, among other policies and proposals, as it continues to support nondiscrimination policies that protect workers and promote private-sector job growth.

Monitoring and Assessing the *Family and Medical Leave Act*

The committee will continue to scrutinize policies advanced by the Obama administration that could result in additional mandates and costs to employers, particularly those that would institute requirements beyond those intended by the *Family and Medical Leave Act* (FMLA). In January 2013, the Department of Labor finalized a regulatory package to implement amendments made to the FMLA under the *Fiscal Year 2010 National Defense Authorization Act* and the *Airline Flight Crew Technical Corrections Act of 2009.* The committee will continue to monitor these new regulations and their consequences for economic growth.

In previous Obama administration budget requests, the Department of Labor has requested millions of dollars in new spending to create a so-called "State Paid Leave Fund" to support competitive grants to states that establish paid leave programs. In addition to creating new costs for taxpayers, it is unclear how such a fund would help businesses seeking to expand and create new jobs. The committee opposes policies and proposals that result in more difficulty in hiring workers, and it will continue to reject costly proposals like the State Paid Leave Fund.

Updating the *Fair Labor Standards Act*

The *Fair Labor Standards Act of 1938* (FLSA) is our country's primary law concerning wages and pay requirements, standards for child labor, and employer recordkeeping requirements for more than 100 million full and part-time workers in the private sector and in federal, state and local governments. Therefore, it has been and continues to be a high priority for the committee to monitor the Department of Labor's administration and enforcement of the FLSA.

The committee's hearings have highlighted the need to update the regulatory construct of the FLSA and to ensure its regulations reflect the realities of the 21st century work environment. However, budget requests submitted by the Department of Labor have reflected an approach that is more reliant on increasing regulations and exposing employers to more litigation. The committee will continue its examination of the Department of Labor's proposals and initiatives, including its regulation relating to the FLSA's exemption for so-called "companionship services" and its enforcement activities concerning the employment of independent contractors. In every instance, the committee will seek to evaluate the implications of the Department of Labor's efforts for workers and employers' ability to manage and grow their businesses.

Reforming the *Federal Employees' Compensation Act*

Reform of the *Federal Employees' Compensation Act* (FECA) is long overdue to modernize the workers' compensation program for federal employees who are injured or become ill on the job. Modernizing FECA's benefit structure could achieve savings in the program over the next 10 years, while ensuring injured employees can care for themselves and their families and promoting the return to work process. During the 112th Congress, the committee led a bipartisan effort to reform FECA, resulting in the passage of the *Federal Workers' Compensation Modernization and Improvement Act* by the House of Representatives in November 2011. In December 2012, GAO issued a report requested by the committee highlighting issues surrounding the reform of FECA's benefit structure. The committee intends to examine GAO's findings in depth and continue its work with the Obama administration and the Senate to enact legislation updating the FECA program.

Enhancing Workplace Health and Safety

The committee is committed to ensuring workplace safety for American workers. The best way to achieve this is by promoting policies that combine proactive safety programs, compliance assistance, and enforcement of workplace safety laws. The committee will maintain its oversight of the workplace safety agencies' enforcement policies and regulatory proposals to ensure they support health and safety for workers without stifling job creation.

Occupational Safety and Health Administration

The committee is concerned that during the past four years the Occupational Safety and Health Administration (OSHA) has relied on an enforcement-only approach to worker protection, while stepping back from policies that promote workplace safety by educating employers and workers.

This strategy has not been effective, as demonstrated by the Department of Labor's own statistics, which show that while occupational injury and illness rates have declined since 2003 they have plateaued in recent years.

In addition, the committee takes exception to OSHA's use of time and resources to create its Injury and Illness Prevention Program (I2P2). While OSHA plans to implement I2P2 in American workplaces by December 2013, it has failed to provide evidence that such a program will decrease injuries and illnesses in the workplace. Indeed, an independent study released by Rand Corporation in 2011 concluded that a similar state program resulted in no improvement of fatality rates. The committee is concerned that OSHA has not heeded the conclusion of this study and is continuing to create a program that will impose undue costs and burden job creators with no discernible benefit. The committee will evaluate this and other regulations proposed by OSHA.

Mine Safety and Health Administration

The committee continues to conduct strict oversight of the Mine Safety and Health Administration (MSHA) to ensure it takes the steps necessary to achieve the goal of zero mining fatalities and encourages MSHA to use all of the tools available under federal mine safety law. In addition, the committee will examine MSHA's effectiveness in protecting miners as it conducts its additional impact inspections, continues its reinstated conference process, and implements its recently finalized pattern of violations regulations.

CONCLUSION

The Committee on Education and the Workforce believes the federal budget is a statement of priorities. The fiscal challenges we face as we prepare the FY 2014 budget are daunting, but those challenges must not deter our commitment to reform. The committee stands ready to work with the Committee on the Budget and the administration to enact fiscally responsible reforms on behalf of students, workers, and retirees.

Democratic Views – Budget Views and Estimates for Fiscal Year 2014
Committee on Education and the Workforce
113th Congress, First Session
March 1, 2013

Education and Workforce Committee Democrats urge the Committee on the Budget, in developing its FY 2014 budget resolution, to prioritize an agenda that fosters economic growth, grows and strengthens the middle class, and invest in our nation's long-term competitiveness. Unfortunately, the Congress's failure to prevent imminent budget sequestration and the ensuing budget is anathema to such a pro-jobs agenda. Federal Reserve Chairman Ben Bernanke has warned sequestration is also counterproductive to deficit reduction:

> [g]iven the still-moderate underlying pace of economic growth, this additional near-term burden on the recovery is significant. Moreover, besides having adverse effects on jobs and incomes, a slower recovery would lead to less actual deficit reduction in the short run for any given set of fiscal actions.[1]

In addition to destroying hundreds of thousands of jobs, the sequestration cuts threaten a wide-range of critical programs including Head Start, special education, worker safety and worker training. We must reduce the nation's budget deficit, but we must do so in a balanced way that does not threaten our country's fragile economic recovery or our long-term economic strength and competitiveness.

Early Childhood. Our youngest students would be significantly impacted under sequestration, with up to 70,000 children at risk of losing Head Start and Early Head Start services.[2] Sequestration comes at a time when disadvantaged children are in great need of the proven benefits of quality preschool, child care and voluntary home visitation – which President Obama has proposed to strengthen. Sequestration would also result in 30,000 low-income children losing much needed child care subsidies and access to child development programs.[3] And thousands of workers trying to support their families would no longer have critical employment support. Committee Democrats believe strongly that additional strategic investments in early childhood education are essential to these families, our country's economic growth, and even military readiness.

As we know the achievement gap we see among some students throughout elementary and secondary education appears long before these students enter kindergarten, underscoring the importance of reaching these students as early as possible. Contrary to the statement made by the Committee Majority, the December 2012 Health and Human Services (HHS) study did find many positive Head Start outcomes related to Kindergarten readiness, including literacy and math instructional activities and teacher-child interactions. The study also found that by the end of 3rd grade, 3-year olds who had been in Head Start were in schools with a higher percentage of

---

[1] Statement of Ben S. Bernanke, Chairman, Board of Governors of the Federal Reserve System before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate (Feb. 26, 2013).
[2] White House Fact Sheet, "Examples of How the Sequester Would Impact Middle Class Families, Jobs and Economic Security," (Feb. 2012).
[3] White House Fact Sheet, "Impact of March 1st Cuts on Middle Class Families, Jobs and Economic Security," (Feb. 2012).

children scoring proficiently in reading and language arts, and had favorable parent-reported social-emotional development. Many studies have for decades found significant returns on investments from high-quality preschool programs serving low-income children, largely due to lower grade retention, lower special education placements, better high school graduation rates and lower crime and delinquency rates. Increasing federal resources for early learning, coordinated with states and through existing successful initiatives, is a wise investment that will pay off in the short- and long-term and will support states' and local communities' efforts at improving young children's lives every day.

Committee Democrats are committed to improving access to high quality early learning opportunities and we urge Committee Republicans to work with us during this Congress to protect these opportunities.

K-12 Education. Sequestration would slash Title I funding by $740 million, impacting nearly 1.2 million low-income children and putting 10,000 teacher jobs at risk.[4] The Impact Aid program, which provides essential support to military families and Native American students, faces more than $68 million in cuts under sequestration. These cuts could impact 1,200 school districts.[5] Committee Democrats will fight these cuts.

Committee Democrats will also once again seek to work on a bipartisan basis toward consensus-driven solutions to reauthorize the Elementary and Secondary Education Act (ESEA). Committee Republicans must abandon their highly partisan and ideologically driven reauthorization approach and work with Committee Democrats to develop a bipartisan ESEA reauthorization bill.

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

To support such an effort, we must continue to focus on the core education programs, including Title I and Title II of ESEA. Additionally, Committee Democrats believe we must fund programs in the most efficient ways and provide districts with increased flexibility to support the needs of their students. Accordingly, we support consolidating funding streams around areas of

[4] *Id.*
[5] House Committee on Appropriations Democrats, Report on the Sequestration (Feb. 13, 2013).

critical need to create more efficient programs for schools and districts, increased flexibility in how funds are used while providing accountability to taxpayers regarding how funds are spent. This year, Committee Democrats remain committed to reauthorize ESEA, but only in a manner that continues to support equity in education to ensure that all students have the opportunity to succeed. Given the ongoing failure to produce a bipartisan ESEA reauthorization, Committee Democrats support the Department of Education's efforts to provide states with flexibility under No Child Left Behind.

Students with Disabilities. Funding for children with disabilities would be severely impacted under sequestration. It could result in a $600 million cut to the Individuals with Disabilities Act (IDEA), impacting nearly 296,000 children and the jobs of 7,400 special education teachers, aides and staff.[6] Committee Democrats remain committed to meeting the developmental and educational needs of children with disabilities to empower each individual to pursue opportunities for independent living and full integration into society. To meet these needs, Committee Democrats will fight the sequestration cuts and continue to press for full funding of IDEA, which provides schools with resources and supports so students with disabilities are held to high standards and gain access to general education curriculum.

Higher Education. In the recession, states have slashed higher education funding, causing tuition to increase for millions of students and families. As costs have increased, more students have relied on student loans in order to pay for school. Today about two-thirds of college graduates must borrow and their average loan debt is over $26,000. High debt levels have rippling impacts on our economy and borrowers lives.

Committee Democrats have fought to protect students' ability to obtain an affordable higher education. This year we will continue to fight for a robust Pell Grant program for years to come for students who would otherwise need to borrow loans. We will also work to make sure student loan interest rates do not double for nearly 8 million low income borrowers next academic year. Additionally, we will work to make sure students have the right information needed to make informed choices about the college they will attend and the way they finance their education.

This all becomes more difficult with sequestration threatening the ability of students to access college financial aid. The sequestration cuts would increase debt for students with the greatest need by $765 a year through increased student loan origination fees, cuts to Supplemental Educational Opportunity Grants and Federal Work Study.[7] The cuts to the Supplemental Educational Opportunity Grants could impact approximately 1,390,000 students and result in 71,000 students losing aid altogether.[8] In addition, sequestration could impact approximately 683,000 students receiving Federal Work Study with 35,000 of the students potentially losing aid.[9]

Committee Democrats support efforts to help more students achieve affordable high-quality degrees, certificates and credentials needed to compete in today's marketplace. The increasing

---

[6] *Supra* note 5.
[7] Student Aid Alliance Fact Sheet, "Impact of Sequester on Students with the Most Need," (Feb. 7, 2013).
[8] Center on Budget and Policy Priorities, "Impact of Sequestration on Federal Education Programs," (Feb. 7, 2013).
[9] *Id*

cost of higher education continues to be a chief concern for American families; in the past year alone, the average in-state tuition and fees at a four-year public college increased by 4.8 percent.[10] With the Higher Education Act requiring reauthorization by the end of FY2015, Committee Democrats urge the Majority to work with Democrats to address the issues of college cost and affordability.

Child Nutrition. This Committee has a critical role in the fight against hunger and the childhood obesity epidemic. In the 111th Congress, Committee Democrats spearheaded efforts to address these issues through the enactment of the Healthy, Hunger-Free Kids Act. We continue to defend reforms ensuring food standards are based on nutrition and dietary science, not politics. In contrast to the Majority's mischaracterization of micromanaging school food, federal rules are faithfully executing the will of the Congress and the people in setting reasonable, minimal health standards for foods sold to students in public schools. Children have a right to access to nutritional meals, snacks and drinks, which research has shown have a significant impact on their health, behavior and learning. These basic standards have been informed by scientists, experts and practitioners throughout the nation.

Committee Democrats remain concerned about any changes to the Supplemental Nutrition Assistance Program (SNAP) eligibility requirements. Changes proposed by the Majority in the last Congress would have resulted in the elimination of benefits for 2 to 3 million people, close to half of all low-income children. The changes would also impact participants of the Free and Reduced Lunch Program, which provides needed food and nutrients to children so they can academically compete with their peers. The proposed changes would cause 280,000 low-income children to lose access to free school lunches. Committee Republicans have not acted to examine the effects of these policies on children's health, development, and education. Sequestration would harm the 600,000-775,000 women and children who would be dropped from the Women Infants and Children (WIC) program, and result in the loss of at least 1,600 related state and local jobs.[11]

Child Safety. The safety of our children at school, on college campuses or attending special programs should be the highest priority of this Committee, especially in light of what we've learned from the numerous Democratic-led investigations into child abuse and neglect, which in some instances led to the tragic death of a child. Ensuring states and local communities have sufficient resources to protect children from maltreatment and provide them with safe alternative settings and reunification with caregivers must be prioritized and not compromised by sequestration's dangerous effects. Mental health supports can prevent and help children recover from abuse and neglect. Sequestration would negatively impact children's ability to access mental health services. Among other programs, access to mental health services could be denied to up to 373,000 seriously mentally ill adults and emotionally disturbed children under sequestration. Shrinking state budgets are already limiting mental health services in schools, resulting in school mental health staff having less time to identify and provide interventions for at-risk students.

---

[10] College Board Advocacy and Policy Center, *available* at: http://trends.collegeboard.org/college-pricing/figures-tables/published-prices national#Published%20Tuition%20and%20Fee%20and%20Room%20and%20Board%20Charges,%202012-13
[11] *Supra* note 5.

Jobs. Despite adding 2.1 million jobs to our economy last year, millions of Americans remain unemployed.[12] Nearly five million Americans have been looking for work for at least six months.[13] The nation's fragile economic recovery is at great risk because of the draconian budget cuts required by sequestration. Sequestration could impact the 124 Job Corps centers nationwide that help educate and train at risk youth. Despite youth unemployment of almost 23 percent,[14] construction of any new job corps center would halt and up to 15 centers would have to close permanently or for part of 2013.[15] Sequestration would also result in nearly every state losing funding for job search assistance, referral and placement to help America's unemployed workers find proper training and employment. Furthermore, the budget cuts could cost states more than $30 million for their workforce development programs, impacting more than 1.1 million people.[16] The Congressional Budget Office (CBO) estimates that up to 1.4 million jobs are at stake because of sequestration.[17] A study from George Mason University estimates job loss will be even higher at 2.14 million, with nearly half of those jobs coming from small businesses.[18] The effects of the impending sequestration are being felt by the unemployed and underemployed as the uncertainty surrounding sequestration is causing employers to be slow to hire. Committee Democrats remain committed to supporting policies that will help get Americans back to work. This includes helping workers acquire the skills that growing industries need. Committee Democrats are disappointed that Committee Republicans intend to once again pursue a partisan reauthorization of the Workforce Investment Act (WIA). Committee Democrats will continue to press for legislation that will create new jobs, build career pathways for workers, rethink sector-based workforce development, and strengthen the middle class.

National Labor Relations Board (NLRB). The NLRB administers federal labor law for much of the private sector, including enforcing employees' rights to organize and collectively bargain. Workers deserve a voice on the job. Empowering them to bargain for better wages and working conditions is essential for maintaining a strong middle class and a strong democracy. Sequestration, and the resulting arbitrary cuts to the Board's budget, is only one threat the Board faces as it works to protect the right of workers to organize and collectively bargain.

Since the beginning of the Obama Administration, Committee Republicans have committed a disproportionate amount of Committee time and resources to attack the agency. Most recently, Committee Republicans have requested the Board cease all activity in light of a recent D.C. circuit court decision that invalidated President Obama's recess appointments of two Board members. President Obama made these recess appointments at a time when partisan filibusters prevented the confirmation of nominees to lead the Board. Senator Graham vowed to block all nominees to the Board. He stated, "the NLRB as inoperable could be considered progress."[19]

---

[12] Bureau of Labor Statistics, *available* at: http://www.bls.gov/news.release/pdf/empsit.pdf
[13] Bureau of Labor Statistics, *available* at: http://www.bls.gov/news.release/pdf/empsit.pdf
[14] Bureau of Labor Statistics, *available* at: http://www.bls.gov/news.release/pdf/empsit.pdf
[15] *Supra* note 4.
[16] *Supra* note 2.
[17] *Supra* note 5.
[18] *Id.*
[19] Senator Tom Harkin (IA). "Recess Appointments," *Congressional Record* 158: 12 (Jan. 26, 2012) at S88. *Available* at http://www.gpo.gov/fdsys/pkg/CREC-2012-01-26/pdf/CREC-2012-01-26.pdf

Committee Republicans also moved partisan bills to cripple the NLRB's ability to protect workers' rights. This Congress, Committee Democrats will remain vigilant in overseeing the effective and efficient operation of the NLRB and promoting and strengthening workers' rights. The free exercise of those rights helped build America's middle class, and the highly politicized and divisive attacks on those rights that we have seen this past Congress and in legislatures around the country threaten the foundations of that middle class.

Wages and Hours. The Fair Labor Standards Act (FLSA) is the nation's basic law governing wages and hours of work. It provides fundamental protections to over 120 million workers. The FLSA establishes a federal minimum wage, sets standards for when employers must pay overtime, and prohibits many forms of child labor. The FLSA was enacted nearly 75 years ago and it remains a critical part of federal labor policy. Committee Democrats support robust enforcement of the FLSA. Sequestration poses a significant threat to the critically important enforcement work the Department of Labor performs to promote the safety of children and other workers in dangerous industries and Committee Democrats are committed to ensuring that the nation's wage and hour laws are enforced, particularly against rampant wage theft and worker misclassification. Committee Democrats will work to increase the federal minimum wage. Today, a full time minimum wage worker earns roughly only $15,000 per year. This is unacceptable. No one who works hard and plays by the rules should live in poverty. Committee Democrats will oppose any attempt to rollback minimum wage and overtime protections. Eliminating workers' right to overtime pay will simultaneously decrease pressure to create more jobs and decrease workers' take-home pay, further weakening consumer demand and employment. Committee Democrats will continue to work to ensure that these critical issues to working families get the much needed and long overdue attention they deserve.

Mine Safety and Health. As a result of a sequestration order, the Mine Safety and Health Administration's (MSHA) budget authority will be reduced by $18.8 million. At this funding level, all programs within MSHA will be impacted. To protect miners' safety and health, the Federal Mine Safety and Health Act of 1977 mandates that MSHA conduct 4 complete inspections per year at all underground mines and 2 complete inspections per year at above ground mines. While MSHA will be able to reprogram funds to complete its mandatory mine inspections during the remainder of FY 2013, the sequester will prevent MSHA from filling inspector vacancies created by retirements or be able to train new inspectors. While this failure to bring on new inspectors will not be seen immediately, the longer run impacts to safety are foreseeable and predictable: MSHA will not be able to meet its mandatory inspection schedule in 12 to 18 months. MSHA's Internal Review of the Upper Big Branch Mine disaster found that the Area Offices had a large number of vacancies and trainees at the time of the April, 2010 explosion, and the lack of fully trained inspectors was cited as a key weakness in the agency's ability to oversee a number of especially dangerous coal mines that were operating outside the margins of safety. There is no reason to repeat this mistake. The inability to backfill vacancies reduces MSHA's cadre of technical positions which will adversely impact the timeliness of coal mine plan reviews. This could cause operators to face delays in expanding existing mines or opening new mines, and lead to increased unemployment.

To sustain its mandatory inspection schedule, the specialists who normally conduct investigations of miner discrimination complaints would be assigned to mandated inspections, and this may impact the timeliness of these investigations. MSHA expects to dramatically cut back grants to states for safety training, which primarily assists small mining operators. This reduction would reduce the number of miners trained from 180,000 to 60,000. The sequester will significantly reduce some of MSHA's most effective activities that have reduced mining fatalities and injuries: impact inspections, technical investigations, respirable coal dust inspections (to prevent black lung disease) and accident prevention investigations. The sequester will slow efforts by MSHA and the Office of the Solicitor to make progress on the massive backlog of contested cases that have been languishing before the Federal Mine Safety and Health Review Commission, and could increase the backlog of current contested cases. Progress on implementing recommendations from the Internal Review of the Upper Big Branch Mine disaster will be slowed. MSHA will delay mine rescue equipment purchases. Committee Democrats oppose cuts to MSHA as this agency's work is essential to protecting the lives and safety of our nation's miners.

Occupational Safety and Health. The mission of the Occupational Safety and Health Administration (OSHA) is to ensure the safety and health of the American workforce. OSHA's primary tools for ensuring safety and health are enforcement of its standards and providing compliance assistance. As a result of the sequester, OSHA would be required to reduce its budget by approximately $30 million. The combination of a hiring freeze, cuts to grants and consultation, and deep reductions in training, outreach and assistance will prevent the agency from pursuing its role effectively in workplace safety and health during the balance of FY 2013. Under sequester, OSHA will be limited in the number of inspections it will be able to perform; i.e., arbitrary sequester cuts will result in OSHA conducting 1,200 fewer programmed inspections of the most dangerous workplace in states that it oversees. Fewer inspections will leave thousands of workers exposed to hazards that could have been avoided, hazards that can cause serious injury, illness or death. Sequestration would also cut essential inspector training and undermine attempts to address new and emerging safety issues, such as hazards involving combustible dust, workplace violence, and new hazards in rapidly expanding economic sectors.

As a result of sequester, it is estimated that the 27 state OSHA programs will conduct 2,200 fewer inspections and many states will likely implement furloughs and Reductions in Force (RIFs). The lack of federal support for states would be a signal to many state governments to reduce the state match (50 percent) for their state OSHA program. There is a risk that some states may decide they can no longer maintain programs at least as effective as the federal program, requiring federal OSHA to assume full enforcement responsibility during a time of declining resources.

And, sequestration will have a significant impact on whether OSHA will be able to respond to worker discrimination and whistleblower complaints on a timely basis. The backlog of existing complaints, currently at 2,200, will grow and future whistleblowers could be discouraged from bringing transparency and attention to critical health and safety concerns.

Under the sequester OSHA's compliance assistance program will be severely curtailed. For example, OSHA will no longer be able to operate its 1-800 information line at full capacity, update its website, or provide training and outreach programs to employers and employees. OSHA's Voluntary Protection Program, which recognizes the best employers will no longer be accepting new participants and will severely curtail re-approvals. OSHA would also have to drastically cut back its outreach campaigns, such as heat illness and fall fatality prevention. OSHA's efforts to update its standards will be slowed for beryllium, combustible dust, confined spaces in construction and the updating of permissible exposure limits for several chemicals. In sum, cuts to OSHA's $565 million budget will increase the direct and indirect costs to the US economy from disabling injuries, which are estimated to cost between $159 and $318 billion, according to a major workers' compensation insurance carrier. Sequestration puts workers' lives and livelihoods at risk.

Workers Compensation Programs. Committee Democrats oppose benefit reductions in the Federal Employee Compensation Act to the extent that federal/postal workers would be made economically worse off from work-related injuries than if they had not been injured in the first place. Efforts should be focused on ensuring taxpayers interests are fairly protected through necessary program integrity measures, modernizing benefit structures and assisting injured workers in returning to work.

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

Health Care. The Affordable Care Act (ACA) will be fully implemented on January 1, 2014. States are creating health insurance exchanges and before this year's end, millions of Americans will begin enrolling in health plans through a state-based or the federal exchange. Since the law's passage nearly three years ago, the ACA is producing real savings and greater health care security for millions of families and helping to strengthen the economy. The health law protects American families against some of the worst abuses of the health insurance industry. The law's Medical Loss Ratio Requirement saved Americans nearly $1.5 billion in 2011.[20] One-hundred and five million Americans no longer face a lifetime limit on their coverage,[21] up to 17 million children with pre-existing conditions can no longer be discriminated against or denied coverage due to that condition[22] and 6.6 million young adults now have coverage through their parents' plan.[23] Seniors have also seen greater access to coverage and lower costs. More than 5.8 million seniors who hit the prescription drug donut hole have saved more than $5 billion.[24] Last year,

---

[20] The Commonwealth Fund, "Insurers' Responses to Regulation of Medical Loss Ratios," (Dec. 2012).
[21] ASPE Issue Brief, "Under The Affordable Care Act, 105 Million Americans No Longer Face Lifetime Limits on Health Benefits," (Mar. 2012).
[22] Department of Health and Human Services, "At Risk: Pre-Existing Conditions Could Affect 1 in 2 Americans: 129 Million People Could Be Denied Affordable Coverage Without Health Reform," *available* at: http://www.healthcare.gov/news/reports/preexisting.html
[23] The Commonwealth Fund, "Young, Uninsured and in Debt: Why Young Adults Lack Health Insurance and How the Affordable Care Act Is Helping," (June 2012).
[24] Department on Health and Human Services, "People with Medicare save $5 billion on prescription drugs because of health care law," *available* at: http://www.hhs.gov/news/press/2012pres/12/20121203a.html

more than 23 million also received free preventative benefits.[25] Some small employers have also seen their costs go down as a result of the law's small business tax credit. In 2011, 360,000 small employers received the small business tax credit to help them offer health insurance to 2 million workers.[26] Committee Democrats remain committed to ensuring that the ACA is fully and properly implemented.

Retirement Security. Retirement security remains a critical concern. Over half of Americans do not believe they will have adequate income to retire. The shift from defined benefit pensions to 401(k) type savings accounts that do not guarantee a pension has further exacerbated workers' retirement insecurity. Over half of workers have less than $32,000 in retirement savings. Once again, the Majority states its support for a strong retirement system, but has held no hearings on broad reform or put forth any legislative proposals to improve our existing system despite widespread evidence that workers do not have sufficient pension assets on which to retire. Committee Democrats support strong protections for workers' retirement funds and urge the Committee to take additional steps to expand workers' access to adequate retirement income.

Democrats urge the Committee to work collaboratively to develop and put forth legislation to strengthen and expand employer based retirement plans, ensure adequate funding for such plans, and improve the effectiveness of federal programs that guarantee delivery of promised retirement benefits.

Work and Family. This year is the 20th Anniversary of the Family and Medical Leave Act (FMLA). The law was a big step forward for America. It guaranteed workers job-protected leave when they needed time off for family or health reasons and has been used more than 100 million times over the last 20 years. Committee Democrats are committed to strengthening work and family leave protections so that they apply to all workers. Only half of all workers can take advantage of FMLA. The rest are ineligible because of their part-time status or who their employer is. Committee Democrats also believe workers must have access to paid leave so they do not have to choose between their job and paycheck and their families. Family friendly policies benefit both workers and employers.

Civil Rights. The Equal Employment Opportunity Commission (EEOC) plays a critical role in promoting equal opportunity in the workplace and enforcing federal laws prohibiting employment discrimination. Sequestration will severely reduce EEOC staffing levels and weaken their ability to advocate on behalf of workers facing workplace discrimination. Committee Democrats believe it is critical that the agency have the ability to combat discrimination and retaliation in the workplace and protect workers on the job, particularly during these difficult economic times. Committee Democrats also support the work of the Department of Labor's Office of Federal Contractor Compliance Programs (OFCCP) to strengthen civil rights protections for employees of Federal contractors. We will continue to press for workplace nondiscrimination protections for all Americans and the restoration of civil rights protections eroded by the Courts.

---

[25] *Id.*

[26] Fact Sheet: President Obama's Budget Expands, Simplifies Small Business Health Care Tax Credits, *available* at: http://www.whitehouse.gov/the-press-office/2012/02/16/fact-sheet-president-obama-s-budget-expands-simplifies-small-business-he

GEORGE MILLER
Senior Democratic Member

ROBERT E. ANDREWS

RUBEN HINOJOSA

CAROLYN McCARTHY

JOE COURTNEY

ROBERT C. SCOTT

DAVID LOEBSACK

TIMOTHY H. BISHOP

FREDERICA S. WILSON

RUSH HOLT

GREGORIO KILILI SABLAN

SUZANNE BONAMICI

SUSAN A. DAVIS

JOHN F. TIERNEY

MARCIA L. FUDGE

JOHN A. YARMUTH

RAÚL M. GRIJALVA

JARED POLIS

FRED UPTON, MICHIGAN
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

ONE HUNDRED THIRTEENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115

Majority (202) 225-2927
Minority (202) 225-3641

March 1, 2013

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

Dear Chairman Ryan:

Pursuant to clause 4(f) of Rule X of the Rules of the U.S. House of Representatives and section 301(d) of the Congressional Budget Act of 1974, as amended, I am transmitting the Committee on Energy and Commerce's views and estimates for fiscal year 2014.

As is the Committee's custom, the minority Members will transmit their views and estimates under a separate cover letter.

Please contact the Committee's General Counsel, Mr. Mike Bloomquist, at extension 5-2927 if you have any questions.

Sincerely,

Fred Upton
Chairman

cc: The Honorable Henry A. Waxman, Ranking Member

Attachment

Views and Estimates for Fiscal Year 2014

Submitted by:

The Honorable Fred Upton, Chairman
Committee on Energy and Commerce
March 1, 2013

Introduction

Clause 4(f) of Rule X of the Rules of the House of Representatives for the 113th Congress and section 301(d) of the Congressional Budget Act of 1974, as amended, require each standing committee of the House to submit to the Committee on the Budget (1) its views and estimates with respect to all matters to be set forth in the Concurrent Resolution on the Budget for the ensuing fiscal year (FY 2014), which are within its jurisdiction or functions, and (2) an estimate of the total amounts of new budget authority and budget outlays resulting therefrom, to be provided or authorized in all bills and resolutions within its jurisdiction which it intends to be effective during that fiscal year.

As of March 1, 2013, President Obama has not yet submitted to Congress his proposed budget for FY 2014 (the budget). However, the Committee on the Budget has requested that committees submit their Views and Estimates by March 1, 2013, reviewing the structure of current programs and policies and proposing reforms. The following represents the Committee on Energy and Commerce's views and estimates for FY 2014.

Consumer Protection

National Highway Traffic Safety Administration (NHTSA)

In recent years, the President's budget has proposed to shift the funding of NHTSA's vehicle safety programs from General Funds to the Transportation Trust Fund. This shift has been soundly rejected. The Committee insists that this funding mechanism would be inappropriate given the importance of these safety programs. Vehicle safety monies are used to fund the creation of vehicle safety standards, defect investigations, compliance and enforcement efforts, and other important vehicle safety programs. The proposed shift would require NHTSA safety programs to compete with other highway trust fund projects. Given the uncertainty of the Trust Fund cash flows and shortfalls in recent years, the Committee believes that the funding of these important programs should continue to be considered separately.

Separately, the Administration has proposed to increase NHTSA's Vehicle Safety Research program by about $35 million dollars. The Committee finds no find justification for such an increase. Over the last several years, traffic fatalities have continued to decline and are now near a sixty-year low.

Energy

Department of Energy

Overview. The President's proposed FY 2013 budget request for the Department of Energy (Department) was $27.2 billion, a 3.2 percent increase ($856 million) over FY 2012 appropriation levels. While the Committee supports many of the Department's national security, defense and civilian programs, and environmental cleanup activities, we continue to believe such an overall increase in requested funding raises questions in view of the Nation's current fiscal and employment outlook.

Energy Efficiency and Renewable Energy. The 2013 budget request for the Office of Energy Efficiency and Renewable Energy (EERE) was $2.3 billion, an increase of 29 percent over FY 2012 funding levels. The Committee supports the responsible development and deployment of renewable and alternative energy sources. However, the Committee does not view such significant funding increases within this program, particularly given current fiscal realities. The Committee notes that the FY 2013budget included substantial increased funding for the expedited commercialization of high-risk, high-cost technologies, while reducing funding for conventional hydropower research and development, a critical component of the Nation's renewable generation portfolio.

Nuclear Energy. The FY 2013 budget requested for the Office of Nuclear Energy was $770.4 million, or $88.3 million less than FY 2012, representing a 10.3% decrease in funding for the nuclear energy program. The Committee continues to take issue with the Administration's actions to shut down the statutorily mandated Yucca Mountain program. DOE alone has expended nearly $15 billion on the civilian nuclear waste program since 1983, including funds to support the Yucca Mountain application, complete the NRC's complex pre-licensing proceeding, and comply with the NRC's strict licensing requirements. As a result of the Administration's effort to terminate the Yucca Mountain program, the Nation currently has no clear pathway to manage the growing amount of radioactive waste located at nuclear power plants throughout the nation, nor to address growing associated taxpayer liabilities.

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

Fossil Energy. The President requested $650.8 million for the Office of Fossil Energy in the FY 2013 budget request. While this was an increase of 36 percent over the enacted FY 2012 level, that FY 2012 level reflects offsets from rescission of prior year balances and cancellations. According to the Department, without these offsets in FY 2012, the FY 2013 request represents a 15 percent reduction from the FY 2012 funding levels. Further, in the area of fossil energy research and development, the FY 2013 budget request reduced the effective program level from $534 million in 2012 to $421 million in 2013, including reducing the budget for carbon capture and storage technologies.

Fossil fuels constitute 80 percent of the Nation's energy consumption and are critical to meeting our current and future energy needs and to powering a growing economy. Continued exploration and development of our Nation's fossil fuel resources depends on technology that minimizes environmental impacts and maximizes efficiency. The U.S. economy requires reliable, affordable energy in all its forms, yet the President's FY 2013 budget failed to recognize the critical importance that oil, natural gas, and coal have to our national energy portfolio, and their fundament role in ensuring our economic growth and global competitiveness.

HOME STAR Legislation. The President's FY 2013 budget supported passage of the HOME STAR program, which would provide rebates of $1,000 to $3,000 per household to encourage investment in energy efficient appliances, building mechanical systems and insulation, and whole-home energy retrofits. We oppose pursuit of such a costly program at this time given the Nation's fiscal outlook and growing deficits, as well as the presence of existing programs, both public and private, which encourage and require energy efficiency product development and adoption.

Nuclear Regulatory Commission

Overview. The NRC's proposed FY 2013 budget was $1.053 billion, a $15.1 million increase above its FY 2012 funding levels. NRC recovers approximately 90 percent of its budget from fees assessed to NRC licensees or applicants, and estimates that $924.8 million will be recovered from NRC fees and licensees.

High-Level Waste Repository Program. The fiscal 2013 NRC budget request zeroed out resources for the closeout of the Yucca Mountain repository review. For the reasons stated above, we strongly oppose the defunding of, and actions related to, the shutdown of this statutorily mandated program.

Operating and New Reactors. The NRC's budget request for Operating Reactors was $545.1 million, and $264.8 million for New Reactors. The Committee encourages the NRC to timely review pending licensing actions, including license renewal and new reactor applications.

Environment

Environmental Protection Agency (EPA or Agency)

The President's FY 2013 budget request for the EPA is $8.344 billion, a $1.406 billion increase over the amount appropriated for FY 2008. The Committee does not believe that funding levels in excess of amounts appropriated for FY 2008 are necessary, at least for programs within the jurisdiction of the Committee.

During consideration of the FY 2013 budget, the Committee highlighted concerns with EPA's overall spending, management, and regulatory culture, as well as with the policy priorities reflected in the FY 2013 proposed budget. Regrettably, the Administration has done nothing to alleviate those concerns as we prepare for FY 2014. Many of EPA's actions evince an ambition to impose a national agenda on individuals, families, and communities, regardless of the accomplishments of States, local governments, or private entities. It is more important than ever that EPA focus on its core responsibilities to carry out the statutes it is charged with implementing.

Agency Management Overview. Despite the Committee's concerns, expressed last year over EPA scrapping its "Position Management and Control Manual," the Agency has still taken no steps to install an Agency-wide position management program. The Committee, therefore, has no confidence that appropriated funds are well spent.

However, the real cost of the EPA is not so much in annually appropriated dollars, but in the economic burden imposed on regulated America, including American workers and consumers. The Agency's indifference to the real-life economic concerns of American citizens and taxpayers continues unabated as the Agency's expensive regulatory agenda shows no signs of letting up. For example EPA's highly burdensome proposal to regulate re-usable coal combustion by-products as "hazardous" under Subtitle C of the Resource Conservation and Recovery Act is apparently still under consideration.

Despite this Committee's calls for restraint, our constituents continue to identify EPA as the largest government threat to their businesses, jobs opportunities, and way of life.

Specific Spending Programs

Global Warming and Clean Air Act Programs. For FY 2013, the President requested $1.25 billion for the development and implementation of greenhouse gas (GHG) and Clean Air Act (CAA) standards and programs. This included $240.3 million to address climate change, which represented increased spending of approximately $40 million over levels enacted in FY 2010. The Committee continues to have significant concerns about the cumulative cost and job implications of EPA's development and implementation of its global climate regulations, as well as a number of other recent or pending major rulemakings under the CAA. Specifically, one concern is how EPA plans to use the appropriated funds to develop emissions standards for GHG emissions from various diverse source categories, given that no emissions control technology for GHGs currently exists. An additional concern is that these standards introduce regulatory uncertainty into the economy and hold the potential to undermine economic growth, eliminate jobs in the United States, and encourage relocation of companies overseas. The manufacturing and industrial sectors, particularly energy intensive and trade exposed industries, face severe international competitiveness challenges from EPA's GHG regulations.

Sustainable and Healthy Communities. The President's FY 2013 budget justification materials on this program were vague and opaque, and there appeared to be no clear statutory authority for the initiative. If this program is actually about urban planning, we continue to believe that it is not an appropriate activity for the Federal government.

Protecting America's Waters/Drinking Water Grants. The President requested $850 million for the Drinking Water State Revolving Loan Fund (DWSRF) grants for FY 2013, pursuant to section 1452(m) of the Safe Drinking Water Act (SDWA). DWSRF grants help States comply with the mandates of the SDWA. The President's 2013 request is a $21 million increase over FY 2008 as enacted.

For 2013, the President continued to propose earmarking ten percent of the DWSRF for projects, or portions of projects, that include green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. On one hand, EPA expresses concern with water infrastructure funding gaps, while on the other hand it persists in this mandatory set-aside, which it fails to justify. Community water system professionals are free to select efficiency improvements that are effective for their systems without a federal set-aside. This includes light bulbs and thermostats. EPA's proposed top-down mandate is not required by current law.

EPA's Homeland Security Activities. EPA has lead Federal responsibility for U.S. drinking water system security, and the President requested $102.3 million for EPA's homeland security activities. While the Committee generally supports the recommendation for this program, we remain concerned that EPA is earmarking security money for climate change activities for FY 2013.

Dedicated Trust Funds. The President's FY 2013 budget renewed his request that Congress extend or reinstate Federal taxing authority for the CERCLA/Superfund program and the leaking underground storage tank (LUST) program. The President proposed cutting CERCLA's cleanup spending and proposes not to start clean-up project phases, including new remedial construction starts. Despite the cut in remedial funding, there remain nearly $2 billion of unobligated funds in the Superfund special accounts to be used for site specific remediation, an ample amount of funding.

The President's 2013 budget proposed to spend $104.117 million on leaking underground storage tanks and to extend the excise tax on transportation fuels that funds the Leaking Underground Storage Tank (LUST) trust fund. The balance of the LUST Trust Fund already exceeds $3 billion. The annual interest accruing on the Trust Fund alone appears to exceed the President's request of $112.5 million for the LUST program in 2012. Accordingly, until the President requests and shows a compelling need to spend more on this program, the Committee fails to see the need to extend the LUST excise tax and believes that so long as it remains available, the balance of and annual interest on the LUST Trust Fund should serve as the funding mechanism for Subtitle I of the Solid Waste Disposal Act." The Committee does not believe that now is the time to raise taxes on retail fuel purchases.

Health Care

Health Care Law Implementation

The Committee remains very concerned about the negative impact of the Patient Protection and Affordable Care Act (PPACA or Obamacare) on the American people. Included in this concern is Obamacare's mandatory spending that circumvents the annual appropriations process by providing the Secretary direct access to Treasury funds. For example, the President's FY 2013 budget outlined an appropriation of "such sums as necessary" for State grants to facilitate the purchase of qualified health plans in the exchanges. As confirmed by Secretary Sebelius in testimony before the Subcommittee on Health, there is no monetary limitation to this mandatory appropriation, and the Secretary has the discretion to determine the size of the appropriation.

HHS also has continuously underestimated the cost of State exchange grants. In the President's FY 2012 budget, HHS estimated that the Department would spend $400 million on State exchange grants. In the HHS FY 2013 budget, the Department indicated HHS would spend nearly $906 million in FY 2012, meaning HHS outlay projections were wrong by 127%. To date, the Department has issued nearly $3.5 billion in exchange grants and can issue grants to through January 1, 2015. These numbers are staggering since approximately only 17 States will be operating a State-based Obamacare exchange. HHS spending on State grants is increasing exponentially, despite the fact that a limited number of States are participating.

This exchange spending also is supporting an edifice that will help enforce requirements that drive up the cost of health coverage for the average American. Estimates show some populations will face a startling premium increase of 203 percent because of Obamacare's requirements. A study by actuarial firm Oliver Wyman suggests premiums in the individual market will increase an average of 40 percent. The Society of Actuaries similarly estimates an average premium increase of 32 percent in the individual market.

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

Medicare

The Medicare program was created in 1965 as the health care safety net for seniors aged 65 and older. Since its creation, it has become part of the American dream for Americans looking forward or enjoying retirement.

According to CBO, Medicare outlays are expected to be $598 billion in FY 2014, which is a $41 billion increase over the FY 2013 projections for Federal spending.

The Administration continues to disregard the unsustainable path of the Medicare program. Every day in this country, 10,000 baby boomers age into Medicare, helping fuel the program's historic growth. The number of Americans paying into the program, however, is at an all-time low. In 1965, there were, on average, 4.6 taxpayers per beneficiary; today, that number is down to 2.7. This decline has contributed to Medicare paying out more in claims than it receives through workers payroll taxes each month, forcing it to dig into its trust fund to make up the difference. In 2011, that shortfall exceeded $288 billion.

According to government estimates, this deficit spending only can continue for a few more years before Medicare spends all of its reserves and becomes bankrupt. Some predict the program will be insolvent as early as 2017.

It goes without saying that many Americans are worried about the future of Medicare. An August 2012 survey of voters aged 50 and up found a high level of anxiety related to this issue and a desire for candidates to better explain their plans to save the Medicare program.

The Committee will continue to work on raising awareness of the unsustainability of the program and the threat it poses to each and every American. The Committee notes that Obamcare cut the Medicare program by over $716 billion, which will make it harder in the future to fix this important program for our Nation's seniors.

Medicaid

The Medicaid program is a shared responsibility between Federal and State governments to provide medical assistance to low-income individuals, including children, the aged blind, and/or disabled, and people who meet eligibility criteria under the old Aid to Families with

Dependent Children (AFDC) program. Others receive Medicaid through waivers and amended State plans with higher income eligibility limits.

According to CBO, the Federal share of Medicaid outlays is expected to be $297 billion in FY 2014, a $32 billion (approximately 12 percent) increase over the FY 2013 projections for Federal Medicaid spending.

Similar to its view of the Medicare program, the Administration continues to disregard the unsustainable path of the Medicaid program. Over the next 10 years, the Medicaid program will cost Federal taxpayers nearly $5 trillion and State taxpayers at least another $2 trillion. The Committee remains concerned that given the dramatic expansion of the program in 2014 due to the President's health care law, the Administration has failed to present potential cost-saving measures to ensure the program's sustainability and improve the level of access to quality care for Medicaid's enrollees.

In the past, the Administration's policies have simply been a cost shift onto States without any further flexibility for States on how they operate their programs. The most egregious example is a proposal applying a single Blended Matching Rate to Medicaid and the Children's Health Insurance Program (CHIP). The FY 2013 budget claimed the proposal would save $17.9 billion over 10 years, but a blended match rate should be budget neutral. Under such a proposal, States would have received a lower Federal match rate for the Obamcare-mandated beneficiaries than originally promised in Obamacare.

While the Administration has since reversed course on the blended rate proposal, the Committee remains deeply concerned that States may be taking on an expansion in 2014 without full details from the Administration regarding their budget proposals for Medicaid. The Committee remains deeply concerned that the fiscal pressure faced by States and the flexibility necessary for those States to sustain their Medicaid programs were not properly addressed in the President's FY 2013 budget and the absence of a budget for FY2014 simply exacerbates those concerns given the pending expansion of the program in 2014, which could add another 25 million Americans to the program.

Food and Drug Administration (FDA)

The President's FY 2013 budget request called for $4.5 billion for the FDA. This amount constituted a $654 billion (17 percent) increase over the total FDA budget for FY 2012. The President's FY 2013 budget included $220 million in new user fees on food-related businesses. Some may question whether such fees are appropriate at a time when food prices continue to increase.

The President's FY 2013 budget request also proposed reducing the period of exclusivity for follow-on biologics to seven years from the current twelve years. This short-sided proposal would reduce incentives to develop new biologics: threatening innovation, hurting job creation, and reducing patient access to life-saving therapies.

The Prevention and Public Health Fund

The Prevention and Public Health Fund was created by Obamacare and allows for $17.75 billion in advanced appropriations to the HHS Secretary. The Committee continues to be concerned about this fund that provides the Secretary with the ability to finance programs beyond levels specified by Congress with no oversight. Since its inception, the Secretary has spent over $2 billion on prevention programs with dubious methods, such as dog neutering to promote outdoor exercise, and, as a result, it has had limited to no impact on intended outcomes. In addition, some grantees used these Federal funds to lobby for tax increases – a prohibited activity. Without adequate evidence and oversight, the Committee is concerned that these funds will continue to be wasted, not serve the needs of the American public, and further drive up the Federal debt.

Prevention and Public Health Fund (PPHF)

The President's 2013 budget proposed to spend $903 million in funds from the PPHF on prevention programs at the Centers for Disease Control and Prevention (CDC) that restrain health care costs. The Obama administration claims that each dollar spent will have the greatest possible impact because of a coordinated and comprehensive approach based on scientific evidence. The Committee is concerned that the Obama administration is not directing and overseeing these funds in a way that will impact health outcomes and reduce health care costs.

Since 2010, the CDC has spent $350 million on tobacco prevention and control programs in all 50 States. In the FY 2013 CDC budget, the Obama administration states that funded programs are comprehensive and coordinated for maximum benefit through cooperative agreements with all 50 States and six (6) national organizations. One of those national organizations is the American Lung Association (ALA). In a report, *State of Tobacco Control*, ALA issued on January 19, 2012, it describes the current tobacco prevention effort by the government as "a frustrating mix of progress and backsliding as it monitors progress on key tobacco control policies at the Federal and State level." It furthers describes the effort to protect children as "abysmal."

Tobacco and obesity control are the centerpiece of two other major prevention initiatives at the CDC, Communities Putting Prevention to Work (CPPW), and Community Transformation Grants (CTG) using funding from the PPHF. The Administration states that funded programs are using evidence-based and coordinated strategies. Yet, many States are funding educational programs that are purely informational without proper linkages to intervention programs as recommended by the Community Preventive Services Task Force. The Committee also questions the use of the fund for activities such as sign placement, which should not be an activity funded by the HHS. Two years into these programs, the Administration has not provided evidence from the program evaluations that show sustained changes in personal behavior or improved health outcomes as a result of these programs.

Even more troubling is that the Department of Health and Human Services (HHS) Office of Inspector General (OIG) sent an "Early Alert" letter to CDC Director Thomas Frieden regarding potential "inappropriate lobbying activities using CPPW funds." The OIG's notice stated that CDC-provided information "appear to authorize, or even encourage, grantees to use grant funds for impermissible lobbying. Furthermore, grantee activity reports posted online make troubling assertions that, on their face, raise the possibility that . . . anti-lobbying provisions were violated."

Prevention and public health are critically important to an overall strategy of improving health and reducing health care costs. The PPHF allows for a permanent $2 billion annual appropriation to the Secretary through this fund. The Committee is deeply concerned that the PPHF provides the Secretary the ability to fund programs beyond the level specified by the Congress and these concerns are exacerbated due to the fact that spending from the fund is not offset by an overall reduction in the HHS discretionary budget. In addition, almost 2 years later, the Administration has not demonstrated that this very expensive effort has significantly affected intended outcomes. Without adequate evidence and oversight, the Committee is concerned that the fund has been used to spend billions of Federal dollars on programs that do not and will not work.

Communications and Technology

Federal Communications Commission

Pursuant to the 2013 Continuing Resolution, the FCC is currently operating under an annualized budget of approximately $439 million, with $340 million coming from regulatory fees and $99 million coming from spectrum auction proceeds. That funding is subject, however, to operation of the sequester.

In 2011, the Commission stated that it would reexamine its methodology for assessing regulatory fees on the industry, including a comprehensive review of how changes in the marketplace and the workload of the FCC's bureaus should affect the allocation of regulatory fees. We are prepared to consider the FCC's proposed changes to the assessment of regulatory fees as well as the withholding of auction receipts as part of the Committee's continuing oversight over the FCC.

National Telecommunications and Information Administration

Pursuant to the 2013 Continuing Resolution. The NTIA is currently operating under an annualized budget of $45.6 million. That funding is subject, however, to operation of the sequester. The Committee will consider the NTIA funding as part of the Committee's continuing oversight of the NTIA. Notably, in January 2012, the President proposed making government more efficient by consolidating certain functions of the U.S. Department of Commerce, the Small Business Administration, the Office of the U.S. Trade Representative, the Export-Import Bank, the Overseas Private Investment Corporation, and the U.S. Trade and Development Agency. To that end, it may be worthwhile to re-examine the functions of the NTIA. For example, folding some of the NTIA's Federal spectrum management functions into the FCC might not only facilitate government consolidation, but also help address some of the spectrum management issues mentioned in the discussion of spectrum, above.

The Universal Service Fund and Other Overlapping Subsidy Programs (USF or Fund)

The Universal Service Fund is an FCC administered program that has historically subsidized telephone service. The USF is paid for with surcharges on subscribers' phone bills, not with federal revenue. The USF currently costs telephone subscribers approximately $9 billion per year and consists of four programs. The high-cost program, which subsidizes parts of the country that are expensive to serve, costs approximately $4.6 billion per year. The schools and libraries program, also known as E-Rate, costs subscribers approximately $2.3 billion per year. The low-income program, designed to subsidize poorer households, costs approximately $2 billion per year. The rural healthcare program subsidizes tele-health programs and costs approximately $120 million per year. Carriers pay into the fund to cover its quarterly costs and then pass the amounts they pay on to their subscribers, currently in the amount of approximately 16 percent of subscribers' interstate long-distance bills. The Federal Communications Commission reformed the high-cost program in 2011, adopting a budget with a "soft cap" and expanding the program to broadband services. It is not yet clear whether these reforms will limit growth of the Fund. The Commission also adopted several reforms to the low-income program in 2012 intended to eliminate waste, fraud, and abuse.

Legislation signed into law in 2005 exempted the USF programs from the application of the Anti-Deficiency Act (ADA) until December 31, 2006. Since then, Congress has continued to shield the universal service programs from the ADA with a series of one year extensions of the exemption. The most recent extension, signed into law on December 23, 2011, as part of the Consolidated Appropriations Act, lasts until December 21, 2013. The USF programs should not be exempted from the ADA, which helps maintain fiscal control over spending by requiring government agencies to have funds available before incurring obligations. The legislation also prohibits the FCC from implementing a recommendation by the Federal-State Joint Board that high-cost subsidies should be limited to a single line per household. The FCC should not be prohibited from implementing such a limitation if it believes such a limitation would advance good public policy and will help stem the growth of the Fund.

Several programs overlap significantly with the USF. The stimulus package allocated $7 billion in broadband funding through the Broadband Technology and Opportunities Program of the National Telecommunications and Information Administration and the Broadband Initiatives Program of the Rural Utility Service (RUS). Other RUS programs that offer similar coverage to the Fund include the Rural Broadband Access Loan and Loan Guarantee Program, the Community Connect Grant Program, and the Distance Learning and Telemedicine Program. The overlap of these programs threatens waste and inefficiency as the government may be directing duplicative support to areas already covered by other programs; overlap also frustrates oversight efforts as different inspectors general have differing oversight responsibilities and no one party is charged with looking at the support system as a whole. All such programs should be reviewed and reconciled to minimize waste, fraud, and abuse.

Spectrum

In the Middle Class Tax Relief and Job Creation Act of 2012, Congress extended the FCC's auction authority through 2022 and authorized the FCC to conduct voluntary incentive auctions so that broadcast stations and other spectrum licensees could relinquish their licenses in exchange for a portion of auction proceeds. The Congressional Budget Office (CBO) projects those provisions will generate $15 billion after paying licensees that exist the market, compensating broadcasters that relocate in the process, and contributing $7 billion toward construction of a nationwide public safety broadband network.

The President's budget in the past has proposed assessing a spectrum license user fee. Although we agree that spectrum, as a valuable and scarce resource, should not be given away for free, we question the wisdom of imposing new spectrum fees on existing licensees, especially since spectrum license holders are already charged license application fees and yearly regulatory fees.

We note that a February 28, 2012, Government Accountability Office (GAO) report on duplicative government activities (GAO-12-342SP) has concluded that spectrum management "is fragmented between the Department of Commerce's National Telecommunications and Information Administration (NTIA) and the Federal Communications Commission (FCC)" in a way "that could impact the nation's ability to meet the growing demand for spectrum." Indeed, slow progress in repurposing spectrum inefficiently used by the Federal government that might be better allocated toward the growing demand for commercial mobile broadband services, as well as the increasing number of interference disputes arising between Federal and commercial users, may be due, in part, to the division between the NTIA's management of federal spectrum use and the FCC's management of commercial, state, and local spectrum use. GAO pointed in particular "to a lack of transparency in their joint planning efforts"; a dearth of coordination in some circumstances; the NTIA's reliance "heavily on federal agencies to self-evaluate and determine their current and future spectrum needs, with limited oversight or emphasis on holistic spectrum management to ensure that spectrum is being used efficiently across the federal government"; and the fact that agencies do not pay for the spectrum they receive and do not have sufficient incentives to use spectrum more efficiently.

Corporation for Public Broadcasting (CPB)

The CPB customarily receives an advance appropriation. The latest appropriation, signed into law on December 23, 2011, as part of the Consolidated Appropriations Act, included an appropriation of $445 million for FY 2014. That funding is subject, however, to the sequester. The Committee is prepared to consider CPB funding as part of the Committee's review of the statutory and programmatic framework for the distribution of funds to public television stations through the CPB.

FRED UPTON, MICHIGAN
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

ONE HUNDRED THIRTEENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115
Majority (202) 225-2927
Minority (202) 225-3641

March 1, 2013

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

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

Dear Chairman Ryan and Ranking Member Van Hollen:

Pursuant to clause 4(f) of Rule X of the rules of the House of Representatives, and section 301(d) of the Congressional Budget Act of 1974, as amended, the Committee on Energy and Commerce is submitting views and estimates on President Obama's anticipated fiscal year 2014 budget. It is the custom of this Committee for the majority and minority to transmit separate views and estimates. Attached are the views and estimates of the minority.

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

Sincerely,

Henry A. Waxman

Henry A. Waxman
Ranking Member

Attachment

cc: The Honorable Fred Upton
Chairman

Henry A. Waxman

Views and Estimates on President's Fiscal Year 2014 Budget
Committee on Energy and Commerce
Minority Views

Each standing Committee of the House is required by the Congressional Budget Act of 1974 and Rule X, clause 4(f) of the Rules of the House to submit to the Committee on the Budget its views and estimates on the budget with respect to matters within its jurisdiction or functions. The following discussion is not exhaustive, but highlights views on issues that will likely be addressed in the President's fiscal year 2014 budget that are within the Committee's jurisdiction.

Additionally, because it is likely that the FY 2014 Republican budget will be based, in part, on the FY 2013 Republican budget, these views also comment on the significant challenges created by the likely Republican plan. This discussion will also address the impact of the sequester on issues within the Committee's jurisdiction and describe some of the critical services that will be cut as the sequester goes forward. Simply put, if the automatic cuts scheduled to take effect on March 1, 2013, are allowed to proceed, the nation will face budget cuts of almost 10% for the remainder of the fiscal year, endangering important protections for millions of American families.

Commerce, Manufacturing, and Trade

FTC

Currently funded at $312 million, the budget of the Federal Trade Commission (FTC) would be cut by $17 million under sequestration. The FTC already operates with less funding and fewer full-time equivalents than the agency had in the 1970s, despite ever-increasing demands. A further reduction in funding would harm the ability of the Commission to carry out its twin missions of protecting consumers and maintaining competition. In addition, congressional actions pertaining to the location of its headquarters that impose unnecessary real estate costs on FTC should be opposed.

CPSC

Currently funded at $115 million, the budget of the Consumer Product Safety Commission (CPSC) would be cut by $7 million under sequestration. Consistent with the Consumer Product Safety Improvement Act of 2008, the Commission remains engaged in a major transformation from a reactive organization to a proactive one. This change is crucial to keep up with the safety of more than 15,000 types of consumer products, many of which are now imported. An overwhelming percentage of toys and apparel, and a significant majority of electrical products, are manufactured in other countries. Proposed funding cuts under sequestration would hobble CPSC's surveillance and enforcement of safety standards at U.S. ports to prevent dangerous products from entering the U.S. marketplace, as well as its engagement in global outreach and education to improve compliance with safety standards. Such cuts would also reduce the Commission's ability to educate parents on the danger to young children of drowning in pools and spas, assess the potential health risks of nanomaterials, and identify new and emerging consumer product hazards.

NHTSA

The National Highway Traffic Safety Administration (NHTSA) currently receives $140 million from the general fund for operations and research activities, which would be cut by $7 million under sequestration. The agency receives an additional $110 million for operations and research activities from the Highway Trust Fund. NHTSA, an already underfunded agency, is responsible for addressing 95% of all transportation-related deaths with only 1% of the Department of Transportation budget. Accounting for inflation, proposed funding cuts would return the agency's operations and research funding to levels lower than those appropriated more than twelve years ago in FY 2001. The agency's activities related to compliance testing and enforcement of vehicle safety standards, as well as research and rulemaking to address emerging vehicle safety issues, would be placed at risk. Such cuts would also harm NHTSA's ability to collect traffic safety data relied upon by industry, safety, and public health officials.

The President's proposed FY 2013 budget reflected the Department of Transportation's proposal to reclassify all NHTSA programs, including operations and research programs, as spending supported by the Highway Trust Fund. The Committee should review this proposal in greater detail if the Administration indicates it is moving forward with its plans in this area.

ITA

Currently funded at $465 million, the budget of the International Trade Administration (ITA) would be cut by $25 million under sequestration. ITA's efforts to help small and medium-sized American firms establish an export business or expand the market for their products abroad would be hit particularly hard by these cuts. Sequestration would also keep ITA from placing U.S. Commercial Service staff in critical international growth markets and place at risk the agency's enforcement, compliance, and market access activities that reduce or eliminate unfair trade practices among foreign trading partners.

CFPB

The Administration did not request discretionary appropriations for the Consumer Financial Protection Bureau (CFPB) in FY 2012 or FY 2013 and is not anticipated to do so in FY 2014. Pursuant to Pub. L. No. 111-203, the operating budget of the Federal Reserve should continue to fund CFPB. These funds are independent from the appropriations process and are not subject to sequestration. Ongoing attempts to curtail CFPB's budgetary independence and prevent the confirmation of a Director should be strongly opposed. Such measures place at risk the Bureau's efforts in several areas where it has already demonstrated success. In its first 18 months, CFPB has already collected consumer complaints on financial products; provided guidance to older Americans, service members, students, and their families on their unique challenges in the marketplace for financial products; launched an effort to make mortgage forms easier to understand; and taken enforcement actions against credit card companies that employed deceptive and illegal practices toward consumers.

Communications and Technology

The Administration's FY 2013 budget included several proposals relating to the use of the electromagnetic spectrum:

(1) Permanent Auction Authority – To extend indefinitely the authority of the Federal Communications Commission (FCC) to auction spectrum licenses. (This authority was set to expire on September 30, 2012).

(2) Incentive Auction Authority – To provide the FCC with new authority to conduct incentive auctions, where current license holders receive a portion of auction revenues.

(3) Spectrum License User Free – To permit the FCC to impose license fees on un-auctioned spectrum license holders.

(4) Domestic Satellite Service Spectrum License Auctions – To require the auction of spectrum licenses for predominately domestic satellite services such as Direct Broadcast Satellite and Satellite Digital Audio Radio Services.

The FY 2013 budget also proposed to eliminate the Telecommunications Development Fund, which receives interest earnings from deposits submitted in spectrum auctions and uses a portion of these earnings to invest in telecommunications firms with the objective of promoting access to capital for small businesses, enhancing competition in the telecommunications industry, and improving the delivery of telecommunications services to rural areas.

Additionally, the FY 2013 budget proposed spending $10 billion to build an interoperable public safety broadband network and to reallocate the "D block" spectrum in the 700 megahertz band for public safety use. From the monies devoted to the public safety network, the Administration would provide up to $300 million for a Wireless Innovation Fund to develop technologies and standards for the interoperable first responder network

Most of the Administration's proposals were addressed in the Middle *Class Tax Relief and Job Creation Act of 2012* (P.L. 112-96), enacted on February 22, 2012. The new law addresses the Administration's specific requests in the following ways: (1) it extends the FCC's auction authority through FY 2022; (2) it provides the FCC with authority to conduct voluntary incentive auctions; and (3) it winds down the Telecommunications Development Fund by redirecting and depositing interest earnings in the General Fund of the U.S. Treasury.

In addition, the *Middle Class Tax Relief and Job Creation Act of 2012* provides $7 billion for the development and construction of a nationwide, public safety interoperable broadband network. It also reallocates the D block for public safety use. The law also provides up to $300 million for the research and development of broadband technologies and standards for the public safety network.

The President is to be commended for including these innovative and important proposals in the FY 2013 budget. If implemented correctly, these measures will make critically needed spectrum available for licensed wireless broadband uses, allow for nationally-harmonized "Super WiFi" spectrum dedicated to unlicensed use, launch a new broadband network for first responders, and raise billions for deficit reduction.

Although we are at a critical juncture in the implementation of these policies -- enacted into law just a year ago -- Republicans in Congress have taken no steps to avoid budget cuts that will impact operations at the Federal Communications Commission and the Department of Commerce, the agencies directly responsible for overseeing the implementation of these urgent priorities.

Specifically, sequestration will reduce the number of FCC full time employees to its lowest level in almost 30 years. This is especially problematic given ongoing efforts to free up more spectrum for broadband, harming the U.S. mobile market and economic growth. Moreover, the estimated $17 million reduction will not result in costs savings to the government because the FCC is fee-funded. As a result, American telecommunications licensees will be asked to fund deficit reduction and these costs may be passed on to consumers.

With regard to NTIA, the sequester will have a direct impact on public safety, Internet governance, and spectrum management.

Regarding public safety, the Commerce Department is charged with the development, implementation, and operation of the new public safety broadband network, also known as FirstNet. Sequestration will cut $8.9 million this year in grants to states and in seed funding for the start-up phase of building and developing the network.

Regarding Internet governance, NTIA is involved in efforts to resist international attempts by some foreign governments to impose unwarranted controls on the Internet. The sequestration will limit the ability of NTIA staff to respond to efforts by some countries to undermine the free and open Internet that has been a catalyst for innovation, investment, and economic growth both here and abroad.

Regarding spectrum management, NTIA will lose $1.9 million in funding needed to provide spectrum management support across the entire federal government. The loss of this funding will result in the impairment of the mission critical work of other departments that require spectrum, including military training, the Federal Aviation Administration's use of spectrum for air traffic control, and law enforcement's use of spectrum for surveillance activities.

Energy and Environment

Environmental Protection Agency

The President is to be commended for including $8.34 billion for the Environmental Protection Agency (EPA) in the FY 2013 budget. The President's budget proposed sufficient funding for a range of agency activities, including efforts to take action on climate change, improve air quality, and address the risk posed to the public from chemical exposure.

However, sequestration would have a significant impact on the EPA budget. According to EPA, sequestration will force the agency to make cuts that will directly undercut its "congressionally-mandated mission of ensuring Americans have clean air, clean water and clean land."

A significant portion of EPA's funding is used to support state environmental protection efforts. For instance, the sequestration would reduce the funding available to states to monitor air quality, potentially disrupting a state's efforts to demonstrate that it is meeting federal health-based air quality standards. Air quality reporting and forecasting would be cut despite its popular support. Sequestration would limit the availability of funding for drinking water infrastructure and source water protection projects. According to EPA, more than 100 water quality protection and restoration projects throughout the United States would be eliminated. Almost 300 fewer cleanups would occur under the Leaking Underground Storage Tank program due to reduced state grants. States would be able to oversee nearly 600 fewer voluntary cleanups of contaminated sites throughout the nation.

EPA's core functions would be undermined. Sequestration would result in a significant decline in enforcement activities. For example, according to EPA, 1,000 fewer compliance inspections could occur in FY 2013 as a result of the cuts. Protection of public health and the environment could be adversely affected from toxic air emissions, water discharges and other pollution sources. EPA estimates that the cut in Superfund enforcement could result in the loss of $100 million in clean-up commitments and cost reimbursements to the government. Vital EPA research, such as identifying the effects of climate change to inform local decision making would also be curtailed.

EPA also provides essential services to industry which would be adversely affected by the sequester. Thousands of companies and millions of Americans rely upon Energy Star designations when shopping for consumer products. According to EPA, sequestration could "jeopardize, delay or impair" the Energy Star program, by preventing EPA from keeping product specifications up to date, working with industry and providing useful tools to industry and government. The auto industry also relies upon EPA to certify vehicle emissions standards in a timely manner, so that its products can be brought to market on schedule. Sequestration could therefore harm vehicle sales and the economy.

Department of Energy

The President is to be commended for including $2.3 billion in the FY 2013 budget to support Department of Energy (DOE) research, development, demonstration, and deployment of renewable energy and energy efficiency technologies that reduce carbon pollution. The budget increases for advanced manufacturing, building, and vehicle efficiency, as well as for solar, wind, geothermal, and biomass energy, will spur the nation's movement towards a clean energy economy. The budget supports passage of the Home Star program to provide incentives for energy efficiency improvements in residential buildings, which would create jobs while reducing the energy costs of American families.

However, sequestration would have a significant impact on the DOE budget. According to DOE, sequestration will put at risk the Department's strategic investments "to grow the economy through basic scientific research and advances in clean energy technology," as well as its ability to safeguard our nuclear stockpile and "meet our obligations to clean up the environmental legacy of the Cold War."

The Department of Energy works across industry sectors to usher in the clean energy technology the world will rely on in the future. But according to DOE, "[u]nder sequestration, funding reductions would decelerate the Nation's transition into a clean energy economy, and could weaken efforts to become more energy independent and energy secure." DOE's funding for solar industry job training at 261 community colleges for military veterans would be cut. Funding would be cut to increase the cost-competitiveness of solar energy, even as other nations intensify the competitiveness of their solar industries. DOE states that the sequestration cuts to the vehicle technologies program "would delay the program's efforts to leapfrog the current technologies in critical areas of advanced vehicles, batteries, and lightweight materials, slowing American development of cleaner and more efficient vehicles as affordable as today's vehicles."

DOE plays a critical role in the maintaining and securing the nation's nuclear materials. According to the Department, sequestration would cut $900 million from DOE's budget to carry out this mission. This cut would "erode" the security posture at nuclear sites and facilities and degrade DOE's oversight. Efforts to convert secure and surplus nuclear materials around the world would be delayed. Other critical programs, such as the naval reactors program and counterintelligence activities would also be adversely affected.

The Department operates one of the largest environmental cleanup programs in the world in order to remediate the nuclear weapons production legacy sites of the Cold War. According to DOE, sequestration would curtail the program, delaying work on the highest risk sites in Washington state, Tennessee, South Carolina and Idaho. The cuts would also jeopardize numerous legally binding agreements DOE has entered into with state and federal regulators to address environmental contamination.

Health

The FY 2013 Republican budget provided for devastating cuts to our nation's health care programs. The largest and harshest single cut was the more than $1.5 trillion taken out of Medicaid, achieved by turning the program into a state block grant and shifting hundreds of billions in annual health costs onto beneficiaries and state governments. These cuts would have shredded the health care safety net and jeopardized benefits, quality of care, and coverage for the more than 60 million low-income children, pregnant women, seniors, and people with disabilities who rely on Medicaid.

The House Republican Budget ended Medicare as we know it, raising the costs of remaining in traditional Medicare by more than $29,000 over a typical senior's lifetime, while increasing prescription drug costs by over $9,000 and preventive care costs by more than $2,500 per senior over the next decade.

The House Republican Budget's cuts to discretionary health programs were similarly harmful, slashing budgets by nearly one quarter -- or more than $1 trillion -- over the next 10 years. Under the Republican budget, scientific research by the National Institutes of Health (NIH), food and drug safety inspections by the Food and Drug Administration (FDA), efforts to prevent infectious disease outbreaks by the Centers for Disease Control and Prevention (CDC), and grant programs to help treat those struggling with mental illness and substance abuse supported by the Substance Abuse and Mental Health Administration (SAMHSA) would all be dramatically cut and our nation would be on a path to eliminate all spending on these programs by 2050.

Congress should reject this same approach for FY 2014.

On top of the radical fiscal policies of the FY 2013 Budget Resolution, House Republicans have taken no meaningful steps to avoid the devastating budget cuts the sequester poses to agencies under the Committee's jurisdiction. If the automatic cuts scheduled to take effect on March 1, 2013, are allowed to proceed, they will require budget cuts of almost 10% for the remainder of the fiscal year, endangering important protections for millions of American families.

The cuts to FDA would result in 2,100 fewer scheduled food safety inspections and delays in new drug approvals. Cuts to NIH and National Science Foundation would delay or halt research into the prevention and treatment of diseases and conditions, impacting 12,000 scientists, thousands of researchers, and potentially tens of millions of Americans. Cuts to SAMHSA would result in almost 400,000 adults and children with serious mental illnesses going untreated. The automatic cuts to the AIDS Drug Assistance Program funded through the Ryan White Program could result in 7,400 fewer patients having access to HIV mediations, and cuts to CDC could mean over 400,000 fewer AIDS tests being conducted this year. Cuts to CDC and FDA would reduce funding for essential flu prevention and flu vaccine and development activities.

In the face of these dangerous and unconscionable cuts, House Republicans have sought to deepen the cuts in domestic programs, while protecting defense spending and tax breaks for the wealthy.

In contrast to House Republicans, the President has outlined a wise set of priorities to avert sequestration, put our nation on firm long term fiscal footing, and promote lasting economic growth. As the President said in his State of the Union address "[w]e won't grow the middle class simply by shifting the cost of health care or college onto families that are already struggling."

Instead of the House Republicans' support for devastating cuts to our essential health care safety net, the President has proposed reducing taxpayer subsidies to prescription drug companies, which would save taxpayers more than $100 billion over the next 10 years. Even larger savings would come from the President's commitment to bring down the cost of health care by reforming the way Medicare pays for care – to reward the quality of care rather than the number of tests ordered or days spent in the hospital. This approach is far superior to raising costs on beneficiaries, which will not improve seniors' health, economic productivity, or lower system-wide costs.

The Affordable Care Act (ACA) lays the groundwork for broader, cost-saving reform of our health care system, which is the most effective way to bring down our long term deficit while honoring our commitments to American families and keeping our economy strong. The President's proposals support efforts to fully implement the ACA in FY 2014.

The President's initiatives also demonstrate an ongoing and strong commitment to public health, including his call to realize an AIDS-free generation here in the U.S. and abroad, and his campaign to reduce gun violence. In addition, the President has proposed various measures designed to improve access to mental health services – the implementation of the Mental Health Parity Act, enhanced training of mental health professionals, and support for various programs and activities supported through SAMHSA.

Congress should support each of these and related proposals as part of the FY 2014 budget.

JEB HENSARLING, TX, CHAIRMAN

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

MAXINE WATERS, CA, RANKING MEMBER

March 1, 2013

HAND-DELIVERED

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

Dear Chairman Ryan:

Enclosed herewith please find the Budget Views and Estimates of the Committee on Financial Services on matters to be set forth in the concurrent resolution on the budget for fiscal year 2014, together with minority views, which was adopted by the Committee on February 26, 2013.

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

Sincerely,

JEB HENSARLING
Chairman

cc: The Honorable Maxine Waters
The Honorable Chris Van Hollen

Views and Estimates of the Committee on Financial Services on Matters to be Set Forth in the Concurrent Resolution on the Budget for Fiscal Year 2014

Pursuant to clause 4(f) of the Rules of the House of Representatives and section 301 (d) of the Congressional Budget Act of 1974, the Committee on Financial Services is transmitting herewith its views and estimates on all matters within its jurisdiction or functions to be set forth in the concurrent resolution on the budget for fiscal year 2014.

OUR NATION'S FISCAL CHALLENGE

In four of the last five years, the President of the United States has failed to follow the law and submit his budget on time. This is disappointing but perhaps not surprising since the U.S. Senate, controlled by the President's own party, has failed to pass a budget in almost four years. Hardworking taxpayers deserve better. They deserve a healthy economy, but we cannot have a healthy economy until we have a budget that puts the nation on a sustainable fiscal path.

Today, America is not on a sustainable fiscal path but rather a dangerous path. In the last four years, our national debt has grown by $6 trillion, unemployment has never fallen below 7.5 percent, and federal spending has surged by 22 percent. According to the White House's Office of Management and Budget (OMB), spending as a percentage of the U.S. economy has grown from 20.8 percent in 2008 to 24.3 percent in 2012. In a similar fashion, publicly held debt as a percentage of our economy has doubled in just five years from 36 percent to 73 percent. It will exceed 76 percent in 2013, its largest share since 1951, and chronic deficits will push our debt to 87 percent of the economy in ten years, according to projections by the Congressional Budget Office (CBO). Recent research by noted economists Kenneth Rogoff and Carmen Reinhart demonstrates that over the past century, countries with debt levels as high as ours have experienced markedly lower growth as a result.[1]

Washington's spending-driven debt crisis and burdensome regulatory policies—including those mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203)—have produced an economy that seems stuck perpetually in neutral. The Joint Economic Committee reports real GDP has grown at an average rate of just 2.1 percent since the recession ended, as opposed to a 4.7 percent average annual rate in the other nine post-war recoveries over a comparable period. When Congress debated the Obama "stimulus" plan, the President's Council of Economic Advisers estimated that a one percent increase in GDP corresponds to an increase of one million jobs. It stands to reason, therefore, that there are approximately 2½ million fewer jobs today due to slower economic

---

[1] Carmen M. Reinhart and Kenneth S. Rogoff, *Growth in a Time of Debt,* National Bureau of Economic Research Working Paper 15639 (January 2010).

growth. Fewer jobs and slower growth result in lower revenue, which leads to higher deficits and larger debt.

As deficits and debt continue to mount, CBO has warned of an increased probability of a sudden crisis during which investors would lose confidence in the government's ability to manage the budget. The results would be catastrophic. Government would be able to borrow money only at astronomical interest rates. The only way out would be untenable tax hikes and harsh spending cuts that inflict unyielding pain on all Americans, but most especially the poor, the elderly and the middle class. Taking action to reduce the deficit now protects the long-term viability of vital government programs for their intended beneficiaries.

The consequences of continued inaction are too high. America is on the verge of becoming a country in decline— economically stagnant and permanently in debt; less prosperous and less free. We cannot let that happen. We must act wisely to get government spending under control and shrink our debt. By its actions, and in the case of the FY 2014 budget, inaction, the Obama Administration has demonstrated that it is incapable of imposing the spending discipline necessary to put this nation's finances in order. Just as ordinary Americans must live within their means, so must their government. Those who serve the American people must learn to do more with less. Because the resources of the American people are not infinite, government officials must allocate those scarce resources wisely to fewer programs. The decision to cut spending is not an easy one. But it is necessary. And it will result in a more resilient economy and stronger nation for future generations.

SECURITIES AND EXCHANGE COMMISSION

The SEC's three-part mission is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. But in the run-up to the financial crisis and its aftermath, the SEC repeatedly failed to fulfill any part of its mission: the SEC failed to adequately supervise the nation's largest investment banks, which resulted in the bailout of Bear Stearns and the collapse of Lehman Brothers and the ensuing financial panic; the SEC failed to supervise the credit rating agencies that bestowed AAA ratings on securities that later proved to be no better than junk; the SEC failed to ensure that issuers made adequate disclosures to investors about securities cobbled together from poorly underwritten mortgages that were bound to fail; and the SEC was missing in action as Bernard Madoff and Allen Stanford perpetrated the two largest Ponzi schemes in U.S. history. These failures have taken place despite significant increases in funding at the SEC, which has seen its budget nearly triple over the past decade.

In an attempt to address management dysfunction at the SEC, Section 967 of the Dodd-Frank Act mandated that the SEC hire "an independent consultant . . . to examine the internal operations, structure, funding, and the need for comprehensive reform of the SEC." The SEC retained the Boston Consulting Group (BCG), which recommended that the SEC immediately overhaul its structure and management to optimize the use of its resources in light of the mandates placed upon it by the Dodd-Frank Act.

The BCG found that the SEC had a needlessly complex organizational structure, characterized by multiple reporting lines, fragmented authority, and duplicative and overlapping responsibilities. While some reforms have been made, there remain 22 division and office heads reporting directly to the SEC Chairman. Additionally, several key reforms proposed by BCG have not been adopted, including combining the Office of Compliance, Inspections, and Examinations into the Division of Trading and Markets and the Division of Investment Management, and combining the Office of Public Affairs, Office of Investor Education and Advocacy, and Office of Legislative and Intergovernmental Affairs into a new Office of External Relations.

The Committee supports the SEC's effort to "expand the agency's information technology (IT) systems to better fulfill [its] mission," but believes that the SEC must establish stronger controls to prevent waste, fraud and abuse. For example, in November 2012, the SEC's Office of Inspector General (OIG) reported that the Division on Trading and Markets' automation review policy program (ARP) lab, "staff spent over $1 million dollars on computer equipment and software with little oversight or planning and that a significant portion of the equipment and software purchased was unneeded or never used in the program."

The Committee also supports the SEC's pledge to "devote significant attention to development and consideration of possible rule changes designed to facilitate access to capital for smaller companies while at the same time protecting investors." However, the Committee believes the SEC could be doing more to support capital formation by fully and expeditiously implementing the "Jumpstart Our Business Startups" or "JOBS" Act (P.L. 112-106) in a timely manner.

Given current budgetary constraints, the Committee believes stronger economic analyses by the SEC will help ensure agency resources are used more effectively. For instance, the SEC spent 21,000 staff hours on the proxy access rulemaking (at an estimated cost of $2.2 million), which the U.S. Court of Appeals for the D.C. Circuit subsequently unanimously struck down because of a failure to "adequately assess the economic effects of a new rule." The Committee supports the SEC's consideration of the recommendations put forward by both the Government Accountability Office (GAO) and the SEC's OIG to improve economic analyses in SEC rulemakings.

At a time when it faces multiple statutory deadlines to write rules mandated by the Dodd-Frank and JOBS Acts, the SEC continues to expend significant resources on activities and issues which are discretionary. For instance, the SEC has been debating since 2011 whether to mandate the imposition of a fiduciary-like standard of care for broker-dealers, even though former SEC Commissioner Kathleen Casey and Commissioner Troy Paredes expressed the view in January 2011 that the SEC staff had failed "to adequately justify its recommendation that the Commission embark on fundamentally changing the regulatory regime for broker-dealers and investment advisers." In October 2012, SEC Commissioner Daniel Gallagher stated that any rulemaking to change the broker-dealer regulatory regime, "[m]ust . . . be supported by Commission findings that such rules are necessary, as well as a detailed understanding and analysis of the economic consequences of such rules." While the SEC staff informed the Committee in 2012 that the Commission would be issuing a request for data to help the SEC staff more fully understand the potential costs associated with altering the broker-dealer standard of care, to date no such request has been made. In the absence of such economic and empirical data, the SEC should not proceed with this discretionary rulemaking.

Another example of misplaced SEC priorities is its apparent interest in proposing a rule to mandate disclosures of corporate spending on political and other advocacy activities beyond those required under existing Federal and state laws. Putting aside the merits of such an initiative, which are questionable at best, the SEC's dedication of scarce resources to a rule that bears only a tenuous relationship to its mission is troubling in light of the many missed statutory deadlines that have marked its implementation of the Dodd-Frank and JOBS Acts.

The Committee supports the SEC's goal to "hire more economists, trading specialists, and other experts with knowledge of the marketplace and both investment and trading practices," which would better equip the agency to fulfill its statutory mission. The SEC's most recent Performance and Accountability Report (PAR) issued for FY 2011, however, notes that only 9 percent of SEC staff has industry designations. While the SEC has not issued a FY 2012 PAR report, SEC staff informed the Committee that now 10 percent of agency staff has these industry designations.

SECURITIES INVESTOR PROTECTION CORPORATION

The Securities Investor Protection Corporation (SIPC) protects the custody function that a broker-dealer performs. The Dodd-Frank Act increased SIPC's line of credit with Treasury from $1 billion to $2.5 billion. In its FY 2013 budget, the Administration asserted that SIPC is not projected to draw on its $2.5 billion line of credit over the next ten years.

In 2008, SIPC was confronted with two unprecedented events: the liquidations of Lehman Brothers and Bernard L. Madoff Investment Securities. Although SIPC has so far handled these "hundred year" events without having to access taxpayer funds, the Madoff proceeding continues to present SIPC with challenges that could overwhelm the SIPC fund.

Moreover, on June 15, 2011, the SEC instructed SIPC to liquidate the broker-dealer at the center of Allen Stanford's multi-billion dollar Ponzi scheme. SIPC refused, and on December 12, 2011, the SEC sued SIPC in federal district court to force it to liquidate the broker-dealer. On July 3, 2012, the United States District Court for the District of Columbia denied the SEC's application. On August 31, 2012, the SEC filed a notice of appeal challenging the District Court's ruling.

The Committee believes that budget projections for SIPC should be realistic and account for the possibility that broker-dealers could fail, and that courts could expand SIPC's obligations. If SIPC's protection limit is raised from $500,000 to $1 million as part of possible SIPC reforms, the SIPC fund will face further stresses. The Committee will not support legislative reforms that would require SIPC to borrow against its line of credit with the Treasury, which places taxpayers at risk if the SIPC fund is insufficient to meet higher claims.

PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

The Committee questioned the inclusion of the Public Company Accounting Oversight Board (PCAOB) in the Administration's FY 2013 budget. The PCAOB is a non-governmental, private-sector corporation whose expenditures and revenues have no effect on the budget. The entries for the PCAOB in the Administration's budget are therefore potentially misleading. Because the PCAOB is funded through registration fees and accounting support fees, including the PCAOB in the budget creates the misleading impression that taxpayers are responsible for the PCAOB's funding. The Committee will closely examine the PCAOB's authority arising from Title IX of the Dodd-Frank Act and the SEC's oversight of the PCAOB and its budget.

GOVERNMENT SPONSORED ENTERPRISES

The Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac were placed into the conservatorship of the Federal Housing Finance Agency (FHFA) in September 2008. To date, Fannie Mae has drawn more than $116 billion and Freddie Mac has drawn $71 billion in taxpayer funds, for a total of approximately $187 billion ($137 billion, net of dividends paid), although the GSEs have also paid the Treasury approximately $50 billion in dividends, making the conservatorship of the GSEs the costliest of all the taxpayer bail-outs carried out over the past three years.

After Fannie Mae and Freddie Mac were placed in conservatorship, CBO concluded that they should be included in the federal budget to reflect their cost to the taxpayer. But the President's FY 2013 budget continued to treat Fannie Mae and Freddie Mac as off-budget private entities rather than government agencies whose activities are paid for by taxpayers. As a result, the mounting losses of the GSEs that are borne by the taxpayer do not appear on the government's financial statements. The Committee strongly recommends that the Office of Management and Budget be directed by statute to move Fannie Mae and Freddie Mac "on budget," and to account for losses sustained since they were placed in conservatorship in the same way that the CBO calculates their losses. The Committee also recommends subjecting the GSEs to the statutory debt limit. To allow time to implement these changes, the Committee recommends an effective date of 90 days after the enactment of any such changes.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

In its last budget submission, the Administration requested $44.8 billion in gross budget authority for the Department of Housing and Urban Development (HUD) for FY 2013, which was $522 million more than FY 2012 enacted levels. Most of HUD's FY 2013 Budget—80 percent—will go towards renewing rental assistance for approximately 5.4 million residents in subsidized housing; at least half of those residents are either elderly or disabled. Currently, HUD's three largest annual expenditures are its core rental assistance programs—tenant-based Section 8, project-based Section 8, and public housing. Given the sizeable annual federal commitment made to support these and other HUD programs at a time when taxpayer funds are limited, the Committee believes it is vital that HUD prioritize the delivery of services to the neediest individuals to the greatest extent possible before making new or expanded commitments to others. The Committee will work with the Administration to target HUD resources towards those programs that have shown an ability to produce positive outcomes for individuals most at risk.

According to the Congressional Budget Office,[2] there are over 35 programs under the jurisdiction of the Committee with expired authorizations. Most of these programs are administered by HUD. The Committee is concerned that the lack of authorization for so many programs, some of which have not been formally reauthorized in well over a decade, hinders effective Congressional oversight, inviting waste and mismanagement. Thus, the Committee will work with the Appropriations Committee to ensure that all unauthorized programs within its jurisdiction that receive taxpayer funding are meeting their mission objectives and are subject to enhanced annual oversight until such time as the Committee has considered their long-term reauthorization.

The Committee also remains concerned that even as HUD's budget continues to grow, HUD has failed to address the problems of unexpended balances and slow spend-out rates in many of its programs. In particular, the Committee continues to have specific concerns about HUD's administration of the Section 8 program, the HOME Investment Partnerships Program, the Section 202 and Section 811 programs for elderly and persons with disabilities, and the Community Development Block Grant (CDBG) program, which

[2] Congressional Budget Office, *Unauthorized Appropriations and Expiring Authorizations*. January, 2013. http://www.cbo.gov/publication/43845

are detailed below. Given that there are currently 20 different Federal entities administering 160 programs, tax expenditures, and other tools that supported homeownership and rental housing[3], the Committee remains concerned about the fragmentation and inefficiencies in federal housing delivery. The Committee will continue to monitor HUD, NeighborWorks and Department of Agriculture (USDA) housing programs with an eye toward consolidating or reducing duplicative programs and ensuring that funds appropriated are in fact being spent promptly for the purposes for which they were allocated, and that these funds are being efficiently used by their recipients.

FORECLOSURE MITIGATION PROGRAMS

As the Committee has previously noted, the Administration continues to devise and deploy foreclosure mitigation programs that have failed to stem the tide of foreclosures and that have cost taxpayers billions of dollars. Originally envisioned as a $75 billion effort that would help up to 9 million at-risk borrowers, the Administration's signature "Making Home Affordable" initiative includes failed federally-funded foreclosure prevention programs such as the Home Affordable Modification Program (HAMP), the Federal Housing Administration (FHA) Refinance Program, and the Hardest Hit Fund. These programs, as well as the separate Emergency Homeowners Loan Program (EHLP), have been marked by a lack of transparency, and have demonstrably failed to meet their objectives despite abundant taxpayer resources.

Funding for programs in the Making Home Affordable initiative is derived from the Troubled Asset Relief Program (TARP). The Administration has obligated $45.6 billion of TARP money for its Making Home Affordable initiative. Both the Administration and CBO have indicated that since these programs consist largely of direct grants that require no repayment by recipients, the programs have a 100 percent taxpayer subsidy rate. In other words, the government does not intend to recover any of the $45.6 billion it spends on these programs.

Additionally, questions have been raised as to whether the Administration's foreclosure mitigation programs have actually exacerbated rather than alleviated troubles in the housing sector by failing to address the root cause of the problem. As Dr. Douglas Holtz-Eakin, a former Director of the Congressional Budget Office, testified before the Committee on February 16, 2011: "Until housing valuations stabilize, households will continue to be under stress and restrict their spending. The most important objective at the moment is to clear excess housing inventory. To date, no federal housing policy has been successful in speeding this process; indeed most observers would argue that they have

[3] Government Accountability Office, *Opportunities Exist to Increase Collaboration and Consider Consolidation,* GAO 12-554 (August, 2012). http://www.gao.gov/assets/600/593752.pdf

slowed this process. In sum, getting federal policy out of the way would be the best way to speed progress from this front."

Although $30 billion of TARP funds has been obligated to HAMP, the results of this program have been dismal. HAMP was originally projected by the Administration to assist 3 to 4 million homeowners. It has fallen far short of that lofty goal. According to program performance data through December 2012, only 1.975 million trial modifications were started under the program; of those trial modifications, only 851,135 (less than 44 percent) have transitioned to active permanent modifications. HAMP has been roundly criticized by a wide range of independent government watchdogs, including the Special Inspector General for the TARP, who testified before the Subcommittee on Insurance, Housing and Community Opportunity in the last Congress that "*supporters of HAMP have little reason to hope that it will be anything more than it is today—a program that benefits only a small portion of distressed homeowners, offers others little more than false hope, and in certain cases causes more harm than good.*"

Despite the program's poor track record, on January 27, 2012, the Administration announced that it intended to expand HAMP by broadening the pool of eligible homeowners, covering tenants at risk of displacement due to foreclosure, and providing more assistance to underwater homeowners. Even before this announcement, the Committee was concerned about the HAMP's cost and effectiveness. In 2011, the House passed legislation (H.R. 839) to terminate the Treasury Department's authority to provide any new assistance to homeowners under HAMP, and to require that all unobligated balances be returned to the taxpayer, while preserving any assistance already provided to HAMP participants on a permanent or trial basis.

The Administration has also obligated more than $8 billion from TARP for the FHA Refinance Program, which was intended to help homeowners who owe more on their homes than the home is currently worth. Like HAMP, this program has proven to be unsuccessful. From its inception in 2010, FHA has made only 2,018 total loan endorsements. The program is currently scheduled to continue until December 31, 2014. In 2011, the House passed legislation (H.R. 830) to terminate the FHA Refinance Program and return all unobligated balances from the program to the taxpayer.

The Committee is also concerned about the cost, effectiveness, and transparency of the EHLP. The 111th Congress appropriated $1 billion to the EHLP, which was designed to provide loans or credit advances to borrowers who cannot pay their mortgages because of unemployment or reduction in income. Eligibility for new EHLP participants expired on September 30, 2011. However, the Committee remains concerned about program's almost 100 percent subsidy rate that will result in substantial losses to taxpayers. The Committee is also concerned about the unacceptable lack of public accountability regarding this program. Despite repeated requests by the Committee for updates about the current status of the EHLP, the Administration has refused to supply the Committee with any data regarding the implementation of EHLP, eligibility and participation rates for the program, or the use of taxpayer money. In 2011, the House passed legislation (H.R. 836) to terminate the EHLP and return all unobligated balances to the taxpayer.

FEDERAL HOUSING ADMINISTRATION

The Committee is gravely concerned about the deteriorating finances of the Federal Housing Administration (FHA), and is committed to protecting the taxpayers from losses sustained by the FHA. FHA's overall share of the new mortgage insurance market now stands at more than 56 percent, while the private sector's share has languished at only 19.7 percent, according to data supplied by HUD in its most recent quarterly "U.S. Housing Market Conditions" report. Today, the FHA is the largest government insurer of mortgages in the world, with a mortgage portfolio of 7.7 million loans and an outstanding portfolio of insurance-in-force exceeding $1 trillion. As FHA's mission has expanded and its share of the market has grown, increased delinquencies and foreclosures have taken a significant toll on its financial position. Late last year, an independent actuarial review showed that the FHA Mutual Mortgage Insurance Fund's (MMIF) capital reserve ratio had dropped to *negative* 1.4444 percent, far below the Congressionally-mandated threshold of 2 percent, and that its economic value was negative $16.3 billion, which is the projected amount the FHA would lose if it stopped insuring new mortgages and covered its outstanding losses. Given these figures, the FHA is technically insolvent and poses a threat to taxpayers. The announcement by GAO on February 14, 2013, that it has added FHA to its list of government programs at "high risk" of waste, fraud and abuse only compounds congressional concerns about the agency's mismanagement and troubled finances.

FHA is statutorily authorized to draw funds directly from the Treasury if necessary to pay unexpected increases in insurance claims. In the President's FY 2013 budget proposal, OMB stated that the FHA needed to draw down $688 million from the Treasury to replenish the MMIF. The FHA ultimately avoided drawing funds from the Treasury, but only because it received $1 billion from last year's National Mortgage Settlement. In light of the findings of the 2012 independent actuarial review, there is a distinct possibility that taxpayers will be asked for the first time in FHA's 70-year history to bail it out. However, the President's failure to submit his FY 2014 budget proposal as required by statute prevents the Committee from reaching an informed judgment on the likelihood that FHA will require taxpayer support in the coming year.

The GAO's recent designation of FHA as a high-risk agency, coupled with the Administration's 2012 acknowledgment that the MMIF may need to be recapitalized by diverting taxpayer funds from the Treasury, underscores the significant risk that FHA poses to American taxpayers and the urgent need to enact meaningful FHA reforms. To protect the FHA's scarce capital, the Committee urges the Administration to be vigilant in its efforts to identify and penalize mortgage originators that seek to dump loans that were fraudulently underwritten on the FHA, and to bar such originators from further participation in the program.

While the Committee acknowledges that FHA has recently increased the premiums it charges for mortgage insurance, it remains concerned that the FHA has failed to make full use of its existing authorities to protect the health of the MMIF. The Committee also believes that FHA must explore additional measures to strengthen its credit policies. Moreover, the Committee is concerned that the FHA lacks the capacity to properly oversee its single-family loan insurance portfolio and recommends that FHA consider charging additional user fees dedicated to building and investing in FHA's technological infrastructure and covering its administrative costs. With the increase in high cost loan limits through the end of 2013, FHA must diligently monitor lenders to ensure that its programs are not being misused. The Committee looks forward to reviewing FHA's proposal to change its underwriting criteria to ensure that qualified borrowers are able to access and sustain mortgages insured by the FHA.

The Committee is also concerned about the health of FHA's Home Equity Conversion Mortgage (HECM) (or reverse mortgage) program. Established as a pilot program in 1989, the program gained permanent status in 1998 and has grown steadily. In the FY 2012 Actuarial Review for HECMs, the economic value of the HECM portion of the MMIF was *negative* $2.8 billion. Given the uncertainty regarding home price appreciation and the HECM program's elevated default rate, the Committee will continue its oversight of the program and consider reforms that protect taxpayers and encourage greater private sector participation.

HOUSING PROGRAMS FOR THE ELDERLY AND DISABLED

Section 202 (Supportive Housing for the Elderly) and Section 811 (Supportive Housing for Persons with Disabilities) are programs that help make housing available for the elderly and disabled. Last year, the Administration requested $475 million for Section 202 programs, $150 million for Section 811 programs, and $111 million for the renewal of vouchers targeted at disabled populations. The Frank Melville Supportive Housing Investment Act (P.L. 111-374), which was enacted more than a year ago, was designed to consolidate these programs and eliminate regulatory inefficiencies. For example, on February 12, 2013, HUD awarded approximately $97.8 million pursuant to the Act, which leveraged 3,530 units, in contrast to the 900 units created from the combined FY 2010 and FY 2011 appropriations for Section 202 and 811. The Committee expects HUD to continue to work to meet the efficiency objectives of the Act, which include providing more flexibility to align Section 811 programs with other federal, state, and local funding sources, and allowing federal funds to be leveraged with other funds to make more housing available for the disabled. The Committee is also aware that the 202 and 811 programs have unexpended balances; it will review these programs so that these funds can be used to better meet the needs of the elderly and disabled.

SECTION 8 VOUCHER PROGRAM

For FY 2013, the Administration requested an increase in funding for the Section 8 housing choice voucher program to $19.074 billion, from $18.914 billion enacted in FY 2012. As noted earlier, the growth of this program is on an unsustainable trajectory, and absent substantial reform, will consume an ever-increasing percentage of HUD's entire budget. While changes to the voucher funding formula over the last decade have increased voucher usage and efficiency, comprehensive reform is still needed. In 2007, the OMB reported that HUD *"does not track long-term performance outcome measures because the agency lacks a reporting mechanism to capture how program funds are used."* The OMB also found that the program's effectiveness remained unknown. The Committee believes that the public is better served not by expanding Section 8 but by reforming the program so that public housing authorities can serve more people within existing funding levels. The Committee believes that Section 8 recipients who are neither elderly nor disabled should be encouraged to move toward self-sufficiency so that assistance can be provided to those applicants who have patiently waited for assistance, in some cases for almost ten years.

PROJECT-BASED SECTION 8

In its last budget submission, the Administration requested $8.7 billion for Project-Based Rental Assistance, a decline from the FY 2012 enacted level of $9.340 billion. The Committee is concerned that changes to the contract renewal process for project-based vouchers will push renewal costs into later years. As part of its examination of the project-based Section 8 program, the Committee will work with the Administration to encourage the development of new ways to encourage the conversion of public housing units to long-term, project-based Section 8 contracts, with a goal of providing opportunities for private sector investment in capital improvements.

PUBLIC HOUSING

In its last budget submission, the Administration requested $6.594 billion for the Public Housing Operating Fund and the Public Housing Capital Fund, which will be combined and used to repair and maintain public housing units. Because the funds needed to maintain existing public housing stock outpace appropriations, the Committee will encourage the Administration to work with the Committee on alternative means of financing the development of affordable housing. In the 112th Congress, the Committee began work on a series of reforms to help increase the efficiency of public housing administration. These reforms included an adjustment for inflation to the minimum rent contribution, updates to income calculation deductions, and new flexibility for housing authorities to best deploy their capital and operating funds for public housing. The Committee will continue to explore these and other reforms in the 113th Congress.

In its FY 2012 budget request, the Administration eliminated funding for the HOPE VI program, and folded the functions of HOPE VI into its Choice Neighborhoods program in 2013. The Administration requested $150 million for the Choice Neighborhoods program. The Committee has long been critical of the mission and effectiveness of the HOPE VI program, funding for which has been zeroed out repeatedly in each of the last two Administration's budgets. The Committee remains skeptical of the Administration's dedication of scarce resources to expand the scope and cost of the program under a new Choice Neighborhoods banner, which is currently unauthorized.

McKINNEY-VENTO HOMELESS ASSISTANCE GRANTS

The 111th Congress enacted the Homeless Emergency Assistance and Rapid Transition to Housing Act as part of P.L. 111-22, which changed the administration of McKinney-Vento Homeless Assistance Grants. These changes consolidated separate grant programs into one Continuum of Care Program, expanded the definition of a qualifying "homeless individual" and "chronically homeless person," and added measures aimed at preventing and ending homelessness. In connection with these changes, which became effective in late 2010, in FY 2012 the Administration proposed an increase in funding for Homeless Assistance Grants by more than $330 million to $2.2 billion. The Committee will monitor these changes to ensure that they make the program more effective.

COMMUNITY AND ECONOMIC DEVELOPMENT

The Community Development Block Grant program is the fourth largest line item in HUD's annual budget, with an FY 2013 request of $3.14 billion. However, concerns have been raised that some CDBG money is used to fund projects that reflect exclusively local priorities and therefore are not a wise use of scarce taxpayer resources. In 2003, OMB designated the CDBG program as ineffective, indicating that the program had failed to use tax dollars effectively; OMB attributed this failure of the CDBG program to a lack of clarity regarding the program's purpose, poor management, and other significant weaknesses. The Committee remains concerned about questionable uses of CDBG funds, and it will examine how CDBG funds are used by recipients, as well as the program's history of slow spend-out rates, to ensure that CDBG funds are spent appropriately. The Committee will also consider whether CDBG funds can be better targeted to benefit economically distressed communities.

NATIVE AMERICAN HOUSING

HUD provides the bulk of its funding for housing on Indian tribal lands through its Indian Housing Block Grant (IHBG) program. In its FY 2013 budget submission, the Administration requested $650 million for IHBG, which is the single largest source of federal funding for housing on Indian tribal lands. That request is equal to the amount appropriated for IHBG in FY 2011 as well as the amount appropriated in FY 2012. HUD also funds its Indian housing efforts through two other programs, the Section 184 Indian Housing Loan Guarantee Fund—for which HUD had requested $7 million for FY 2013—and the Indian Community Development Block Grant program—for which HUD had requested $60 million be allocated from its overall FY 2013 CDBG request.

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

Given the level of federal funding for IHBG, the Committee is concerned that the program has an obligated unexpended balance of $979.7 million, the bulk of which is attributable to a small number of tribes. While the Committee acknowledges that housing development, like other forms of capital development, can be a multi-year process and that recipients should be allowed a reasonable time in which to plan for and expend their funding, the program's slow spend-out rate means that unexpended balances now significantly exceed the program's annual appropriation. Thus, the Committee plans to review the sources and causes of these unexpended balances to ensure that the program is operating efficiently, with a goal of better understanding whether expenditures of IHBG funding are being made within a reasonable timeframe and, if delays exist, whether such delays are systemic within the program.

RURAL HOUSING

The Administration's $28.31 million Rural Housing Service (RHS) budget request for FY 2013 represented a $322,000, or 1.18 percent increase, over its RHS budget request for FY 2012. The Administration noted that it will "*not fund certain programs in order to focus resources on more efficient and less costly programs.*" The most significant program that was eliminated in the RHS budget was the Section 515 multifamily direct loan program for new construction. The Committee notes that HUD and RHS have collaborated in the last year on streamlining their respective policies to encourage efficiency and save costs. The Committee will continue to monitor the progress and implementation of this collaboration and determine whether further consolidation is warranted.

NATIONAL FLOOD INSURANCE PROGRAM

According to GAO, the National Flood Insurance Program (NFIP) must be fundamentally reformed to stabilize its long-term finances. The recently enacted Biggert-Waters Flood Insurance Reform Act (P.L. 112-141) contained a series of programmatic improvements designed to shore up the NFIP and promote greater private sector participation in the flood insurance market. However, despite those reforms, the onset of Superstorm Sandy in 2012 led to the NFIP's borrowing authority being increased to $30 billion. As of January 31, 2013, the NFIP owed $22 billion, with the authority to borrow an additional $8.425 billion, for a total taxpayer exposure of $30.425 billion, a debt which CBO, GAO and other independent authorities believe the NFIP will never be able to repay. To protect taxpayers from excessive and unwarranted liabilities, the Committee believes Congress must move forward with comprehensive reforms to fundamentally restructure this failing program and dramatically increase the role of the private insurance sector in flood risk management.

HOME INVESTMENT PARTNERSHIPS PROGRAM

The HOME Investment Partnerships (HOME) Program is a formula-based block grant program that disburses funds to states and localities to build, buy, or renovate affordable housing. HUD delegates authority to participating jurisdictions to manage and monitor the ultimate recipients of HOME Program funds. Since its inception in 1990, the HOME Program has received over $30 billion in appropriations. However, given concerns over program duplication and mismanagement, annual funding for the program has decreased from $1.82 billion to $1 billion over the past five years.

In the 112th Congress, the Committee held a series of hearings regarding HUD's administration of the HOME Program, focusing on the program's mismanagement of funds, including the failure of grant recipients to begin projects, the failure of grant recipients to complete projects, and the program's inability to produce habitable residences. Following these hearings, Congress reduced the funding for the program by 37 percent to $1 billion for FY 2012 – a $607 million cut. Despite this reduction in funding, the Committee continues to be concerned about HUD's oversight of the HOME Program; the Committee is particularly concerned that HUD appears unable to track the progress of the projects funded under the program. Indeed, a report issued by HUD's Office of Inspector General on February 12, 2013, while acknowledging that HUD had strengthened certain internal controls over the HOME Program, also found that the agency could not demonstrate the effectiveness of field office monitoring efforts and "may have lost opportunities to obtain early warnings of potentially serious problems."[4]

CONSUMER FINANCIAL PROTECTION BUREAU

The Consumer Financial Protection Bureau (CFPB) is a federal agency created by the Dodd-Frank Act to regulate providers of credit and other consumer financial products and services. The Dodd-Frank Act confers upon the CFPB Director a broad mandate that includes consumer protection functions transferred from seven different Federal agencies, and the authority to write rules, supervise compliance, and enforce all consumer protection laws and regulations other than those governing investment products regulated by the Securities and Exchange Commission or the Commodity Futures Trading Commission.

A recent GAO report noted ways in which the CFPB is empowered to regulate access to credit and impact the broader economy.[5] The GAO cited findings that "numerous new regulations from CFPB will impose additional regulatory burden and compliance costs on small institutions, potentially causing them to exit certain lines of business." The GAO found evidence that as a result of CFPB rulemakings, some institutions would decrease their lending activities, or exit businesses altogether. As many small businesses fund their activities through personal lines of credit, the CFPB actions will impact access to credit for both consumers and employers.

The Dodd-Frank Act housed the CFPB within the Federal Reserve Board as an "independent bureau," but the Act makes clear that the CFPB is to be autonomous of the Federal Reserve in carrying out its mission. The CFPB Director determines the agency's budget, which is drawn from the Federal Reserve Board's annual combined earnings, and capped at 12 percent of those earnings (which translates into approximately $500 million for the last year for which data are available). This funding arrangement shields the CFPB from the appropriations process and undermines congressional oversight. In its FY 2013 budget, the Administration has requested $448 million to fund the CFPB. The Committee views the Administration's request as excessive, and intends to examine whether CFPB funding should be subject to the Congressional appropriations process to promote greater accountability and transparency.

ORDERLY LIQUIDATION AUTHORITY

The 2008 economic crisis exposed the U.S financial system's vulnerability to financial firms that government officials and financial market participants believed had

[4] Report of the HUD Office of Inspector General, *HUD's Proposed HOME Regulations Generally Addressed Systemic Deficiencies, but Field Office Monitoring and Data Validation Need Improvement*, Audit Report No. 2013-BO-0001.

[5] Government Accountability Office, *Community Banks and Credit Unions: Impact of the Dodd-Frank Act Depends Largely on Future Rule Makings*, GAO-12-881 (September 2012).

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

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

Even though the authors of the Dodd-Frank Act purported to end bailouts of "too big to fail" firms, Title II nonetheless grants the FDIC the authority to borrow from the Treasury to capitalize an "orderly liquidation fund," which the FDIC can use to pay off the creditors of the failed firm in order to keep these creditors from running on the failing institution, if government officials believe that such payments are necessary to contain systemic contagion. The Orderly Liquidation Authority thus perpetuates the government guarantee enjoyed by these creditors, which helped create the "too big to fail" problem in the first place. Although the proponents of the Orderly Liquidation Authority point to provisions in Title II which permit the FDIC to recoup costs from large financial institutions through post hoc assessments, the Congressional Budget Office has estimated that the Orderly Liquidation Authority will cost taxpayers $22 billion between 2012 and 2022. Repealing Title II would thus relieve taxpayers of the burden of bailing out large financial institutions or their creditors. The Congressional Budget Office estimates that repealing Title II would achieve savings of $3.383 billion in FY 2012-13, $13.585 billion in FY 2012-17, and $22 billion in FY 2012-22.

THE FEDERAL RESERVE SYSTEM

In its FY 2013 Budget, the Administration projected that "Deposits of Earnings by the Federal Reserve System" would generate $259 billion during the 2013-2017 period and $468 billion from 2013-2022. The Committee believes this estimate is overly optimistic given a recent paper published by the staff of the Division of Research & Statistics and the

Division of Monetary Affairs at the Federal Reserve Board of Governors, which projects that an increase in interest rates and the unwinding of the Fed's $3 trillion portfolio of assets could lead to capital losses ranging from $20 billion to $40 billion by 2020. Should losses on its portfolio and interest paid on excess reserves maintained by depository institutions at the Federal Reserve exceed the revenue generated from open market operations, the Fed will also cease remitting profits back to the U.S. Treasury, which totaled approximately $90 billion in 2012. According to the Fed staff's projections, remittances to the Treasury will drop off after 2015 and not pick up again until 2019-2022, depending on the cumulative size of the Fed's portfolio of assets and the rate at which interest rates rise in the future.

At present, the Committee believes the Administration's FY2013 remittance projection is overstated by at least $72 billion from 2013-2017 and at least $158 billion from 2013-2022. If the Fed's exit from several rounds of quantitative easing is more disorderly than projected, the costs to the Fed will be far higher and remittances to the Treasury far lower. Further, the fiscal impact of lower remittances by the Fed would be compounded by increased borrowing costs, which could have a negative budget impact of nearly two trillion dollars over the ten-year federal budget window.

EXPORT-IMPORT BANK

The Export-Import Bank is an independent agency that provides export financing through its loan, guarantee, and insurance programs. The Export-Import Bank is designed to provide export financing when the private sector is unable or unwilling to do so, and to help ensure that U.S. exporters can compete on an equal footing against foreign exporters financed by their governments. By collecting fees from its users, the Export-Import Bank is intended to be a self-sustaining agency.

While the Export-Import Bank has historically offset the costs of its operations with the fees it collects, the Committee will seek to ensure that the Bank remains a lender of last resort that does not put taxpayer dollars at risk for future bail-outs. The Committee notes the observation by the Export-Import Bank's Inspector General "that Export-Import Bank's current risk management framework and governance structure are not commensurate with the size, scope, and strategic ambitions of the institution." The Committee will consider whether the dramatic growth of the Export-Import Bank in recent years jeopardizes the Bank's fiscal soundness, and whether the Bank's current capital standards adequately protect against potential losses.

In its FY2013 budget, the Administration proposed consolidating the trade-related functions of the Export-Import Bank with several other federal agencies. The Administration has not informed the Committee of any plans to move forward with the consolidation in Fiscal Year 2014, but the Committee expects the Administration to provide the appropriate consultation and communication if it intends to proceed. While the Committee supports efforts to streamline government and eliminate wasteful spending, the Committee has an obligation to ensure that organizational changes are cost-effective and do not impose costs that outweigh the benefits of the changes.

MULTILATERAL DEVELOPMENT BANKS

Multilateral development banks (MDBs) provide concessional lending and grants to the world's poorest countries and provide non-concessional lending to middle-income and poorer credit-worthy countries. The MDBs have provided resources to member countries in the aftermath of natural disasters and have been counter-cyclical lenders during economic downturns, including the most recent recession and the attendant global contraction of credit. Also, the MDBs have diminished the impact of global disruptions in emerging countries, which can help protect, maintain and expand U.S. business activity abroad. The U.S. provides funding to MDBs through pledges made by Treasury on behalf of the U.S. to international organizations, and Congress considers these pledges and funds them through the appropriations process. The Committee urges Treasury to advocate that governments receiving assistance from the multilateral development institutions do not engage in human rights abuses and corrupt activities.

INTERNATIONAL DEVELOPMENT ASSOCIATION

The International Development Association (IDA) is a World Bank facility that lends to 81 of the world's poorest countries. The IDA's mission is to help these countries meet basic health, infrastructure, and development needs. The IDA provides the world's poorest and least credit-worthy countries with access to capital, which permits these countries to build the credit record necessary to raise capital from private sources. Many of the largest recipients of IDA funding are expected to graduate from the program in the next few years. The Committee will therefore assess the ongoing need for IDA replenishments and whether IDA's purposes, systems, and financing are appropriate for the future.

INTERNATIONAL MONETARY FUND

The International Monetary Fund (IMF) provides loans to countries that cannot meet their international payments and are unable to find sufficient financing on affordable terms. The IMF also provides global oversight of the international monetary system and provides technical assistance to low- and middle-income countries. The Committee will consider the policies of the International Monetary Fund to ensure effective use of resources and appropriate alignment with U.S. interests in promoting economic growth and stability. Also, the Committee will consider any Administration request that the U.S. transfer funds at the IMF from the New Arrangements to Borrow to the general quota fund. During consideration of any such request, the Committee will assess the purpose of the transfer and potential risks the transfer might pose, as well as possible consequences to the stability of the international financial system and U.S. economic interests if the pending quota package is not approved. In examining such authorization requests, the Committee will review any reforms the IMF has agreed to make concurrent with the transfer.

UNITED STATES MINT

The Committee is concerned about the Mint's apparent disregard for the runaway costs of producing circulating coins, and its seeming inability to assess (and meet) demand for its investor bullion coins. High prices for commodity metals used to produce circulating coins have pushed production costs to the point where one-cent and five-cent coins are produced for an amount considerably above face value. The Committee notes that circulating coin production costs have been high for nearly a decade, and that the Mint has not proposed either new metallic content for coins, or legislation to implement such a change, as required by a Federal statute enacted in December 2012 (Public Law 111-302). Meanwhile a privately commissioned study in 2012 estimated that if the Mint were to make five-cent, ten-cent and quarter-dollar coins of multi-play plated steel — a technique used by the Royal Canadian Mint for a decade — the savings would be between $180 million and $220 million a year.

In view of that history and in recognition of the fact that since 1792 Congress has made all decisions on coin weight, size and content, the Committee continues to reject Administration legislative proposals contained in prior budget submissions that Congress should transfer to the Mint the authority to decide independently the composition, size and weight of circulating coins. Further, the Committee notes that consistently over the past several years and as recently as January, the Mint has maintained that it had insufficient quantities of investor-grade bullion coins to meet demand, and was rationing supplies to dealers. While production of bullion coins is not intended to be a profit center, the production does help amortize capital costs at the Mint. At a time when there is no serious effort to rein in the cost of producing circulating coins—and with a large staff dedicated to sales and marketing that appears unable to gauge the market—the Mint's inability in this area and its refusal to begin producing another Congressionally authorized investor coin of palladium are unacceptable.

Minority Views

THE SEQUESTER WILL HAVE SIGNIFICANT EFFECTS ON THE ECONOMY

The Majority passed Views and Estimates for FY 2014, but nowhere in its document did it mention the most overwhelming issue of the day – the pending budgetary sequester. Unless Congress takes urgent action, large and arbitrary budget cuts known as sequestration will go into effect, jeopardizing hundreds of thousands of jobs and slowing U.S. economic growth. If the sequester is not averted, the Federal Government will cut vital services to children, seniors, people with mental illnesses, and our armed forces.

Our economy has made significant strides since the depths of the last recession, and Congress should not stand in its way. Jobs are coming back: total non-farm payrolls have added 5.5 million jobs since March 2010 and 1.19 million net jobs in the four years since President Obama took office, a figure that already surpasses the 1.17 million net jobs created during all eight years of the Bush Presidency. However, if the sequester is not avoided, the Congressional Budget Office (CBO) estimates that approximately 750,000 jobs would be lost this year alone, and that U.S. GDP growth will be cut by one-third.

We are also concerned about the sequester's negative impact on important programs under our jurisdiction. Under sequestration, 125,000 families will lose much needed housing assistance through the Section 8 Housing Choice Voucher program, which could potentially force them into homelessness. Additionally, the Securities and Exchange Commission will be unable to hire adequate staff needed to carry out its broad new responsibilities to oversee derivatives, private fund advisers, clearing agencies, and credit rating agencies. As a result, serious problems in these areas will go unaddressed. The sequester will also undermine Treasury's Community Development Financial Institutions Fund, which provides funding for investment in underserved communities. In addition the sequester would force Treasury to reduce critical anti-money laundering activities, and reduce support for state and municipal bond programs that are helping to rebuild our infrastructure, schools and affordable housing.

These and other cuts can be avoided with a balanced plan for targeted spending cuts and revenue increases, particularly closing unnecessary tax loopholes. We urge Congress to act now to consider approaches that reduce the level of US debt without impairing our country's job growth and recovery from the recession.

THE MAJORITY'S DOCUMENT IS FACTUALLY INACCURATE

The Majority cites Congressional Budget Office estimates that our current debt is 73 percent of GDP, and claim that it will exceed 76 percent in 2013. They also cite an academic study by noted economists Kenneth Rogoff and Carmen Reinhardt and claim that the study says the opposite of what it does. Specifically, the Majority claims (on page 1, line 18) that "recent research by noted economists Kenneth Rogoff and Carmen Reinhardt demonstrates that over the past century, countries with debt levels as high as ours have experienced markedly lower growth as a result". This is factually inaccurate. Rogoff and Reinhardt reach the opposite conclusion. In the study the Majority cites: "*Growth in a time of Debt*" *(January 2010)*, Rogoff and Reinhardt write (on page 7) that "*it is evident that there is no obvious link between debt and growth until public debt* *reaches a threshold of 90 percent.*" Rogoff and Reinhard's research actually shows that debt levels as high as ours have no obvious effect on growth.

SECURITIES AND EXCHANGE COMMISSION

The capital markets of the United States and the world have continued to grow at an accelerating rate. We recognize that constraints on the SEC's budget have meant that the Commission has been unable to make the investments in technology necessary to keep pace with this increasingly automated and electronic marketplace, which has far outstripped the SEC's oversight capacity. Trading volumes have climbed with the advent of high frequency trading, but the SEC's ability to detect what is going on in the markets has been stymied by a lack of systems. The ability of SEC staff to adequately review what's happening in the markets is critical in the world of electronic and automated trading. Only by continuing its investments in better market data analytics can the SEC begin to catch up.

Moreover, the SEC was given new responsibilities in the Dodd-Frank Wall Street Reform and Consumer Protection Act to address areas that were part of the crisis, or that were yawning gaps in its coverage of the markets and market participants. The SEC now has responsibility for regulating and overseeing a major portion of the market for credit default swaps, which destabilized the markets during the 2008 financial crisis, as unregulated shadow market participants took on significant exposures that put the whole system at risk. Following the 2008 financial crisis and subsequent legislation, the SEC increased oversight and transparency for hedge funds and other private fund advisers, implemented executive compensation disclosures, established a whistleblower program to aid in the enforcement of securities law violations, and proposed a series of rules designed to improve the practices of credit ratings agencies, among other actions to address weaknesses in the markets. It is critical that the SEC be able to hire personnel with the necessary expertise, and invest in IT systems to adequately examine and follow-up on these important measures.

We further note that the resources available to the SEC to examine investment advisors generally have severely lagged the number and sophistication of these advisors, also necessitating additional resources. These areas and others continue to need adequate investment for the SEC to catch up to the markets and ensure fair, orderly and efficient markets that facilitate capital formation.

On a general level, freezing or cutting back the SEC's budget will mean it will not be able to make additional hires to bolster economic analysis and enforcement. The courts have placed new burdens on the agency for economic analysis accompanying new rulemaking requirements, after vacating the SEC's proxy access rule on the grounds that the SEC's economic analysis was insufficient. Therefore, failure to hire additional economists will cripple the ability of the agency to adopt or revise rules, particularly in new areas of responsibility, such as oversight of the credit default swap market and hedge funds.

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

Finally, we urge the Budget Committee to take action that prevents the sequester from harming the ability of the SEC from carrying out its mission. While it is not yet clear as to whether the SEC will have to furlough existing employees, which obviously would cripple normal oversight and enforcement processes, SEC has already cut back on hiring. It will be precluded from filling 250 positions, many of which had been designated to build out the agency's new oversight programs with respect to derivatives, private fund advisers, clearing agencies, and credit rating agencies. Beyond hiring, a sequester will have a dire impact on significant IT projects, particularly those intended to allow the SEC to better keep up with the increasing volume and pace of the markets. A halt in IT spending will mean that the agency will be unable to bolster information security sufficiently to stay ahead of evolving threats.

VETERANS AFFAIRS SUPPORTIVE HOUSING (VASH) PROGRAM

Previously, the Administration requested $75 million for new Veterans Affairs Supportive Housing (VASH) vouchers in FY 2012, which has served an estimated 37,975 homeless veterans nationwide since 2008. HUD-VASH combines tenant-based voucher assistance for homeless veterans with case management and clinical services provided by the Department of Veterans Affairs (VA) at its medical centers in local communities. Public Housing Authorities (PHAs) awarded HUD-VASH vouchers develop partnerships with VA medical centers to help homeless veterans find permanent supportive housing. HUD and VA estimate that there are between 76,329 to 144,842 homeless veterans in the U.S. Furthermore, a recent report issued by HUD indicated that on any single night in 2012, about 75,609 veterans were homeless. The allocation of these vouchers is important to achieving the Administration's goal of ending homelessness among veterans.

HOUSING FOR THE ELDERLY AND DISABLED

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

We note that the Majority Views incorrectly state that the Melville Act consolidated the traditional Section 202 and 811 programs, when in fact, the two programs continue to operate separately and effectively to serve the different supportive housing needs of low-income seniors and persons with disabilities. Although no new construction funds were appropriated for the traditional Section 202 and 811 programs in Fiscal Year (FY) 2012, the combined FY 2010 and FY 2011 appropriations for the 202 and 811 programs is expected to produce 4,067 and 984 new units of affordable, supportive housing, respectively.

RENTAL ASSISTANCE FOR VULNERABLE POPULATIONS

The Majority's Budget Views and Estimates state that 80 percent of HUD's FY 2013 budget will go towards renewing rental assistance for approximately 5.4 million residents in subsidized housing. We also note that HUD recently released its *Worst Case Housing Needs 2011* report, which states that in 2011 8.5 million households had worst case housing needs, outgrowing the previous record high in 2009 of 7.1 million households by 19 percent. Worst case housing needs are defined as renters with incomes below 50 percent of the area median income who do not receive government housing assistance and who either pay more than half their monthly incomes for rent, live in severely substandard conditions, or both. We look forward to working with the Majority to ensure that federal rental assistance programs continue to serve families who might otherwise face homelessness, many of whom are veterans, elderly, or persons with disabilities.

FEDERAL HOUSING ADMINISTRATION

We note that FHA has taken a number of extraordinary steps – including five premium increases since the President took office in 2009 – to strengthen the Mutual Mortgage Insurance Fund and note that the 2010 and 2011 books of business are the strongest on record in FHA's history. We further note that FHA's Multi-family portfolio remains strong.

Last year's settlements with some of America's largest lenders will also provide FHA with over $900 million in compensation for losses associated with loans originated outside of FHA requirements or for which FHA's servicing requirements were violated. In addition, the FHA finalized regulations in January 2012 that toughened its standards for approving lenders that insure mortgages on its behalf and force more of them to buy back defaulted loans. Furthermore, we note that FHA's market share, which reached its peak at 30 percent in 2009, has declined steadily. As a percentage of total market share, refinance and purchase transactions, FHA represents 14.6 percent of the nation's mortgage market. Finally, it is important to note that it is the FHA's book of business in the years leading up to mid-2009 that experienced the worst delinquencies.

COMMUNITY AND ECONOMIC DEVELOPMENT

Previously, we noted that the Administration's proposed funding amount for the Community Development Block Grant (CDBG) program for FY 2013 is the same amount that was appropriated for the program in FY 2012. Despite the increasing demand on state and local governments, funding for this program has been decreasing since a level of $3.990 billion in FY 2010 and $3.336 billion in FY 2011. We note that CDBG has a long and successful track record. Historically, CDBG-related funding over the past decade is estimated to have sustained 400,000 jobs in local economies across the country. Furthermore, in 2012 alone, nearly 21,800 permanent jobs were created or retained using CDBG funds and more than 32.5 million people benefited from CDBG funded public facilities activities.

HOME INVESTMENT PARTNERSHIP PROGRAM

Much like the CDBG program, the HOME program is unique in that it vests significant control to local and state governments rather than imposing a one-size fits all, Washington approach. This has resulted in remarkable success. Between the beginning of the HOME program and April 30, 2012, over 1 million units of affordable housing were constructed, rehabilitated, or acquired using HOME funding, and an additional 259,000 families were assisted through tenant-based rental assistance (TBRA). Together, this amounts to over 1.3 million units and TBRA-assisted households that, as of April 30, 2012, have benefitted from HOME funds since the program's inception.

We note that the Committee held three hearings in 2011 regarding oversight of the HOME program. In testimony before the Committee in 2011, former Assistant Secretary for Community Development, Mercedes Marquez, stated that only four percent of projects in the Washington Post's sample of 5,100 HOME projects were not completed. In addition, as part of its 18-month investigation into the management and oversight of the HOME program, the Committee has received thousands of documents. We note that this extensive document production has not resulted in any material finding of mismanagement.

FAIR HOUSING

Previously, we noted that in FY 2013, the Administration requested approximately $41 million in Fair Housing Initiatives Program (FHIP) funds, representing the Department's commitment to fair housing, including $28 million to support the efforts of private fair housing organizations that conduct private enforcement of the Fair Housing Act. FHIP is critical to building and sustaining inclusive communities. It is the only grant program within the federal government with a primary purpose of supporting private efforts to educate the public about fair housing rights and conduct private enforcement of the Fair Housing Act. We also noted that in FY 2013, the Administration requested approximately $25 million in Fair Housing Assistance Program (FHAP) funds. FHAP is a critical component of HUD's effort to ensure the public's right to housing free from discrimination. FHAP multiplies HUD's enforcement capabilities, allowing the Department to protect fair housing rights in an efficient and effective manner. For this reason, we are particularly concerned about the impact of the sequester – set to take effect on March 1, 2013 – on fair housing enforcement. According to HUD, a five percent or $2,138,005 cut in FHIP would require a reduction in fair housing investigations, including those in lending and mortgage fraud. Such a cut will leave populations at risk of mortgage relief scams, unfair and deceptive lending practices, and anti-consumer fraud and abuse. Many of these scams target classes protected by the Fair Housing Act.

HOUSING COUNSELING

Previously, we noted that the Office of Housing Counseling, which was established by the Wall Street Reform and Consumer Protection Act, covers more than simply foreclosure mitigation and avoiding predatory lending. The Office of Housing Counseling also includes informing households about their housing choices in the areas of purchasing or refinancing a home; rental housing options; reverse mortgages for seniors; loss mitigation; preventing evictions and homelessness; and moving from homelessness to a more stable housing situation.

NEIGHBORHOOD STABILIZATION PROGRAM AND PROJECT REBUILD

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

We note that Project Rebuild is an essential component of President Obama's American Jobs Act. It would create jobs, stabilize communities, and bolster the housing market. Project Rebuild represents the next phase of the NSP. It would invest $15 billion to rehabilitate hundreds of thousands of distressed properties in communities across the country. In addition to rehabilitating residential properties, like NSP, Project Rebuild also would include abandoned and foreclosed commercial properties. Due to the success of NSP, we already know that Project Rebuild will work. Estimates project that Project Rebuild will support approximately 191,000 jobs.

NATIONAL HOUSING TRUST FUND

The National Housing Trust Fund was designed to provide a permanent source of funding for the development, rehabilitation, and preservation of affordable rental housing for extremely low- and very low-income residents. Unlike other federal housing programs, such as the HOME Investment Partnership, 90 percent of funding must be used primarily for the production of affordable rental housing and 75 percent must be used exclusively for the benefit of extremely low-income households. The need for a National Housing Trust Fund continues to be great. In February 2012, the National Low Income Housing Coalition, relying on data from the 2010 American Community Survey, found that there are only 58 affordable and available units for every 100 very low-income renters and just 30 such units for every 100 extremely low-income families. The Administration has estimated that with a $1 billion appropriation, the National

Housing Trust Fund could produce approximately 36,000 affordable housing units and help to offset the harmful effects of budget cuts to other affordable housing programs.

NATIONAL FLOOD INSURANCE PROGRAM

We note that the Committee worked effectively in a bi-partisan manner to enact comprehensive reforms to the National Flood Insurance Program (NFIP) last year as part of the Biggert-Waters Flood Insurance Reform Act of 2012. We note that the Act included a number of important reforms designed to make the program more actuarially sound, for example phasing out subsidized rates, increasing premiums, and streamlining and strengthening flood mitigation efforts to reduce the number of repetitive losses which acts as a drain on the NFIP. In addition, we further note that this Act included several provisions directing the Federal Emergency Management Agency and the Government Accountability Office to study the feasibility of privatization of NFIP through re-insurance, as well as a report by the Federal Insurance Office on whether to permit private insurance to satisfy the mandatory purchase requirement. While we are certainly concerned about the fiscal impact caused by a series of devastating hurricanes – Hurricanes Katrina, Rita and Wilma, as well as Superstorm Sandy, we believe it is prudent for this Committee and for Congress to await the results of the Congressionally-mandated studies, and to allow sufficient time for the bi-partisan reforms adopted last July to take effect, so that we are fully informed as to what additional reforms may be warranted.

ORDERLY LIQUIDATION AUTHORITY

The Majority recommends the repeal of the regulators' authority to shut down a failing systemically significant financial firm when that failure would threaten the financial stability of the US. The Majority erroneously concludes that this resolution authority enshrines too-big-to-fail, when in fact Dodd-Frank provides all the tools necessary to end it. Working with financial institutions, regulators have already taken steps towards establishing resolution plans in advance of another crisis. Repealing the Orderly Liquidation Authority would expose the economy to additional uncertainty and instability.

CONSUMER FINANCIAL PROTECTION BUREAU

Attacks on the Consumer Financial Protection Bureau (CFPB) continue even though this agency has proven itself to be an effective and independent advocate for middle class Americans. The CFPB has successfully recovered hundreds of millions of dollars for consumers from credit card companies and debt relief services through its enforcement authority and working with state attorneys general. It has also issued important rules including national mortgage servicing and qualified mortgage standards, and proposed streamlining compliance by integrating Truth in Lending Act (TILA) and Real Estate Settlement Procedures Act (RESPA) disclosure forms.

Regardless of the agency's successes, critics continue their attempts to stymie the agency's effectiveness by attempting to make it easier for Congress to eliminate its budget. They do so in the guise of promoting Congressional oversight, even though the CFPB is, by statute, held accountable to Congress, other regulators, and the public in ways other financial regulators are not. Representatives of the CFPB have testified in front of Congress 30 times to date. Furthermore, the CFPB is the only independent banking regulator whose rulemaking can be overturned by a vote of its fellow financial regulatory agencies. The CFPB has made unprecedented efforts to be transparent by sharing a wealth of information on its website, and has requirements regarding input from small institutions and businesses that other financial regulators do not have. It is also subject to a GAO audit of its financial statements and an independent performance audit, and must supply semi-annual reports to Congress.

We believe that the CFPB should be fully funded in order that it may continue to do its important work on behalf of American consumers, protecting them as they navigate the financial marketplace, and ensuring continued access to credit for all.

MULTILATERAL DEVELOPMENT BANKS

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

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

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

We strongly support meeting current U.S. commitments to IDA, as well as funding to clear U.S. arrears. Treasury and the World Bank should be mindful that Democratic support for the past two IDA replenishments was based in large part on the Bank's stated commitment to suspend the Employing Workers Indicator of its annual "Doing Business" report and to develop a Worker Protection Indicator. The Employing Workers Indicator should continue to be omitted from the rankings, and efforts to develop a Worker Protection Indicator should be strengthened.

INTERNATIONAL MONETARY FUND

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

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

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

EXPORT-IMPORT BANK

The Export-Import Bank of the United States (Ex-Im Bank) is the official export credit agency of the United States. The mission of Ex-Im Bank is to enable U.S. companies – large and small – to turn export opportunities into real sales that help maintain and create U.S. jobs that contribute to a stronger national economy. Last year the Ex-Im Bank provided approximately $35.8 billion in export financing, including $6.1 billion in small business financing, which supported $50 billion in exports and an estimated 255,000 U.S. jobs.

Since FY 2008, Ex-Im Bank has operated on a self-sustaining financial basis, which means that the Bank is able to cover its own administrative and program expenses entirely through fees it charges to its clients. As a result, the Bank does not rely on taxpayer resources to fund operations, which is critical in a tight budgetary environment. In addition to offsetting the costs of its own operating expenses through the fees it collects, the Bank also generates excess funds that it sends each year to the Treasury. Over the past five years, Ex-Im Bank has generated $1.6 billion for the Treasury, including $1.1 billion last year. This year, the Bank is projected to generate approximately $364 million for the Treasury.

We commend Ex-Im Bank for its ongoing outreach to small business owners who are veterans, women and minorities, and we urge Ex-Im Bank to do more to reach these key groups which historically are less likely to approach the Bank for financing. We strongly support the work Ex-Im Bank is doing in sub-Saharan Africa, as well as the Bank's efforts to increase financing of renewable energy products.

HAITI

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

UNITED STATES MINT

We note and commend the U.S. Mint for the recent steps taken to reduce the controllable costs associated with producing circulating coins, by improving capacity utilization, and reducing expenses, as well as ongoing progress on research and development to examine possible metallic alternatives for circulating coins. However, we continue to share the concern that high prices for commodity metals, used to produce circulating coins, continue to result in production costs in excess of the face value for some low denomination circulating coins. We encourage the US Mint to conduct any further research as necessary, in order to provide the Congress with "detailed recommendations for any appropriate changes to the metallic content of circulating coins" as mandated by P.L. 111-302. We also note the U.S. Mint's ongoing engagement with the private sector to identify market demand for bullion coin. Accurately gauging this demand is critical to operating bullion coin programs at no net cost to taxpayers.

Views & Estimates – Committee on Financial Services re: Budget for FY 2014

Maxine Waters

Emanuel Cleaver

Al Green

Ed Perlmutter

James A. Himes

Gary C. Peters

Keith Ellison

David Scott

Rubén Hinojosa

John Carney

Denny Heck

Bill Foster

Joyce Beatty

Michael E. Capuano

Gwen Moore

Terri Sewell

[illegible]

Carolyn McCarthy

Kyrsten Sinema

Gregory W. Meeks

[illegible]

Stephen F. Lynch

Carolyn B. Maloney

Wm. Lacy Clay

Juan Vargas

Melvin L. Watt

[illegible]

Minority Views Signatories

RANKING MEMBER MAXINE WATERS
EMANUEL CLEAVER
AL GREEN
ED PERLMUTTER
JAMES A. HIMES
GARY C. PETERS
KEITH ELLISON
DAVID SCOTT
RUBÉN HINOJOSA
JOHN C. CARNEY, JR.
DENNY HECK
BILL FOSTER
JOYCE BEATTY
MICHAEL E. CAPUANO
GWEN MOORE
TERRI A. SEWELL
DANIEL T. KILDEE
CAROLYN MCCARTHY
KYRSTEN SINEMA
GREGORY W. MEEKS
PATRICK MURPHY
STEPHEN F. LYNCH
CAROLYN B. MALONEY
WM. LACY CLAY
NYDIA M. VELÁZQUEZ
MELVIN L. WATT
BRAD SHERMAN
JOHN K. DELANEY

One Hundred Thirteenth Congress
U.S. House of Representatives
Committee on Foreign Affairs
2170 Rayburn House Office Building
Washington, DC 20515
www.foreignaffairs.house.gov

March 1, 2013

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

Dear Chairman Ryan and Ranking Member Van Hollen:

I am writing to share the following views and estimates from the Committee on Foreign Affairs regarding the budget for Fiscal Year 2014 (FY14). Consistent with the past practice of the Committee, in addition to the Majority views below, the Minority has prepared separate views and estimates that are included in this transmittal. As you are aware, the compilation of views and estimates this year has been complicated by the Administration's failure to submit a budget to date.

As your Committee has aptly recognized, "The foreign affairs budget plays a critical role in advancing American interests abroad, including national security."[1] The conduct of foreign relations is a primary Constitutional function, yet International Affairs funding constitutes only 1.5 percent of the total new budget authority for FY13 in last year's House Budget Resolution.[2] However, especially given the fiscal challenges facing our nation, even this relatively modest funding must be invested in ways that directly serve our core national interests by enabling U.S. diplomacy, enhancing international security, promoting freedom and human rights, increasing U.S. economic competitiveness, and responding to humanitarian catastrophes, among other missions abroad.

The attention of Congress has been appropriately refocused on the security of our diplomatic and civilian personnel overseas by the September 11, 2012 terrorist attack in Libya that killed four Americans, including Ambassador Christopher Stevens, and which has been the subject of three

---

[1] H.Rept. 112-421 at 53 (Report of the Committee on the Budget to accompany H.Con.Res. 112).

[2] Sections 101 and 102 of H.Con.Res. 112, as passed by the House in the 112th Congress.

The Honorable Paul Ryan
The Honorable Chris Van Hollen
March 1, 2013
Page 2

hearings of the Foreign Affairs Committee. By the State Department's own admission, the Benghazi debacle was not the result of budget constraints. Poor management was to blame. However, the subsequent scrutiny has highlighted that more than half of all U.S. diplomatic posts overseas contain facilities that fail to meet current security standards. That concerning reality represents misplaced priorities in the allocation of prior year resources, which must be bettered. It also indicates that additional resources will be needed to improve embassy security.

This document contains numerous proposals for programmatic budget allocations and reforms to help ensure that International Affairs funding is directed to programs critical to advancing U.S. interests abroad. For your Committee's purposes, I recommend that the Concurrent Resolution on the Budget for Fiscal Year 2014 assume total, combined budget authority for discretionary programs within the primary jurisdiction of the Foreign Affairs Committee at an amount not more than what was included in the prior year Resolution.[3]

Department of State and Related Programs

Locality Pay. Last year, the State Department sought $83 million for the final phase of a pay raise for overseas Foreign Service Officers (FSOs). FSOs currently receive a 24 percent locality pay premium while stationed in Washington, which the State Department is attempting to extend to overseas postings (and has been phasing in, using a temporary authority continued from a 2009 supplemental appropriations bill). But overseas FSOs are already eligible for additional benefits, such as cost-of-living adjustments, free housing, free private education for their children, and danger and hardship raises worth up to 70 percent of their base pay. According to the GAO, even without the extension of any locality-based raise overseas, the average FSO salary already increases by $2,400 per year when FSOs move overseas. Furthermore, the Department has not provided data demonstrating that this raise is necessary to improve recruitment or retention. The permanent repeal of this authority was endorsed by the President's bipartisan National Commission on Fiscal Responsibility ("Simpson-Bowles").

Diplomatic Security. In October 2012, Secretary Clinton convened an Accountability Review Board to review the circumstances surrounding the terrorist attacks in Benghazi, Libya. In December 2012, the Board reported that "systemic failures and leadership and management deficiencies at senior levels within two bureaus of the State Department resulted in a Special Mission security posture that was inadequate for Benghazi and grossly inadequate to deal with the attack that took place." Despite these findings, the Department has yet to hold any personnel accountable for the decisions leading to an extreme security vulnerability in Benghazi.

The Administration is expected to request additional resources under the Diplomatic and Consular Programs (D&CP) and Embassy Security and Construction (ESCM) accounts for enhanced security in FY14, above and beyond the $1.4 billion Overseas Contingency Operations

---

[3] H.Con.Res. 112 in the 112th Congress. Any total should include relevant amounts from both Function 150 (International Affairs) and Function 970 (Overseas Contingency Operations).

The Honorable Paul Ryan
The Honorable Chris Van Hollen
March 1, 2013
Page 3

(OCO) reprogramming requested last month. While protecting American officials and facilities overseas should be a priority, increases in appropriated levels should be made contingent upon the conduct of a prompt management review of the Diplomatic Security Bureau, identification of all personnel responsible for the management failures leading up to the September 11, 2012 attacks, and the prompt termination of those identified.

International and Multilateral Organizations

International Atomic Energy Agency. The FY13 budget request proposed an increase in U.S. voluntary contributions to the International Atomic Energy Agency (IAEA), from $85.9 million in FY12 to $90 million in FY13. Among other purposes, the U.S. voluntary contribution supports the IAEA's Technical Cooperation (TC) program, which received $21 million in US funding in 2010. However, a 2009 GAO report found that the Department of State and the IAEA had failed to "systematically limit" assistance through the TC program to Cuba, Iran, Syria, and Sudan, which the State Department has designated as state sponsors of terrorism. GAO recommended that Congress consider withholding a proportionate share of the U.S. contribution to the IAEA in an amount equal to assistance provided to state sponsors of terrorism.

In a 2011 follow-up report, GAO found that the State Department and IAEA had made only modest improvements in preventing assistance being provided by the TC program to these countries. Nevertheless, the report noted that the State Department continued to "strongly oppose" withholding proportionate funds from U.S. voluntary contributions to the IAEA.
Given the continuing assistance provided by the TC program to state sponsors of terrorism, the President's request for U.S. voluntary contributions to the IAEA should be proportionately reduced until the IAEA implements reforms to end such assistance.

Comprehensive Nuclear Test Ban Treaty Organization (CTBTO). The CTBT has not been ratified by the U.S. Senate, therefore it is unwarranted to fund any program or organization linked to that treaty. The total FY13 request for this purpose was $36.5 million.

UN Educational, Scientific, and Cultural Organization (UNESCO). UNESCO members voted on October 31, 2011, to grant membership to "Palestine," i.e., the Palestine Liberation Organization (PLO), triggering two longstanding provisions in U.S. law that prohibit funding to any UN agency that grants membership to the PLO or to entities that do not have internationally-recognized attributes of statehood. Notwithstanding Congressional objections, the Administration requested a waiver to allow the United States to make an $80 million contribution to UNESCO in FY13. As a similar request has been made in FY14, UNESCO funding should be denied and the request for the Contributions to International Organizations (CIO) account reduced by a corresponding amount.

United Nations Development Program. The United States is one of the top donors to the UN Development Program (UNDP), second only to Japan. It is difficult to determine exactly how much funding is provided to UNDP annually because the Administration stopped reporting total U.S. contributions to UN agencies when the mandate to do so expired in 2010. For example, the

UN reports that the United States contributed over $386 million in 2011, yet budget documents provided by the Administration suggest the contribution was just under $85 million that same year. The request for FY13 was $67.2 million, but again, that likely only reflects a small portion of the actual contribution through all US agencies.

Meanwhile, UNDP programs have been plagued by waste, fraud, and abuse. Whistleblowers have been victims of retaliation; country teams have shown no compunction in forging close ties to rapacious leaders, including the Assad regime in Syria; leaders have failed to prevent leakages of assistance to terrorist organizations, including in Somalia; and UNDP itself recently recognized that after spending more than $8.5 billion on anti-poverty activities between 2004 and 2011, the agency has only "limited ability...to demonstrate whether its poverty reduction activities have contributed to any significant change in the lives of the people it is trying to help." At the least, the United States should withhold contributions to UNDP until the agency undertakes serious and verifiable reform, protects whistleblowers, and puts in place rigorous monitoring and evaluation systems to ensure that it is fulfilling its most basic mandate.

United Nations Peacekeeping. The Administration's FY13 budget request included $2.1 billion for assessed contributions for UN peacekeeping activities, a 15 percent increase from FY12. It is expected that the FY14 request will be significantly greater, particularly in the event of a full-year Continuing Resolution without anomalies for FY13. The FY12 enacted level was artificially low because of the availability of prior credits, which were applied as payments for assessed contributions and are no longer available. Further, the rate of assessment for United States contributions to UN peacekeeping – which *should* be 25 percent pursuant to the historic Helms-Biden agreement of 1999 – has been raised to over 28 percent. The expansion of the UN support package for the African Union Mission in Somalia (AMISOM) over the past two years and the possible approval of a new peacekeeping operation in Mali will only widen the deficit of available resources for peacekeeping in FY14.

While UN peacekeeping can help advance U.S. national security interests when the conditions for peace are ripe, the number of large, complex missions with mandates that exceed any reasonable expectation of success has proliferated over the past decade. Further, recurrent allegations of mismanagement and abuse have tarnished the character of UN peacekeeping. Funding under the Contributions for International Peacekeeping Activities (CIPA) account should be coupled with a credible, verifiable reform agenda focused upon rooting out waste, fraud and abuse; strengthening accountability mechanisms; right-sizing missions and mandates; matching resources with capabilities; closing long-standing missions that have been rendered moot; and reducing the U.S. rate of assessment to 25 percent, consistent with U.S. law. This last proposal would save $247 million in FY13 alone.

Organization of American States. The Organization of American States (OAS) increasingly is seen as an ineffective regional body, failing to live up to the tenets of its Inter-American Democratic Charter and working in contravention of U.S. foreign policy and security objectives. And yet, U.S. contributions to its general fund have continued to rise. For FY13, the Administration requested $51.1 million, an increase of $1.5 million over FY12 and $3 million over FY11. Funding for FY14 should be viewed through the lens of U.S. democracy promotion efforts in the Hemisphere, which continuously are being undermined by a hostile OAS. Until meaningful and verifiable reform is undertaken by the OAS, the United States should closely scrutinize voluntary contributions.

Related Programs

East-West Center. For FY13, the Administration requested $10.8 million for the East-West Center, based in Honolulu, with its mission to "bridge the Pacific." Since the Center's establishment 50 years ago, the growth of trans-Pacific travel, trade ties, and vibrant Asian American communities has significantly deepened U.S. ties to Asia and hence eroded the Center's *raison d'être*. Moreover, numerous privately-funded think-tanks and institutions have developed to do similar work. The East-West Center should thus be "graduated" from U.S. assistance and alternatively seek private sources of funding.

International Broadcasting

Broadcasting Board of Governors. The Administration requested $720 million for the Broadcasting Board of Governors (BBG) in FY13, a $31.4 million decrease from FY12 levels. Notwithstanding the importance of the BBG's mission, performance has been undermined by poor management and systemic inefficiencies that must be addressed immediately. In FY14, the Committee will seek to amend the International Broadcasting Act to authorize the position of CEO, in an effort to bring the agency under a more streamlined and efficient management system. The Committee Majority therefore agrees with the proposed reduction between FY12 and FY13, and would oppose funding for BBG in FY14 above the FY13 request.

Foreign Operations

Global Climate Change and Environmental Programs. It is expected that the FY14 request will again prioritize funding for international climate change and environmental programs through the Global Climate Change Initiative (GCCI). The FY13 budget request included nearly $2.6 billion for such program. State and USAID funding alone totaled approximately $470 million, of which $190 million was requested in programmatic funds for "adaptation," $149 million for "clean energy," and $130.5 million for "sustainable landscapes." Additionally, the Administration sought increases of $40 million for the Global Environment Facility, $370,000 for the Clean Technology Fund, $100,000 for the Strategic Climate Fund. This high level of investment in climate change programs, which remain vaguely defined and lack discernible monitoring and evaluation mechanisms, cannot be justified at this time.

Mexico City Policy. The Administration's reversal of the "Mexico City Policy" allows U.S. government funds to flow to foreign non-governmental organizations that support or promote abortion as a method of family planning, even while U.S.-based organizations are specifically prevented from doing so under multiple provisions of law. The Committee Majority remains opposed to the Administration's abortion promotion and strongly supports the reinstatement of the Mexico City Policy.

The President's Emergency Plan for AIDS Relief and the Global Fund. Through the President's Emergency Plan for AIDS Relief (PEPFAR), the American people have supported anti-retroviral treatment for over 5 million men, women, and children, among other accomplishments. Between Fiscal Years 2004 and 2012, nearly $46 billion has been committed to PEPFAR, excluding malaria programs, with an additional $6.4 billion requested for FY13. Total funding for PEPFAR has decreased steadily since FY10, reflecting the availability of new technologies and greater efficiencies in the delivery and cost of services. Moreover, as new donors come on-line and partner countries assume greater responsibility for their HIV/AIDS response, the downward trajectory of funding for PEPFAR is appropriate. The Administration's request for FY14 is expected to continue this downward trend.

The Administration's effort to redirect funds from bilateral PEPFAR programs toward the Global Fund to Fight AIDS, Tuberculosis, and Malaria (Global Fund) appears consistent with a long-term strategy to leverage other donors and reduce the U.S. burden. Yet since its inception, the Global Fund has been plagued by fraud and mismanagement, and its efforts to improve internal controls are nascent at best. New or increased U.S. contributions to the Global Fund must be conditioned upon meaningful management reform, backed by a strong, independent Inspector General.

Independent Agencies

Millennium Challenge Corporation. With its focus on transparency, accountability and results, the Millennium Challenge Corporation (MCC) has positively altered the global development debate. Publication of its first round of impact evaluations in October 2012 and its subsequent commitment to apply lessons-learned has raised the bar for other development agencies. Further, MCC's success in securing tangible policy reforms, both as a precondition for eligibility and throughout compact implementation, has helped create conditions conducive to foreign investment and has placed countries on a trajectory toward graduation from foreign assistance.

While recognizing MCC's promise as a model for development, there is considerable room for improvement. Early compacts, including but not limited to the Mozambique compact, suffered from poor planning and contract management, which gave rise to significant completion risks. In countries where compacts were terminated or where second compacts are not expected, MCC's ability to maintain leverage has evaporated. Though MCC has instituted risk mitigation measures - including by extending the period between compact signing and entry into force - to allow greater time for feasibility studies, among other things, maintaining post-compact leverage is difficult. The sustainability of investments also depends heavily upon each partner country's long-term commitment. The Committee Majority therefore recommends level funding for MCC, at $898.2 million, for the fourth consecutive year.

The Honorable Paul Ryan
The Honorable Chris Van Hollen
March 1, 2013
Page 7

International Security Assistance

Nonproliferation, Antiterrorism, Demining and Related Programs. The Administration's FY13 budget proposed $636 million under the Nonproliferation, Antiterrorism, Demining and Related Programs (NADR) account, representing an overall decrease of $75 million, with cuts in Antiterrorism Assistance (ATA) for Iraq, Jordan, Morocco, Afghanistan and Pakistan. These are all countries that demand greater focus than the requested levels suggest.

In addition to the above country-specific decreases, the FY13 budget request also included a proposed cut in funding for key counterterrorism programs. This included a 6 percent decrease in Counterterrorism Financing, from $20 million in FY11 and $17 million in FY12 to $16 million in FY13. Additionally, the request proposed a decrease of 18 percent for the Terrorist Interdiction Program, from $42 million in FY12 to $34 million in FY13. Funding for CT Engagement with Allies also was decreased by 12.5 percent, falling to just $7 million. Separately, the total FY13 request for the Bureau of Counterterrorism was $19 million, a modest increase of $2.4 million over FY12. Meanwhile, the Administration requested nearly $2.6 *billion* for environmental and climate change programs over the same period.

Ultimately, these declining figures indicate a gross misalignment of priorities. As necessary trade-offs are made within the International Affairs Budget, the Administration must recalibrate its priorities to address the near-term threats we face from terrorism. Global climate change programs, for example, should not benefit from greater relative protection than counterterrorism programs, which can have a direct, preventative impact upon our national security. The Department of State plays an essential role in engaging our international partners in the establishment and strengthening of sustainable counterterrorism capabilities, and resource allocations should better reflect this critical responsibility.

Regional Perspectives

Middle East and North Africa

Afghanistan. According to the Special Inspector General for Afghanistan Reconstruction (SIGAR), Congress has appropriated nearly $89 billion to rebuild Afghanistan – more than the United States has ever spent on reconstruction in any other nation. Of the nearly $13.8 billion appropriated to four of the largest reconstruction funds for FY12, about $8.6 billion remains unobligated. The President's FY13 budget request included an additional $10 billion for Afghanistan's reconstruction. If appropriated, over $19 billion would be available for obligation by implementing agencies over the course of FY13.

Meanwhile, SIGAR repeatedly has identified problems in "every area of the reconstruction effort—from inadequate planning, insufficient coordination, and poor execution, to lack of meaningful metrics to measure progress." SIGAR has found "delays, cost overruns, and poor construction of infrastructure projects," and "U.S.-funded facilities that are not being used for their intended purposes," resulting in "lost opportunities and in incalculable waste." The

President's plan to withdraw 34,000 of the 68,000 U.S. troops deployed in Afghanistan over the course of 2013 will further impede the ability to effectively oversee reconstruction. Any decline in security conditions would further expose billions of U.S. taxpayer dollars to unacceptable levels of waste, fraud, and abuse.

At the same time, consistent with the Tokyo Mutual Accountability Framework, the U.S. Agency for International Development (USAID) intends to shift an increasing amount of development assistance – at least 50 percent – away from NGOs and contractors and towards the Afghan government for on-budget assistance. It is glaringly obvious that the Afghan government cannot manage this massive influx of funding given its endemic corruption.

Moreover, the United States risks wasting billions of dollars if U.S.-funded development programs cannot be sustained, either by the Afghan government or by continued donor support. The World Bank and the International Monetary Fund determined in June 2012 that Afghanistan is unlikely to reach fiscal sustainability until at least 2032, as Afghanistan's fiscal sustainability ratio – domestic revenues versus operating expenses – is one of the lowest in the world.

All of this argues for a clear-eyed re-assessment of the amount and types of assistance that serve U.S. national interests in Afghanistan. Further, experience in Iraq has given rise to serious questions about the ability of the Departments of Defense and State to manage an effective civilian-led transition. Given the many impediments to productive U.S. efforts, existing funding levels for Afghanistan are unwarranted.

Pakistan. It is long past due for the United States to rethink its turbulent relationship with Pakistan, including the future of the civilian assistance programs there. Fundamentally, it is unacceptable that Pakistan continues to support extremist groups which threaten U.S. forces and stability in Afghanistan, while menacing our partners in the region. The impending transition in Afghanistan and the expiration next year of the "Enhanced Partnership with Pakistan Act" provide an opportunity for a reassessment of these policies.

A multitude of reports by the USAID Inspector General and outside groups suggest that the US has had great difficulty spending money effectively in Pakistan. From the outset, the Executive Branch has never been clear in articulating the objectives of our civilian assistance program for this deeply troubled country. To my knowledge, there is no U.S. "country strategy" guiding U.S. development policy in Pakistan. Meanwhile, the United States is spending hundreds of millions of dollars on projects to address shortfalls in energy and other "priority" sectors, despite the fact that the authorities in Islamabad have either been unwilling or unable to implement the policy reforms that would help make such projects sustainable.

- For example, the USAID Inspector General recently reported that the U.S.-funded Jamshoro Thermal Power Station will not be financially sustainable once completed. Despite a $20 million dollar investment to repair and rehabilitate the facility, the Government of Pakistan has failed to implement policy reforms that will allow it to profitably operate. Pakistan also lacks a sufficient electrical grid infrastructure to transmit the energy produced by the 150 megawatt station.

A scaled-back, tough-minded and more realistic foreign assistance program with Pakistan is in order. Such a program would focus on those sectors where the U.S has enjoyed clear success. Commensurate Pakistani commitments, whether financial, in-kind, or policy-based, are essential.

<u>Iraq Police Development Program (PDP).</u> As originally envisioned in 2009, this State Department foreign police training program was overly ambitious in size and scope. Proper due diligence should have revealed a lack of Iraqi interest in the PDP's mission, as well as security challenges which together have prevented the PDP from operating successfully. The State Department has incrementally and substantially reduced the size and scope of the PDP in response to these obstacles, even transferring properties that were renovated for the PDP's use – at a cost to taxpayers of $206 million – back to the Iraqi government free of charge.

A number of PDP challenges remain, including vaguely defined advisory roles, incomplete facilities and overall footprint reductions. After an initial assessment by the Iraqi Interior Minister, program content will be further narrowed to focus on a few select fields of interest, including forensic evidence, intelligence matters, and technology. Funding for the PDP in FY14 should be decreased, consistent with the PDP's more limited objectives.

<u>Lebanon.</u> The request for U.S. economic and humanitarian assistance to Lebanon decreased in FY13, yet remains substantial. With respect to security assistance, U.S. agencies allocated over $925 million for Lebanon between Fiscal Years 2007 and 2012. However, to date, State has evaluated only one of its security assistance programs for Lebanon – the INCLE program – and neither State nor the Department of Defense has completed plans or established time frames to evaluate other programs. In the absence of credible evaluations, State and the Department of Defense can neither demonstrate program effectiveness nor determine the appropriate programmatic mix. The Committee Majority thus recommends withholding 25 percent of FY14 security assistance to Lebanon until such time as the Administration develops concrete security assistance evaluation plans, including performance indicators, benchmarks and target dates, and reports to Congress accordingly.

<u>Middle East and North Africa Incentive Fund.</u> In addition to bilateral aid for individual countries of the Middle East, the Administration sought $770 million in FY13 for a Middle East and North Africa Incentive Fund (MENA IF). Of this amount, $700 million is new money. The House Appropriations Committee provided no funding under this heading, but would have allocated $175 million within the Economic Support Fund (ESF) account and $25 million in the Foreign Military Finance account for "Middle East Response." Senate Appropriators approved $1 billion for MENA IF - about 30 percent more than the $770 million requested - and increased MEPI funding to $70 million. Under the current CR, there is no designated funding for a MENA IF. Prior to the consideration of any funding request, the Administration should articulate specific objectives and establish more effective management mechanisms. The Committee

Majority further recommends that the Administration refrain from requesting additional supplements to this funding.

East Asia and Pacific

North Korea Food Aid. Following the death of North Korea's leader in February 2012, plans to provide 240,000 metric tons of food aid to North Korea in exchange for dubious commitments on North Korea's illicit nuclear program, as well as a moratorium on missile launches and nuclear tests, surfaced. While such talks have quieted, concerns about the diversion of food aid in North Korea have rightly led to skepticism in Congress. In 2011, the House passed an amendment that I offered to the Agriculture Appropriations bill, prohibiting food aid to North Korea. Ultimately, the conferees included language (Sec. 741 of P.L. 112-55) limiting food assistance to countries lacking "adequate monitoring and controls…to ensure that emergency food aid is received by the intended beneficiaries in areas affected by food shortages and not diverted for unauthorized or inappropriate purposes." No funding should be provided for any effort that skirts this law.

Europe and Central Asia

Economic Support Funding and Development Assistance to EU Member-States. The member-states of the European Union are in the midst of an historic and severe economic and sovereign debt crisis, which has at times also engendered political instability. While it is important for the United States to show support for our allies as they face these daunting challenges, U.S. policy should seek to foster sustained economic growth through facilitation of increased transatlantic trade, rather than short term relief through foreign assistance. Therefore, the U.S. should not provide economic support funding or development assistance to EU member nations, particularly as those countries have access to billions of Euros of assistance for similar economic and development programs through the EU Structural and Cohesion Funds.

International Fund for Ireland. The International Fund for Ireland was established in 1986 to "encourage contact, dialogue and reconciliation between Unionists and Nationalists throughout Ireland." These goals have largely been achieved as the 1998 Good Friday Agreement provisions are being implemented, including the difficult establishment of a broad coalition government and wide-ranging police reforms. Many donors to the Fund have already capped or terminated their contributions. Even without U.S. contributions to this fund, the reconciliation process in Northern Ireland will still receive financial support through various other funding streams, most notably a €333 million Peace III program established by the European Union. Therefore, neither the Bush nor the Obama Administrations requested contributions to the Fund in their budget submissions for FY10 and FY11. Congress specifically stated in the FY10 Conference Report for the Foreign Operations Appropriations bill, "The conferees expect that the assistance provided in this Act will be the final United States contribution to the International Fund for Ireland." The 112th Congress again voted to end U.S. contributions to the Fund in two separate Continuing Resolutions, P.L. 112-6 and P.L. 112-10. Despite this clear indication of Congressional intent, last year the Administration diverted $2.5 million in FY11 general ESF funds to the International Fund for Ireland, and may seek funding again in future budget requests. Congress should therefore maintain its position of terminating U.S. contributions to the International Fund for Ireland.

Western Hemisphere

Economic Support Funds for Cuba and Venezuela. In an environment of scare resources, the Administration should prioritize funding under the Economic Support Funds (ESF) account for vital democracy assistance programs in Cuba and Venezuela. These funds serve as a lifeline for democracy advocates seeking to liberate themselves from the oppressive rule of the Castro brothers and Hugo Chavez. In Cuba, the denial of basic human rights and arbitrary detentions and beatings of political dissidents occurs daily. In Venezuela, Hugo Chavez continues to subvert the judicial branch, intimidate opposition leaders, and attack the authority of the National Assembly, while his continued absence for health reasons has prompted warnings of a constitutional crisis. The United States should stand in solidarity with the people of Cuba and Venezuela in their hour of need. Reducing democracy funding now would send the wrong message to freedom-loving people and undermine U.S. interests in the region.

Western Hemisphere Security Funding. As drug trafficking and violence continue to escalate, the Administration's efforts to significantly expand funding for environmental and climate change programs, while undercutting security in the Hemisphere, demonstrates a serious failure of prioritization. For example, last year in Ecuador, the Department of State spent more money on environmental programs than on counter-narcotics operations. In Bolivia, the Department spent more on environmental programs than on good governance initiatives. Meanwhile, Iran continues to expand its sphere of influence in the region. Given the rising threat posed by the Quds Force and its Iranian proxies, including Hezbollah, U.S. national security interests would be better served by focusing on countering violent extremism and combating illicit activities in this region.

Conclusion

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

Sincerely,

Ed Royce

EDWARD R. ROYCE
Chairman

One Hundred Thirteenth Congress
U.S. House of Representatives
Committee on Foreign Affairs
2170 Rayburn House Office Building
Washington, DC 20515
www.foreignaffairs.house.gov

March 1, 2013

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

Dear Chairman Ryan and Ranking Member Van Hollen:

As Democratic Members on the House Committee on Foreign Affairs, we are writing to share our views on the International Affairs budget – or Function 150 -- for Fiscal Year 2014. We believe that prudent investments in diplomacy and development are essential not only for protecting U.S. national security, but for promoting America's continuing economic recovery and for demonstrating the values and principles that define us as a nation.

A significant portion of the international affairs budget – which accounts for only about one percent of the total federal budget -- is dedicated to supporting U.S. efforts in areas of conflict. Yet, the dangers of failing to provide adequate resources for our key overseas work are real and pronounced. Without robust support for our civilian operations in Afghanistan, we would undermine prospects for U.S. military withdrawal, while underfunding humanitarian and peacekeeping assistance in places like Mali risks allowing al Qaeda's networks to expand unchecked.

The international affairs budget supports our efforts to prevent weapons of mass destruction from falling into the wrong hands and fragile and failing states from becoming training grounds for terrorists. It provides funding for initiatives to combat transnational crime, prevent drug trafficking and reduce violent extremism – all of which require effective diplomacy and the cooperation of other nations. In addition, the Function 150 account provides funding to keep our diplomats and development specialists safe in more than 280 posts around the world. The tragic events in Benghazi demonstrated the very real dangers they face and our obligation to make the security upgrades and enhancements necessary to protect them.

Our overseas efforts are also a critical part of strengthening the American economy and getting Americans back to work. Commercial and export agencies funded under the Function

The Honorable Paul Ryan, Chairman
The Honorable Chris Van Hollen, Ranking Member
March 1, 2013
Page Two

150 account, such as the Overseas Private Investment Corporation and U.S. Trade and Development Agency, are identifying and financing business opportunities for American companies in new markets. These emerging markets are essential to future U.S. growth as 95 percent of the world's consumers live outside the United States and developing countries purchase half of U.S. exports. Our officials not only provide support for American businesses and citizens abroad, but help attract investment and tourism to the United States, which enhances American competitiveness and creates jobs.

Foreign assistance programs also protect human rights, alleviate human suffering, and provide hope to millions who live in extreme poverty. The principles we cherish are undermined if we allow families to go hungry, children to die of easily preventable diseases, and girls to be kept out of school. Whether it is to respond to natural disasters, bring clean water and sanitation to urban slums, provide opportunities for women to start their own businesses, ensure free and fair elections, or combat human trafficking, there is a long tradition of bipartisan support for international programs that reflect American values.

Moreover, there is clear and convincing evidence these initiatives work. A recent study by the Institute of Medicine, which collected and analyzed mountains of data over a four-year period, concluded that "PEPFAR has achieved – and in some cases surpassed – its initial ambitious aims. These efforts have saved and improved the lives of millions of people around the world." To pull back on this long-term, comprehensive response now would risk losing the impressive gains of the past decade and take the prospects of an AIDS-free generation out of our reach.

Americans are a generous people, but in this difficult budget environment we must do everything possible to ensure that our resources are allocated wisely, and that our international programs are carried out in the most cost-effective manner. We recognize that tough choices must be made, yet we must guard against decisions that place America's security and well-being at risk for short-term gains.

We urge support for a robust FY 2014 international affairs budget and look forward to working with you to ensure that the State Department, USAID and other federal agencies receive the funding they need to protect our security and promote our interests around the world.

Sincerely,

Eliot L. Engel | Gerald E. Connolly | Karen Bass

ELIOT L. ENGEL | GERALD E. CONNOLLY | KAREN BASS

The Honorable Paul Ryan, Chairman
The Honorable Chris Van Hollen, Ranking Member
March 1, 2013
Page Three

ENI F.H. FALEOMAVAEGA

BRAD SHERMAN

GREGORY W. MEEKS

ALBIO SIRES

TED DEUTCH

BRIAN HIGGINS

WILLIAM KEATING

DAVID CICILLINE

ALAN GRAYSON

JUAN VARGAS

BRAD SCHNEIDER

JOSEPH KENNEDY III

ALAN LOWENTHAL

AMI BERA

LOIS FRANKEL

GRACE MENG

The Honorable Paul Ryan, Chairman
The Honorable Chris Van Hollen, Ranking Member
March 1, 2013
Page Four

Tulsi Gabbard

TULSI GABBARD

Joaquin

JOAQUIN CASTRO

THE VIEWS AND ESTIMATES
OF THE
COMMITTEE ON HOMELAND SECURITY
FOR FISCAL YEAR 2014
FOR THE DEPARTMENT OF HOMELAND SECURITY

Pursuant to clause 4(f) of Rule X of the Rules of the House of Representatives, and section 301(d) of the Congressional Budget Act of 1974 (2 U.S.C. 601 *et seq.*), the Committee on Homeland Security (Committee) is transmitting herewith to the House Committee on the Budget its Views and Estimates on matters within its jurisdiction or functions to be set forth in the budget of Fiscal Year (FY) 2014. These Views and Estimates were circulated to all Members of the Committee for their review and comment. While the report reflects the bipartisan views of the Members of the Committee, the Committee wishes to note that not all Members necessarily agree with every aspect of the report. Accordingly, the Committee reserves the flexibility to determine program needs and recognizes the potential for funding changes, as the Committee and Congress work their will through the legislative process.

The Committee recognizes that in this difficult fiscal and budgetary climate, there are a number of open budgetary questions that have delayed submission of the President's FY 2014 Budget Request to Congress. Those questions include to what extent the sequester will take effect, how the forthcoming expiration of the Continuing Resolution in late March will be addressed, and how all of this will impact budget baselines, against which the President prepares his FY 2014 Budget Request. Nevertheless, the Committee is taking this opportunity to present its analysis of the Department of Homeland Security's (the "Department" or "DHS") current programs and policies and to identify anticipated areas in the DHS budget where savings or targeted spending reductions can possibly be realized. Taxpayer dollars must be spent in a manner that addresses urgent homeland security spending priorities, such as protecting the homeland from terrorist threats, mitigating America's vulnerabilities in cyberspace, and strengthening our border security. We believe that targeted reductions and enhanced operational efficiency are a preferable way to find budgetary savings and can be accomplished without jeopardizing the Department's ability to execute its homeland security and non-homeland security missions.

In the 113th Congress, the Committee will continue its focus on equipping DHS with the tools it needs to prevent another 9/11. At the same time, we will ensure the Department is using taxpayer dollars effectively and efficiently. Primarily, the Committee will focus its work on: 1) ensuring the Department is preventing future international and domestic terrorist attacks; 2) ensuring the nation's Cybersecurity; 3) continuing to strengthen America's borders; and 4) helping the Department to continue implementing management efficiencies. Where our oversight identifies programmatic or policy obstacles that undermine the performance of not just the Department, but its components - including the Transportation Security Administration, the Coast Guard, and the Federal Emergency Management Agency - the Committee will recommend solutions and develop legislation to address them.

CUSTOMS AND BORDER PROTECTION

Border Security

The Committee generally supports CBP's attempt to design and utilize more accurate metrics for analyzing border security, and will conduct oversight to ensure the reliability of any measurement tool that is developed. Whether it is the Border Condition Index (BCI) or some other tool, it is paramount that the Department's policies and programs - especially its operations at and between the land ports of entry - are effective.

Technology is an important element of increasing situational awareness along the border. Advanced surveillance technology returning to the United States after being used overseas in the Nation's conflicts should be considered by the Department as a cost-effective means to increase situational awareness more quickly than the normal procurement cycle currently allows. These resources should be leveraged and put to use domestically, in accordance with privacy and civil liberties protections.

Historically, there have been significant technology failures within CBP, including the cancelled Secure Border Initiative. Therefore, the Committee will continue its ongoing examination of the delays in the Integrated Fixed Towers contracting process, and the lengthy timeline for deployment in Arizona. The Committee believes a comprehensive DHS strategy to secure the border is required to inform future technology investments.

Supply Chain Security

The Committee supports robust funding to improve the Automated Targeting System (ATS) that allows CBP to better screen people entering the U.S. and global cargo shipments by focusing resources on high-risk travelers and containers. Although ATS has been scrutinized for not having established targets for performance, CBP is committed to improving this system. Furthermore, the Committee supports continued funding for the Container Security Initiative (CSI). The CSI program allows CBP officers to work with foreign nations to scan and physically inspect high-risk cargo prior to its loading on a ship destined for an American port. The Committee supports the continuation of overseas collaboration between CBP personnel, who conduct risk assessments on cargo, and port staff who conduct scanning at international ports.

IMMIGRATION AND CUSTOMS ENFORCEMENT

Secure Communities

The Committee is encouraged that the Secure Communities program, which leverages state and local law enforcement as a force multiplier to identify criminal aliens, has been activated nationwide. The Committee will engage in rigorous oversight of this program to ensure that partner jurisdictions receive appropriate guidance regarding civil rights and civil liberties.

Enforcement and Removal

Although the Committee recognizes the significant cost of detaining criminal aliens in federally-operated detention facilities, it supports maintaining the current levels of detention bed space at 34,000 beds. Given the Administration's efforts to prioritize the detention and removal of criminal aliens, it is essential that sufficient bed space is funded. However, the significant cost associated with detention necessitates strong contract management and oversight by ICE, as well as aggressive efforts to identify efficiencies and costs reduction measures wherever possible.

Visa Security Program

The Committee continues to support the expansion of the Visa Security Program (VSP). The VSP allows Immigration and Customs Enforcement (ICE) personnel to work alongside overseas consular officials to assist in screening visa applications. This program is a valuable asset in the 'outer ring of border security' that supports and strengthens DHS' counterterrorism mission by helping to ensure dangerous applicants never receive visas.

UNITED STATES COAST GUARD

The Committee is deeply concerned that current funding - or worse, a decrease in current funding levels - will jeopardize the United States Coast Guard's (USCG) ability to provide an adequate level of homeland security. Reduction of USCG personnel, including vital front-line operational billets, along with decommissioning numerous operational assets without proper funding, will be detrimental to the homeland security missions of the Service.

Front Line Operations

Current budget limitations have forced the decommissioning of numerous front line operational units, including 378 ft. High Endurance Cutters and 110 ft. Patrol Boats. We are concerned that even as the USCG makes progress in delivering replacement assets, more cutter decommissionings, resulting from budget cuts, will create a void in operational capability. Additionally, USCG legacy assets, many of which have been in service for well over 40 years, have seen a significant decrease in operational hours and require a greater cost in maintenance. We are concerned that limited funding for existing assets and maintenance may hinder the USCG's ability to carry out homeland security and border defense missions until new acquisitions are delivered.

USCG Recapitalization

We believe that arbitrary reductions in acquisition funding may diminish the USCG's operational capabilities. The Committee, therefore, supports funding the seventh National Security Cutter (NSC). We recognize that each cutter asset currently costs $683 million and is the largest individual capital expenditure in the Department. But delaying acquisitions will only make this recapitalization more expensive. Further, the seventh NSC is necessary to maintain high endurance cutter capability, which is primarily designed to conduct law enforcement, defense readiness, and command and control operations.

NATIONAL PROTECTIONS AND PROGRAMS DIRECTORATE

Cybersecurity

The Committee supports adequate funding to fulfill the Department's cybersecurity role as the lead agency in protecting domestic critical infrastructure, to improve the security of Federal networks, and to support the security and operational framework guidance for the Federal government. The Committee will seek to identify unnecessarily duplicative funding at different Federal agencies for the same Federal network purposes and will conduct oversight to ensure that funding and management functions are streamlined so that the Department can fulfill its role as the lead Federal agency for cybersecurity.

Office of Infrastructure Security Compliance

We recognize that a major review by the Government Accountability Office (GAO) of DHS' management of the Chemical Facility Anti-Terrorism Standards (CFATS) program is ongoing and that recommendations for improving program performance are anticipated. The forthcoming expiration of the authorization of this security program is of concern. The Committee will therefore conduct vigorous oversight of the Department's implementation of the program, including execution of its reform plan to address the fundamental gaps and challenges in the CFATS program. The Committee will continue to work with the Department to reauthorize the program and to complete CFATS implementation in a manner that makes the Nation more secure and maximizes the use of taxpayer funds. The Committee will also conduct oversight to ensure that DHS advances a personnel surety program that meets the security and credentialing needs of chemical facilities without unreasonable cost or administrative delay. This oversight will help the Committee to ensure the effectiveness of the program.

OFFICE OF INTELLIGENCE AND ANALYSIS

Non-National Intelligence Program

The Committee supported the inclusion of non-National Intelligence Program (NIP) funding within the Office of Intelligence and Analysis (I&A) in the FY 2013 budget. The Committee continues to believe that I&A must maintain a meaningful role within the Intelligence Community (IC), and continued non-NIP funding is important for strengthening I&A's position within the DHS Intelligence Enterprise and its ability to focus on Department-specific missions, as well as its broader IC mission.

State and Local Intelligence Sharing

The Committee recognizes the importance of information sharing between Federal, State, and local law enforcement and, in particular, the role of the Office of Intelligence and Analysis (I&A) in sharing threat information with first responders. The Committee also recognizes the importance of ensuring that State and local governments have sufficient resources to detect and respond to a terrorist attack.

SCIENCE AND TECHNOLOGY DIRECTORATE

Research, Development, and Innovation

While the Committee values research and development (R&D) in homeland security-related technologies and services, a sufficiently rigorous process must be implemented to ensure that all of the requested funds will be allocated to projects that end users deem necessary and that will work in operational settings. The Science and Technology Directorate ("S&T" or the "Directorate") has notably undertaken important steps toward project prioritization and aligning goals with Department components, but the Committee is concerned about the absence of an updated five-year research and development plan. The Committee is also concerned that S&T is not balancing long-term R&D needs against short-term R&D needs. Specifically, the Directorate's recent 'technology foraging' strategy over-emphasizes short-term technology investments. The Committee is also concerned that subcomponents are not coordinating their R&D efforts with S&T, thereby marginalizing this important Department DHS component. The Committee plans to conduct continued oversight to ensure that S&T's approach to its allocation of funds is successful.

TRANSPORTATION SECURITY ADMINISTRATION

Risk-Based Screening

Over the past two years, the Transportation Security Administration (TSA) has made noteworthy progress with implementation of risk-based programs in the air passenger and air cargo environments. The Committee fully supports these efforts. However, challenges remain. For example, airport authorities, airlines, and passengers are optimistic about the long-term benefits of TSA's Pre-Check program but many are frustrated with its current shortcomings. The Committee maintains that there are still questions regarding the efficiency and operational scalability of the program. TSA is in the process of improving and expanding the program. The GAO is expected to conduct a review of the program in FY 2014, at the Committee's request.
Additionally, it remains unclear how risk-based passenger screening will impact overall aviation security as well as TSA's future budget requests and staffing needs.

Technology Procurement

The Committee is concerned about the potential dollars wasted because of planning and procurement deficiencies at TSA, including building privacy protections into acquisitions decisions for screening equipment. Close to $155 million worth of unused screening equipment remains in expensive TSA-leased storage facilities, although TSA has projected that $75 million will remain in storage by the end of 2013. Increasing transparency and accountability in TSA's procurement process could save millions of taxpayer dollars in the long run and eliminate or significantly reduce the cost of warehousing unused screening equipment.

Aviation and Transportation Security Regulations

The Committee is concerned that TSA's long delay in issuing a Final Rule on foreign aircraft repair-station security is preventing new repair stations from being certificated. TSA was expected to issue a final rule in December 2012, but the agency did not meet that deadline. Additionally, there is an outstanding rule pending for the Large Aircraft Security Program. The Committee will continue to monitor these initiatives to ensure that American businesses are not inadvertently hamstrung and are able to remain competitive.

Moreover, the Implementing Recommendations of The 9/11 Commission Act of 2007(P.L. 110-53) established frameworks through which TSA could achieve greater security across surface and mass transit sectors. Sections 1408, 1517, and 1534 of the 9/11 Act require DHS to issue regulations on security training for frontline employees of public transit agencies, rail carriers, and intercity bus carriers. Similarly, sections 1405, 1512, and 1531 require issuance of regulations governing security assessments and planning for surface transportation modes. To date, these rules have not been issued. The Committee will continue to conduct oversight to ensure that these rules are issued.

Surface Transportation Security

The Committee recognizes TSA's important role in securing the Nation's surface transportation systems. While TSA and its partners have made progress in the surface environment, the Committee encourages TSA to reevaluate its efforts in order to apply a more risk-based intelligence-driven approach, as it has begun to do in the aviation environment. According to an August 2012 report by the DHS Office of Inspector General, TSA's Visible Intermodal Prevention and Response program continues to experience organizational, programmatic, and operational challenges. As noted above, TSA has failed to issue mandated training rules for frontline surface transportation workers. This lack of established standards undermines efforts to assess the effectiveness, efficiency, and additional benefits that might be realized as a result of budgetary and personnel increases made in recent years. The Committee will continue to conduct oversight of these and other TSA surface transportation security initiatives.

DEPARTMENTAL MANAGEMENT AND OPERATIONS

DHS Management

The Committee notes that the Department's management efforts play a critical role in ensuring DHS is functioning in the most efficient manner possible. Management issues that result in cost overruns, schedule delays, and performance reductions have a direct impact on our ability to protect the homeland.

The Committee intends to continue its oversight of the Department's human capital costs. TSA has over 3,500 administrative staff in headquarters with an average salary over $100,000. TSA currently spends over $3 billion (half its budget) a year in payroll, compensation, and benefits. Additionally, GAO found that TSA lacks a methodology for comparing the cost of using privatized-screeners as opposed to their federal counterparts. The Committee will engage in aggressive oversight to ensure that the cost-analysis is accurate.

The Committee intends to continue its oversight of the Department's future plans for the construction of the new DHS Headquarters at the St. Elizabeth's site located in Southeast Washington, DC to ensure that the work complies with the Federal Acquisition Regulation and other procurement practices. The Committee further intends to continue its oversight of the Department's conference spending practices.

Quadrennial Homeland Security Review

In an effort to establish a framework for homeland security activities, the *Implementing Recommendations of The 9/11 Commission Act of 2007* directed the Secretary to, every four years, "conduct a review of the homeland security of the Nation," inspired by the Department of Defense's Quadrennial Defense Review. The Secretary is required by statute to comprehensively examine the Nation's homeland security strategy, make recommendations regarding the long-term homeland security strategy and priorities, and provide guidance on the programs, assets, capabilities, budget, policies, and authorities of the Department of Homeland Security. The next QHSR is due this December, and the Department needs the resources necessary to do an effective review.

Office of the Inspector General

Even in this constrained fiscal environment, the Committee believes there needs to be sufficient oversight by DHS' Office of Inspector General (OIG) of TSA, CBP, and the Federal Emergency Management Agency (FEMA), in addition to work underway reviewing programs at U.S. Citizenship and Immigration Services (USCIS), the USCG, and ICE. The Committee is supportive of OIG's accountability plans to examine DHS component and directorate controls over acquisitions, financial systems and data, disaster preparedness grants, and cybersecurity. The Committee urges the Department to act on open recommendations to consolidate and streamline systems and operations in order to find efficiencies and potential financial savings, and to review questionable costs identified by the OIG totaling more that $1 billion. Additionally, the Committee is concerned that the Department has not had a permanent Inspector

General since 2011. The IG plays a critical role in identifying potential inefficiencies and can help to bring about cost savings and prevent waste. The Committee is similarly concerned that Customs and Border Patrol (CBP) has been without a permanent Commissioner since 2011, and without a full-time dedicated Privacy Officer, despite the Department's 2009 directive requiring the designation of a senior-level Federal employee to that position. Moreover, the Department has been without a permanent Officer for Civil Rights and Civil Liberties since January 2012. These important positions must be filled.

Areas of Duplication

In 2011, the GAO highlighted areas of duplication within DHS, such as duplicative efforts to secure the Northern border, to conduct security assessments for hazardous material trucking companies, and overlap between various information-sharing mechanisms.[1] In 2012, GAO highlighted additional areas of duplication including FEMA grants, duplicative administrative services at overseas missions, and training to identify fraudulent travel documents, among other issues.[2] GAO will provide updates on these issues in its upcoming 2013 report. The Committee plans to continue rigorous oversight on DHS' plans to address GAO's recommendations issued in these reports to reduce and eliminate duplication and overlap of programs to achieve cost savings.

Acquisition & Procurement Issues

The Committee is concerned by recent DHS Inspector General and GAO findings that poor management of acquisition programs are leading to waste of taxpayer dollars. The Committee notes that the GAO found that most of DHS' major acquisition programs continue to cost more than expected, take longer to deploy than planned, or deliver less capability than promised with 42 programs experiencing cost growth or schedule slips.[3] The Committee is especially concerned about GAO's finding that DHS continues to invest in major acquisition programs even though many of these programs lack key documents demonstrating the knowledge needed to help manage risks and measure performance.

The Committee also notes that DHS obligated about $389 million for noncompetitive contracts during FY 2012, an 89% decrease from the FY 2008 levels of $3.5 billion for noncompetitive contracts.[4] The Committee urges the Department to hold acquisition programs accountable in its upcoming budget request to ensure these programs meet mission needs and result in a return on investment for the taxpayer. The Committee plans to conduct rigorous oversight of DHS' implementation of its acquisition and procurement policies.

---

[1] GAO, 2011, Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue, GOA-11-318SP

[2] GAO, 2012, 2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue, GAO-12-342.

[3] GAO, 2013 Update Report on High-Risk Series, GAO-13-283.

[4] OIG 13-36, DHS Contracts Awarded Through Other than Full and Open Competition During Fiscal Year 2012.

FEDERAL EMERGENCY MANAGEMENT AGENCY

The Federal Emergency Management Agency (FEMA) has the vital mission to assist state, local and tribal governments, emergency response providers, the private sector, and individuals and communities in preparing for, responding to, recovering from, and mitigating all-hazards. Although the Committee is supportive of FEMA, the Committee is concerned about the management of scarce resources and the proper expenditure of scarce dollars. The Committee will continue its oversight of this organization.

State and Local Programs

The Committee supports funding for homeland security grants. These grants help to build capabilities and strengthen preparedness across the country as state and local governments use grant funding to purchase equipment and training, conduct exercises, and update emergency response plans.

The Committee will be interested to see if the Administration's FY 2013 budget proposal to consolidate and fundamentally alter the nature of these programs will be included in the forthcoming FY 2014 request. Despite repeated requests at both hearings and through oversight letters, FEMA has failed to provide details to this Committee on this proposal, known as the National Preparedness Grant Program (NPGP). Due to this lack of detail and failure to meaningfully engage with authorizing committees and stakeholder groups, the Fiscal Year 2013 Department of Homeland Security Appropriations Acts passed by the House and by the Senate Appropriations Committee both deny the President's request to implement this new grant program absent authorizing legislation.

The Committee continues to be concerned that despite years of effort, FEMA has been unable to establish meaningful performance measures and metrics for the homeland security grant programs. In these difficult fiscal times, we must ensure that these grants are monitored appropriately and are providing a return on investment. The Committee will continue to monitor these efforts to ensure the efficient and effective use of homeland security grants.

OFFICE OF HEALTH AFFAIRS

BioWatch

BioWatch is the Office of Health Affairs' (OHA) flagship operational program, designed to detect aerosolized bioterror agents. OHA is in the process of developing the proposed next generation (Gen-3) of the system. The Gen-3 system would be a "lab in a box," omitting the human element required with Gen 1/2 and automating much more frequent filter analysis. If successfully implemented, the Gen-3 sensors would decrease the time to detect from the current 12-36 hours down to 4-6 hours (critical time for supplying life-saving medical treatments), and would provide more effective indoor coverage.

The Committee is concerned with the Department's management of the acquisition, particularly in light of the $5.8 billion lifecycle cost estimate, nearly three times the original $2.1 billion estimate. A 2012 GAO review of the Gen-3 acquisition found that the Department has not fully followed its own rules during the course of this acquisition. The Committee will continue to monitor the progress of this program and acquisition.

Michael T. McCaul Chairman	Bennie G. Thompson Ranking Member
Lamar S. Smith	Loretta Sanchez
Peter T. King	Sheila Jackson Lee
Mike Rogers	Yvette D. Clarke
Paul C. Broun	Brian Higgins
Candice S. Miller	Cedric L. Richmond
Patrick Meehan	William R. Keating
Jeff Duncan	Ron Barber

Tom Marino

Donald M. Payne, Jr.

Jason Chaffetz

Beto O'Rourke

Steven M. Palazzo

Tulsi Gabbard

Lou Barletta

Filemon Vela

Chris Stewart

Steven A. Horsford

Keith J. Rothfus

Eric Swalwell

Richard Hudson

Steve Daines

Susan W. Brooks

Scott Perry

LAMAR SMITH
21ST DISTRICT, TEXAS
lamarsmith.house.gov
COMMITTEE ON
SCIENCE, SPACE, AND TECHNOLOGY
CHAIRMAN
COMMITTEE ON THE JUDICIARY
COMMITTEE ON HOMELAND SECURITY

2409 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-4236
FAX: (202) 225-8628

Congress of the United States
House of Representatives

March 1, 2013

Additional views by Congressman Lamar Smith (TX-21):

The views and estimates regarding the Secure Communities program, while part of the general oversight jurisdiction of the Homeland Security Committee, is primarily the jurisdiction of the Judiciary Committee due to the nature of interior enforcement and immigration policy. As a Member of both committees, I am eager to work with Members to ensure that the program is fully utilized by the Department.

Sincerely,

Lamar Smith

Lamar Smith
Member of Congress

PLEASE REPLY TO:

☐ AUSTIN DISTRICT OFFICE
2211 SOUTH IH-35, SUITE 106
AUSTIN, TX 78741
(512) 912-7508
FAX: (512) 912-7519

☐ KERRVILLE DISTRICT OFFICE
301 JUNCTION HIGHWAY
SUITE 346C
KERRVILLE, TX 78028
(830) 896-0154
FAX: (830) 896-0168

ADDITIONAL VIEWS
OFFICE OF DEMOCRATIC MEMBERS OF THE COMMITTEE ON HOMELAND SECURITY ON POLICIES AND PRIORITIES FOR FY 2014 FOR THE DEPARTMENT OF HOMELAND SECURITY

As Democrats on the Committee on Homeland Security, we question how you can expect constructive input about the President's Fiscal Year (FY) 2014 budget request when it has not yet been received by Congress, and when there are significant open questions about the Federal budget. That said, herein, we are pleased to identify priorities related to Department of Homeland Security programs and activities.

Main Priority of the Homeland Security Democrats—Avoid the Sequester

The highest priority of the Committee on Homeland Security Democrats is to avert the sequester that would result in reckless, across-the-board budget cuts that risk undermining the security capabilities we have gained since September 11, 2001.

We note that March 1, 2013 is not only your deadline for submitting Budget Views and Estimates but also the date when sequestration is slated to take effect. We are troubled that authorizers are being asked to assess a budget proposal that we have not seen instead of working together to avoid sequester and develop a balanced approach to deficit reduction. We would also note that the deadline for Views and Estimates for Fiscal Year 2013 was March 9, 2012. It is unclear why you have imposed an earlier deadline this year, especially given the need for serious efforts to resolve the sequester. We should be using this week to prevent 14-day furloughs at U.S. Customs and Border Protection (CBP), 7-day furloughs at the Transportation Security Administration (TSA), and a $1 billion reduction to the Disaster Relief Fund (DRF). We are disappointed the House Majority does not share these priorities.

As we have indicated, our highest priority is averting the sequester and preserving the homeland security capabilities that were achieved over the past decade. Budget Committee Democrats have proposed legislation that would replace the sequester with a balanced approach to deficit reduction. We support their efforts. As Democrats on the Homeland Security Committee, we support the elimination of unnecessary corporate tax subsidies and the freeing up of funding to prevent irresponsible cuts to homeland security.

We are disappointed that the House Majority has refused to allow a package to avoid sequester, proposed by the Budget Committee Democrats, to be considered on the floor. Without timely action by the Majority, the following homeland security cuts are anticipated:

- Customs and Border Protection's budget will be reduced by $754 million, which means CBP will be forced to implement an agency-wide hiring freeze and furlough of up to 14 days;

- The United States Coast Guard would have to curtail air and surface operations by more than 25 percent, reducing essential operations with respect a wide range of missions—from migrant and drug interdiction to port security and counterterrorism;

- The Transportation Security Administration would be forced to implement a 7-day furlough of 48,000 Transportation Security Officers, eliminate overtime, and institute a hiring-freeze, likely resulting in increased wait times of up to three hours at the nation's busiest airports;

- The Federal Emergency Management Agency's Disaster Relief Fund will be reduced by $1 billion, slowing on-going recovery operations across the nation and exacerbating the suffering of disaster survivors;

- The Department's Science and Technology Directorate will be compelled to halt ongoing research and development on countermeasures for bio-threats, aviation security and cybersecurity technologies, and projects aimed at better protecting and equipping our first responders; and

- The Department's cybersecurity efforts will be stymied. Specifically, the National Protection and Program Directorate (NPPD) would have to scale back its development of critical capabilities for the defense of Federal cyber networks. Specifically, full deployment of the National Cybersecurity Protection System (NCPS) intrusion prevention system would be delayed-- thereby reducing the Federal government's ability to detect, analyze, and respond to emerging cyber threats.

As we have made clear, preventing across-the-board cuts to Department of Homeland Security programs is our highest priority. Should the sequester take effect, we must work to mitigate the damage to our homeland security posture.

Other Homeland Security Priorities

Without a Fiscal Year 2014 budget request or a complete understanding of how the pending sequester will affect programs at the Department, we will speak about homeland security priorities that Democrats on this Committee have historically advocated.

Cybersecurity and Infrastructure Protection

The threats to our Nation's critical infrastructure are multiplying, as each day brings news of increasingly worrisome cyber attacks, from mass cyber assaults on our financial system to penetrations of networks controlling the most sensitive infrastructure. As the designated Federal lead for coordinating the protection, prevention, and recovery from cyber incidents since the Bush Administration in 2003, the Department of Homeland Security is leading Federal efforts to ensure that we, as a Nation, are keeping pace with these threats. It is essential that the Department's cyber programs be funded adequately to carry out this vital mission.

Even as we support adequate funding for cybersecurity, we are committed to ensuring that the Department's critical infrastructure programs have the resources necessary to carry out their missions. Specifically, we support funding sufficient to ensure that the Chemical Facilities Anti-Terrorism Standards and Ammonium Nitrate programs are implemented.

Border Security

This year, Congress is expected to consider legislation to implement Comprehensive Immigration Reform. The components of the Department of Homeland Security, including Customs and Border Protection and the United States Coast Guard, will play a critical role in carrying out any border security directives included in any immigration reform proposal. We support adequate funding for Customs and Border Protection and the United States Coast Guard and are concerned about the significant cuts to those components anticipated under sequestration.

First Responders

Last year, the President's Fiscal Year 2013 budget request included a proposal to consolidate 16 targeted State and local Homeland Security Grant programs into a single competitive grant program, the National Preparedness Grant Program. At the time, Homeland Security Democrats strongly opposed this proposal because it would impair Congress' ability to target funding towards specific preparedness priorities. We were pleased when the proposal was ultimately rejected by both the House and Senate.

We are concerned, however, about the effects that the sequester will have on important State and local grant programs and resources for first responders. For example, the Federal government has invested over $1 billion over the past 3-and-a-half years to restore over 10,000 firefighters' jobs. Those jobs will be in jeopardy under the sequester.

In this austere budget climate, it is important to note that State and local Homeland Security Grant programs work. The National Preparedness Report (NPR), released in May 2012, found a correlation between significant grant investment and preparedness capabilities. Conversely, the NPR found that where there was little grant investment the preparedness levels were low. We, therefore, continue to urge support for State and local Homeland Security Grant programs, particularly in light of budget cuts at the State and local levels that are reducing non-Federal resources available to support planning and training activities and medical surge capacity.

Maritime and Port Security

Maintaining the U.S. Coast Guard (USCG) and ensuring that it has the resources needed to execute all its homeland and non-homeland security missions is a Democratic priority. The prospect that decommissioning of critical Coast Guard assets will transpire without new replacement vessels coming on line is troubling. We are concerned that it could create a void in operational capability. The recapitalization of the Coast Guard fleet is critical, given that many of the assets have been in service for well over 40 years. We believe that arbitrary reductions required under the sequester may diminish the USCG's operational capabilities.

Final Thoughts

Again, we would be remiss if we did not acknowledge that the position we are now in, as authorizers, being asked to submit Views and Estimates on a budget request that is not available, is the result of delays brought on by the House Majority. Under the House Republicans' control, the 112th Congress failed to make any meaningful effort to resolve important budget and revenue issues until January 1, 2013, put off the issue of sequestration until March 1, 2013, and failed to enact a final spending bill for Fiscal Year 2013 in a timely manner. With so much uncertainty about the budget, including what the baseline will be for FY 2014, it is hardly a surprise that the Administration has been unable to submit a Fiscal Year 2014 budget proposal.

BENNIE G. THOMPSON
Ranking Member

SHEILA JACKSON LEE
Member of Congress

BRIAN HIGGINS
Member of Congress

WILLIAM R. KEATING
Member of Congress

DONALD M. PAYNE, JR.
Member of Congress

FILEMON VELA
Member of Congress

ERIC SWALWELL
Member of Congress

LORETTA SANCHEZ
Member of Congress

YVETTE D. CLARKE
Member of Congress

CEDRIC RICHMOND
Member of Congress

RON BARBER
Member of Congress

BETO O'ROURKE
Member of Congress

STEVEN HORSFORD
Member of Congress

Tulsi Gabbard

TULSI GABBARD
Member of Congress

CANDICE S. MILLER, MICHIGAN
CHAIRMAN

GREGG HARPER, MISSISSIPPI
PHIL GINGREY, GEORGIA
AARON SCHOCK, ILLINOIS
TODD ROKITA, INDIANA
RICH NUGENT, FLORIDA

KELLY CRAVEN, STAFF DIRECTOR

Congress of the United States

House of Representatives

COMMITTEE ON HOUSE ADMINISTRATION

1309 Longworth House Office Building
Washington, D.C. 20515-6157
(202) 225-8281
http://cha.house.gov

ROBERT A. BRADY, PENNSYLVANIA
RANKING MINORITY MEMBER

ZOE LOFGREN, CALIFORNIA
JUAN VARGAS, CALIFORNIA

ONE HUNDRED THIRTEENTH CONGRESS

JAMIE FLEET, MINORITY STAFF DIRECTOR

March 6, 2013

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

Dear Chairman Ryan:

I write this letter to formally submit the Fiscal Year 2014 views and estimates on matters within the jurisdiction of the Committee on House Administration to the Committee on the Budget. The views of the Minority Members are also included. Any questions your staff may have with regard to this submission may be directed to Peter Schalestock, Deputy General Counsel, Committee on House Administration.

Sincerely,

Candice S. Miller

Candice S. Miller
Chairman
Committee on House Administration

cc: The Honorable Robert A. Brady

COMMITTEE ON HOUSE ADMINISTRATION
113TH CONGRESS
COMMITTEE RESOLUTION 113-4
March 1, 2013

Resolution to Approve Committee Views and Estimates

Resolved, pursuant to § 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), the Committee adopts the following views and estimates for Fiscal Year 2014:

COMMITTEE ON HOUSE ADMINISTRATION VIEWS AND ESTIMATES FOR FISCAL YEAR 2014

Federal Election Commission

The Federal Election Commission (FEC) is an independent, bipartisan commission which facilitates transparency in the Federal election process through public disclosure of campaign finance data, and encourages compliance with the Federal Election Campaign Act by providing information and policy guidance. The FEC administers and interprets the Federal Election Campaign Act, the Presidential Election Campaign Fund, and the Presidential Primary Matching Payment Account Act. The FEC also enforces these Acts through audits, investigations, and civil litigation.

The FY 12 appropriated amount for the FEC totals $66,367,000. The FEC's budget reflects the resources necessary to carry out its mission in the upcoming fiscal year. The Committee will conduct vigorous oversight to identify and realize future potential savings.

Presidential Election Campaign Fund

One means to reduce the budget needs of the FEC is to eliminate the Presidential Election Campaign Fund (PECF). The PECF provides taxpayer financing for presidential campaigns. The PECF receives its funds through a voluntary election on tax returns to have $3 of the taxpayer's taxes directed to the fund. For primary elections the PECF provides payments to candidates to match private contributions. Candidates who elect to participate are subject to state-by-state spending limits. For general elections the PECF provides a single grant payment to participating candidates, in return for which the candidate agrees not to spend funds from any other source. The PECF also provides a grant to each major political party for the costs of its nominating convention. The FEC incurs costs to administer the PECF and to audit recipients of PECF funds. These costs could be eliminated if the PECF were eliminated.

In 2011, the House twice voted to eliminate the Presidential Election Campaign Fund by passing both H.R. 359 and H.R. 3463. The fund is underutilized by candidates and undercapitalized because the American public chooses to no longer contribute. Public support for the PECF has declined precipitously since its introduction. The percentage of taxpayers participating dropped from 28.7% in 1980 to approximately 7% in 2010, even though participating does not affect tax liability.

After pledging to participate in the PECF, in 2008 then-Senator Obama declined public financing during the general election. In the 2012 campaign, only three candidates received PECF funds – Buddy Roemer (Americans Elect and the Reform Party), Gary Johnson (Libertarian) and Jill Stein (Green). The total they received was $1,356,108. Both major party candidates rejected PECF financing in both the primary and general elections. The PECF paid $18,248,000 each to the Republican and Democratic parties for their national nominating conventions in 2012 (separate from security funding provided by the Department of Homeland Security). The PECF currently holds a balance of $236,255,661.

According to a 2011 CBO estimate, eliminating the PECF would save American taxpayers $447 million in mandatory funds over the next five years and immediately return nearly $199 million to the Treasury for deficit reduction. A majority of the Committee's members voted in favor of eliminating the PECF.

The Committee does not support continued operation of the PECF and strongly supports the elimination of the PECF.

Election Assistance Commission

The Election Assistance Commission (EAC) is an independent, bipartisan commission which develops guidance to meet Help America Vote Act (HAVA) requirements, adopts voluntary voting system guidelines, and serves as a national clearinghouse of information on election administration. The EAC also certifies voting systems, accredits test laboratories, and audits the use of HAVA funds.

No funding for election reform grants was appropriated in FY 11, FY 12, or FY 13. The FY 12 appropriated amount for the EAC totals $11,500,000, which includes a transfer of $2,750,000 to the National Institute of Standards and Technology and an allocation of $1,250,000 for the Office of Inspector General. EAC is left with a net operating budget of $8,750,000.

The Inspector General of the EAC testified before the Appropriations Committee on March 2, 2011, that 51.7% of the FY 12 budget request went to "Management," meaning the EAC would use $5,406,718 to manage programs totaling $3,486,601. An analysis of the Indirect Costs in the FY 13 budget request indicates 54.2% of the EAC's requested budget was for administrative overhead. The FY 13 request also included actual figures for previous years showing that the EAC's overhead costs were 55.8% of its spending in FY 11 and 53.8% in FY 12. On an ongoing basis, the EAC spends half or more of its budget to maintain its existence.

Twice in 2011, a majority of the House voted to eliminate the EAC, with 235 Members voting in favor of both H.R. 672 and H.R. 3463. A majority of the Committee's members voted in favor of eliminating the EAC on both occasions. The CBO estimate for H.R. 672 stated that eliminating the EAC would save taxpayers $33 million over five years.

The EAC has not had a quorum of commissioners since 2010, it has not had any commissioners since 2011, the executive director position has been vacant since 2011, and the general counsel position has been vacant since May, 2012. In February, 2013, the President opted to form a new ad hoc commission to propose best practices for election officials regarding polling place waiting times and military and overseas voting rather than rely on the EAC to perform this function, indicating both that he did not believe the EAC was capable of the task and that it could be performed without the EAC's participation.

The Committee does not support continued funding for the EAC and strongly supports the elimination of the EAC.

Minority Views of Ranking Member Robert A. Brady Representative Zoe Lofgren and Representative Juan Vargas

The Capitol and House Office Buildings

We are very concerned about shortsightedness with respect to the Capitol dome. In 2010 the Architect of the Capitol completed a second, interim phase of a long-term renovation of the dome, which was built between 1855 and 1866 and last renovated during the second Eisenhower Administration. The Architect requested $61,247,000 for fiscal year 2013 to continue the dome work. The Senate Appropriations Committee recommended full funding but the House voted him nothing. As a result of the House's failure to recognize preservation of the Capitol as a national priority, work to conserve the most cherished symbol of American democracy may stall.

Budget cutters often neglect repairs and capital improvements as easy places to save money. In this instance, the cost of such shortsightedness will be especially high. Most dome visitors are amazed to discover during the harrowing climb that the present dome is really two structures, an inner dome visible from the rotunda and the outer dome recognized around the world. Much of the space between the two is exposed to the elements which erode the cast-iron structure and its supports continuously. As the Architect reminds us, "rust never sleeps" and is certainly taking its toll on the dome. Delaying conservation and preventive maintenance of this irreplaceable asset will not save money, but instead increase the ultimate cost and render any savings illusory.

Fortunately, in recent years the House has adopted a more sensible approach to budgeting for renovation of the House office buildings. In 2009, the House established a trust-fund account to hold appropriations for renovating the now 105-year-old Cannon House Office Building and the others thereafter. To-date Congress has deposited more than $150,000,000 in the fund, which is a healthy amount one can best characterize as a "good start." The Cannon Building is in dreadful condition despite the Architect's heroic efforts to stretch his operating budget. In addition to other serious problems with the heating and ventilation system and enormous disability-access shortcomings, the Cannon Building poses mounting life-safety threats as portions of the structure fall to the floor. In at least one case, a Member arrived at his office to find portions of the ceiling strewn across his desk; in one publicized case, a chunk of a ceiling fell over a weekend narrowly missing a Capitol Police officer.

Thousands work in these buildings and millions more visit every year. We have a responsibility to maintain these invaluable assets. The Capitol and House buildings are expensive to maintain and operate to be sure, but it will cost the beleaguered taxpayer far more if we delay and inevitably disrupt the Congress' work in countless ways at incalculable cost. As Members of the Committee charged with ensuring that the House has what it needs to fulfill its constitutional duties, we urge you to save money over time by accommodating these essential renovations.

The Defense of Marriage Act (DOMA)

We remain concerned about the prospect of continued waste of public funds to defend the constitutionality of section 3 of the Defense of Marriage Act. After the Attorney General of the United States notified Congress in February 2011 that he would no longer defend DOMA from constitutional challenge, the Speaker and Republican Leadership, through the Bipartisan Legal Advisory Group, directed the House General Counsel to intervene in DOMA's defense. The House Administration Committee has since approved the spending of up to $3 million for outside legal support in addition to the costs incurred by the General Counsel and his own staff. House Administration Committee Democrats have yet to receive a thorough reckoning of the total spent by the House over the past two years in this frivolous pursuit.

As of this writing, every federal court that has reached the merits of section 3 of DOMA has found it unconstitutional. The U.S. Supreme Court last year agreed to hear at least one case, *Windsor v. United States*, presenting the constitutionality of DOMA. In our view, the House of Representatives should immediately abandon its defense of the indefensible. In your deliberations, we urge the Budget Committee to adjust totals for the House of Representatives to seize the significant savings available here.

The Library of Congress

Like other federal agencies, at this writing the Library of Congress is preparing for sequestration cuts of approximately $31 million in fiscal year 2013, roughly 5.3% of the total available to perform the many functions that Congress entrusts to the nation's premier cultural institution. Cuts of such magnitude will necessitate four days of administrative furloughs for each employee and force closure of the entire agency for three business days. The ill effects of the looming 2013 sequestration will inevitably extend well into 2014 and beyond.

We urge you to make generous allowance for the Library and its many constituencies next year. Many do not realize the Library's responsibilities include the Copyright Office, which assures intellectual-property protection for authors and others whose creative efforts provide much of the vitality in our economy. The Library has for decades operated a program allowing tens of millions of blind and physically-disabled persons to enjoy numerous books and recordings held in its collections.

Within government itself, the Library provides cataloguing and other services to support state and local libraries. The relatively small Federal Library and Information Network (FEDLINK) helps other federal agencies make efficient use of their own resources by promoting common services and information sharing; an ill-advised cut to FEDLINK could quickly result in increased costs in its customer agencies. Along that line, failure to sustain the Library's essential preservation of irreplaceable photographs, manuscripts and other historical artifacts will destroy the opportunity of future generations to learn and employ the wealth of information through the investments Congress has made to-date.

We urge you to consider also the immense support the Library provides to Congress that is essential to our own work. The Congressional Research Service is already straining under the effect of past cuts. CRS's sole mission is to provide Members and committees with prompt, accurate, non-partisan analysis of the complex legal and policy issues we confront every day. Whether Members realize it or not, the pennies one might save from further cuts to CRS would inflict long-term damage on Congress itself and never be worth the price our constituents would pay.

Support for Federal Elections

The House Administration Committee exercises jurisdiction over the sundry federal programs enacted in recent decades to support the conduct of elections in the United States, especially the Help America Vote Act (HAVA), enacted in the wake of embarrassment stemming from the 2000 presidential election and *Bush v. Gore*. During the 112th Congress the House passed legislation to abolish the Presidential Election Campaign Fund, a reform enacted in the immediate aftermath of the Watergate scandal, and to abolish the Election Assistance Commission created in HAVA to provide valuable support to state and local election officials often shortchanged in the fierce competition for resources in state capitals.

From our perspective, Congress would make a mistake of enormous magnitude by reversing decades of efforts to assure the fairness, accuracy and reliability of federal elections. Americans' ability to direct our country's course through clean, fair and accurate elections is the bedrock upon which everything else Congress does depends. When state and local officials conduct elections for President, Vice President, Senators and Representatives, the enormous value and immeasurable benefits of our efforts reach down ballot into every city and town in this country giving us pride and confidence in a system admired and emulated worldwide.

We appreciate your consideration and look forward to working with you and your Committee on these and other matters of common concern.

Robert Brady **Zoe Lofgren** **Juan Vargas**

March 5, 2013

ONE HUNDRED THIRTEENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON THE JUDICIARY

2138 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515–6216

(202) 225–3951
http://www.house.gov/judiciary

March 1, 2013

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

The Honorable Chris Van Hollen
Ranking Member
Committee on the Budget
B71 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Ryan and Ranking Member Van Hollen,

Pursuant to section 301(d) of the Congressional Budget Act of 1974 (2 U.S.C. 632(d)) and House Rule X, clause 4(f)(1), we are submitting the views and estimates of the Committee on the Judiciary for Fiscal Year 2014. These views and estimates encompass a broad range of programs within the Judiciary Committee's jurisdiction. Regrettably, the Committee had to develop these views in the absence of the critical information that comprises the President's budget request. Nevertheless, we hope that these views and estimates provide valuable guidance to your Committee as you prepare the budget resolution. We note that, while this document reflects the views of the Members of this Committee, some Members may have individual views that are not reflected in this document. Please feel free to contact us or our staffs should you have any questions or concerns.

Sincerely,

Bob Goodlatte
Chairman

John Conyers, Jr.
Ranking Member

Discretionary Spending

DEPARTMENT OF JUSTICE

GENERAL ADMINISTRATION

General Administration (GA) supports the Attorney General and the Department of Justices' senior policy level officials in managing Department resources and developing policies for legal, law enforcement, and criminal justice activities. GA consists of four decision units: Department Leadership, Intergovernmental Relations and External Affairs, Executive Support and Professional Responsibility, and the Justice Management Division.

The Department Leadership decision unit includes the Offices of the Attorney General, Deputy Attorney General, Associate Attorney General, Privacy and Civil Liberties, Rule of Law, and Access to Justice. Intergovernmental Relations and External Affairs includes the Offices of Public Affairs, Legislative Affairs and Tribal Justice. Executive Support and Professional Responsibility includes the Offices of Legal Policy, Professional Responsibility, Information Policy and the Professional Responsibility Advisory Office. Finally, the Justice Management Division provides advice to senior DOJ officials and develops departmental policies in the areas of management and administration, ensures compliance by DOJ components with departmental and other federal policies and regulations, and provides a full range of management and administration support services.

The level of firearms violence in this country remains an urgent issue. Recognizing the importance of prosecuting individuals who illegally obtain or possess—or attempt to obtain or possess—firearms, the Committee expects DOJ to intensify its efforts to ensure that firearms are kept out of the hands of those individuals who are prohibited by law from possessing them.

Additionally, the Committee continues to express bipartisan concern about past investigations that allowed gun walking and opposes the use of federal funds to use this tactic in the future.

With the recognition that budgetary restraints could impact funding, the Committee supports funding GA at a level that will enable it to accomplish its mission.

EXECUTIVE OFFICE FOR IMMIGRATION REVIEW

The Executive Office for Immigration Review (EOIR) contains the corps of Immigration Judges, the Board of Immigration Appeals, and the Office of the Chief Administrative Hearing Officer. EOIR presides over administrative immigration hearings such as removal, bond, and employer sanctions proceedings.

The Committee recognizes that EOIR's immigration court case backlogs have continued to grow, lengthening case adjudication times. The Committee also supports funding of Legal Orientation Programs for detained noncitizens at a level necessary to accomplish the goals of the program.

Timely and fair adjudication of cases in immigration courts is an essential part of effective immigration enforcement. Funding for EOIR personnel and programs must keep pace with other immigration enforcement activities in order for the entire immigration enforcement system to function properly. With the recognition that budgetary restraints could impact funding, the Committee recommends that EOIR be funded at a level that will enable it to achieve these goals.

OFFICE OF THE INSPECTOR GENERAL

The Office of the Inspector General (OIG) is an independent office within the Department of Justice that is charged with investigating allegations of fraud, waste, abuse, and misconduct by DOJ employees, contractors, and grantees and promoting economy and efficiency in DOJ operations.

With the recognition that budgetary restraints could impact funding, the Committee supports funding the OIG at a level that will allow it to sustain the number of audits, investigations, and special reviews it conducts annually to help assure Congress and the taxpayers that the substantial funding to DOJ is used efficiently, effectively, and for its intended purposes.

GENERAL LEGAL ACTIVITIES

Office of the Solicitor General

The Office of the Solicitor General supervises and processes all appellate matters and represents the United States and federal agencies in the Supreme Court. The FY 2013 Presidential Budget Request proposed $10.805 million for the Office of the Solicitor General. This represented a net increase of $81,000 over FY 2012 appropriations as enacted. This increase was the sum of increases of $312,000 in Adjustment to Base (ATB) transfers, pay and benefits, and rent and facilities expenses, and a savings of $231,000 from consolidation of administrative functions. The Committee considers the work of the Solicitor General an important element of the role played by DOJ. In anticipation that the President will renew or increase his FY 2013 request, and recognizing current budgetary constraints, the Committee supports funding the Solicitor General's office at a level necessary to accomplish its mission.

Tax Division

The Tax Division represents the United States in virtually all litigation arising under the internal revenue laws. This work includes both a civil component as well as assistance to U.S. Attorneys in prosecuting criminal tax violations. In addition, the Division's attorneys lend their financial crimes expertise to the enforcement of other laws with financial aspects.

The President requested $106.459 million for the Tax Division for FY 2013, an increase of $1.582 million over its FY 2012 enacted funding level. In anticipation that the President will renew or increase his FY 2013 request, and recognizing current budgetary constraints, the Committee supports funding the Tax Division at levels necessary to accomplish its mission, but notes that every additional dollar provided to the Tax Division will result in many additional dollars being recovered for the Treasury.

Criminal Division

The Criminal Division is responsible for supervising the application of all federal criminal laws except those specifically assigned to other divisions. Its mission is to identify and respond to critical and emerging national and international criminal threats, and to lead the enforcement, regulatory, and intelligence communities in a coordinated, nationwide response to reduce those threats. The Division provides expert guidance and advice to U.S. Attorneys and other federal, state, and local prosecutors and investigative agencies, as well as foreign criminal justice systems. It also oversees the use of the most sophisticated investigative tools available to federal law enforcement, including all federal electronic surveillance requests in criminal cases, and secures the return of fugitives and other assistance from foreign countries.

In addition to other initiatives, the Criminal Division uses its resources to prosecute the most significant financial crimes, including mortgage fraud, corporate fraud, and sophisticated investment fraud; coordinate multi-district financial crime cases; and assist U.S. Attorneys' Offices in financial crime cases with significant money laundering and asset forfeiture components.

With the recognition that budgetary restraints could impact funding, the Committee supports funding the Criminal Division at a level necessary to accomplish its various missions.

Civil Division

The Civil Division represents the United States, its departments and agencies, Members of Congress, Cabinet officers, and other federal employees in litigation in federal and state courts. Each year it successfully defends the United States against billions of dollars in unmeritorious claims. In its affirmative litigation, the Division brings suits on behalf of the United States, primarily to recoup money lost through fraud, loan defaults, and the abuse of federal funds. As a result of the work of the Civil Division, hundreds of millions of dollars are returned to the treasury, Medicare, and other programs annually.

For FY 2013, the Administration requested $298.040 million for the Civil Division. This represented a net increase of $14.937 million over FY 2012 appropriations as enacted. This increase was the sum of increases of $8.199 million in ATB transfers, pay and benefits, and rent and facilities expenses, $7 million in new Full-Time Equivalent work years (FTEs) for financial and mortgage fraud matters, and savings of $262,000 in information technology and $33,000 in foreign expenses. The Administration's request also included five positions and $1 million in supplemental annualization funds for litigation related to the Deepwater Horizon oil spill. The Committee considers the work of the Civil Division important to the mission of DOJ. In anticipation that the President will renew or increase his FY 2013 request, and recognizing current budgetary constraints, the Committee supports funding the Civil Division at a level necessary to accomplish its mission.

Environment and Natural Resources Division

The Environment and Natural Resources Division (ENRD) enforces the Nation's civil and criminal environmental laws; defends environmental challenges to federal laws and actions; and performs a variety of other important legal activities related to the environment and our nation's natural resources. ENRD's responsibilities include litigating disputes under the Clean Air Act, the Clean Water Act, the Comprehensive Environmental Response, Compensation, and Liability Act (Superfund), and the Endangered Species Act; defending against environmental challenges to federal programs and activities; representing the United States in matters concerning the protection, use, and development of national natural resources and public lands; and litigating on behalf of individual Indians and Indian tribes.

The President's budget for FY 2013 requested $110.360 million for ENRD. This represented a net increase of $2.351 million over FY 2012 appropriations as enacted. This increase was the sum of increases of $2.435 million in ATB transfers, pay and benefits, and rent and facilities expenses, and savings of $84,000 in information technology. Increases requested include a $795,000 adjustment to base funding for litigation related to the Deepwater Horizon oil spill. This adjustment was requested to provide permanent base funding for ENRD. In anticipation that the President will renew or increase his FY 2013 request, and recognizing current budgetary constraints, the Committee supports funding ENRD at a level necessary to accomplish its mission.

Civil Rights Division

The Civil Rights Division is responsible for enforcing federal statutes guaranteeing every American's civil rights and prohibiting discrimination on the basis of race, sex, disability, religion, and national origin. The Division enforces federal laws that protect every Americans' civil rights and freedom from discrimination in education, employment, credit, housing, certain federally funded and conducted programs, and voting.

The Division has eleven sections: Appellate, Coordination and Review, Criminal, Disability Rights, Educational Opportunities, Employment Litigation, Housing and Civil Enforcement, Office of Special Counsel for Immigration Related Unfair Employment Practices, Special Litigation, Administrative Management, and Voting.

Recognizing current budgetary constraints, the Committee supports funding the Civil Rights Division at a level necessary to accomplish its various missions.

INTERPOL Washington

INTERPOL Washington facilitates cooperation and information sharing among police agencies in different countries. It is the link between more than 18,000 federal, state, and local law enforcement authorities and the 187 other member countries for INTERPOL-related matters. The main goals of INTERPOL Washington are facilitating international law enforcement cooperation; transmitting information of a criminal justice, humanitarian or other law enforcement related nature between law enforcement agencies; responding to law enforcement requests; coordinating and integrating information for investigations of an international nature, and identifying patterns and trends in criminal activities. INTERPOL Washington also actively screens all inbound international flights for passports that are reported as lost or stolen to INTERPOL and generates over 200 hits monthly that require human analysis.

The Committee supports INTERPOL Washington's continued efforts to enhance information sharing amongst international police authorities. Recognizing current budgetary constraints, the Committee supports funding INTERPOL Washington at a level allowing it to achieve its mission.

ANTITRUST DIVISION

The mission of the Antitrust Division is to promote economic competition through enforcing and providing guidance on antitrust laws and principles. In addition to enforcing the antitrust laws, the Antitrust Division also acts as an advocate for competition, seeking to promote competition in sectors of the economy that are or may be subject to government regulation.

The Administration requested $164.753 million for the Antitrust Division in FY 2013, an increase of $5.166 million from FY 2012 funding levels. Mandatory pre-merger filing fees paid by companies planning to merge are typically used to offset a majority of the Antitrust Division's funding. The Antitrust Division estimated receipt of $117.5 million in filing fees in FY 2013. As a result of this fee collection, the Antitrust Division's budget request anticipated an estimated final FY 2013 appropriation from the general fund of $47.253 million.

In anticipation that the President will renew or increase his FY 2013 request, and recognizing current budgetary constraints, the Committee supports funding the Antitrust Division at levels necessary to accomplish its various missions.

EXECUTIVE OFFICE FOR U.S. ATTORNEYS

There are 94 U.S. Attorneys located throughout the United States, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico and the Virgin Islands. The U.S. Attorneys who lead each office are the chief law enforcement representatives of the Attorney General. Each enforces federal criminal law, handles most of the civil litigation in which the United States is involved, and initiates proceedings for the collection of fines, penalties, and forfeitures owed to the United States. For FY 2014, the Committee expects that U.S. Attorneys will continue to investigate and prosecute the diverse workload of criminal cases brought by the federal Government and will continue to initiate civil actions to assert and protect the interests of the United States.

Recognizing current budgetary constraints, the Committee supports funding the Executive Office for U.S. Attorneys at a level that will allow it to accomplish its mission.

U.S. TRUSTEE PROGRAM

The U.S. Trustee Program is charged with supervising the administration of bankruptcy cases and trustees. Its mission is to protect and preserve the integrity of the U.S. bankruptcy system by regulating the conduct of parties, ensuring compliance with applicable laws and procedures, bringing civil actions to address bankruptcy abuse, securing the just and efficient resolution of bankruptcy cases, and referring bankruptcy crimes for prosecution. The Program is self-funded through user fees paid by participants in the bankruptcy system. The Program's appropriation is offset by fees it collects during the fiscal year. These monies are paid into the U.S. Trustee System Fund. Nearly 60% of the Program's funding is subsidized by quarterly fees paid by Chapter 11 debtors. The remaining funding is derived from a portion of filing fees paid to commence bankruptcy cases, interest earnings, and other miscellaneous revenues.

The President requested $227.4 million for FY 2013 for the U.S. Trustee Program, which represented a $4.1 million increase over FY 2012 enacted appropriations. In anticipation that the President will renew or increase his FY 2013 request, and recognizing current budgetary constraints, the Committee supports funding the U.S. Trustee Program at a level necessary to accomplish its mission.

COMMUNITY RELATIONS SERVICE

The Community Relations Service assists State and local governments in quelling conflict arising from differences of race, color, and national origin, and to prevent and respond to alleged violent hate crimes committed on the basis of actual or perceived race, color, national origin, gender, gender identity, sexual orientation, religion or disability.

Recognizing current budgetary constraints, the Committee supports funding the Community Relations Service at a level necessary to continue performing its mission.

ASSETS FORFEITURE FUND

The Assets Forfeiture Fund (AFF) was established pursuant to the Comprehensive Crime Control Act of 1984. The U.S. Marshals Service (USMS) administers the program by managing and disposing of properties seized by and forfeited to federal law enforcement agencies and U.S. Attorneys nationwide. The AFF is used to receive the proceeds of forfeiture and to pay the costs associated with forfeitures, including the costs of managing and disposing of property, satisfying valid liens, mortgages, and other innocent owner claims, and costs associated with accomplishing the legal forfeiture of the property.

The Attorney General is authorized to use the AFF to pay necessary expenses associated with forfeitures. The Fund may also be used to finance certain general investigative expenses, as those enumerated in 28 U.S.C. § 524(c). All AFF funding is provided through forfeiture activities. $20.9 million of these funds are scored as discretionary and may be used for non-forfeiture related activities.

U.S. MARSHALS SERVICE

The U.S. Marshals Service (USMS) administers the Assets Forfeiture Program of the Justice Department; conducts investigations involving escaped federal prisoners and other fugitives; ensures safety at judicial proceedings; assumes custody of individuals arrested by all federal agencies; houses and transports prisoners; and manages the Witness Security Program.

In its FY 2013 budget, the Department proposed merging the Office of the Federal Detention Trustee with the USMS. This merger is designed to allow for efficiencies in human and physical capital, while maintaining the functions and expertise in detention management that have been developed over the past decade. This would result in a new account under the U.S. Marshals Service known as Federal Prisoner Detention, and it would fund the housing, transportation, medical care, and medical guard services for federal detainees remanded to USMS custody. The Committee continues to support this merger proposal and, recognizing current budgetary constraints, supports funding the USMS at levels necessary to accomplish its various missions.

OFFICE OF THE FEDERAL DETENTION TRUSTEE

The mission of the Office of the Federal Detention Trustee (OFDT) is to manage and regulate the federal detention programs and the Justice Prisoner and Alien Transportation System. The OFDT coordinates detention strategies and policy with the USMS, the Bureau of Prisons (BOP) and the Department of Homeland Security's Immigration and Customs Enforcement and is led by the Federal Detention Trustee who is appointed by the Attorney General. The FY 2013 Budget proposed to merge the Office of the Federal Detention Trustee with the USMS. The costs associated with the care of federal detainees are proposed to be funded through the USMS—Federal Prisoner Detention appropriation. The Committee continues to support this merger proposal.

NATIONAL SECURITY DIVISION

The National Security Division (NSD) was authorized by Congress in the USA PATRIOT Improvement and Reauthorization Act of 2005 (Public Law 109-177). The NSD consists of the elements of DOJ (other than the Federal Bureau of Investigation) engaged primarily in support of the intelligence and intelligence-related activities of the United States Government, including: (1) the Assistant Attorney General for National Security, (2) the Office of Intelligence Policy and Review, (3) the counterterrorism section, (4) the counterespionage section, and (5) any other office designated by the Attorney General.

The Committee agrees that the National Security Division's workload, including demands brought about by recent national security threats and their expanded oversight responsibilities, has created challenges for maintaining adequate attorney and support personnel staffing. Recognizing current budgetary constraints, the Committee supports funding the National Security Division at a level necessary to carry out its mission.

FEDERAL BUREAU OF INVESTIGATION

The Federal Bureau of Investigation (FBI) is the Nation's largest federal law enforcement agency, charged with investigating terrorism, cybercrimes, public corruption, white-collar crime, organized crime, civil rights violations, and other federal offenses.

Recognizing current budgetary constraints, the Committee supports funding the FBI at levels necessary to achieve its important objectives.

DRUG ENFORCEMENT ADMINISTRATION

The Drug Enforcement Administration (DEA) is the lead federal agency tasked with reducing the illicit supply and abuse of narcotics and drugs through drug interdiction and seizing of illicit revenues and assets from drug trafficking organizations.

Recognizing current budgetary constraints, the Committee supports funding DEA at a level necessary to accomplish its mission.

BUREAU OF ALCOHOL, TOBACCO, FIREARMS AND EXPLOSIVES

The mission of the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) is to reduce violent crime, prevent terrorism, and protect the United States through enforcing laws and regulating the firearms and explosives industries.

The Committee recognizes the important role that ATF can play in addressing the gaps in information available to the National Instant Criminal Background Check System (NICS) regarding mental health adjudications, commitments and other prohibiting backgrounds. The Committee supports ATF efforts to provide technical assistance to states seeking to establish relief from disability programs under the NICS Improvement Amendments Act of 2007 (NIAA) in order to assist such states in becoming eligible to participate in the NIAA grant program.

Recognizing current budgetary constraints, the Committee supports funding ATF at a level necessary to accomplish its missions.

FEDERAL PRISON SYSTEM

The Federal Bureau of Prisons (BOP) is responsible for the custody and care of federal offenders in prisons and community-based facilities, and BOP projects that it will be responsible for housing over 229,000 inmates by the end of 2013. The President's budget requested nearly $7 billion for BOP for FY 2013—a 4 percent increase over FY 2012—and a similar increase will likely be necessary for FY 2014.

The BOP cannot control the number of inmates committed to its custody, and adequate resources are needed to assure the safety of inmates, employees, and visitors, while providing appropriate rehabilitation for offenders. Therefore, the Committee supports funding for BOP at a level that ensures that BOP can securely and humanely house all of the inmates in its care as well as fully activate its newly constructed prison facilities to add space for new inmates.

The Committee anticipates that the President will request nearly $70 million for FY 2014 to activate the Thomson Prison. The Committee believes that any funding provided for prison activations must prioritize the activation and efficient use of the four prisons the federal government constructed before acquiring Thomson.

HEALTH CARE FRAUD

The Health Insurance Portability and Accountability Act (HIPAA) directed that the Department of Justice (DOJ) and the Department of Health and Human Services (HHS) establish a joint Health Care Fraud and Abuse Control (HCFAC) program. Funding to combat health care fraud is a sound investment from the standpoint of protecting our citizens and recapturing money obtained by criminals. Through these efforts, DOJ and HHS have obtained billions of dollars in recoveries and payments to the Medicare Trust Fund, returned to victim programs, and others, yielding a high Return-on-Investment for the HCFAC program. Therefore, the Committee urges appropriate funding for this program.

FEDERAL PRISON INDUSTRIES, INCORPORATED

The Committee supports the work of Federal Prison Industries, Incorporated (FPI). Statistics from the Bureau of Prisons reveal that inmates who participate in work programs are 24% less likely to offend again, 14% more likely to find work outside of prison, and 23% less likely to have misconduct issues in prison. With the recognition that budgetary restraints could impact funding, the Committee supports funding FPI at a level necessary to support its mission.

OFFICE OF VIOLENCE AGAINST WOMEN

The mission of the Office on Violence Against Women (OVW) is to provide federal leadership in developing the nation's capacity to reduce violence against women and to administer justice for—and strengthen services to—victims of domestic violence, dating violence, sexual assault, and stalking.

With the recognition that budgetary restraints could impact funding, the Committee recommends funding the Office on Violence Against Women at a level necessary to support its various missions.

COMMUNITY ORIENTED POLICING SERVICES

Recognizing current budgetary constraints, the Committee supports eliminating any inefficient spending in the COPS Hiring program and supports funding for this program at resulting appropriate levels.

OFFICE OF JUSTICE PROGRAMS

The Office of Justice Programs (OJP) works in partnership with the justice community to identify crime-related challenges confronting the justice system and to provide information, training, coordination, and strategies and approaches for addressing such challenges. OJP administers grant funding in the areas of Research, Evaluation and Statistics; Juvenile Justice Programs; and State and Local Law Enforcement Assistance.

Aware of the need for the efficient use of taxpayer funds and to avoid duplication of grant awards, the Committee notes concerns raised by the Government Accountability Office (GAO) in July 2012[1] about overlap between grant programs.

The Committee anticipates that the President's FY 2014 budget submission will include language authorizing DOJ to waive the statutory cost-sharing requirements associated with a number of grant programs. The Committee is concerned about the impact of waiving cost-sharing requirements on the accountability of grantees and the cost-effectiveness of the programs involved.

Recognizing the current budgetary constraints, the Committee supports funding of OJP programs at levels appropriate to ensure efficiencies in program costs and effectiveness in program administration.

Byrne Justice Assistance Grants

The Byrne Justice Assistance Grants (Byrne JAG) program provides direct grants to states and local communities for a number of purposes, including funding local drug task forces. It is the only source of federal funding for multi-jurisdictional efforts to prevent, fight, and prosecute drug-related and violent crime.

With the recognition that budgetary restraints could impact funding, the Committee supports funding these programs at appropriate levels.

DNA Backlog Elimination

The Committee supports funding for DNA analysis and capacity enhancement and, recognizing current budgetary constraints, supports full funding for the Debbie Smith DNA Backlog Grant Program.

Juvenile Justice

This account includes programs that support state, local, and tribal community efforts to develop and implement effective and coordinated prevention and intervention juvenile programs. The objectives of these programs are to reduce juvenile delinquency and crime, improve the juvenile justice system so that it protects public safety, hold offenders accountable, and provide treatment and rehabilitative services tailored to the needs of juveniles and their families.

For FY 2013, recognizing current budgetary constraints, the Committee supports funding the Juvenile Justice programs at appropriate levels.

---

[1] GAO, *DOJ Should Do More to Reduce the Risk of Unnecessary Duplication and Enhance Program Assessments*, GAO-12-517 (Washington, D.C.: July 12, 2012).

Residential Substance Abuse Treatment

The Residential Substance Abuse Treatment (RSAT) program for state prisoners helps state and local governments develop, implement, and improve residential substance abuse treatment programs in correctional facilities, and provides community-based aftercare services for their probationers and parolees to assist them in remaining drug-free. The Committee supports funding the program at the appropriate level.

State Criminal Alien Assistance Program

State and local governments bear an immense fiscal burden as a result of incarcerating criminal aliens. Although control of our nation's borders is a federal responsibility, states and localities are only partially reimbursed for these expenditures.

Recognizing current budgetary constraints, the Committee believes that the State Criminal Alien Assistance Program (SCAAP) should be adequately funded to assist state and local jurisdictions.

Adam Walsh Act

The Adam Walsh Child Protection and Safety Act was enacted in 2006. Title I of the Act, the Sex Offender Registration and Notification Act (SORNA), established a comprehensive national system for the registration and notification to the public of those offenders. Funding for this program supports investments in registration and notification systems that will be necessary to implement SORNA's many requirements. With the recognition that budgetary restraints could impact funding, the Committee recommends funding the Adam Walsh Act at appropriate levels.

Crime Victims Fund

The Committee supports using the Crime Victims Fund for programs directly related to victim compensation and services.

With the recognition that budgetary restraints could impact funding, the Committee supports funding Services for Victims of Crime at appropriate levels.

Second Chance Act

The Second Chance Act of 2008 provides grants to establish and expand various adult and juvenile offender reentry programs and funds reentry-related research.

With the recognition that budgetary restraints could impact funding, the Committee supports funding the Second Chance Act at appropriate levels.

National Criminal History Improvement and NICS Improvement Amendments Act

The National Criminal History Improvement Program (NCHIP) provides grants and technical assistance to help states and territories improve the quality, timeliness, and immediate accessibility of their criminal history and related records. NICS Improvement Amendments Act (NIAA) grants help to address gaps in the information available to National Instant Criminal Background Check System (NICS) by providing grants to States for the establishment or upgrade of information and identification technologies related to firearms purchasing eligibility determinations. The Administration proposed $6 million in funding for the NCHIP program and $5 million for NIAA grants for FY 2013.

The Committee supports increasing funding for NCHIP and NIAA grants, ideally through increased efficiencies derived from lower priority grant programs. The Committee recommends no less than $8 million for NCHIP and no less than $12 million for NIAA grants in FY 2014.

Mentally Ill Offender Act

The Mentally Ill Offender Treatment and Crime Reduction Reauthorization Improvement Act of 2008 reauthorizes funding for the Adult and Juvenile Collaboration Program grants. With recognition of current budget restraints, the Committee supports an appropriate level of separate funding for this program.

John R. Justice Prosecutor and Defender Incentive Act

The John R. Justice Prosecutor and Defender Incentive Act, enacted in 2008, authorizes funding for loan repayment assistance for state and federal public defenders and state prosecutors who commit for three years. With recognition of current budgetary restraints, the Committee supports an appropriate level of funding for this program.

DEPARTMENT OF COMMERCE

U.S. PATENT AND TRADEMARK OFFICE

The U.S. Patent and Trademark Office (USPTO) issues patents and registers trademarks, which provide protection to inventors and businesses for their inventions and corporate and product identifications. The agency also advises other government agencies on intellectual property issues and promotes stronger intellectual property protections in other countries.

The USPTO is funded through the imposition of user fees that are paid by individuals and businesses that file for patent and trademark protection. These fees are deposited in a special account at the Treasury. Although passage of the Leahy-Smith American Invents Act last Congress resulted in additional safeguards that allow the agency to devote all fees collected toward supporting operations, as a practical matter, the agency still must be appropriated fees collected through annual appropriations acts.

The Committee therefore supports full funding for USPTO.

DEPARTMENT OF HOMELAND SECURITY

U.S. CUSTOMS AND BORDER PROTECTION

The Department of Homeland Security's Customs and Border Protection (CBP) is the federal agency principally responsible for the security of the Nation's borders, at and between the ports of entry along the border and at our seaports and airports. The Committee supports CBP's various missions, including the work of Inspectors and Border Patrol agents who are an essential component of our immigration enforcement system and serve as a critical shield against those who would enter the U.S. unlawfully.

Recognizing current budgetary constraints, the Committee supports funding CBP at levels necessary to accomplish its various missions. The Committee also supports the use of funding for the addition and improvement of Border Patrol facilities.

U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT

Immigration and Customs Enforcement (ICE) is the largest investigative arm of the Department of Homeland Security (DHS). Comprised of several components from the former Immigration and Naturalization Service (INS) and the U.S. Customs Service, the agency combines the investigative, detention and removal, and intelligence functions of the former INS with the investigative and intelligence functions of the former Customs Service. ICE's mission is to promote homeland security and public safety through the criminal and civil enforcement of federal laws governing border control, customs, trade, and immigration.

Recognizing current budgetary constraints, the committee supports funding ICE at levels necessary to thoroughly accomplish its missions.

U.S. SECRET SERVICE

The Secret Service is primarily tasked with two law enforcement functions: handling protection and conducting criminal investigations. Criminal investigation activities encompass financial crimes, bank fraud, mortgage fraud, identity theft, counterfeiting, and computer fraud. The protection mission covers the President and Vice President, among others.

Recognizing current budgetary constraints, the Committee supports funding the U.S. Secret Service at a level necessary to accomplish its missions.

U.S. CITIZENSHIP AND IMMIGRATION SERVICES

United States Citizenship and Immigration Services (USCIS) administers the immigration service functions described in the Immigration and Nationality Act, such as adjudicating citizenship and immigration benefit applications and petitions.

Recognizing current budgetary constraints, the Committee supports funding USCIS at levels necessary to accomplish its various missions.

US-VISIT

The Committee has long supported sufficient funding to meet the entry-exit requirements mandated by Congress in 1996 in order to identify who is entering and exiting the U.S. and how long they stay in the country. The Committee supports the use of unobligated funds appropriated in previous years to proceed with implementation, but also recommends sufficient funding be provided to prioritize the development of an integrated master schedule for the full implementation of the legal mandate. With the recognition that budgetary restraints could impact funding, the Committee recommends that US-VISIT be funded at a level that will enable it to achieve full implementation.

DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF REFUGEE RESETTLEMENT (HHS)

The Office of Refugee Resettlement (ORR) within the Department of Health and Human Services (HHS) provides assistance and services to refugees, asylees, unaccompanied alien children, victims of human trafficking, and certain Amerasian, Iraqi, Afghan, Cuban, and Haitian immigrants. ORR assists these populations by providing a range of services, including cash and medical assistance, housing assistance, and economic and social integration services.

With the recognition that budgetary restraints could impact funding, the Committee recommends that ORR be funded at a level that will enable it to accomplish its goals.

OFFICE OF MANAGEMENT & BUDGET

U.S. OFFICE OF THE INTELLECTUAL PROPERTY ENFORCEMENT COORDINATOR (US-IPEC)

Intellectual property theft presents a substantial threat and imposes significant harm, including major economic damage, on the United States. To address this problem, the Committee authorized, through the Prioritizing Resources and Organization for Intellectual Property (PRO-IP) Act of 2008 (P.L. 110-403), the creation of an Intellectual Property Enforcement Coordinator (IPEC) within the Executive Office of the President. The IPEC chairs an interagency intellectual property enforcement advisory committee, coordinates the development of the Joint Strategic Plan against counterfeiting and infringement and provides other assistance in the coordination of intellectual property enforcement efforts. The first IPEC was appointed in December 2009. The Committee again urges the Administration to provide a detailed plan to staff the office with permanent FTEs, appropriate resources and a travel budget. This plan will assist the Committee in determining what funding levels are necessary to meet the objectives of the PRO-IP Act.

With the recognition that budgetary restraints could impact funding, the Committee supports funding the IPEC at the level necessary to enable the IPEC to fully execute her statutory duties.

FEDERAL TRADE COMMISSION

BUREAU OF COMPETITION

The Federal Trade Commission's Bureau of Competition shares jurisdiction to enforce the nation's antitrust laws with the Antitrust Division of DOJ. Recognizing current budgetary constraints, the Committee supports funding the Bureau of Competition at a level necessary to accomplish its mission.

OTHER ENTITIES

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

The Administrative Conference of the United States (ACUS) is an independent, nonpartisan agency that was created to analyze the federal administrative law process and to provide Congress, the President, the Judicial Conference of the United States, and federal agencies with recommendations and guidance. On July 19, 2011, the Committee ordered reported with an amendment H.R. 2480, authorizing appropriations for ACUS of not more than $2.9 million for FYs 2012, 2013 and 2014. H.R. 2480 passed the House on August 1, 2011, and was ordered reported with an amendment by the Senate Judiciary Committee on September 22, 2011. It was not, however, enacted during the 112th Congress.

The President's FY 2013 budget requested $3.2 million for ACUS. In anticipation that the President will renew or increase his request, and recognizing both current budgetary constraints and ACUS's mission to identify agency cost-saving measures, the Committee supports funding ACUS at a level necessary to accomplish its mission, but not more than $2.9 million.

COMMISSION ON CIVIL RIGHTS

The Commission on Civil Rights was established by the Civil Rights Act of 1957, (P.L. 85-315), to serve as a bipartisan, fact-finding agency to investigate and report on the status of civil rights.

The Committee will examine the continuing mission of the Commission and its ability to perform core functions in its current configuration and level of funding. The Committee supports funding the U.S. Commission on Civil Rights at levels necessary to perform its mission.

COPYRIGHT OFFICE

The U.S. Copyright Office is required by statute to advise Congress, the judiciary and other federal agencies on domestic and international copyright law and policy, to participate in international meetings and events concerning copyright and to conduct studies and programs related to its duties. The U.S. Copyright Office is responsible for registering copyright claims and renewals, vessel hull designs, and mask works; recording assignments and related documents; acquiring U.S. copyrighted works for possible inclusion in the Library of Congress collections; creating and making available records of copyright ownership; and providing copyright information to the public. The Copyright Office is engaged in a multi-year project to meet its responsibilities in this digital age by making necessary technological upgrades to its systems and processes.

The Office is funded, in part, through the collection of fees received for services rendered. With the recognition that budgetary restraints could impact funding, the Committee supports funding for the Copyright Office at a level necessary for the Office to accomplish its various missions and necessary technology upgrades.

LEGAL SERVICES CORPORATION

The Legal Services Corporation (LSC) is a non-membership, non-profit corporation established by federal statute to provide funding for civil legal assistance to low-income Americans. For FY 2013 the President requested $402 million to LSC. This would have been a 15.5% ($54 million) increase from LSC's FY 2012 level of funding, which was set by Continuing Resolution at $348 million (see P.L. 112-55, Title IV).

The Committee anticipates that the FY 2014 budget submission will include language, as it has in the past four preceding years, modifying the restrictions on LSC's activity—restrictions that were first put in place in the FY 1996 Appropriations Act. Eliminating these restrictions would allow LSC grantees, for example, to lobby; participate in rulemakings; and bring class-action lawsuits. The Chair and Ranking Member have different views on whether those and other restrictions should be removed.

LSC has not been authorized for appropriations for more than 30 years—since FY 1980. The Subcommittee on Regulatory Reform, Commercial and Antitrust Law intends to hold an oversight hearing on LSC in 2013, at which time the Subcommittee can examine LSC's progress towards implementing recommendations made by the Government Accountability Office and the LSC Inspector General for improving transparency and accountability.

With the recognition that budgetary restraints could impact funding, the Committee supports funding LSC at a level relative to FY 2013.

OFFICE OF GOVERNMENT ETHICS

The Office of Government Ethics (OGE) is responsible for providing the overall direction of executive branch policies designed to prevent conflicts of interest and to ensure high ethical standards. In partnership with executive branch agencies and departments, OGE develops ethics training courses and other educational materials for government employees, conducts on-site reviews of existing ethics programs, and provides advice and guidance on the Standards of Ethical Conduct for Employees of the Executive Branch.

With the recognition that budgetary restraints could impact funding, the Committee supports funding OGE at a level necessary to accomplish its various missions.

STATE JUSTICE INSTITUTE

The State Justice Institute was established by federal law in 1984 to award grants to improve the quality of justice in State courts, facilitate better coordination between State and Federal courts, and foster innovative, efficient solutions to common issues faced by all courts.

With the recognition that budgetary restraints could impact funding, the Committee supports funding the State Justice Institute at a level necessary for it to accomplish its mission.

U.S. House of Representatives
Committee on Natural Resources
Washington, DC 20515

March 1, 2013

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

Dear Mr. Chairman,

Pursuant to the provisions of clause 4(f) of Rule X of the Rules of the House of Representatives for the 113th Congress and Section 301(d) of the Congressional Budget Act of 1974 as amended, I am transmitting the Views and Estimates of the Committee on Natural Resources for Fiscal Year 2014.

Sincerely,

Doc Hastings
Chairman

Committee on Natural Resources
Views and Estimates for Fiscal Year 2014
Doc Hastings, Chairman

Overview
For the fourth time in five years President Obama has failed to meet the legally-mandated deadline to submit his budget to Congress by the first Monday in February. The delays have reached a new height this year, since as of March 1st, the President still has yet to produce an actual budget proposal for Fiscal Year 2014. With the President's looming sequestration cuts, trillion-dollar deficits, and record debt, it's time for President Obama to do his job to address the Nation's growing budget crisis.

A budget is needed that addresses our Nation's spending problem and promotes job creation. The House Committee on Natural Resources (the Committee) recognizes that real reductions in spending must occur and that priorities must be set on how best to spend scarce taxpayer dollars. Careful consideration must be given to the agencies and matters within the Committee's jurisdiction to ensure that valued federal activities and lands are protected and that necessary cuts do not impede economic growth.

In the past years the Department of the Interior has described its budget request as a "freeze" in spending - meaning it has reduced spending in some areas while increasing spending in others. That was not sufficient then and it most certainly won't be sufficient now if we are to get our Nation's fiscal house in order.

Areas to reduce spending must be identified and wasteful, duplicative and unnecessary spending must be eliminated. For example, every year the President requests increased spending for land acquisition. The Department currently has a maintenance backlog on existing public lands that measures in the billions of dollars. Priority must be given to caring for existing parks and lands before buying more land that we can't afford.

In addition to spending cuts, the President's budget should also acknowledge that our public lands and natural resources are tremendous economic boosters that can help pay down our national debt. That's why it's crucial that public lands and water remain open for public enjoyment and recreation, as well as for job creation and economic and energy development. Unfortunately, the President's budget and policies have routinely sought to block access to our resources and impose job-destroying tax and fee increases.

Onshore and offshore American energy production on our federal lands accounts for the second largest source of revenue to the U.S. Treasury. The President must not forget that there are ways to raise new revenue without raising taxes. President Obama's actions to block energy production not only forfeits much needed federal revenues, but also prevents job creation, economic growth, and lower energy prices. Higher taxes and fees on energy production will exacerbate Americans' pain at the pump and impede economic recovery.

The Congressional Budget Office has projected that the government will take in $2.7 trillion in revenues in 2013 – more than ever before. The President must take swift action to produce a responsible budget that takes real steps to reduce spending and solve our budget crisis.

Department of the Interior

Bureau of Indian Affairs (BIA)
Trust Management – Over the last several decades some of the costliest recurring items in the annual budget request of the Department of the Interior have been for the management, probate, and consolidation of highly fractionated Indian lands. These functions are authorized by various Indian land leasing statutes, the Indian Land Consolidation Act, and the American Indian Probate Reform Act.

Administering the consolidation of highly fractionated Indian land remains a huge challenge. Funds to purchase and consolidate fractional interests in Indian lands have routinely been provided through annual appropriations. The Claims Resolution Act of 2010 provided a mandatory appropriation of $1.9 billion to the Department for the Indian Land Consolidation Program. The Department has ten years to spend the $1.9 billion for consolidating highly fractionated Indian lands before any unspent funds are returned to the U.S. Treasury.

While the Department has been assembling a land consolidation plan, it is doubtful that spending $1.9 billion on acquiring highly fractionated interests in Indian lands will do more than temporarily resolve the land fractionation problem. The Committee is concerned that without a fresh approach to resolving this problem, the Department will approach Congress to request more appropriations.

The Department should study different approaches to consolidate or at least manage highly fractionated Indian lands.

Economic Development –The Committee is concerned that the Department continues to display less interest in conventional energy resource leasing on Indian lands than on non-competitive renewable energy development. Indian Country plays a key role in an all-of-the-above energy approach. Native lands hold an estimated ten percent of the Nation's untapped energy resources. Given the federal budget deficit, scarce focus should be steered toward conventional energy development on Native lands as U.S. infrastructure to deliver these forms of power is highly developed already, and these forms of energy are the most cost-competitive and marketable.

Bureau of Land Management (BLM)
Setting budget priorities that promote sound, multiple-use management of BLM lands will significantly contribute to the following goals: increased energy and resource independence, a wide diversity of outdoor recreation, job creation, economic growth, reduced deficit spending, and increased national security.

BLM has received significant pressure to convert its traditional multiple-use mandate into one focused only on preservation with a mission more akin to the National Park Service. Unfortunately, this movement received a big push with the creation of the National Landscape Conservation System (NLCS). As well as eroding the mission of BLM, NLCS has also become a duplicative office that imposes another layer of bureaucratic, centralized, and unnecessary management. The Committee recommends eliminating the Office of the NLCS and restoring management of "units" to BLM state offices.

In these times of constrained budgets, it is curious that BLM is talking about expanding its mission to landscape level planning. BLM needs to focus on its own land and how best to manage it for the full range of public benefits including jobs, recreation, conservation national security and economic growth. Opening up the vast energy potential on our public lands through sound stewardship is one way to accomplish this.

BLM has taken a significant step backward and is continuing to advance the goals outlined in the Secretarial Order on "Wild Lands." While the "Wild Lands" title appears to have been abandoned, BLM is actively using the resource management planning process to reduce and eliminate acres of public lands that are currently available to responsible multiple use and energy production. This is clearly the wrong direction and hinders responsible development of needed domestic energy production. The Committee supports continued the restriction on use funds to implement the Wild Lands policy and create *de facto* wilderness through administrative fiat.

As with other areas of the Department's budget, BLM squeezes important existing needs to quench this Administration's thirst for more federal lands. BLM needs to provide balanced management of the more than 245 million acres already in their care. With our country's current fiscal challenges looming, BLM will have to forego ideas of mission creep and territorial expansion. Throughout the West, BLM ownership and policies should not be an obstacle to the growth and prosperity of neighboring communities whose viability depends on responsible access to federal land. The Committee also recommends that BLM create a searchable online database on its website of all lands that have been identified for disposal.

Ideology and litigation-driven policies are hijacking the BLM's multiple use mission. The Committee is concerned about BLM Sage Grouse conservation planning and interim decisions that contradict science and further conflict with the BLM's multiple-use mandate. The countless resources have been expended to meet arbitrary deadlines driven by litigation and a closed-door settlement that was absent consultation or consideration of any economic impacts on agency, state and county budgets, including potential lost revenues from renewable energy, energy and mineral leasing and grazing permits. Greater transparency is needed in the formulation of these settlements, and the Committee recommends a cap on the costs associated with litigation-driven policies.

The rapidly increasing budget for the Wild Horses and Burros program is also of concern to the Committee. We continue to favor a critical re-examination of the program with the goal of maintaining a sustainable population of wild horses and burros compatible with the carrying capacity of the land and reality of budget constraints.

Bureau of Ocean Energy Management, Bureau of Safety and Environmental Enforcement

In 2012, the Obama Administration requested $164.1 million for the Bureau of Ocean Energy Management and $222.2 million for the Bureau of Safety and Environmental Enforcement, which reflects a total increase of $28.1 million above FY2012 levels. Because the Senate failed act on the House-passed appropriations bills, or pass a budget, a Continuing Resolution was necessary – allowing these agencies to continue operating at their existing levels.

In these trying economic times, these agencies have maintained their ability to live up to their statutory obligations at current funding levels. In fact, the Secretary of the Interior most recently boasted that energy development on federal lands as overseen by these agencies (BOEM, BSEE) were responsible for bringing in $12.15 billion in revenue from energy production alone in 2012 – a one billion dollar increase over the previous year - $6.6 billion of which went directly to the Federal Treasury and is reinvested into agencies like BOEM and BSEE, among many other federal programs.

While the Administration has actively worked to lease fewer lands and process fewer permits, these agencies have seen rising budgets and increases in permit fees and cost recovery charges. Given that mineral production on federal lands is one of the nation's largest revenue sources, the Committee applauds the agencies for setting such an example in 2012 and expects them to continue under current funding levels going forward.

Bureau of Reclamation (BOR)

The Bureau of Reclamation's (Reclamation) dams and reservoirs provide water, emissions-free hydropower and numerous other benefits. Reclamation's historical water and power mission formed the basis for growth of the western United States, transforming arid land to some of the most productive farmland in the world and powering communities with affordable, reliable and renewable electricity. BOR played a leading role in building dams and storing water for these purposes, yet the agency generally has been transformed from a construction agency promoting abundant water and power supplies to an entity managing aging infrastructure within a myopic vision of scarcity.

The Administration's budgets are a symbol of this alarming transformation. Historically, the vast amount of Reclamation's water and power delivery programs were repaid by beneficiaries. That is no longer the case, as it recently places significant emphasis on taxpayer-financed programs that have a questionable federal nexus. Its proposed budgets paid little attention to the aging facilities that have served as the water supply backbone for much of the West while seemingly never-ending surface storage studies and vast hydropower development languish.

U. S. Fish and Wildlife Service (FWS)

The Committee recommends a moratorium on land acquisition in the upcoming fiscal year. The Fish and Wildlife Service (FWS) has an operations and maintenance backlog of $3 billion within the National Wildlife Refuge system, there are 3,342 "mission critical" projects that require immediate attention and 10,105 Service facilities in need of repair. The last thing FWS needs is more land, which it has conclusively demonstrated it cannot effectively manage. This would save our taxpayers $54.6 million.

The Committee supports a suspension of funding for the FWS Adaptive Science Account. In FY2012, this represented $16.7 million. This program was administratively created three years ago, it has never been authorized by the Congress and it duplicates efforts being performed by the United States Geological Survey (USGS). Between 2008 and 2011, climate change funding within the Department of the Interior grew from $192 million to $372 million which is a staggering 93 percent increase. In the current fiscal year, USGS received $144 million for its Climate and Land Use Change Program. Just last year, the House Appropriations Committee noted that "There must be a significant improvement in the level of coordination and communication of climate change activities, budgets, and accomplishments across the federal agencies." With historical deficits, we simply cannot afford to fund duplicative programs and until there are the significant improvements cited by the Appropriations Committee, further funding for this program should be postponed.

National Park Service (NPS)
The Committee is concerned that NPS is diverting funds away from critical needs of the existing majestic and historic park units and into projects that do not further the NPS's essential mission to serve visitors and to preserve these great parks for the future. It is disappointing that despite historic increases to NPS's budget for the past two Administrations, the maintenance backlog on existing parks continues to balloon and visitation continues to decline. This Administration has shown prevalence toward expanding its influence beyond its statutory boundaries. As such it recently created the "National Water Trails System" with little if any legal authority. This is yet another example of the Administration ignoring the existing needs of our parks and increasing its reach.

In recent years, the President has proposed hundreds of millions of dollars for land acquisition programs administered by NPS. These funds would be better directed toward major maintenance projects addressing aging and neglected infrastructure.

After receiving historic increases in recent years, NPS has done little to show for this in terms of increased public use and enjoyment of parks or reduction in the maintenance backlog. The Committee also notes that Obama NPS budgets are $200+ million higher than the FY2008 enacted amount, which leads us to conclude that pleas of inadequate park funding may have more to do with management priorities than actual funding levels.

The Committee's strong support for our country's unparalleled system of grand parks notwithstanding, it is important to recognize the need, in coordination with NPS, to commit to finding areas of waste and lower priority spending within the budget.

Office of Insular Affairs (OIA)
OIA's budget falls under two categories – current and permanent appropriations. The majority of OIA's budget is made up of mandatory commitments to U.S.-affiliated insular areas and is permanently appropriated. The small portion of OIA's budget that is discretionary includes OIA grant programs and technical assistance. OIA has instituted competitive measures for certain grant programs to support and develop territorial governments that use prudent financial management practices. OIA has also continued to take steps to respond to long-standing concerns raised by the Department of the Interior Inspector General and the U.S. Government Accountability Office regarding insular area governments' internal control weaknesses, which increase the risk of fraud, waste and mismanagement. The Committee urges the OIA to continue its efforts to institute measures to effectively monitor its grants and other funding programs to ensure federal funds are being used efficiently and effectively in the insular areas.

Department of Commerce

National Oceanic and Atmospheric Administration (NOAA)
While the President's FY2013 budget request for NOAA proposed an increase of more than 3 percent from the FY2012 level, the budget for satellite programs since FY2008 has increased by almost 114 percent. This attention to the atmospheric portions of the NOAA budget has come at the expense of many oceanic programs – including fishery surveys that are vitally important to the well-being of commercial and recreational fisheries. The Committee does not have the information to compare the level of increase for the NOAA satellite programs for FY2014; however, it is likely this trend will continue. To make matters worse, NOAA has proposed funding for a number of recently-created and unauthorized initiatives that will drain funds from the agency's ability to maintain Congressionally-mandated functions and duties.

Adequate Science Necessary for Management Decisions – It is clear that funding for all federal agencies is restricted; however, NOAA seems reluctant to fund fishery surveys and other basic scientific research, which is necessary for the sustainable management of fishery resources that provide the economic underpinning of many of the Nation's coastal communities. In particular, without an increase in fishery stock surveys in areas where the information is either poor or outdated, fishery managers are required to include multiple layers of precaution when making harvest decisions for many commercially and recreationally important fisheries. Without adequate and up-to-date information, management decisions become more risk averse and do not allow for the full, responsible harvest of fishery resources, costing jobs and causing adverse impacts on coastal communities. At the same time, annual surveys for the Nation's most valuable fisheries must not be allowed to be delayed. Delays of even one year for these fishery surveys could seriously reduce the amount of sustainable harvest that is allowed even when stocks continue to be healthy. The economic impact of such harvest reductions will affect jobs and the Nation's trade deficit.

National Ocean Policy and Coastal and Marine Spatial Planning – Implementation of these initiatives will require new funding, which will likely be taken from existing programs. The initiatives, being coordinated out of the White House and the Council on Environmental Quality, will result in coastal, marine, and inland zoning by a number of federal agencies and will further erode the ability of coastal and ocean-dependent users to conduct their activities, either recreational or commercial. This broad federal initiative will require any agency with authority over programs that might affect the health of the ocean or Great Lakes ecosystems to adhere to new guidelines, which will be developed without public comment by unelected agency personnel. This initiative does not have specific statutory authority. No funds have been specifically requested for this initiative; however, NOAA continues to move forward with this initiative by using funds from other Congressionally-appropriated activities.

Regional Ocean Partnership Grants – This was a new funding request in FY2012. This is another component of the unauthorized National Ocean Policy initiative. The President's request was for $4 million for FY2013. The authorization for these grants has not been identified and it is unclear how these funds are being awarded by NOAA and used by the grant recipients.

Marine Protected Areas – There are numerous statutes that give NOAA authority to create specific types of protected areas, including the National Marine Sanctuaries Act, the Magnuson-Stevens Fishery Conservation and Management Act, and authorities under the National Estuarine Research Reserve System. It is unclear why NOAA also funds a Marine Protected Area Center and has funded a Marine Protected Area Advisory Committee for more than ten years. While both of these activities have been rolled into the National Marine Sanctuary Program, funding for both of these specific items should be examined for elimination.

National Catch Share Program – While some funding is necessary for recently-implemented fishery management plans and for amendments to existing catch share plans, it is unclear whether the request in the President's budget of $28 million for FY2013 matched the need for existing catch share programs or whether this level of funding will allow NOAA to continue to advocate for new catch shares in regions where this type of management system is not requested. NOAA has indicated that it intends to increase the number of catch share programs by more than double, even in fisheries where fishermen are not interested. This push for new catch share programs from the top down is inappropriate.

Regional Councils and Fisheries Commissions – The Regional Fishery Management Councils provide for direct public involvement in the fisheries management process required under the Magnuson-Stevens Fishery Conservation and Management Act. In addition, the Fisheries Commissions provide an important link between federal and state management activities. While transparency and public involvement have been touted as foundations of this Administration, the requested funding for these important bodies for FY2013 was cut by almost 14 percent at the same time the request for the overall NOAA budget is increased by more than 3 percent. This indicates that the federal activities are more important than those which directly involve the states and affected stakeholders.

The Coastal and Estuarine Land Conservation Program – This is a land purchase program supported by 75 percent federal funding and 25 percent state or nonfederal funds. The Committee supported the Administration's FY2013 budget request to not fund this program and would recommend no funding for FY2014.

Department of Agriculture

U. S. Forest Service (USFS)
The Committee is concerned that USFS, faced with serious threats to forest health from fires, beetle infestations and the demise of many local wood products companies, continues seeking to expand its reach and use its limited resources on projects that do not address current problems and may ultimately damage the public's forests. USFS is already behind in efforts to manage our forests in a manner that allows the American people to enjoy the full benefits of these lands. Properly managed, our national forests can contribute to our national well-being while providing economic opportunities that flow to surrounding communities and keep the forests healthy and disease free. In fact, our forests are literally collapsing as the scourge of beetle infestation and risk of catastrophic wildfire grows unchecked. Therefore, the Committee cannot support expanding Forest Service lands until these basic responsibilities are met and budget concerns lessened.

The Committee also recommends eliminating funds that would otherwise go to well-funded and litigious groups in the form of Equal Access to Justice Act payments. The pattern is now well established. Almost every timber sale is contested in court by activists, with the attorney costs being picked up by the taxpayer. Beyond this waste, the unfortunate result is that forests go unmanaged, deteriorating into the inevitable state of a catastrophic forest fire time bomb. The Committee wants an end to the litigation-induced downward spiral in the condition of the taxpayers' forests and the injustice of forcing taxpayers to fund the attack.

Rural counties are again faced with the expiration of funding under the Secure Rural Schools and Community Self-Determination Act. Thus far the Administration has only proposed to phase out the program with dwindling payments and has offered no solution for otherwise increasing revenues from national forest receipts. While Secure Rural Schools has provided a much-needed backstop for essential county services, it has done nothing to put timber communities back to work. The Committee supports a new program with an emphasis on creating a more secure and dependable basis for funding from increased forest management.

The Committee remains concerned about the final Land Management Planning Rule, which represents a significant departure from statutory authority and encourages "landscape" level planning by USFS. Again, there is widespread support for efforts that contribute to the health of our forests, but USFS has more than enough to do in improving the management of its current forests and is not in a position to expand its influence over State or private lands that are regularly managed to a higher standard than federal forests.

Efforts must be focused on finding solutions to the crisis facing our federal forests rather than increased paperwork and continued "analysis paralysis."

Department of Energy

Western Area Power Administration

The Western Area Power Administration (Western) is quickly becoming a politically driven, Washington, D.C. - based organization that seems to venture from its core mission of delivering federal hydropower. The agency continues its focus on a dubious and criticized loan program created by the federal stimulus law and is now being forced by a top-down effort aimed at integrating intermittent energies at the potential expense of grid reliability while pursuing cost socialization that undermines the historical "beneficiaries pay" policy. This Secretarial level-effort lacks transparency, cost-benefit analyses and legal justification.

U.S. House of Representatives
Committee on Natural Resources
Washington, DC 20515

March 1, 2013

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

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

Dear Chairman Ryan and Ranking Member Van Hollen:

Pursuant to Section 301(d) of the Congressional Budget and Impoundment Control Act of 1974, and clause 4(f) of Rule X of the Rules of the House of Representatives, we write to express views and estimates alternative to those submitted by Natural Resources Committee Chairman Hastings. We appreciate this opportunity to comment on the Natural Resources and Environment budget function for Fiscal Year 2014.

The Majority's Misplaced Priorities

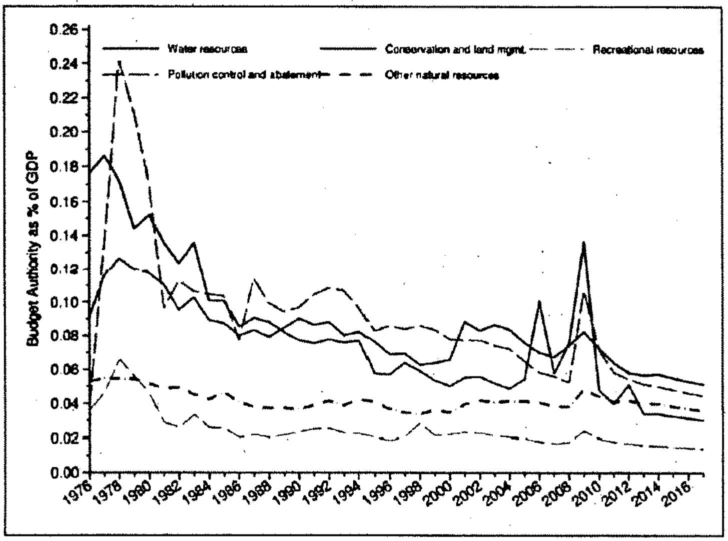
The Views and Estimates drafted by the Natural Resources Committee Majority are largely a screed on policies within the jurisdiction of the Natural Resources Committee, rather than the Budget Committee. The Majority is convinced that the Departments of Interior, Agriculture and Commerce are trying to do too much and respond to new resource management challenges too rapidly. Of course, efforts to shrink the scope and authority of natural resource management agencies and programs, if warranted, should begin in the authorizing committee, rather than the budget context. The Majority's suggestion that the Congress should deny these agencies the funding necessary to meet the responsibilities placed on them by Congress is irresponsible and threatens the long-term viability of these agencies and the invaluable natural, cultural and historic resources they manage.

The Democratic Vision

We strongly urge the Committee to focus on Natural Resources and Environmental spending priorities that will assist job creation, spur economic growth, create opportunities for small businesses and conserve our natural, cultural and historic resources for future generations.

Sound stewardship of our public lands, oceans and natural resources, including our national parks, recreation areas, refuges, wilderness areas, and national monuments, promotes job creation and economic development in surrounding regions. Unfortunately, as the chart below demonstrates, funding levels for Natural Resources and Environment sub-functions have generally gone down, as a percentage of GDP.

Figure 10. Natural Resources and Environment (300) Subfunctions
Discretionary budget authority as a percentage of GDP, FY1976-FY2017



Source: CRS, based on OMB data from the FY2013 budget submission.

Notes: FY2013-FY2017 levels reflect Administration proposals and projections. See OMB budget documents for further caveats.

These funding trends fail to keep pace with inflation, rising visitation and capital costs. Shrinking budgets for agencies and programs within this budget function also fail to capitalize on the economic growth and job creation that would be facilitated by adequate federal investment.

<u>Specific Agency Needs</u>

Bureau of Reclamation

Funding for the Bureau of Reclamation allows the agency to meet its core mission of delivering water and generating hydropower, consistent with state and federal laws, in an environmentally responsible and cost-effective manner.

We support continued funding for the WaterSMART program which includes cost sharing activities like the Title XVI Water Reuse and Recycling Program (1:3 match), WaterSMART Grants (1:1 match), and basin studies (1:1 match).

Title XVI projects have produced an estimated 260,000 acre-feet of real water made available in 2011. For every federal dollar spent on an authorized Title XVI project, there is a $3 dollar non-federal cost share. WaterSMART efficiency projects, along with other conservation activities, are expected to save an estimated 587,839 acre-feet of water a year – enough for more than 2.3 million people.

Future budgets must recognize that most Reclamation Projects are at, or are approaching, their engineering design life; we support increases for Aging Infrastructure and the Dam Safety Program.

Finally, we strongly support funding the San Joaquin River Restoration Settlement, a Settlement committed to restoring flows and salmon to the San Joaquin River between the Friant Dam and the Merced River confluence, while avoiding or minimizing adverse water supply impacts to Friant contractors. We are also support funding for activities associated with the Klamath Basin Restoration Agreement.

United States Geological Survey

In order to make decisions about our future, we need to maintain baseline data from the past. The USGS currently maintains 7,825 streamgages across the country as part of the Streamgaging Network. Despite their necessity, the USGS budget for streamgages is stagnant or has decreased every fiscal year. Many streamgages have been discontinued because of lack of funding. Some of the discontinued streamgages are considered "long record streamgages" and have over 30 years of data. As a short-term solution, we should fully fund the gages that are deemed of "national interest," where data from these gages provide value on a national scale. This is roughly 4,500 of the 7,825 gages.

U.S. Fish and Wildlife Service/NOAA

The Natural Resources Committee Majority identified a significant operations and maintenance backlog for our National Wildlife Refuge System, but instead of asking that funding be made available to the Fish and Wildlife Service (the Service) to clear the backlog, they ask that no funding for new Refuges be provided. We find their dislike of public lands puzzling, as National Wildlife Refuges provide real benefits to hunters, anglers, wildlife watchers, and nearby property owners. Further, the Refuge System is a key component of our efforts to restore endangered species, an often-stated goal of the Committee Majority. Similarly, the Coastal and Estuarine Land Conservation Program (CELCP) administered by NOAA has high value in protecting fish nurseries and wildlife habitat, as well as shielding vulnerable coastal areas from the impacts of sea level rise and coastal storms, and should receive consideration for additional funding.

The Majority also recommends termination of the Service's Adaptive Science Account. Contrary to the views expressed by the Majority, this account is not duplicative of USGS climate change adaptation work, and funds research that will help the Service meet its unique mission in the face of a warming planet with more extreme weather and higher sea levels.

We also fail to see the Majority's logic in continuing to attack the National Ocean Policy, which is a non-regulatory coordination effort established by executive order. We also strongly disagree with the Majority's attack on Regional Ocean Partnerships, which are state-led efforts to improve regional cooperation on ocean and coastal issues. Despite incessant fear-mongering by the Committee Majority, the National Ocean Policy remains the equivalent of air traffic control for the seas, and is a small and prudent step toward reducing conflict among ocean users. Similarly, several Regional Ocean Partnerships are already up and running, and show great promise for states to identify needs and work together to set regional agendas for ocean management.

Finally, we agree with the Majority that the National Marine Fisheries Service should receive increased funding for the costs of improved fishery stock assessments and that Regional Fishery Management Councils and Commissions need additional funds to produce sound management results. Better fisheries science and management will lead to increased catches, more jobs, and healthier ecosystems and our coastal communities cannot afford for us to be wrong.

We disagree, however, that funding for implementation of catch share programs should be cut. Congress should not remove management tools from the Councils' toolboxes. Catch shares offer fishermen a chance to control their own destiny, rather than continuing to operate under unsafe 'derby fishing' conditions that prevent them from bringing their fish to market when they can get the best price. Funding these programs adequately is key to the successful transition to more logical, profitable, and sustainable fisheries.

In 2012, the Secretary of Commerce declared economic disasters for seven separate fisheries, including Northeast Multispecies (New England Groundfish), Alaska Chinook Salmon, and Mississippi Oyster and Blue Crab. The Senate included $150 million in disaster assistance for the restoration of the fisheries and aid to affected communities in its initial Hurricane Sandy supplemental, which the House unfortunately failed to consider before the end of the 112th Congress. Despite our best efforts, the House again failed to include this funding in the Sandy supplemental appropriations act that passed last month, leaving fishing families across the country to fend for themselves.

American fishermen adhere to the most stringent conservation laws in the world, and have been active participants in conserving and rebuilding fisheries in our waters. Circumstances beyond their control have contributed to the difficult circumstances of the present, which necessitate deep reductions in harvest to help these stocks rebound. Emergency funding dedicated to improving and increasing stock assessments, helping waterfront communities weather the storm, and providing a financial bridge for people who would like to exit the fisheries is both sound public policy and a moral obligation.

NOAA's National Ocean Service (NOS) collects data and produces products that have tangible economic and public safety benefits for Americans who live near and work on our oceans. From accurate nautical charts, to timely storm surge forecasts, to swift maritime accident response, NOS helps businesses and individuals navigate our waters safely and efficiently. We face two challenges in particular that NOS can help us address immediately: more frequent and intense coastal hazards and increased economic activity in the Arctic.

Hurricane Sandy showed us all that we have entered a period during which the combined effects of strong storms and rising sea levels has made private property and public infrastructure along our shores more vulnerable, and has made living on the coast or working at sea more dangerous. NOS is responsible for the maintaining and improving the Integrated Ocean Observing System (IOOS), which provides critical information about changing ocean and coastal conditions. Though the Office of the Coast Survey, NOS is also responsible for maintaining and improving charts that aid navigation. In the case of the U.S. Arctic, some Alaskan waters have not been surveyed since Captain Cook's expedition in the 1700s. Fully funding these programs will allow us to improve our knowledge of our oceans and coasts, and will prepare us to increase economic development safely and responsibly.

Bureau of Ocean Energy Management/Bureau of Safety and Environmental Enforcement

Across the United States, oil production is at its highest level in 20 years. Natural gas production has reached levels we have never seen before. Oil production on public lands offshore was higher in 2011 than it was during each of the last three years of the Bush Administration. There are now roughly 50 percent more floating rigs operating in the Gulf than there were prior to the BP spill, according to industry analysts. And they are doing so more safely because of the reforms put in place by the Interior Department.

And despite claims from the oil industry that companies need access to more areas offshore, the Interior Department's five year plan makes more than 75 percent of the offshore oil and gas resources available for development, while also protecting coastal communities on the East and West Coast. It's not the Obama administration holding back more domestic production, it's the oil companies that are currently not producing on roughly 30 million acres offshore they already have under lease, which hold billions of barrels of oil.

Bureau of Land Management (BLM)

The Majority's view of the Bureau of Land Management's (BLM) budget is myopic. While the National Landscape Conservation System (NLCS) is a shift in thinking, it is not radical, but rather holistic. Through the history of this agency, the pressure to produce more oil and gas on BLM lands has cheated the conservation part of the agency's mission. Creating and funding the NLCS ensures a more balanced multi-use mission of the BLM lands.

The majority also grouses about funding for Sage Grouse conservation. Our view is that the investment in sage grouse conservation efforts, including the necessary revision of resource management plans, will help insulate the BLM and other land management agencies from future litigation associated with the protection of this game species.

Missing from the majority's views on grazing is a comparison of federal grazing fees with fees charged by state and private landowners. Even with a $1 increase per animal unit month (AUM), public land grazing fees are a fraction of what ranchers would pay to graze cattle on state or private lands.

Last year's budget, the Republican Party platform, and Republican state legislatures advocate for the sale or transfer of federal lands to states. These proposals are penny-wise and pound foolish. What might generate limited, short-term revenue for state governments would slash larger revenue streams from recreation. Moreover, in the case of Oregon and California timberlands, the timber industry has rejected the idea of land sales, claiming that investment pressures and the pressure to export logs to China would create debilitating boom and bust cycles in rural areas.

Regarding energy development onshore, the Department of the Interior has approved more permits to drill and industry has begun drilling more wells in the first three years of the Obama Administration than in the first three years of the Bush Administration. And the oil and gas industry still has nearly 7,000 approved permits to drill onshore that they are not using.

As part of its commitment to a true "all of the above" energy plan, the Obama Administration is also developing renewable energy on public lands, with the goal of permitting 11,000 megawatts by the end of 2013. This would be more than 5 times the amount of renewable energy permitted by all previous administrations combined.

Finally, the majority raises questions related to the increased funding for the Wild Horses and Burros program. The recommendation to have a "critical re-examination of the program" would actually mean rewriting the underlying legislation requiring the agency to manage these animals. To date, the majority has not undertaken this effort.

U.S. Forest Service

The Majority's view of the Forest Service's budget proposal contradicts their own legislative proposals pushed through the Committee. Citing Committee-reported legislation to fund rural schools, the majority ignores the increased costs the agency would incur to radically increase logging called for in their proposal. Under the Majority's county revenue proposal, the Forest Service would need to increase logging by a factor of fifteen over current levels. It is nothing short of fantasy to believe that this increase in logging requires no new funding.

New proposal to sell, transfer title, or devolve control of federal forests to the states will not reduce costs. Much of the work to address bark beetle infestations and other wildfire risk is expensive. Moreover, states such as Utah, Idaho, and Arizona all acknowledge that the only lands they would retain would be those with the highest timber value. The federal government would be losing assets while retaining lands most in need of restoration or cleanup.

The Majority has rejected widely supported and cost effective programs like stewardship contracting and good neighbor authority that would enable more restoration work with smaller outlays of federal funding. If the Majority is truly interested in creating healthier forests and reducing federal spending, adopting these proposals would go a long way towards those goals.

The only budget reduction the Majority proposes is to abolish payment of attorney's fees pursuant to the Equal Access of Justice Act. It is unclear if the Majority opposes equality, equality of access, or justice itself. It is also worth noting that this same position is not restated regarding entities that litigate Bureau of Reclamation decisions.

National Park Service (NPS)

In criticizing the budget request for the National Park Service, the Majority ignores the fact that the American public continues to support expanded conservation and recreation. Responding to steady demand from Members of both parties, the Congress authorizes new site studies, creates new parks, and designates memorials and commemorations, all of which require management and care by the NPS. The Committee Majority's continued attempts to starve our National Park System of the funding it needs to meet these demands is unwise and should be unsuccessful.
The request for NPS construction costs is appropriate for planning and construction management when one realizes that this agency is doing exactly what we hope many will do in the long run: planning for the future, leveraging partnerships, and doing careful preparation to prevent costly overages on large projects. Given the overall budget constraints, it is only prudent to delay new construction projects and focus on current needs.

Full Funding for the Land and Water Conservation Fund

Expenditures from the Land and Water Conservation Fund (LWCF) are central to consolidating federal land ownership patterns and acquiring parcels critical to habitat migration and ecosystem connectivity. Full-funding for LWCF expenditures would allow the Fund to achieve its full potential and provide a powerful weapon against climate change impacts.

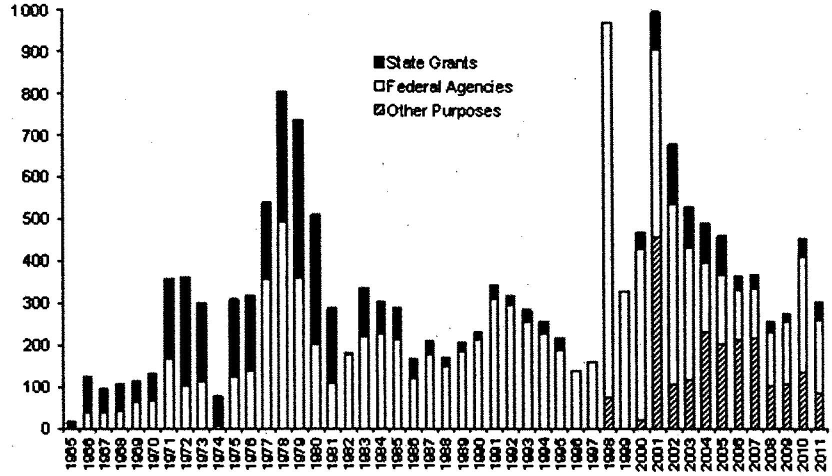
Pursuant to the Land and Water Conservation Fund Act of 1965, a small portion of the enormous profits generated from oil and gas leasing on the Federal Outer Continental Shelf are deposited in the Land and Water Conservation Fund. The Fund is authorized to receive $900 million annually through September 30, 2015.

Money from the Fund is authorized for two broad purposes: federal land acquisition and block grants to states. The National Park Service, Forest Service and Bureau of Land Management have no other significant funding source for land purchases. LWCF is also a significant funding source for land acquisition for the Fish and Wildlife Service.

The parcels identified for acquisition by federal land management agencies are selected through rigorous land use planning; many would serve significant resource management goals. Increased, predictable funding for these purchases would yield significant and permanent improvements to the environment and allow substantial progress in documenting, reducing and mitigating the impacts of climate change. Each year, federal land management agencies submit lists of proposed acquisitions to Congress, but the appropriated amount routinely falls well short of both the authorized level and the demonstrated need.

According to CRS, roughly $33.5 billion has been credited to the Fund but only $15.8 billion has been appropriated, leaving a nearly $18 billion unappropriated balance on paper.

LWCF Appropriations, FY1965-FY2011(in millions of dollars)



Source: http://www.crs.gov/Products/RL/PDF/RL33531.pdf

This decades-long diversion of LWCF funding to non-conservation uses should stop and the Fund should be allowed to achieve its vital purpose. The Majority's call to continue, and even increase, this decades-long diversion is indefensible.

Potential Budget Savings

A thorough review of deficit reduction proposals within the jurisdiction of the Natural Resources Committee reveals a broad range of possibilities offering significant potential to reduce our nation's deficit, without threatening our nation's environment.

Reform of the General Mining Law of 1872: This 19th century law allows the purchase of valuable public lands at 19th century prices, and removal of valuable minerals, including gold, silver and uranium, from public lands without a royalty payment to the taxpayers. Based on data provided to the Democratic Staff by the Congressional Research Service, at least $2.4 billion worth of hardrock minerals were produced from public lands in 2010. A royalty rate on all hardrock mining comparable to the royalties charged for onshore oil and gas produced from public lands (12.5%) could return at least $300 million a year to the treasury.

Abandoned Hardrock Mine Lands Fee: According to the Environmental Protection Agency and the Congressional Research Service, there are over 500,000 abandoned mine locations (AMLs) on public and private lands in the United States,[1] with approximately 100,000 sites on BLM and Forest Service lands.[2] Cleanup of these abandoned gold, silver, and other mines is currently paid for by the taxpayer, rather than the mining industry. The Obama Administration has proposed a reclamation fee for material that is displaced during hardrock mining operations. The Administration projects that this proposal would raise $500 million over ten years. Implementing this fee would lower discretionary spending on mine cleanup currently paid for by the taxpayer.

Repeal GOMESA Revenue Sharing: The Gulf of Mexico Energy Security Act (GOMESA) of 2006 (P.L. 109-432) provides 37.5 percent of qualified revenues from oil and gas production on public lands offshore in the Gulf to Alabama, Louisiana, Mississippi and Texas. Pursuant to the law, the amount of revenue due those four states will increase dramatically beginning in Fiscal Year 2017. Repealing this revenue sharing authority would increase revenue to the Treasury by nearly $2 billion over ten years and $150 billion over the next 60 years, according to the Department of the Interior.

Close the Royalty Relief Loophole: Thanks to an oil company court challenge to the Deepwater Royalty Relief Act of 1995 (P.L. 104-58) companies are able to drill on some leases in the Gulf of Mexico without paying any royalties to the American taxpayers. Incentivizing these companies to renegotiate these leases in order to pay a fair return to the public would save taxpayers more than $15.5 billion over 10 years according to the Department of the Interior and as much as $31 billion more over the life of these leases.

Repeal Additional Royalty Relief: The Energy Policy Act (EPACT) of 2005 provided additional royalty relief to oil and gas companies drilling offshore. Taxpayers have already lost more than $400 million from this provision, according to the Department of the Interior.

Fee on Non-producing Oil and Gas Leases: A review by the Interior Department documented that energy companies hold thousands of leases covering millions of acres, both on and off-shore, on which they are not producing. The Administration has proposed a $4 per-acre fee on these non-producing leases to incentivize production and raise revenue. It is estimated that this fee would generate $783 million over ten years while also increasing domestic energy production.

---

[1] Congressional Research Service, *Cleanup at Abandoned Hardrock Mines: Issues Raised by Good Samaritan Legislation in the 109th Congress.* RL33575, December 2006.

[2] GAO Testimony before the Committee on Energy and Natural Resources, U.S. Senate. Information on State Royalties and the Number of Abandoned Mine Sites and Hazards. GAO-09-854T, July 2009. See also, EPA's National Hardrock Mining Framework at http://www.epa.gov/aml/policy/hardrock.pdf

Increase On-shore Royalty Rates: The Government Accountability Office has found that the federal government receives one of the lowest shares of revenue from oil and gas production on federal lands compared with other countries.[3] The Administration is currently reviewing increases to the royalty rates for oil and gas production on-shore, which have not been increased in 25 years. This proposal is estimated to raise $900 million in additional revenue over ten years.

Repeal Oil and Gas Fee Prohibition and Mandatory Permit Funds: The Administration has proposed to repeal portions of Section 365 of the Energy Policy Act, beginning in 2013. Section 365 diverted mineral leasing receipts from the U.S. Treasury to a fund for processing permits and also prohibited BLM from establishing cost recovery fees for processing applications for permits to drill for oil and gas. Congress has implemented permit fees through appropriations language for the last several years and the 2012 budget proposes to continue this practice. The Administration projects that savings from terminating this mandatory funding are estimated at $18.0 million in 2014 and $36.0 million over two years.

Increase Offshore Oil and Gas Inspection Fees: The Administration has proposed increasing inspection fees for offshore rigs by $55 million in the FY2012 budget in order to help fund the agency responsible for inspections. The BP Spill Commission has similarly recommended increasing inspections fees "significantly" to fund the regulation of oil and gas operations offshore. This change could save taxpayers more than $500 million over the next 10 years.

Recover Oil and Gas Administrative Costs: The federal government and the States split the royalties from oil and gas activities on federal lands 50-50 even though the federal government pays 100 percent of the costs to administer the oil and gas program. As early as 1993, the Congress required the Department of Interior to retain a portion of the States' share of these royalties to offset the States' share of this cost. Under current appropriations law, two percent of oil and gas royalties are retained by the Department of Interior to offset the administrative costs of the program. The Republican majority has proposed ending this policy. Making permanent the Department's ability to offset the administrative costs of the oil and gas program would save approximately $449 million over ten years.

Repeal Tax Breaks for Oil and Gas Companies: While the various tax provisions benefitting large oil companies are not within the jurisdiction of the Natural Resources Committee, it is important to note that repeal of these provisions could add more than $55 billion to the Treasury over ten years.

These proposals would reduce our nation's deficit by approximately $20 billion over ten years while incentivizing domestic energy production and improving the health of our public lands and waters. Combined with repeal of the tax breaks currently enjoyed by large oil companies, these policy changes would raise $63 billion over ten years.

[3] GAO, Federal Oil and Gas Resource Management and Revenue Collection in Need of Comprehensive Reassessment. GAO-09-506T, March 2009.

Sincerely,

Edward J. Markey

Edward J. Markey

Ranking Democratic Member

Steven Horsford

Matthew Cartwright

Raul M. Grijalva

Madeleine Z. Bordallo

Alan Lowenthal

Tony Cárdenas

Grace F. Napolitano

ONE HUNDRED THIRTEENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6143

MAJORITY (202) 225–5074
FACSIMILE (202) 225–3974
MINORITY (202) 225–5051

http://oversight.house.gov

March 1, 2013

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

Dear Chairman Ryan:

On behalf of the Committee on Oversight and Government Reform, I am transmitting Views and Estimates with respect to the President's Fiscal Year 2014 Budget. The Views of the Minority Members of the Committee are also attached.

Sincerely,

Darrell Issa
Chairman

Cc: The Honorable Elijah E. Cummings, Ranking Member
Committee on Oversight and Government Reform

The Honorable Chris Van Hollen, Ranking Member
Committee on the Budget

Enclosure

Views and Estimates on the Fiscal Year 2014 Budget
Committee on Oversight and Government Reform
United States House of Representatives

Overview

In submitting these Views and Estimates pursuant to § 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), the Oversight and Government Reform Committee (the Committee) is primarily concerned with doing its part to help restore budgetary balance at a time when the Nation is grappling with historic annual budget deficits.

The Committee's oversight activities are focused on identifying barriers to job creation that are restraining the economic growth necessary to restore budgetary balance, and identifying the waste, fraud, abuse and mismanagement in government programs that create a perpetual drain on Federal coffers.

The Committee's legislative agenda is similarly focused on strengthening the Federal balance sheet. This includes efforts to increase transparency, empower inspectors general and improve Government management laws. It also includes harmonizing Federal workers' compensation with that of private sector counterparts, shoring up the long-term solvency of the Postal Service, and ensuring the efficiency and cost-effectiveness of the Federal contracting process.

Government Reorganization
Current challenges facing the executive branch, coupled with the growing federal debt, demand a new approach to government. The Committee will examine the major structural and organizational issues that have failed to alleviate – or have caused or exacerbated – government waste and redundancy.

Office of Personnel Management (OPM)
The Committee will continue to monitor OPM's Retirement Services Division. While the Committee recognizes OPM's recent progress in reducing the overall backlog of retirement claims, it lacks confidence in OPM's ability to develop and implement an efficient benefits processing model and reduce the approximately $100 million in claims annually paid to deceased annuitants.

The Committee will explore OPM's business operations, including the products funded through the Revolving Fund, which obligates approximately $2 billion annually on behalf of other federal agencies.

Federal Workforce
The Committee will continue its work to bring more balance to the federal personnel system, and to better align worker compensation with the private sector. Performance management will be part of the Committee's review. The Committee will look to develop a total compensation system that is market-oriented and performance-sensitive and attracts individuals with the skills necessary to meet current and future mission needs. The Committee will continue to pursue

legislation requiring federal workers to pay a fair share toward their defined benefit. The Committee believes the government should eliminate the supplemental payment to workers who voluntarily retire before they reach Social Security eligibility age, and it should eventually shift to a defined-contribution pension system.

The Committee will also look to ensure the size and composition of the federal workforce is driven by critical needs. The size and scope of the Federal Government has continued to grow, resulting in duplicative programs and functions that waste scarce taxpayer dollars and limit our ability to meet current and future needs. The Committee continues to believe the civilian workforce can be right-sized through attrition and a focus should be put on filling critical skills gaps. The Committee recommends the Budget Committee incorporate in the budget resolution the budgetary savings impact of H.R. 824, the Federal Workforce Reduction Through Attrition Act, introduced by Rep. Cynthia Lummis (WY). The bill, based on a recommendation from the President's own fiscal commission (Simpson-Bowles), would reduce the Federal Government workforce by ten percent through attrition.

Federal Employee Travel and Conferences
Following the General Services Administration's (GSA) lavish 2010 conference in Las Vegas, the Committee is committed to reducing federal travel and conference spending, and injecting greater transparency and accountability into those processes. In May 2012, the Office of Management and Budget (OMB) issued a memo to the heads of all federal departments and agencies outlining new policies for travel and conferences. The OMB memo instructs each agency for fiscal year 2013 to "spend 30 percent less on travel expenses...than in FY 2010." The OMB memo also outlines new policies for conferences: (1) Initiate senior level review of all planned conferences; (2) Initiate senior level approval of all future conference expenses in excess of $100,000; (3) Prohibit expenses in excess of $500,000 on a single conference; and (4) Report publicly on all conference expenses in excess of $100,000.

During the 112th Congress, the Committee worked on a bipartisan basis to pass legislation limiting federal travel and conference spending, and making such expenditures more transparent. H.R. 4631, the Government Spending Accountability Act of 2012, was reported favorably by the Committee and passed the House by voice vote. Among other reforms, the legislation limits agency travel expenses through fiscal year 2017 to 70 percent of the fiscal year 2010 amount, and requires federal agencies to make public federal employee presentation materials given at conferences.

The Committee will monitor the Administration's progress in complying with the OMB memo while holding hearings and pursuing legislation to achieve its objectives in this area.

Contracting Reform
The size and cost of government contracting almost doubled from fiscal year 2002 to fiscal year 2012. Total U.S. Government contract spending increased from $264 billion to $514 billion. Approximately 70-percent of this total goes toward defense spending. And about $80 billion of federal contracting dollars currently go toward information technology (IT) purchases and maintenance. Industry experts have estimated as much as $20 billion could be saved annually by improving the management of IT investments.

Last September, the Committee posted draft IT acquisition reform legislation on its website to solicit stakeholder input. The Committee is holding hearings to examine the issue and explore legislative solutions. The Committee intends to pursue legislation that eliminates wasteful duplication in IT investments, optimizes infrastructure and common IT applications, streamlines and maximizes IT acquisition best practices, strengthens the acquisition workforce's ability to handle complex IT requirements, and promotes price transparency and the adoption of industry best practices.

In order to prevent fraud and abuse, federal agencies should be conducting aggressive suspension and debarment (S&D) programs to ban unscrupulous businesses and individuals from receiving federal funds. However, despite intense Congressional oversight, administrative action and public scrutiny in recent years, the latest review by the Government Accountability Office found that six of ten agencies that spent more than $1 billion per year each on federal contract awards lacked effective S&D programs.

The 112th Congress considered various narrow-focus measures to bolster the S&D function. Without comprehensive reform, however, little change is likely to occur. In February 2013, the Committee released a discussion draft of legislation designed to overhaul the civilian agency S&D programs and drastically improve efficiency, transparency, and accountability of the S&D activities.

The Committee looks forward to collaborating with the Administration to reform the manner in which the Federal Government procures IT and protects the taxpayer investment in the more than $1 trillion in contracts and grants awarded annually.

Waste, fraud and abuse continues to occur at an unacceptable rate in the various small business contracting programs. While these are well-intentioned social and economic development programs, recent work by the Committee and GAO continues to show that minority businesses often serve as "pass-throughs" for contracting dollars that ultimately flow up to large corporations. The Committee intends to pursue legislation to ensure that funding is not siphoned off from intended beneficiaries, such as service disabled veterans and small businesses.

The Committee looks forward to working with the Administration to find the proper balance between Federal employees and contractors in ensuring that government functions are carried out effectively and cost-efficiently. Agencies must approach in-sourcing in a strategic, analytical, and transparent manner so as not to unnecessarily grow the Federal bureaucracy or harm small businesses contracting with the Federal Government.

DC Opportunity Scholarship Program
The Committee is concerned with the persistent and systemic failings of many schools in the DC Public School system, especially those in traditionally low-income areas. The Committee supports the role of the DC Opportunity Scholarship Program (DCOSP) in helping to improve the public schools, and in providing choice and opportunity in schooling for many low-income District residents who would otherwise be forced to attend a low-performing public school. The

Committee is committed to ensuring its successful implementation, and in working with the Appropriations Committee to ensure DCOSP is fully funded.

DC Local Budget Autonomy
In order to ensure District of Columbia residents are not adversely impacted by the potential or actuality of a Federal Government shutdown, the Committee has been investigating ways to grant limited local budget autonomy to the city government. The Committee is committed to ensuring that sufficient checks remain in place to appropriately limit the scope of the District's budgetary authority and to maintain Congress's prerogative to oversee the federal city.

DC Heights Act
The Committee sent a letter to the National Capitol Planning Commission (NCPC) and the District of Columbia mayor requesting that NCPC and the city conduct a joint review of the 1910 law that restricts building heights in DC. NCPC's review is due in September 2013. The Committee will continue to review the law and will review the recommendations put forward in the joint review when they are issued this fall.

Postal Reform
The Committee supports the recently-announced Postal Service initiative to move to a modified six-day delivery schedule this August. The Administration in recent years has endorsed such a move, but has put forth no other recommendations for structural reforms that would reduce operational costs at the Postal Service and help to ensure its long-term solvency.

The Postal Service has taken some initial steps to cut costs, but its projected long-term costs continue to far exceed its projected long-term revenues. In fiscal year 2012 alone, the Postal Service lost $15.9 billion, including a default on $11.1 billion in required payments to the Treasury to reduce outstanding retiree health care liabilities. In the 112th Congress, the Committee reported H.R. 2309, the Postal Reform Act, to the full House. That legislation would have enabled, expedited, and required further cost-cutting measures at the Postal Service. In the 113th Congress, the Committee will continue to advocate for such measures. Currently, USPS operates retail and mail processing networks far in excess of actual demand, operates an aging delivery fleet it cannot afford to replace, and maintains a workforce disproportionate to its evolving needs. Eighty percent of the operating expenses of the Postal Service are workforce-related – a percentage that easily exceeds competitors such as FedEx and UPS.

Major restructuring and modernization is necessary to preserve affordable, self-financing universal service through USPS. Without major action in the near future, the Postal Service will remain on an unsustainable financial trajectory that will necessitate repeated requests for short-term, taxpayer-funded financial relief to stave off insolvency.

Federal Real Property Disposal
Since 2003, GAO has cited federal real property management as a "high-risk" area, including most recently in its report released on February 14, 2013. GAO cited concerns about the reliability of real property data, the deteriorating conditions of facilities, the large quantity of excess and underutilized properties, an overreliance on leasing, and security of facilities. The Federal Government currently holds over 76,000 buildings that are either vacant or underutilized.

It spends over $1.5 billion each year to operate and maintain these underutilized buildings. The Committee plans to pursue legislation that will accelerate the disposal of excess property and improve federal real property data quality. During the 112th Congress, Rep. Chaffetz (UT) introduced H.R. 665, the Excess Federal Building and Property Disposal Act of 2012. H.R. 665 would streamline the federal real property disposal process by authorizing a pilot program to expeditiously dispose of real property not meeting the needs of the Federal Government. The Committee reported this bill out of Committee by unanimous consent on February 27, 2012, and it was later unanimously passed by the full House on March 20, 2012. It has been reintroduced in the 113th Congress as H.R. 328.

National Archives
The Committee recommends elimination of the National Historical Publications and Records Commission Grants Program. Elimination of this program will save the taxpayers $10 million annually.

Office of National Drug Control Policy
The Committee strongly supports all efforts to protect the American people with a comprehensive, multi-faceted plan to combat both domestic illegal drug use and the abuse of legal drugs. The Committee is particularly supportive of the Office of National Drug Control Policy's High Intensity Drug Trafficking Areas (HIDTA) Program, which coordinates the counter-drug efforts of Federal, State, local, and tribal law enforcement officials. The National HIDTA Directors Association (NHDA) found that the HIDTAs collectively removed more than $16 billion worth of wholesale illicit drug value from market circulation in 2011, representing a return on investment of more than $96 in wholesale drug value removed for every federal dollar spent on HIDTAs that year. Of the $952 million in illegally gained cash and other assets seized due to HIDTA activity in 2011, $761 million (or approximately 80 percent) went to reimburse state and local law enforcement expenses, while approximately $190 million went to the Federal Government (covering approximately 75 percent of the total federal cost of the HIDTA program.)

Program Redundancy and Sunset Legislation
On February 28, 2012, GAO released its second annual report to Congress regarding redundant programs, agencies, and offices across the Federal Government. According to the report, taxpayers continue to double-finance a wide array of programs, from food safety systems to surface transportation and employment training. Only five percent of the areas listed in the first report had been addressed one year later. While some of these programs are worthy endeavors that meet the government's basic responsibilities, the fragmented approach of federal departments and agencies to meet these goals demands immediate reform.

At a time when the American people are increasingly concerned about the inflated cost of government and runaway federal deficits, duplicative programs present an obvious area for spending cuts. GAO has identified that in some instances more than 100 programs spread across numerous agencies are addressing the same concerns. Senator Tom Coburn (R-Okla.) has projected that the programs GAO identified represent more than $100 billion in annual losses to taxpayers. Eliminating this fragmentation and duplication could save taxpayers billions of dollars annually and foster a more responsive and efficient delivery of government services.

The Committee intends to consider legislation that would eliminate or sunset unnecessary or redundant federal programs and increase transparency of government programs.

Government Accountability Office

The Committee believes that GAO plays a necessary and important role in improving Government performance and accountability; it is committed to granting GAO the tools necessary to make Government work better. The Committee will continue to pursue legislation empowering GAO to enhance government accountability, including via increased authority to obtain agency records. GAO also requires appropriate fiscal resources to accomplish its mission. The Committee is concerned about the impact of recent cuts to which the agency has been subject. GAO is at its lowest staffing levels since the 1930s, and the Comptroller General warned in recent testimony before the Committee that additional resources are needed to accomplish the agency's mission. GAO's fiscal year 2012 Performance and Accountability Report stated that the agency produces a return on investment to taxpayers of $105 for every dollar invested in GAO – a total of $55.8 billion in documented financial benefit.

Inspectors General Reform

In reporting the DATA Act last year, the Committee incorporated the bipartisan Inspector General Act reforms previously reported by the Committee as a stand-alone bill during the 111th Congress. These provisions empower IGs by granting them relief from several onerous administrative requirements, the freedom from which will enhance their ability to carry out their mission of identifying waste, fraud and abuse.

During 2011, IGs identified more than $33 billion in dollar savings as well as program efficiencies and enhancements from a range of audits, investigations, evaluations, and inspections. The IG community was responsible for successful investigations of individuals and entities who threatened government integrity and the public trust. Cumulatively, these efforts resulted in $24.8 billion in potential savings from audit recommendations and $ 9.1 billion in potential savings from investigative recoveries and receivables. With an aggregate FY 2011 budget of approximately $2.7 billion, every dollar invested in the OIGs provides a return of more than $10.

Improper Payments

An estimated $108 billion in improper payments was made by the Federal Government in FY 2012. This is only an estimate, and does not include an estimate for the Department of Defense. More than 58 percent of all estimated improper payments in FY 2012 were made through the Medicare and Medicaid programs. Other high-error programs include the Earned Income Tax Credit, Unemployment Insurance, and Supplemental Security Income. In the 112th Congress, the Committee worked with the Senate Homeland Security and Government Affairs Committee to enact the Improper Payments Elimination and Recovery Improvement Act. The Act strengthens the Do-Not-Pay Initiative at the Department of Treasury, which is aimed at detecting and preventing improper payments before they are issued. Improper payments remain a large problem, and were one of the reasons why the Federal Government again failed an audit of its financial statements in FY 2012, and has indeed never been auditable.

Transparency/Open Government
Federal agency IT systems continue to lag far behind those utilized by the private sector. For example, GAO's annual review of the Federal Government's consolidated financial statements has never yielded a clean audit opinion; this is most directly the result of dozens of separate agencies using incompatible software systems and inconsistent accounting methods to report their financial results. Since the government cannot track its own finances, it cannot accurately report them to the public. Recently, government watchdog groups reported that USASpending.gov – an Administration website charged with listing all Federal grants and contracts – is only accurate 30.7 percent of the time, and only 1.5 percent of information on the site met timeliness requirements.

Reports from government watchdog groups also show that the Federal Government has not followed guidance from the President and the Attorney General to adopt a presumption of disclosure when processing Freedom of Information Act (FOIA) requests. Agencies are also not uniformly complying with requirements in FOIA for responding to requests, assessing fees, offering dispute resolution services, and proactively disclosing frequently requested records. The government has also failed to utilize technology – as directed by the President in his 2009 FOIA memo – to improve FOIA compliance.

The Committee will continue to advocate technological solutions to achieve government transparency that allows for informed budgetary decision-making and a government that is accountable to its people. The Committee will seek to ensure that federal government information – with a few well-defined exceptions, such as national security – is made available online, and is formatted in ways that facilitate easy access and analysis. The Committee will consider legislation to set policy goals for technology-driven transparency for Federal spending data, program performance information, regulatory materials, and legislative documents.

Congressionally-Mandated Reports
While it is essential that the Administration make information available and accessible to the public, it is also important that Congress periodically review reporting requirements it places on the Administration, in order to eliminate those reports that are no longer needed. The Government Performance and Results Modernization Act of 2010 (P.L. 111-352) required the Office of Management and Budget to publish as part of its fiscal year 2013 budget submission a list of Congressionally-mandated plans and reports that it considers outdated or duplicative. The Administration failed to do that, but – nearly a year later – it did eventually publish such a list of 376 plans and reports on the performance.gov website in January 2013. The Committee is currently working with other Congressional panels to determine which reporting requirements should be kept, and which should be discarded. It will pursue legislation eliminating those reports deemed extraneous. The Committee anticipates that such legislation will eliminate millions of dollars each year in unnecessary expenses.

Whistleblowers
The Committee worked to help enact the Whistleblower Protection Enhancement Act in November 2012 (P.L. 112-199). The Committee will monitor the implementation of that legislation, and examine ways to grant further protections to whistleblowers not adequately protected under existing law.

Grant Reform

Grants recently surpassed contracts as the largest category of discretionary federal spending. Despite their ubiquity, federal grants are not subject to the same degree of accountability as contracts. There are no uniform government-wide regulations to ensure the consistent application of merit-based criteria in federal grant award processes. And there are no uniform transparency requirements concerning public access to grant applications or grant review materials. Last Congress, the Committee addressed these issues in reporting out H.R. 3433, the GRANT Act, sponsored by Rep. Lankford. This Congress, the Committee will continue to pursue legislation to enhance accountability and transparency in the granting of federal awards.

Minority Views
Budget Views and Estimates for Fiscal Year 2014
Committee on Oversight and Government Reform

March 1, 2013

The Congressional Budget Act of 1974 requires that standing House committees, including the Committee on Oversight and Government Reform, submit "views and estimates" regarding the President's proposed budget for the upcoming fiscal year within six weeks of receiving it from the Administration. The Act states:

> Each standing committee shall submit to the Committee on the Budget not later than six weeks after the submission of the budget by the President, or at such time as the Committee on the Budget may request—
>
> (A) its views and estimates with respect to all matters to be set forth in the concurrent resolution on the budget for the ensuing fiscal year that are within its jurisdiction or functions; and
>
> (B) an estimate of the total amounts of new budget authority, and budget outlays resulting therefrom, to be provided or authorized in all bills and resolutions within its jurisdiction that it intends to be effective during that fiscal year.[1]

Similarly, the House Rules provide:

> Within 6 weeks after the President submits a budget under section 1105(a) of title 31, United States Code, each committee of the House of Representatives having legislative jurisdiction shall submit to the Committee on the Budget of the House and each committee of the Senate having legislative jurisdiction shall submit to the Committee on the Budget of the Senate its views and estimates (as determined by the committee making such submission) with respect to all matters set forth in subsections (a) and (b) which relate to matters within the jurisdiction or functions of such committee.[2]

This year, however, the Administration was forced to postpone the submission of its budget proposal because House Republican leaders unnecessarily delayed attempts to resolve the so-called "fiscal cliff" until January 2, 2013. On January 11, 2013, Jeffrey Zients, the Deputy Director for Management at the Office of Management and Budget, sent a letter to Rep. Paul Ryan, the Chairman of the Committee on the Budget, stating:

> As you know, the protracted "fiscal cliff" negotiations that led to the enactment of H.R. 8, the American Taxpayer Relief Act of 2012, created considerable uncertainty about

---

[1] Congressional Budget Act of 1974 § 301(d).

[2] House Rule X, clause 4(f).

revenue and spending for 2013 and beyond. The Act resolved a significant portion of this uncertainty by making permanent the temporary rates on taxable income at or below $400,000 for individual filers and $450,000 for married individuals filing jointly; permanently indexing the Alternative Minimum Tax exemption to the Consumer Price Index; extending emergency unemployment benefits and Federal funding for extended benefits for unemployed workers for one year; continuing current Medicare payment rates for physicians' services through December 31, 2013; extending farm bill policies and programs through September 30, 2013; and providing a postponement of the Budget Control's sequestration for two months. However, because these issues were not resolved until the American Taxpayer Relief Act was enacted on January 2, 2013, the Administration was forced to delay some of its FY 2014 Budget preparations, which in turn will delay the Budget's submission to Congress.[3]

Resolution of the fiscal cliff was delayed by House Republican leaders who refused to allow a vote on any legislation unless it was supported by a majority of their own political party. In December, House Republican leaders tried—but failed—to pass their own legislation using this approach. However, after determining that this so-called "Plan B" legislation lacked sufficient Republican support, Speaker John Boehner withdrew it from consideration and adjourned the House for the holidays.[4] When House Republicans leaders returned to Washington in January 2013, Speaker Boehner allowed the House to have an up-or-down vote on the American Taxpayer Relief Act, which passed by a vote of 257 to 167.

Although the resolution of the fiscal cliff was a positive step, it delayed sequestration only until March 1, 2013. Sequestration will harm our nation's economy and hurt middle-class families across the country. Starting today, there will be massive automatic spending cuts to

---

[3] Letter from Jeffer D. Zeintz, Deputy Director for Management, Office of Management and Budget, to Rep. Paul Ryan, Chairman, House Committee on the Budget (Jan. 11, 2013).

[4] *Boehner's Budget 'Plan B' Collapses,* Wall Street Journal (Dec. 21, 2012) ("After pulling his bill without taking a formal vote, Mr. Boehner unexpectedly disbanded the House until after Christmas, leaving behind uncertainty about whether Congress and President Barack Obama would be able to avoid $500 billion in spending cuts and tax increases that begin in January."); *Boehner Abandons Plan to Avoid "Fiscal Cliff,"* Washington Post (Dec. 20, 2012) ("House Speaker John A. Boehner threw efforts to avoid the year-end "fiscal cliff" into chaos late Thursday, as he abruptly shuttered the House for the holidays after failing to win support from his fellow Republicans for a plan to let tax rates rise for millionaires."); *Boehner's Plan B Fiscal Cliff Bill Pulled Amid Dissension in GOP Caucus,* CNN (Dec. 21, 2012) ("House Speaker John Boehner's proposal to avert the looming fiscal cliff's automatic tax increases failed to curry enough Republican support Thursday night, after which Congress left for the holiday with no clear end in sight in the high-stakes debate.").

core services that millions of Americans rely on every day. These cuts could place up to 2 million jobs at risk, and over $100 billion in labor income could be lost.[5]

For example, the Social Security Administration may have to lay off 1,500 workers, which would increase backlogs and delay payments for seniors across the country.[6] Head Start and other education funding will be slashed.[7] The Federal Aviation Administration will have extensive furloughs, resulting in longer delays at the airport and potential security risks.[8] And the Customs and Border Protection Agency may have to furlough thousands of officers and agents, which could jeopardize border security.[9]

Despite these looming cuts, over the past three months, House Republican leaders have refused to allow any votes on legislative alternatives to sequestration—regardless of whether they are supported by Republicans or Democrats. Last Congress, House Republican leaders offered their own alternative to sequestration, but this Congress it is unclear whether they have enough votes to pass it, primarily because many House Republicans now want sequestration to occur.[10]

House Republican leaders also refused to allow a vote on common-sense alternatives proposed by Democrats. Rep. Chris Van Hollen, the Ranking Member of the Committee on the Budget, introduced H.R. 699, the Stop the Sequester Job Loss Now Act, to eliminate the sequester for 2013 while reducing the deficit by more than the amount of the scheduled across-the-board spending cuts. It would reduce the deficit in a balanced way with a mix of spending cuts and revenue increases, such as repealing tax incentives that subsidize oil companies currently making historic profits.[11] House Republican leaders have refused to allow

---

[5] Democratic Steering and Policy Committee, Testimony of Stephen S. Fuller, *Hearing on Impacts of Sequestration on the American Economy, Families and Small Businesses*, 113th Cong. (Feb. 21, 2013).

[6] Letter from Michael J. Astrue, Commissioner, Social Security Administration, to Chairwoman Barbara Mikulski, Senate Committee on Appropriations (Feb. 7, 2013).

[7] Letter from Arne Duncan, Secretary, Department of Education, to Chairwoman Barbara Mikulski, Senate Committee on Appropriations (Feb. 1, 2013).

[8] Letter from Ray LaHood, Secretary, Department of Transportation, to Chairwoman Barbara Mikulski, Senate Committee on Appropriations (Feb. 11, 2013).

[9] Letter from Janet Napolitano, Secretary, Department of Homeland Security, to Chairwoman Barbara Mikulski, Senate Committee on Appropriations (Jan. 31, 2013).

[10] *See, e.g., Lummis to Lawmakers: "Spending Cuts Are Coming,"* Billings Gazette (Feb. 11, 2013) (stating that she is "excited" for sequestration to occur); *U.S. Congressman DeJarlais [sic] Speaks to Local Constituents*, Cleveland Daily Banner (Feb. 2, 2013) (stating that sequestration "needs to happen.").

[11] House Committee on the Budget, Democratic Staff, *Fact Sheet: The "Stop the Sequester Job Loss Now" Act* (Feb. 28, 2013) (online at http://edit-

consideration of this legislation because of their opposition to increasing revenue by closing tax loopholes for the wealthy.

Looking forward, on March 27, 2013, the current Continuing Resolution will expire, leaving little time to negotiate further. Democrats believe Congress should take a balanced approach that makes targeted spending cuts while raising additional revenue by closing preferential tax loopholes. If House Republican leaders continue to forego any efforts at compromise, however, yet another manufactured crisis could further imperil the nation's delicate economic recovery, threaten jobs, and harm millions of middle-class American families.

Rather than providing views and estimates on a budget proposal that Congress has not received, the minority believes the House should be working in a bipartisan manner to avert the devastating consequences of sequester, which begins today, and should seek a balanced approach to addressing the expiration of the Continuing Resolution over the next several weeks.

Although there are many issues listed in the majority's views and estimates that the minority agrees with and supports, below are descriptions of several specific items on which the minority disagrees.

Federal Workforce

The minority strongly opposes continued efforts by House Republicans to reduce the pay and benefits of millions of middle-class federal workers, which are described inaccurately in the majority views and estimates as proposals to bring "balance" to the federal personnel system and require workers to pay their "fair share" towards health and retirement benefits.

To the contrary, over the past three years, dedicated federal workers already contributed more than $100 billion towards reducing the deficit and funding unemployment benefits through a two-year pay freeze and reductions in their benefits. In addition, as discussed above, federal workers are facing furloughs and layoffs as a result of the automatic budget cuts that are taking effect as a result of sequestration. To force millions of middle-class federal workers to contribute even more without asking the nation's wealthiest individuals and corporations to contribute any additional revenues is unfair and fundamentally threatens the nation's fragile economic recovery.

The minority also disagrees with the majority's recommendation that the Budget Committee incorporate the budgetary savings impact of H.R. 824, the Federal Workforce Reduction Through Attrition Act. The federal workforce is now smaller than it was in 1988, an historic low compared to the size of the national population, and there are fewer federal workers now than at any time during the Reagan Administration. In addition, as history has proven,

---

democrats.budget.house.gov/sites/democrats.budget.house.gov/files/HR%20699%20Fact%20Sheet%202.28.13.pdf).

across-the-board workforce reductions have serious unintended consequences, including government backlogs, increased contract costs, and reduced government services.

The minority also opposes proposals to further increase employee retirement contributions, eliminate the FERS defined benefit pension, or eliminate the FERS supplemental payment for workers who retire before Social Security eligibility age. In addition to unfairly targeting middle-class federal workers, these proposals would only exacerbate the existing crisis in the government's ability to attract critical talent. As noted by the Government Accountability Office in its 2013 High Risk Report, the government's difficulty in attracting individuals with critical skills is undermining the ability of agencies to meet their vital missions.[12]

Postal Reform

Instead of merely voicing support for isolated actions by the Postal Service to attempt to address its fiscal challenges, the minority believes the Committee should pursue bipartisan, bicameral legislative efforts to address these challenges in a comprehensive and compassionate manner that also recognizes the dedicated service of postal workers.

Last year, the Postal Service reported losses of approximately $16 billion, and it lost $1.3 billion in the most recent quarter. It has borrowed the full $15 billion it is authorized to borrow from the Treasury, and it continues to lose approximately $25 million a day.

The Postal Service also faces a burden not required of any other agency or business in this country—it must pay billions of dollars every year to pre-fund health benefits for its retirees. For the first three months of Fiscal Year 2013, the Postal Service reported a quarterly loss of $1.3 billion. This loss was caused primarily by this pre-funding mandate. Without this requirement, the Postal Service would have generated a $100 million profit.

The Postal Service's recent announcement that it intends to end Saturday mail delivery, except packages, beginning in August was an unfortunate development, and it will not solve the Postal Service's long-term fiscal problems. Instead, Congress needs to pass comprehensive reform legislation that addresses not only delivery standards, but the full range of reforms needed to fundamentally re-engineer the Postal Service for the next century.

In the 112th Congress, the Senate passed S.1789, which was a comprehensive, bipartisan bill to reform postal operations by extending the schedule for retiree health payments, returning over-payments the Postal Service made to the federal pension system, and providing key tools to right-size the Postal Service workforce. Unfortunately, although a bill was passed out of the Committee along partisan lines, Republican House leaders failed to consider any postal reform legislation in the 112th Congress.

---

[12] Government Accountability Office, *High Risk Series: An Update* (Feb. 2013) (GAO-13-283).

National Historical Publications and Records Commission

The minority disagrees with the recommendation in the majority's budget views and estimates to eliminate the National Historical Publications and Records Commission Grants Program. The Commission awards competitive, matching grants to help finance the nation's non-federal archives and for projects to edit and publish historical records of national importance. These grants make it possible for scholars and school children to have access to the papers of the Founding Fathers and national leaders like Abraham Lincoln and Dr. Martin Luther King, Jr. Eliminating this this program will negatively impact archives and historical records programs across the country and could put our national history at risk.

Sunset Commission

Although the minority supports efforts to ensure that federal agencies work effectively and efficiently on behalf of U.S. taxpayers, the minority does not support legislation to automatically "sunset" federal programs when such action would jeopardize critical federal agencies and programs or inappropriately transfer power from Congress to an unelected commission.

District of Columbia

The minority supports authorizing the District of Columbia to spend its own local funds without preapproval by Congress, which would improve the District's finances and operations and prevent a government shutdown in the District if the federal government shuts down. The minority also supports the joint National Capital Planning Commission-D.C. study of the federal law restricting building heights in the District.

The minority opposes the use of federal funds for private school vouchers in the District, particularly in light of the fact that a public and independent alternative to the traditional D.C. public schools, public charter schools, exists. Those schools enroll almost 50 percent of District public school students and have demonstrated success in improving the academic achievement of low-income and minority students.

Elijah E. Cummings
Ranking Member

LAMAR S. SMITH, Texas
CHAIRMAN

EDDIE BERNICE JOHNSON, Texas
RANKING MEMBER

Congress of the United States
House of Representatives

COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY

2321 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6301

(202) 225-6371
www.science.house.gov

March 1, 2013

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

Dear Chairman Ryan,

Pursuant to Clause 4(f) of House Rule X of the Rules of the House of Representatives for the 113th Congress and Section 301(d) of the Congressional Budget Act of 1974, as amended, I am transmitting the Views and Estimates, including Additional and Minority Views, of the Committee on Science, Space, and Technology for Fiscal Year 2014.

Sincerely,

Lamar Smith

Lamar Smith
Chairman
Committee on Science, Space, and Technology

VIEWS AND ESTIMATES
COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY
FISCAL YEAR 2014

President Obama has yet to transmit his budget request for Fiscal Year 2014 (FY14) to Congress. The following Views and Estimates of the Committee on Science, Space, and Technology are based on the President's last budget proposal over one year ago and vigorous oversight of the agencies and programs under the Committee's jurisdiction since that time.

National Aeronautics and Space Administration (NASA)

The National Aeronautics and Space Administration is our nation's primary civilian space and aeronautics research and development agency. The agency plans and executes missions that increase our understanding of Earth, the solar system, and the universe. NASA operates the International Space Station (ISS), a fleet of satellites throughout our solar system, Mars rovers, and a small number of research aircraft. NASA undertakes activities in technology development and transfer, and education and outreach. The agency also participates in a number of interagency activities such as the Next Generation Air Transportation System with the Federal Aviation Administration, information technology development, and climate change research. With the retirement of the Space Shuttle, America currently has no domestic capability to transport our astronauts to and from the International Space Station—a strategic national capability. NASA currently pays the Russians $63 million per seat for each of our astronauts to hitch a ride.

Leadership in space exploration is a worthy goal, and by comparison, our nation spent as much on the so-called stimulus bill in 2009 as the entire NASA budget for the past 54 years. The Committee supported NASA's budget request of $17.7 billion in FY13, which is $58 million less (0.3 percent reduction) than appropriated amounts for FY12. For FY13, NASA is authorized to receive $19.9 billion, and the Committee plans to re-authorize NASA for FY2014 in the coming months. Within that topline budget, however, the Committee remains concerned with the Administration's budget priorities for certain programs and the lack of leadership in space exploration, both human and robotic. The Administration is ceding America's leadership in space exploration and instead funding more environmental-monitoring satellites and studies.

NASA's Earth Science budget request of $1.785 billion in FY2013 is over $300 million more per year than the agency spent prior to the Obama Administration taking office. The Administration's budget request cut NASA's Planetary Science budget request by $300 million in FY 2013. This prompted a senior NASA scientist and program manager with almost 33 years of experience to quit and speak out publicly against the Administration's budget proposal.

The Committee supports NASA's re-plan for the James Webb Space Telescope with a targeted launch date of fall 2018. The Administration failed to address known budget and schedule problems for several years due to the technical complexity of the project, which remains the top priority of the astronomy and astrophysics scientific community. The Committee will continue to closely oversee this program to ensure it remains on schedule and within budget.

The FY13 budget also includes increased funding for Space Technology development. The FY13 request seeks $699 million, an increase of $125.3 million or 21.8 percent above FY12 levels. The Committee generally supports technology development, but these funds are better spent in bringing NASA astronaut crew transport systems online operationally as soon as possible. American astronauts should be launched into space onboard American rockets, not Russian.

With regard to human space flight, the NASA Authorization Act of 2010 directed the Agency to prioritize development of the Space Launch System (SLS) and Multi Purpose Crew Vehicle (MPCV) to replace the Space Shuttle, which was retired in 2011. The Act also authorized NASA to continue activities related to development of a commercial crew launch system, but emphasized Congressional intent that NASA develop the SLS and MPCV as soon as possible to ensure U.S. backup access to the ISS in case commercial crew or cargo capabilities fail to materialize. NASA's budget proposes to reverse the priorities established by Congress in both authorization and appropriation legislation. NASA seeks to reduce funding for the SLS and Orion MPCV. Under this budget proposal, the SLS/MPCV system would not be operational until 2021.

The Committee finds it unacceptable for the U.S. to rely on the Russian Soyuz system. NASA needs to develop a vehicle to transport American astronauts to the International Space Station as soon as possible. We must keep an eye on safety and strategically balance the next steps of human exploration (e.g., the Moon, near-Earth asteroids, and Mars). However, all other priorities are secondary to this immediate goal of space transport.

While NASA's Commercial Crew program could be the primary means of transporting American astronauts, we cannot be solely reliant on this program. The Orion MPCV, Space Launch System, and Commercial Crew programs require a program track with a sufficient budget to support the Space Station as soon as possible in preparation for the next steps of human exploration beyond Low Earth Orbit and ensure American preeminence in space.

Due to a constrained budget environment, goals—such as maintaining 2.5 commercial teams or demonstration flights beyond low-Earth orbit—need to be secondary to the primary goal of developing a vehicle to safely transport American astronauts to the International Space Station and beyond. As Neil Armstrong testified before the Committee: "Access to low Earth orbit should be our primary objective in any plans in the evolutionary development of a new versatile lift vehicle with future deep space missions as a follow-on."

National Science Foundation (NSF)

The National Science Foundation provides over 20 percent of federal support for all basic research at U.S. colleges and universities and is second only to the National Institutes of Health (NIH) in support for all academic research. It is the primary source of federal funding for non-medical basic research. NSF provides approximately 40 percent of all federal support, and serves as a catalyst for science, technology, engineering, and mathematics (STEM) education improvement at all levels of education. It supports the fundamental investigations that ultimately serve as the foundation for progress in nationally significant areas such as national security (especially cybersecurity), technology-driven economic growth, energy independence, health care, nanotechnology, and networking and information technology. The Committee plans to re-authorize NSF for FY2014 in the coming months.

The FY13 budget request for NSF is $7.4 billion, a 4.8 percent increase over the FY12 level. The Committee recognizes the importance of making appropriate investments in science and technology, basic research and development, and STEM education in order for the United States to remain a world leader in competitiveness and innovation. However, while we support a healthy budget for NSF, the Committee remains concerned that the Administration is diverting research and development (R&D) funds to its extreme environmental priorities rather than the merits cited earlier. For example, the NSF's contribution to the interagency US Global Change Research Program (with over $2.5 billion requested in various agencies) has increased to $333 million in FY 2013 from $205 million in FY 2008, prior to this Administration taking office. Further, NSF's Science, Engineering, and Education for Sustainability (SEES) budget increases to $203 million in FY 2013, and the Committee is concerned that NSF R&D on the SEES program to develop renewable energy technologies and conduct climate change research is duplicative of work at other agencies. Also, the House voted against funding the $10 million request for the NSF's Climate Change Education Program in FY13.

Further, the NSF budget request for Social, Behavioral, and Economic Sciences (SBE) is over $259 million in FY 2013, with significant, preceding annual increases. The Committee is concerned that the Administration has lost sight of the NSF's core mission in support of the physical sciences when so much funding is provided for SBE. Several recent studies conducted using the NSF's SBE funding have been of questionable value, and something our nation can ill-afford. These SBE funds are better spent on higher priority scientific endeavors that have demonstrated return on investment for the American taxpayer.

National Institute of Standards and Technology (NIST)

As a non-regulatory science agency that supports American commerce, NIST conducts high-quality research and develops technical standards that keep our industries globally competitive and benefit all Americans. In FY13, the Administration requested a funding level of $857 million or a 14.1 percent increase from FY12 funding for NIST, and the House voted for a $830 million appropriation for the agency.

The Committee recognizes the need for strengthening our nation's manufacturing sector and the need for ways to improve the transfer of federally-funded manufacturing research at universities and government laboratories to the private sector. The House approved $128 million for NIST's Manufacturing Extension Partnership and $21 million for the Advanced Manufacturing Technology program. However, as identified during Committee hearings in the last Congress, the Administration has not been forthcoming with basic information about its proposal of $1 billion in mandatory spending for the National Network for Manufacturing Innovation (NNMI) to be managed by NIST. The Administration needs to be more forthcoming and transparent when proposing such costly initiatives. The Committee plans to re-authorize NIST for FY2014 in the coming months.

Department of Energy (DOE)

The Department of Energy funds a wide range of research, development, demonstration and commercial application (RDD&CA) activities. The overall FY13 budget request for DOE is $27.2 billion, which represents an $856 million increase over FY12 levels. Over $8.3 billion of this amount is within the Committee's jurisdiction. In response to the President's emphasis on the promotion of green energy as a domestic policy priority, the balance of DOE RDD&CA activities within the Committee's jurisdiction has shifted significantly toward late-stage demonstration and deployment efforts. While the Committee supports an "all of the above" approach to reduce the cost of all energy sources, the Department's top RDD&CA priority should be basic research and foundational science centered on domestic energy resources. Basic research serves as a long-term economic driver and provides the foundation for sustainable growth, rather than short-term, potentially expensive commercialization activities that result in the government picking winners and losers in the energy technology marketplace. Additionally, the Committee is concerned that the Administration has created multiple, duplicative RDD&CA efforts throughout DOE and other research agencies to promote the Administration's preferred "green" energy technologies.

The Committee recognizes the unique role the Office of Science performs in the federal government's research enterprise. The Office of Science has an established record of making crucial scientific discoveries and serves as a long-term driver of innovation and economic growth through stewardship of world-class scientific facilities that deliver revolutionary scientific breakthroughs in numerous scientific disciplines. Accordingly, the Committee believes the Office of Science should be the highest priority for DOE RDD&CA programs. However, the Committee is concerned that the Atmospheric System Research and the Climate and Earth Systems Modeling programs are duplicative of research programs at the National Oceanic and Atmospheric Administration (NOAA) and the National Science Foundation (NSF). Additionally, although the Committee supports Fusion Energy Sciences within the Office of Science, the program is an area of concern due to high-risk program management associated with large-scale international projects.

In addition to receiving nearly $17 billion in the 2009 stimulus bill, the budget for the Office of Energy Efficiency and Renewable Energy (EERE) has grown significantly in recent years. The Administration's FY13 budget request of $2.3 billion for EERE represents a 29.1 percent ($527.4 million) increase from the FY12 level. The Committee has held several hearings raising concerns about the DOE's unnecessary and inappropriate involvement in competitive private markets. This involvement often results in the government picking winners and losers among competing companies and technologies rather than letting the market decide. The Committee has also held hearings about the lack of transparency associated with EERE activities. The Committee has found several examples of wasteful spending of taxpayer funds.

The Committee has expressed its longstanding concerns regarding the focus and implementation of DOE's loan guarantee program. No funds should be provided for new loan guarantees, and the Committee recommends that $170 million in unobligated funds appropriated in FY11 be rescinded.

National Oceanic and Atmospheric Administration (NOAA)

NOAA's FY13 budget request is $5.1 billion, an increase of $153.9 million or 3.1 percent above the FY12 level. Within that amount, over $2 billion is for the National Environmental Satellite, Data and Information Service (NESDIS), a $163.6 million or 8.7 percent increase over FY12 levels. The NESDIS budget primarily funds the Joint Polar Satellite System (JPSS) and the Geostationary Operational Environmental Satellites (GOES) program.

The Committee's top priority for NOAA is rebalancing the agency's research portfolio to better predict severe weather to protect American lives and property. The Committee supports a strong research enterprise at NOAA; however, the Administration continues to direct NOAA research funding increases almost exclusively to climate rather than weather. The Administration's most recent budget request would only exacerbate the imbalance between these priorities, resulting in a climate research budget three times larger than that for weather research ($210 million vs. $70 million, respectively). This portfolio is not in sync with the needs of the American public and should be rebalanced.

The Committee is gravely concerned with the cost, potential forthcoming gap in weather satellite data, and NOAA's mismanagement of the JPSS (currently estimated total cost for JPSS weather satellites is $12.9 billion through 2028). For years, this program and its predecessor have been plagued with cost over-runs, poor management, agency infighting, technical problems and contractor mistakes. A recent review found NOAA's management still to be "dysfunctional" and elucidated on various management problems and recommended solutions. The Committee supports full-funding for the JPSS and GOES-R weather satellites, because they are too important to fail the American public. However, the Administration needs to practice greater transparency with independent cost estimates for these programs and encourage more proactive management within NOAA and the Department of Commerce. The Committee has been conducting on-going oversight of these programs.

The Committee generally supports the overall National Weather Service (NWS) budget request of $972.2 million in FY13, a modest decrease from FY12. However, the Committee is concerned about the Administration's proposal to eliminate the NOAA Profiler Network, which monitors for tornados and other weather phenomena. This small but important program should be restored using funds designated for climate research.

Within the climate research program, the Committee supports the National Integrated Drought Information System, a vital research program for communicating drought information to the states.

Environmental Protection Agency (EPA)

The Science and Technology (S&T) account at EPA is $807.3 million in FY 2013 (a 17 percent increase) and $576.6 million covers research and development activities at the Agency's Office of Research and Development.

The Administration's ambitious regulatory agenda is dependent on objective, transparent scientific and technical information. Unfortunately, Committee oversight efforts have identified numerous instances in which such information was distorted, withheld from peer review scientific scrutiny, and selectively used to advance a pre-determined agenda. As a result of EPA's advocacy-driven scientific activities and the lack of transparency in major environmental research funded by the Agency, the Committee sees fundamental reforms and adherence to the Administration's Scientific Integrity Policy as a prerequisite to funding this research.

Numerous problems with the Agency's Integrated Risk Information System (IRIS) have been highlighted by the National Academy of Sciences, the Government Accountability Office, and in testimony before the Committee. In light of these problems, the Committee recommends that resources be directed to ensure that all ongoing assessments adhere to more rigorous peer review, the requirements outlined in the conference report of the Consolidated Appropriations Act of 2012, and the recommendations in chapter seven of the National Academy of Sciences' Review of EPA's Draft IRIS Assessment of Formaldehyde.

Department of Homeland Security (DHS)

The FY13 budget request for the Department of Homeland Security Science and Technology Directorate (DHS S&T) is $831.5 million, an increase of $163.5 million or 24.5 percent from the FY12 level. The FY13 budget for the Domestic Nuclear Detection Office (DNDO) is $328 million, a $38 million or 11.6 percent increase from the FY12 level.

The Committee recognizes the important role that research and development plays in supporting DHS's mission, and believes that the S&T Directorate should be provided with the resources it needs to keep our nation safe and our borders secure. However, in a constrained fiscal environment, it is essential that DHS gets the most out of each and every scarce dollar by providing tangible results that further the Department's mission, and coordinating with other agencies to maximize efficiencies.

Department of Transportation

Office of the Assistant Secretary for Research and Technology

The FY 2013 budget request for the research activities currently managed by the ***Research and Technology Administration (RITA)*** is $13.7 million. The Committee remains concerned that RITA and other DOT research is overly focused on ambiguous research topics at the expense of technical improvements to highway safety, infrastructure, and congestion.

Federal Aviation Administration (FAA) – Research, Development and Technology

The Administration's FY13 budget request provides a total of $354 million for Federal Aviation Administration (FAA) research and development activities, a 16 percent decrease compared to the FY12 request. The Committee recognizes the importance of the FAA's practical research program for aviation safety.

Office of Commercial Space Transportation (AST)

The FY13 budget request for the Office of Commercial Space Transportation (AST) (operations) is $16.7 million. AST is responsible for licensing and regulating commercial space launches and reentries to ensure compliance with standards designed to protect public safety. The Committee intends to conduct necessary and appropriate oversight of AST in re-authorizing its activities.

Lamar Smith

Ralph M. Hall

Jim Sensenbrenner

Frank D. Lucas

[illegible]

Larry Bucshon

Randy Neugebauer

Michael T. McCaul

Thomas Massie

Randy Hultgren

Randy K. Weber

[illegible]

Cynthia M. Lummis

David Schweikert

Mo Brooks

Chris Stewart

Jim Bridenstine

Bill Posey

[illegible]

Paul C. Broun

Lamar Smith	Ralph M. Hall
James Sensenbrenner	Frank Lucas
Kevin Cramer	Larry Bucshon
Randy Neugebauer	Michael McCaul
Thomas Massie	Randy Hultgren
Randy Weber	Steven Palazzo
Cynthia Lummis	David Schweikert
Mo Brooks	Chris Stewart
Jim Bridenstine	Bill Posey
Steve Stockman	Paul Broun

Rep. Randy Hultgren – Illinois 14th Congressional District
Additional Views and Estimates for the Science, Space and Technology Committee

As the largest federal funding source for the physical sciences, the Department of Energy Office of Science plays a critical role supporting discovery science. In that leadership role, it is important that the programs within the Office of Science carry out a balanced portfolio of research to underpin the nation's scientific enterprise and technology innovation. In fields such as High Energy Physics, which is international in scope, the United States must continue to play a vital role and contribute to existing partnerships while building exciting experiments at our national laboratories, such as the Fermi National Accelerator Laboratory in Illinois. The High Energy Physics international collaborations build large and complex scientific experiments, and with the outlook for constrained federal budgets, the United States should promote stronger ties with international partners to promote scientific diplomacy, secure contributions to these significant scientific projects, enhance opportunities to train our next generation of young scientists, and incubate new high-tech industries.

RANDY HULTGREN
Member of Congress

MO BROOKS
5TH DISTRICT, ALABAMA

1230 LONGWORTH HOB
WASHINGTON, DC 20515
PHONE: (202) 225-4801
FAX: (202) 225-4392

www.brooks.house.gov

SCIENCE, SPACE, AND
TECHNOLOGY COMMITTEE
SPACE SUBCOMMITTEE
VICE-CHAIR

ARMED SERVICES COMMITTEE

FOREIGN AFFAIRS COMMITTEE

Congress of the United States
House of Representatives

Additional Views and Estimates

Congressman Mo Brooks

Committee on Science, Space and Technology

Fiscal Year 2014

Mo Brooks
3/1/13

National Aeronautics and Space Administration:

The Space Launch System (SLS) and Orion Multipurpose Crew Vehicle (MPCV) are crucial to maintaining America's preeminence in space. The retirement of the Space Shuttle program has placed our nation at a critical juncture. If we are to maintain our leadership in space, we must make the necessary investments in human space exploration. The SLS offers game-changing possibilities for economic vitality in space and on Earth, safely transporting humans to unexplored regions in search of knowledge and enabling cutting-edge missions that will rewrite scientific texts and spur technological advances.

Affordability:

The SLS is being designed from the outset to live within austere budgets to enable its first flight test in 2017. Based on the President's Fiscal Year (FY) 13 budget request, NASA will spend approximately $1.4 Billion per year from FY13 – 17 on the SLS. To assure affordability, NASA is utilizing a low risk technological approach, which leverages existing propulsion systems and contracts to get started while using a parallel, competitive process to select an even lower cost booster system/contractor for later missions. The SLS is further reducing costs by scaling back the number of management processes used to control the vehicle configuration, allowing correct decisions to be made more quickly. In addition, the number of formal contractor paper deliverables are being significantly reduced with fewer being required to be approved in advance by the Government. Additional savings are being realized on production costs by accepting electronic documents in the contractor's preferred format. The result is that the world's largest launch system is being developed for roughly the same annual budget as NASA had planned for the canceled Ares I crew launch vehicle – which was only capable of 25 metric tons (mT) to orbit.

Strategic Asset:

Seeking lower cost and sparking innovation is and always has been a hallmark of our country, and supporting more ways to safely lower the cost of accessing space should be a national priority. Today, more nations are pursuing human spaceflight programs, and these programs are not viewed as commercial commodities but rather important strategic objectives. The Space Launch System is a critical component of our civil space program and is a crucial national asset. It will provide a means of accessing space and provide the necessary bridge beyond Low Earth Orbit to maintain our leadership in civil spaceflight. Let us not look to other nations, such as China, to take the lead in the human exploration and scientific discoveries that have inspired generations of people across the globe. America is and should remain the leader in space exploration.

2101 WEST CLINTON AVENUE, SUITE 302
HUNTSVILLE, AL 35805
PHONE: (256) 551-0190
FAX: (256) 551-0194

102 SOUTH COURT STREET, SUITE 310
FLORENCE, AL 35630
PHONE: (256) 718-5155
FAX: (256) 718-5156

DANA ROHRABACHER
48th District, California

WASHINGTON OFFICE:
2300 Rayburn House Office Building
Washington, DC 20515–0548
(202) 225–2415

DISTRICT OFFICE:
101 Main Street, Suite 380
Huntington Beach, CA 92648–8118
(714) 960–6483

http://rohrabacher.house.gov

Committees:
FOREIGN AFFAIRS
Chairman, Subcommittee on
Europe, Eurasia, and Emerging Threats
Subcommittee on Asia and the Pacific
SCIENCE, SPACE, AND TECHNOLOGY
(VICE CHAIRMAN)
Subcommittee on Space
Subcommittee on Environment

Congress of the United States
House of Representatives

ADDITIONAL VIEWS
OF HON. DANA ROHRABACHER
COMMITTEE ON SCIENCE, SPACE AND TECHNOLOGY
FISCAL YEAR 2014 BUDGET

Although I strongly agree with much of the Committee's Views and Estimates, there is one specific area on which I wish to state a different view, as I have done for the past few years.

National Aeronautics and Space Administration
We have not yet received a budget request from the President for Fiscal Year 2014, and the previous request did not contain any real budget planning for the National Aeronautics and Space Administration (NASA).

Commercial Crew remains our most critical near-term civil space goal. We currently rely on the Russians, who have been good partners, but the Soyuz provides the tremendous risk of a single point of failure. We must create redundancy and enable NASA to certify multiple, independent, sustainable systems that can bring people safely to orbit and return them to Earth. In addition, the price the Russians are charging us continues to rise.

Calls to maintain the Commercial Crew funding at previous year's levels fail to take into account the planned funding profile for this program. Every year that we underfund this program we make it more difficult and more costly for NASA to certify the safety of these systems for America's astronauts. I know that some of my colleagues are skeptical of the ability of these commercial crew companies to meet the requirements of this program, but NASA's technical experts are not.

Our Exploration program continues to be problematic, in that the funding is inadequate to the mission. The plan didn't fit under the funding level anticipated by the NASA Authorization Act of 2010 (P.L. 111-267), and now that we have considerably less to work with we refuse to acknowledge reality. The single most important message of the Augustine Commission was that you cannot succeed when your mission does not match your funding.

We continue to hear that the SLS/MPCV system will serve as a back-up for Earth-to-orbit transportation in the unlikely event that none of the other systems in development are successful. Last year's request for this "back-up system" was more than 300% of the appropriated level of the primary system. By acting on this type of faulty logic, we have created a national debt as large as our GDP and still our nation refuses to take its foot off the deficit spending accelerator. SLS is unaffordable, and with relatively modest expenditures on specific technology development, we do not need a heavy lift vehicle of that class to explore the Moon, Mars, or near-Earth asteroids.

NASA's Space Technology development is a critical area to current and future missions. New technologies are what drives new jobs and creates new industries. Technology should be funded at a level sufficient to accomplish our top development priorities sooner rather than later.

For FY 2013, NASA requested nearly $1.8 billion for their Earth Science programs. These programs should not be located at NASA, whose core and unique mission is exploring space.

Dan Rohr

Minority Views and Estimates of the Democratic Caucus of the Committee on Science, Space, and Technology for Submission to the Budget Committee

March 1, 2013

The Budget Resolution that these Views and Estimates are intended to inform is being developed even while the federal government is operating under a Continuing Resolution that expires on March 27, a damaging sequestration is scheduled to commence on March 1st that will lead to significant cuts in funding and increased instability at our R&D agencies, and the FY 2014 President's budget request has been delayed until mid-March due to the need to address the impacts of the fiscal legislation that was enacted at the end of last year. In such an environment, it is meaningless to attempt to engage in a detailed discussion of funding levels for specific programs as has been done in prior Views and Estimates.

Unfortunately, that is precisely what the Majority's Views and Estimates do. In doing so, the Majority's Views and Estimates completely ignore the sequester which takes effect on March 1, and instead provide a litany of complaints about the President's FY *2013* budget request, which was delivered to Congress over a year ago. These Views and Estimates ignore the actual current budget situation, and continue a tired line of partisan attack which does nothing to address the challenges our nation faces.

We believe that it is important for Congress to focus on the positive outcomes we should seek from our federal budgetary expenditures, and the implications of the alternative budgetary paths that Congress might embrace. As we have said in past Democratic submissions to the Budget Committee, we believe that the choice facing our nation is a critical one. We can either focus on the need for job creation and improved quality of life now and in the future and make the investments in R&D and innovation that will keep us economically strong and competitive—or we can let arbitrary budgetary targets lead us into ill-advised and short-sighted cuts to America's science and technology enterprise and the STEM education activities that support it. The latter path will inevitably result in a future of diminished expectations that is antithetical to our vision for the America we hope to leave to our children and grandchildren. The nation's R&D agencies have a long and productive history of investing in activities that returned significant economic and societal benefits to the American people. There is no reason to doubt that future investments will *continue* to deliver significant benefits if we have the foresight to maintain our commitment to fostering R&D and STEM education.

As the Budget Committee works to craft its Budget Resolution, we urge its Members to avoid making short-sighted cuts that will undermine our shared objective of a strong American economy and healthy society. Instead, we would urge that the Budget Resolution maintain at least the historical levels of federal investment in R&D and STEM education, whether in basic research, energy technology innovation, aeronautics and space exploration, manufacturing, climate science, or any of the other important elements of our nation's R&D and innovation enterprise. If we shortchange those accounts in an attempt to cut a few more dollars from the deficit over the short-term, the reality is that we will wind up shortchanging our future economy and quality of life.

Finally, we would urge that the Budget Resolution undo the extremely damaging cuts to critical programs and activities that will result from sequestration. While the damage will be government-wide, we would note just a few of the negative impacts on agencies and initiatives under the Science, Space, and Technology Committee's jurisdiction that are likely to occur:

- Significant compromising of NOAA's ability to warn Americans about dangerous weather events such as hurricanes and tornados.
- Costly delays to the development of urgently needed next generation weather satellites
- Stopping of ongoing R&D at the Department of Homeland Security in such critical areas as cybersecurity technologies, bio-threat countermeasures, aviation security, and projects to support first responders
- Multi-year delays in the delivery of critical upgrades to the Nation's air traffic management systems
- Elimination of EPA research to better understand health effects of air pollutants on susceptible and vulnerable populations
- Thousands of job losses involving the highly skilled scientists, engineers, technicians, and support personnel and contractors at DOE national laboratories and at universities
- Elimination of nearly 1,000 NSF research grants in FY 2013
- Stopping of ongoing work through NIST's Manufacturing Extension Partnership Centers to help America's small manufacturers innovate and grow their businesses

Letters from agencies under the Committee's jurisdiction outlining the impacts of sequestration are attached to these Views and Estimates.

We do not believe it is the national interest to pursue budgetary policies that would result in the actions listed above. We can and should do better, and we look forward to working with our colleagues in the Majority to craft responsible policies that will benefit our great nation.

Attached Letters from Agencies under the Committees Jurisdiction

- Department of Commerce
- Department of Energy
- Department of Homeland Security
- Department of Transportation
- Environmental Protection Agency
- National Aeronautics and Space Administration
- National Science Foundation

THE DEPUTY SECRETARY OF COMMERCE
Washington, D.C. 20230

February 8, 2013

The Honorable Barbara A. Mikulski
Chairwoman, Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Madam Chairwoman:

Thank you for your letter of January 18, 2013, requesting information on impacts of sequestration. As you know, unless Congress acts to amend current law, the President is required to issue a sequestration order on March 1, 2013, canceling approximately $85 billion in budgetary resources across the Federal Government, of which $551 million is from the Department of Commerce (Department).

Sequestration would have both short-term and long-term impacts on the Department's ability to deliver on critical parts of our mission and would have a sizable economic cost for the Nation. All bureaus would see impacts to their missions as they implement hiring freezes, curtail or cancel training, and halt critical program investments needed to strengthen performance and improve efficient use of taxpayer dollars. All of these would have a harmful impact on our Department's ability to deliver services to America's businesses and keep our economy moving forward on the path of recovery. The Department is working hard to provide services in a cost-efficient and service-positive manner. We take our trust of taxpayer dollars seriously. As you have requested, I am providing you with some specific impacts to the Department below.

The Department's National Oceanic and Atmospheric Administration (NOAA) would see significant impacts. Communities across the country rely on NOAA every single day to preserve property, protect lives, prepare for extreme weather events, adapt to a changing world, and to enhance economic prosperity. NOAA's central mission of science, service, and stewardship touches the lives of every American and these cuts would negatively impact the ability for NOAA to effectively provide the products and services communities have come to rely upon.

As with all our agencies, these impacts are not abstract. They directly affect NOAA employees and partners throughout the country: up to 2,600 NOAA employees would have to be furloughed, approximately 2,700 positions would not be filled, and the number of contractors would have to be reduced by about 1,400. If sequestration is enacted, NOAA will face the loss of highly trained technical staff and partners. As a result, the government runs the risk of significantly increasing forecast error and, the government's ability to warn Americans across the country about high impact weather events, such as hurricanes and tornadoes, will be compromised.

The Honorable Barbara A. Mikulski
Page 2

Forced reductions in funding for fishery stock assessments, at-sea observers, and support for the regional fishery management councils jeopardize NOAA's ability to open fisheries that are economically important to our coastal communities, such as ground fish in New England and along the West Coast, Red Snapper in the Gulf, and the Nation's largest fisheries in Alaska. In addition, with these reductions in data and support for scientific analysis, NOAA will be forced to manage fisheries throughout the Nation more conservatively, which could mean smaller quotas and earlier closures as protections against overfishing. The economic impacts of these measures are unknowable at this point, but could be significant.

Significant and costly impacts to NOAA's satellites and other observational programs are also certain. For example, sequestration will result in a 2-3 year launch delay for the first two next-generation geostationary weather satellites (currently planned to launch in 2015 and 2017), which track severe weather events such as hurricanes and tornadoes. This delay would increase the risk of a gap in satellite coverage and diminish the quality of weather forecasts and warnings. Sequestration will also reduce the number of flight hours for NOAA aircraft, which serve important missions such as hurricane reconnaissance and coastal surveying. NOAA will also need to curtail maintenance and operations of weather systems such as NEXRAD (the national radar network) and the Advanced Weather Interactive Processing System (used by local weather forecast offices to process and monitor weather data), which could lead to longer service outages or reduced data availability for forecasters.

Marine transportation contributes $1 trillion and 13 million jobs to the American economy. NOAA provides nautical charts and real time observations, such as tides and water levels, to prevent ship groundings and supports the movement of commerce by sea and through the Great Lakes. Under sequestration, navigational safety, and therefore commerce, would be hampered due to reduced surveying, charting, geospatial and observing services.

All told, there would be significant impacts in NOAA's ability to meet its mission to preserve Americans' property, protect lives, prepare for extreme weather events, adapt to a changing world, and to enhance economic prosperity. It is unclear that future years of investment will be able to undo some of the damage—especially to the economics of America's fisheries and to our weather preparedness.

Sequestration would have to cut a total of $46 million from the Department's Census Bureau. The Census Bureau will be forced to significantly cut contract dollars and not fill hundreds of vacancies, pushing back research and testing for the 2020 Decennial Census as well as seriously delaying the release of critical economic and demographic data needed for this calendar year.

The Honorable Barbara A. Mikulski
Page 3

The last benchmark of economic statistics supporting America's assessment of Gross Domestic Product (GDP) and other key economic indicators was taken in 2007, prior to the recession. If the sequestration cuts move forward, the Census Bureau will be forced to impose a six-month delay in releasing vital statistics for these indicators, putting at risk our ability to take accurate stock of current economic conditions and well-being and potentially impacting policy making and economic decisions in the private sector.

Furthermore, delays in developmental work for the 2020 Decennial Census will increase the risk that the Census Bureau will not be ready to make major departures from past operational designs that are intended to save money without diminishing quality. The Census Bureau has committed to executing a Census that would cost less per household in real dollars. Cuts now are virtually guaranteed to force the Census Bureau to ask for larger investments later, putting at risk that goal of achieving more significant savings.

Cuts to the Department's Economic Development Administration (EDA) would hinder the bureau's ability to leverage private sector resources to support projects that would spur local job creation. The sequester would likely result in more than 1,000 fewer jobs than expected to be created, and more than $47 million in private sector investment is likely to be left untapped. In addition, EDA would be forced to impose administrative furloughs of roughly 6.5 days for each of its employees. These cuts would limit EDA's ability to be a strong partner to states and local communities in helping our country rebound from one of the worst recessions since the Great Depression.

The cuts at the Department's National Institute of Standards and Technology (NIST) would largely fall on grants, contracts, equipment procurements, deferment of open positions, and cuts in the repair and maintenance of NIST facilities that will negatively impact NIST's ability to keep them in acceptable working condition. While cutting in these areas will enable NIST to maintain its core scientific workforce, the forced reductions would negatively impact NIST's ability to deliver on its mission in other ways. For example, the elimination of some contracts and grants within the Scientific and Technical Research and Services would result in the elimination of at least 100 research associates at NIST who are important for the support of scientific research activities. The proposed cuts will also result in delayed or canceled equipment purchases needed to support work in critical areas such as advanced materials, advanced manufacturing, and alternative energy. In addition, if the sequestration moves forward, NIST will be forced to end work it is currently doing through the Manufacturing Extension Partnership (MEP) Center system to help America's small manufacturers innovate their business practices, make cost-effective improvements to their businesses, develop market growth strategies both at home and abroad, streamline their supply chains, and determine which technology investments make sense for their future. At a time when America's small and medium sized enterprises need help the most, programs like MEP warrant strong support. NIST will also be forced to delay efforts to help return small manufacturing enterprises back to the United States from offshore locations.

The Honorable Barbara A. Mikulski
Page 4

An important component of the Department's Bureau of Industry and Security (BIS) national security mission is to engage directly with end-users of sensitive controlled commodities and determine whether these items are being used in accordance with license conditions. If sequestration moves forward, BIS will be forced to significantly cut travel specifically in support of these checks, which will hinder BIS's ability to pursue some known threats to our national security.

The Department's International Trade Administration (ITA) would be forced, under sequestration, to reduce its support for America's exporters, trimming assistance to U.S. businesses looking to increase their exports and expand operations into foreign markets by nearly $15 million. In addition, ITA will not be able to place staffers in critical international growth markets, where there is a clear business opportunity for many American businesses to increase their sales and create jobs at home. These staff would have been part of a key program working to promote and facilitate global investment into the United States, supporting thousands of new jobs through foreign direct investment. Furthermore, federal trade enforcement, compliance, and market access activities would be cut by nearly $7 million, leading to fewer actions by the Federal Government to reduce trade barriers and ensure compliance with trade laws and agreements.

Sequestration will also force a cut of $4.9 million from the Department's Bureau of Economic Analysis (BEA). BEA will have to terminate work on key programs that help businesses and communities better understand GDP, foreign direct investment, and the impact of changes to economic activity within a specific regional economy (e.g., the economic impact related to Sandy).

Once again, thank you for your support of the Department, and we are happy to answer any specific questions you may have.

Sincerely,

Rebecca M Blank

Rebecca M. Blank

Secretary

U.S. Department of Homeland Security
Washington, DC 20528

Homeland Security

January 31, 2013

The Honorable Barbara A. Mikulski
Chairwoman, Committee on Appropriations
United States Senate
Washington, DC 20510-6025

Dear Chairwoman Mikulski:

Thank you for your letter regarding the potential impacts of the March 1st sequestration. I share your deep concerns about the effects this unprecedented budget reduction to Fiscal Year (FY) 2013 funding will have on the Department of Homeland Security (DHS), its missions, and our Nation's security and economy.

Reductions mandated by sequestration would undermine the significant progress the Department has made over the past ten years and would negatively affect our ability to carry out our vital missions. Sequestration would roll back border security, increase wait times at our Nation's land ports of entry and airports, affect aviation and maritime safety and security, leave critical infrastructure vulnerable to attacks, hamper disaster response time and our Surge Force capabilities, and significantly scale back cyber security infrastructure protections that have been developed in recent years. In addition, sequestration would necessitate furloughs of up to 14 days for a significant portion of our frontline law enforcement personnel, and could potentially result in reductions in force at the Department. The following provides specific examples of the potential impacts of Sequestration on the Department:

- U.S. Customs and Border Protection (CBP) would not be able to maintain current staffing levels of Border Patrol Agents and CBP Officers as mandated by Congress. Funding and staffing reductions will increase wait times at airports, affect security between land ports of entry, affect CBP's ability to collect revenue owed to the Federal Government, and slow screening and entry programs for those traveling into the United States.

- U.S. Immigration and Customs Enforcement (ICE) would not be able to sustain current detention and removal operations or maintain the 34,000 detention beds mandated by Congress. This would significantly roll back progress that resulted in record-high removals of illegal criminal aliens this past year, and would reduce ICE Homeland Security Investigations' activities, including human smuggling, counter-proliferation, and commercial trade fraud investigations.

- The Transportation Security Administration would reduce its frontline workforce, which would substantially increase passenger wait times at airport security checkpoints.

- The U.S. Coast Guard (USCG) would have to curtail air and surface operations by nearly twenty-five percent, adversely affecting maritime safety and security across nearly all missions areas. A reduction of this magnitude will substantially reduce drug interdiction, migrant interdiction, fisheries law enforcement, aids to navigation, and other law enforcement operations as well as the safe flow of commerce along U.S. waterways.

- Furloughs and reductions in overtime would adversely affect the availability of the U.S. Secret Service workforce, and hinder ongoing criminal investigations.

- Reductions in funding for operations, maintenance and analytical contracts supporting the National Cybersecurity Protection System (NCPS) would impact our ability to detect and analyze emerging cyber threats and protect civilian federal computer networks.

- The Federal Emergency Management Agency's Disaster Relief Fund would be reduced by over a billion dollars, with an impact on survivors recovering from future severe weather events, and affecting the economic recoveries of local economies in those regions. State and local homeland security grants funding would also be reduced, potentially leading to layoffs of emergency personnel and first responders.

- The Science and Technology Directorate would have to stop ongoing research and development including: countermeasures for bio-threats, improvements to aviation security and cyber security technologies, and projects that support first responders.

- The Department would be unable to move forward with necessary management integration efforts such as modernizing critical financial systems. This would hinder the Department's ability to provide accurate and timely financial reporting, facilitate clean audit opinions, address systems security issues and remediate financial control and financial system weaknesses.

Hurricane Sandy, recent threats surrounding aviation and the continued threat of homegrown terrorism demonstrate how we must remain vigilant and prepared. Threats from terrorism and response and recovery efforts associated with natural disasters will not diminish because of budget cuts to DHS. Even in this current fiscal climate, we do not have the luxury of making significant reductions to our capabilities without placing our Nation at risk. Rather, we must continue to prepare for, respond to, and recover from evolving threats and disasters – and we require sufficient resources to sustain and adapt our capabilities accordingly. We simply cannot absorb the additional reduction posed by Sequestration without significantly negatively affecting frontline operations and our Nation's previous investments in the homeland security enterprise.

The Honorable Barbara A. Mikulski
Page 3

The Department appreciates the strong support it has received from Congress over the past 10 years. As we approach March 1, I urge Congress to act to prevent Sequestration and ensure that DHS can continue to meet evolving threats and maintain the security of our Nation and citizens. Should you have any questions or concerns at any time, please do not hesitate to contact me at (202) 282-8203.

Yours very truly,

Janet Napolitano

The Secretary of Energy
Washington, D.C. 20585

February 1, 2013

The Honorable Barbara Mikulski
Chairwoman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Madam Chairwoman:

Thank you for your letter regarding the impacts of potential across-the-board spending cuts, otherwise known as "sequestration," facing government agencies on March 1, 2013. I share your concern for the government's, and specifically for the Department of Energy's (DOE or the Department), ability in the face of such cuts to make the investments needed to grow our economy through basic scientific research and advances in clean energy technology, secure our Nation through the stewardship of our nuclear stockpile, and meet our obligations to clean up the environmental legacy of the Cold War.

Sequestration would affect thousands of jobs among Federal, contractor, and grant awardee personnel, affecting these people individually and reducing the Department's ability to serve the American people. The cuts would come five months into the fiscal year (FY), forcing the Department to absorb the spending reduction in a seven-month period. While the Department has assiduously followed the direction of Congress and operated at prescribed levels during the current Continuing Resolution, such reductions would be difficult to absorb while continuing to sustain the same level of progress on our mission.

The effects of sequestration are particularly damaging because, by law, they apply equally to each program, project, and activity within an account, thereby severely constraining our ability to prioritize and make tradeoffs among activities under reduced funding scenarios. Being able to focus and prioritize funds and effort in a reduced funding environment is critical to maintaining the human and physical capital needed to accomplish our mission; the way sequestration must be implemented withholds this essential discretion from my staff and me.

Per your request, I am providing a description of the impacts that sequestration would have on the Department of Energy's operations, infrastructure, and critical initiatives.

Basic Scientific Research
DOE's Office of Science is the largest supporter of the physical sciences in the United States and the operator of 10 world-class national laboratories. Funding cuts to DOE's basic science mission would be severe. First, operations at numerous facilities would be curtailed, potentially impacting more than 25,000 researchers and operations personnel

who rely on these facilities to make advances both in basic science and in developing advanced commercial technologies. Second, sequestration would cause schedule delays and increased costs for new construction of user facilities throughout the Office of Science that are poised to contribute significantly to many areas of our understanding of nature. Finally, research grants would need to be reduced both in number and size affecting researchers at our national laboratories and at universities around the country; the pipeline of support for graduate student and post-graduate research fellowships would be constricted in a way that hurts our long-term economic and technological competitiveness.

Clean Energy Technology
The Department of Energy works across energy sectors to reduce the cost and speed the adoption of clean energy technologies. These efforts range from cost-competitive high-efficiency solar installations to carbon capture and storage to next generation biofuels and high-efficiency vehicle technologies. Under sequestration, funding reductions would decelerate the Nation's transition into a clean energy economy, and could weaken efforts to become more energy independent and energy secure, while spurring overall economic growth. For example, a reduction in funding would slow down the significant advances made in making solar energy cost-competitive with conventional forms of electricity generation, as well as cut funding for solar industry job training that is targeted at military veterans and provided to 261 community colleges. It would also hinder U.S. innovation as global markets for solar energy continue to grow rapidly and become more competitive. In addition, a cut to the Department's Vehicle Technologies Program would delay the program's efforts to leapfrog the current technologies in critical areas of advanced vehicles, batteries, and lightweight materials, slowing American development of cleaner and more efficient vehicles as affordable as today's vehicles. Reducing the cost of manufacturing these clean energy technologies is a key goal of the Administration's efforts and sequestration would negatively impact our Advanced Manufacturing program by delaying initiation of 2-3 industrial research and development project co-investments for at least a year or requiring shutting down a Manufacturing Demonstration Facility for 6-8 months.

Further, the Department of Energy provides assistance to low-income families by making their homes more energy efficient through funding provided to States, territories, and tribes. Funding reductions under sequestration will reduce by more than a thousand the number of homes that would be weatherized in FY 2013 and could result in the unemployment of 1,200 skilled weatherization professionals. Reductions of the magnitude associated with sequestration likely would also threaten the ongoing viability of some State programs delivering these home efficiency upgrades, closing the associated training centers, with a concurrent loss of professional retrofit certification capability.

In just four years Advanced Research Projects Agency – Energy (ARPA-E) projects have achieved significant technical breakthroughs, including doubling the energy density of lithium batteries, dramatically shrinking the size and increasing the capacity of high-power transistors, and engineering microbes that can turn hydrogen and carbon dioxide into transportation fuel. Reduced funding in the clean energy area would scale back the

Department's ability to spur such accomplishments, slowing progress toward a transformed, 21st Century energy sector.

The Department works to improve the security and reliability of the Nation's electrical grid by working with utilities and transmission and distribution companies to reduce risk of impacts from natural disasters, cyber attacks, and other human-generated events. Reduced funding would scale back these efforts, including research to detect and mitigate cyber attacks and monitoring of space weather events through deployment of technology and facilitating information sharing within the electricity sector on best practices for protection and/or mitigation when such solar flares occur.

National Security

DOE plays a critical national security role in developing and maintaining the Nation's nuclear deterrent, securing nuclear materials around the world, supporting the Navy's nuclear propulsion systems for its fleet, and conducting intelligence and counterintelligence activities. Cuts under sequestration would total $900 million and result in degradation of critical capabilities in this area. In the area of our nuclear weapons stockpile, critical efforts to refurbish and extend the life of several weapons systems would be delayed, leading to increased costs and impacts to deployment and readiness in the future. Our security posture at sites and facilities would be eroded due to project deferrals and workforce reassignments. Further, these cuts would degrade the internal oversight function of DOE nuclear facilities and reduce the depth and frequency of audits and evaluations needed to ensure ongoing robust security operations.

Among the impacts to the Nation's nuclear nonproliferation capability, reduced funding would cause delays and increased costs to efforts to secure and convert surplus nuclear materials around the world. Finally, work utilizing special nuclear materials would be impacted, affecting nonproliferation and emergency response training, and spent fuel stabilization activities.

In the Naval Reactors program, sequestration would risk Naval Reactors' responsiveness to operational fleet support issues, and it would delay the design and development effort of the OHIO-Class Replacement nuclear reactor. It also would delay the refueling of a training reactor New York that trains Navy personnel in reactor operations, thereby reducing the number of qualified sailors trained to operate reactor plants on submarines and aircraft carriers. In addition, cuts would delay by one year an essential facility in Idaho for handling spent fuel from Navy vessels.

Environmental Cleanup

The Department of Energy runs one of the largest environmental cleanup and remediation programs in the world in addressing the legacy of Cold War nuclear weapons production at sites around the country. Sequestration would curtail this progress, delaying work on our highest risks at sites in Washington state, Tennessee, South Carolina, and Idaho. In addition, the Department is in legally binding agreements with state and Federal regulators to make progress in addressing environmental contamination, and funding reductions would put numerous enforceable environmental compliance milestones at risk, calling into question the Federal government's commitment to protect human health and the environment.

As these examples demonstrate, sequestration would impact both the economic and national security of this country, and I appreciate your leadership in avoiding such cuts. I look forward to working with you and other members of Congress on behalf of the Administration in this area to avoid these impacts in a responsible and well-considered manner.

Sincerely,

Steven Chu

cc: The Honorable Richard Shelby
Ranking Member, Committee on Appropriations

The Honorable Dianne Feinstein
Chairman, Energy and Water Development Appropriations Subcommittee

The Honorable Lamar Alexander
Ranking Member, Energy and Water Development Appropriations Subcommittee

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

February 11, 2013

The Honorable Barbara Mikulski
Chairwoman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Chairwoman Mikulski:

This letter responds to your letter of January 18 requesting information on the impact that across-the-board spending cuts would have on the U.S. Department of Transportation's discretionary programs in the event of sequestration. Thank you for giving me the opportunity to share my views.

Sequestration will require indiscriminate spending reductions to be taken equally among the affected accounts, programs, projects, and activities within each account, severely restricting our ability to manage such large funding reductions. This will have serious impacts on transportation services that are critical to the traveling public. I am very concerned about this possibility and agree with you that the American people should be fully informed of the consequences that will occur unless sequestration is averted.

If a sequestration order is issued on March 1, 2013, the Department of Transportation will be cut by nearly a billion dollars, affecting dozens of our programs. Some of our Operating Administrations will need to restrict staffing and prioritize safety activities, which means delivery of our many grant programs may face unneeded delays. The Federal Transit Administration, the Pipelines and Hazardous Materials Administration, and the Maritime Administration are among those that will be affected.

But perhaps the most serious result of this action would be the immediate impacts on the Federal Aviation Administration (FAA). Sequestration would require the FAA to undergo a funding cut of more than $600 million. This action would force the FAA to undergo an immediate retrenchment of core functions by reducing operating costs, and eliminating or reducing services to various segments of the flying community.

Given the magnitude of this reduction, it will be impossible to avoid significant employee furloughs and reductions in contracted services. On average, this means a vast majority of the FAA's nearly 47,000 employees will be furloughed for approximately one day per pay period until the end of the fiscal year in September, with a maximum of two days per pay period. This number could be lower for any individual employee depending on specific staffing needs, operational requirements, and negotiated collective bargaining agreements. Any furloughs would only occur after appropriate employee notification and in accordance with applicable collective bargaining agreements. The furlough of a large number of air traffic controllers and technicians will require a reduction in air traffic to a level that can be safely managed by the remaining staff. The result will be felt across the country, as the volume of travel must be decreased. Sequestration could slow air traffic levels in major cities, which will result in delays and disruptions across the country during the critical summer travel season.

Aviation safety employees also would experience significant furloughs that will affect airlines, aviation manufacturers, and individual pilots, all of which need FAA safety approvals and certifications. While the Agency will continue to address identified safety risks, a slowed certification and approval process due to furloughs could negatively affect all segments of the aviation industry including those who travel by air.

NextGen investments may be completed, but investments in advanced technologies and new tools will need to be postponed indefinitely. As a result, the delivery of some critical NextGen systems could be delayed for years to come.

All of this means a less efficient and less convenient air travel service for the American travelling public, as well as impacts to our economy. Civil aviation contributes 10 million jobs and $1.3 trillion annually to the U.S. economy and sequestration places this contribution in jeopardy.

I want to assure you, however, that our highest priority is to keep the aviation system safe even if it means disruptions and delays in service.

It is also important to note that some of our transportation programs will not be impacted. Under the Budget Control Act of 2011, our Trust-funded highway programs, motor carrier safety programs, vehicle safety programs, transit formula and bus grants, and airport grants programs are exempt from sequestration. These transportation programs would continue to operate at current funding levels.

We also need to consider the longer term consequences of sequestration on the delivery of Federal programs into FY 2014 and beyond. Should sequestration occur, we will need to make difficult choices about which services to continue, which services to drastically reduce, and which services to completely eliminate over the coming years. Our programs cannot be sustained indefinitely by one-time fixes and furloughs. Our choices should ensure these programs are positioned to continue in the future and provide the American people with services they can rely on, by passing balanced deficit reduction and avoiding sequestration.

Thank you again for the opportunity to share my views on this important matter.

Sincerely yours,

Ray LaHood

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

THE ADMINISTRATOR

FEB 0 6 2013

The Honorable Barbara A. Mikulski
Chairwoman
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Madam Chairwoman:

I am responding to your letter dated January 22, 2013, requesting information about the impact that sequestration will have on the U.S. Environmental Protection Agency's ability to protect the nation's environment and public health. As stewards of taxpayers' dollars, we have set priorities, made tough choices and managed our budget carefully. Sequestration, however, will force us to make cuts we believe will directly undercut our congressionally-mandated mission of ensuring Americans have clean air, clean water and clean land. I am enclosing our preliminary assessment of some of the impacts of sequestration, should it be implemented. Our assessment highlights a number of immediate impacts to programs, people and services.

Should you have any questions about the information included, please have your staff contact Ed Walsh of my staff at (202) 564-4594.

Sincerely,

Bob Perciasepe (for)

Lisa P. Jackson

Enclosure

NATIONAL SCIENCE FOUNDATION
4201 WILSON BOULEVARD
ARLINGTON, VIRGINIA 22230

February 4, 2013

OFFICE OF THE DIRECTOR

The Honorable Barbara Mikulski
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Chairwoman Mikulski:

This letter is in reply to your request for information regarding the impact of a possible sequester on the National Science Foundation's (NSF) operations and activities.

At NSF, the central focus of our planning efforts will be predicated on the following set of core principles:

- First and foremost, protect commitments to NSF's core mission and maintain existing awards
- Protect the NSF workforce
- Protect STEM human capital development

By adhering to these principles and the government-wide guidance provided in OMB memorandum M-13-03, "Planning for Uncertainty with Respect to Fiscal Year 2013 Budgetary Resources," the Foundation will best accommodate the possible sequestration reductions in ways that minimize the impact on our mission, both short- and long-term.

We do know, however, that the required levels of cuts to our programmatic investments would cause a reduction of nearly 1,000 research grants, impacting nearly 12,000 people supported by NSF, including professors, K-12 teachers, graduate students, undergraduates, K-12 students, and technicians.

Vital investments in basic research, leading edge technology, and STEM education would be jeopardized. Impacted areas could include:

- NSF-wide emphasis on sustainability, including vital investments in clean energy research;
- Major investments critical to job creation and competitiveness, such as advanced manufacturing and innovation;
- Advances in cybersecurity aimed at protecting the Nation's critical information technology;
- Pathbreaking efforts to improve pre-college and undergraduate education, including new investments to transform undergraduate science courses.

Major Research Equipment and Facilities Construction funding at $160 million or less in FY 2013 will result in the termination of approximately $35 million in contracts and agreements to industry for work in progress on major facilities for environmental and oceanographic research. This would directly lead to layoffs of dozens of direct scientific and technical staff, with larger impacts at supplier companies. In addition, out year costs of these projects would increase by tens of millions because of delays in the construction schedule.

Thank you for the opportunity to provide you with this look at possible impacts of a sequester on the Foundation. Please let me know if you have any additional questions, and as always, thank you for your strong support of the Foundation.

Sincerely,

Subra Suresh
Director

Potential Impacts of Sequestration

Air Programs

ENERGY STAR

- ENERGY STAR is relied upon by millions of Americans and thousands of companies to save money and protect the environment through energy efficient products and practices.
  - Results are already adding up. Americans, with the help of ENERGY STAR, prevented 210 million metric tons of GHG emissions1 in 2011 alone— equivalent to the annual emissions from 41 million vehicles—and reduced their utility bills by $23 billion.
- Under sequestration, there would be three specific impacts that could jeopardize, delay or impair further progress: (1) EPA's ability to keep ENERGY STAR product specifications up to date across more than 65 categories would slow down, including electronics, appliances and home heating and cooling systems; (2) EPA would have to reduce the number of energy-intensive industrial sectors it works with to develop energy performance indicators and Energy Efficiency Guides; and (3) EPA would reduce support for our Portfolio Manager, both the planned upgrade and our ability to support its users, including the approximately 10 major cities and states as well as the federal government, which use the tool in emissions and energy disclosure and benchmarking policies.

Vehicle Certification

- Before new vehicles can be sold in the United States, EPA must first certify that they are in compliance with emissions standards.
- Sequestration would harm EPA's ability to confirm in a timely manner that manufacturers are complying with all vehicle emission standards and creates the risk that some manufacturers would be delayed in their ability to certify their products. Without this certification, they would be unable to sell these products in the United States, thus depriving car-buyers access to the latest vehicles and potentially harming vehicle sales and the economy.

State Air Monitors

- Air quality monitoring is vital to the protection of public health from harmful air pollution.
- Sequestration would reduce the funding EPA provides states to monitor air quality, likely forcing the shutdown of some critical air monitoring sites. Lost monitoring for high priority pollutants such as ozone and fine particles would impact the collection of data necessary for determining whether areas of the country meet, or do not meet, the Clean Air Act's health-based standards.
- Sequestration would force the Agency to eliminate or significantly reduce essential air quality data systems like AIRNow, a popular air quality reporting and forecasting system. Americans that have or care for individuals with respiratory and cardiac health issues rely on AIRNow for information about when to take action to avoid health impacts from air pollution. The Agency would eliminate upgrades for the Emission Inventory and Air Quality Systems – the Agency would only fund operations for these systems. These systems store and process air quality monitoring and emissions data from across the nation that informs EPA, state, tribal, and local air agencies' decisions on steps needed to improve air quality. Without this monitoring data, future improvements in air quality would be hampered or delayed.

Potential Impacts of Sequestration

Enforcement and Compliance Programs

Civil and Criminal Enforcement

Americans expect their government to protect them from violations of the nation's environmental laws that could harm their families and impact the safety and prosperity of their communities. Sequestration's reduction to EPA's enforcement budget would:

- Reduce EPA's ability to monitor compliance with environmental laws – as fewer environmental cops are on the "beat" to enforce environmental laws (note implementation of the sequester could result in 1,000 fewer inspections in FY 2013.)
- Limit EPA's capacity to identify toxic air emissions, water discharges, and other sources of pollution that directly affect public health and the environment.

National Environmental Policy Act

- EPA's comments on environmental reviews are required by law and help to ensure that federal agencies understand the potential environmental impacts and have considered alternatives to proposed projects on federal lands. Sequestration would reduce support for environmental reviews and could slow the approval of transportation and energy related projects.

Superfund Enforcement

Superfund enforcement ensures that responsible parties pay for necessary and often costly cleanups at the nation's most polluted sites. Sequestration would cut work to press responsible parties to clean up contaminated sites in communities and restore clean up funds for use at other sites – putting the costs back on the American public. (note: estimated $100 million loss in clean-up commitments and cost reimbursements to the government).

Tribal Programs

EPA tribal funding supports environmental protection for 566 tribes on 70 million acres of tribal lands. This funding includes the most significant grant resources to help tribal governments build the core capacity necessary to protect public health and the environment. Funds are used to support staffing of environmental directors and technicians to implement environmental projects, including safe drinking water programs and development of solid waste management plans. Reduced funds under sequestration would directly impact some of the country's most economically disadvantaged communities, resulting in loss of employment, and hindering tribal governments' ability to ensure clean air and clean and safe water.

Research and Development Programs

Air, Climate and Energy

- Under sequestration, cuts to EPA climate research would limit the ability of local, state and the federal government to help communities adapt to and prepare for certain effects of climate change, such as severe weather events. Without information provided by climate research, local

Potential Impacts of Sequestration

governments would not know how climate change would affect water quality, and therefore would be unable to develop adaptation strategies to maintain protection of water quality as the climate changes.

- Implementation of the sequester would eliminate research to increase our understanding of exposures and health effects of air pollutants on susceptible and vulnerable populations, such as asthmatics, the growing aging population, and individuals living near air pollution sources which would impact the development of national air quality standards as required by the Clean Air Act.

Chemical Safety for Sustainability

- Under sequestration, the reduction in funding would impede EPA's ability to assess and understand the effect of nanomaterials on human health and dispose of rare earth materials used in electronics, thereby limiting innovation and manufacturing opportunities with these materials in the US. The reduction in funding for endocrine disrupting chemicals research would limit our nation's ability to determine where and how susceptible people are exposed to endocrine disrupting chemicals, and to understand how these toxic exposures impact their health and welfare. Limiting the use of advanced chemical evaluation approaches recommended by the National Academy of Sciences would impair the ability of business, states and EPA to make decisions on both the safety of existing industrial chemicals, as well as on the development and use of safer chemicals.

Sustainable & Healthy Communities

- Under sequestration EPA would reduce the number of undergraduate and graduate fellowships (STAR and GRO) by approximately 45, thus eliminating any new fellowships. The Fellowship program, one of the most successful fellowship programs in government, is educating the next generation of environmental scientists, which is critical to a strong and competitive economy.
- Reductions under Sequestration would discontinue funding for two joint EPA/National Institutes of Health Centers of Excellence for Children's Health Research. These centers are providing a greater understanding of how the environment impacts today's most pressing children's health challenges, including asthma, autism, attention deficit hyperactivity disorder (ADHD), neurodevelopmental deficits, childhood leukemia, diabetes, and obesity. Eliminating funding would negatively impact graduate students and faculty who would have to look for new funding to keep their research going and ultimately slow down the pace of scientific research in these important areas. Research in these areas translates to improved public health.
- EPA research and grants to academic institutions for studies to understand human health disparities at the community-level would both be severely curtailed by reductions under sequestration. This would be especially significant to disproportionately affected communities across the US. Important research would be stopped mid-stream and graduate students would be without expected funding. This would delay scientific research in these fields, which are important to advancing public health.

Safe and Sustainable Water Resources

- Under sequestration Reductions to green infrastructure (GI) research would slow the Agency's ability to provide GI best-management practices to municipalities dealing with costly stormwater enforcement actions. Other benefits of GI, such as wildlife habitat, flood and erosion control, recreational opportunities, jobs and increased property values, would also be lost.
- Sequestration would cut research to find cleaner and cheaper solutions to help states and cities address the nation's crumbling water infrastructure that is contaminating clean drinking water and

Potential Impacts of Sequestration

causing substantial loss of valuable quantities of water.

Human Health Risk Assessment

- Reductions under Sequestration would result in the significant delay of crucial Integrated Risk Information System (IRIS) human health related assessments (e.g. arsenic, styrene, ethylbenzene, naphthalene and manganese) that would limit the ability of EPA and states to make decisions to protect people's health.
- Sequestration reductions delaying the delivery of four major Integrated Science Assessments would limit the ability of EPA to make decisions that would protect people from certain air pollutants.

Homeland Security Research

- Sequestration would stall development of approaches to manage waste from radiological contaminants following a terrorist attack or a nuclear accident. Opportunities to learn lessons from the Japanese Fukushima Disaster would be lost.
- Under sequestration, reductions in practical research on preparedness following disasters would inhibit the development of techniques and procedures for communities to prepare for and recover from natural disasters and industrial accidents (e.g., Deepwater Horizon, Superstorm Sandy). This would lead to longer recovery times and higher costs at the local, state, and national levels.

Water Programs

State Revolving Fund Program (SRFs):

- Under sequestration, cuts to Clean Water and Drinking Water SRFs would deprive communities from access to funding to build or repair decaying water and wastewater infrastructure that provides safe drinking water and removes and treats sewage.

Water Program State Implementation Grants:

- Reductions under sequestration would impact states' ability to meet drinking water public health standards and to reduce the nitrogen and phosphorus pollution that contaminate drinking water supplies, cause toxic algae blooms, and deprive waters of oxygen that fish need to survive. This reduction would result in the elimination of more than 100 water quality protection and restoration projects throughout the United States. Examples of specific projects that would be impacted include but are not limited to:
    - Assisting small and/or disadvantaged public drinking water systems that need assistance to improve the safety of the drinking water delivered to communities.
    - Protecting children from harmful exposure to lead in drinking water by revising the Lead and Copper Rule
    - Protecting public health from cancer-causing Volatile Organic Compounds in drinking water

EPA's Water Program Implementation:

- Reductions under sequestration would limit assistance provided to states and tribes to ensure safe and clean water, including protecting children from exposure to lead in drinking water; protecting rivers and streams from industrial and municipal pollution discharges, identifying and developing

Potential Impacts of Sequestration

cleanup plans for polluted waterways, and developing science to support human health and aquatic life.

Superstorm Sandy Appropriation:

- Sequestration would reduce funding available to enhance resiliency and reduce flood damage risk and vulnerability at treatment works in communities impacted by Superstorm Sandy.

Community Protection Reduced

The Agency's cleanup programs protect communities from the risks posed by hazardous waste sites and releases and returns formally contaminated properties to beneficial use.

- The Superfund Remedial program would be unable to fund an estimated 3-5 new construction projects to protect the American public at Superfund National Priority List sites due to constrained funding from the sequestration.
- Under sequestration, the Agency may have to stop work at one or more ongoing Superfund Remedial construction projects. Stopping any ongoing work would increase costs in the long run (due to contract termination penalties and the need to demobilize and re-mobilize construction contractors).
- The sequestration would reduce funding available for other parts of the Superfund Remedial program as well. Critical steps leading up to construction would be curtailed.
- Cuts to the Brownfield Program's budget under sequestration would limit the Agency's ability to provide cleanup, job training, and technical assistance to brownfield communities. The Program leverages nearly $17 dollars of private and public sector funding for every dollar expended by the Brownfields program to clean up sites and help revitalize communities and support economic development.
- Under sequestration, funding cuts would reduce Risk Management Plan (RMP) Program inspections and prevention activities. Both high-risk and non high-risk RMP facility inspections would be reduced by approximately 26 inspections per year, from 500 to 474. Of the reduced inspections, approximately 8 would be from high risk facilities and the RMP inspector training program would be reduced.
- Cuts to the Oil Spill program under sequestration would reduce protection of US waters from oil spills by reducing inspection and prevention activities. The largest program impact of an oil budget reduction would be on inspections at regulated facilities. EPA currently conducts approximately 840 inspections per year at SPCC-regulated facilities (which represents 0.13 % of the total universe of 640,000) and 290 FRP inspections/ unannounced exercises (about 6.5% of the universe of 4,400). EPA would reduce approximately 37 FRP inspections in FY 2013 and limit the development of a third party audit program for SPCC facilities, which may lead to a decrease in compliance with environmental and health regulations.

EPA / State Cleanup and Waste Program Cuts

- Under sequestration state cleanup program funding would be cut reducing site assessments.
- Cuts in Leaking Underground Storage Tank state grants under sequestration would result in nearly 290 fewer cleanups completed at contaminated sites, limiting further reductions to the backlog of sites awaiting cleanup. It would reduce the number of sites and acres ready for reuse or continued

Potential Impacts of Sequestration

use, and therefore, fewer communities would receive the redevelopment benefit of cleaning up LUST sites.

- Under sequestration, cuts in state grants would result in approximately 2,600 fewer inspections, and would limit the States' ability to meet the statutory mandatory 3-year inspection requirement. Decreased frequency of inspections may lead to a decline in compliance rates and could result in more UST releases.
- Since 75% of state clean up grants and 80% of state prevention grants support state staff, these cuts under sequestration could lead to the loss of state jobs.
- Under sequestration, cuts to the Brownfield Program would reduce funds to states and tribes for the development of voluntary response programs.
- A cut of $2.5 million to CERCLA 128(a) State and Tribal response program Brownfields categorical grants program under sequestration would reduce the ability to fund new grantees (7 tribal grantees) without further reducing the allocations of existing grantees, and would decrease the number of properties that could be overseen by Voluntary Cleanup Programs by nearly 600.
- Cuts under sequestration would delay work on a three-year project to develop a fee-based system for managing hazardous waste transport (e-Manifest) that would produce the estimated $77 million to $126 million in annual projected savings to industry and the states.
- Sequestration cuts would reduce funding for maintenance to the only national system for tracking state and federal RCRA permitting and corrective action. RCRA Info is vital to the U.S. economy since it enables states to prioritize and implement their hazardous waste programs by tracking facility activities regarding the handling hazardous waste (generators, or treatment, storage, or disposal facilities).

National Aeronautics and
Space Administration
Office of the Administrator
Washington, DC 20546-0001

February 5, 2013

The Honorable Barbara A. Mikulski
Chairwoman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Chairwoman:

This is in response to your letter of January 18, 2013, requesting information about the potential impacts of the March 1, 2013, sequestration on NASA. Our response articulates impacts of sequestration relative to the President's FY 2013 budget request for NASA of $17.711.4 million in direct discretionary funding. NASA estimates that a March 1 sequester applied to the annualized levels in the current FY 2013 Continuing Appropriations Resolution (Section 101, P. L. 112-175) would reduce the total NASA funding level to $16.984.7 million in direct discretionary funding, or $726.7 million less than the President's FY 2013 budget request, and $894.1 million less than the annualized levels in the current FY 2013 Continuing Appropriations Resolution.

Overall, for purposes of this assessment, the Agency assumed that the FY 2013 Continuing Resolution, with all of its terms and conditions, would be extended from March 27 to September 30, 2013, and that the sequester would cancel 5.0 percent of the full-year amount, which would be the equivalent of roughly a 9 percent reduction over the remaining seven months of the fiscal year. NASA's assessment of the impacts of a March 1 sequester is presented in the enclosure.

I would be pleased to discuss this information with you in greater detail if you wish.

Sincerely,

Charles F. Bolden, Jr.
Administrator

Enclosure

Enclosure

Impacts of March 1, 2013, Sequester on FY 2013 President's Budget Request for NASA

Science (President budget request: $4,911.2 million; -$51.1 million sequester impact to FY 2013 budget request)

Sequestration would reduce Science by $51.1 million below the FY 2013 budget request, which would cause NASA to have to take such steps as:

- Reducing funding for new Explorer and Earth Venture Class mission selections by 10 to 15 percent, resulting in lower funding levels for new activities and causing minor launch delays, and

- Reducing funding available for competed research (e.g., "research and analysis") projects by about 2 percent, resulting in about a 5 percent reduction in new awards to support labor/jobs at universities, businesses, and other research entities distributed around the nation this year. Ongoing projects started with awards made prior to this fiscal year would not be affected.

Aeronautics (President budget request: $551.5 million; -$7.3 million sequester impact to FY 2013 budget request)

Sequestration would reduce Aeronautics by $7.3 million below the FY 2013 budget request. The Aeronautics Mission Directorate would need to take cuts to areas such as funding for facilities maintenance and support; air traffic management concept development; systems analysis conducted with the Joint Planning and Development Office; research into safety for vehicle and systems technologies; and research into civil tilt-rotor technologies. These reductions would decrease or delay NASA's ability to develop technologies necessary to enable next generation air traffic management and to ensure needed safety levels. The reductions would also negatively impact NASA's ability to maintain and operate national asset level test facilities to support the related R&D efforts, and would lead to cancellations of ongoing partnerships.

Space Technology (President's budget request: $699.0 million; -$149.4 million sequester impact to FY 2013 budget request)

Sequestration would reduce Space Technology by $149.4 million below the FY 2013 budget request. At that funding level, the Space Technology Mission Directorate cannot maintain its technology portfolio as several projects underway require increased funding in FY 2013 to proceed. Thus NASA would likely have to cancel one of these projects or be able to offer no new awards for programs that vary in scope from research grants, to public-private partnerships, to in-space demonstrations during FY 2013. NASA would also consider the following:

- Canceling 6 technology development projects, including work in deep space optical communications, advanced radiation protection, nuclear systems, deployable aeroshell concepts, hypersonic inflatable Earth reentry test, and autonomous systems. In addition, the program would consider delaying an additional 9 projects.

- Canceling several flight demonstration projects in development, including the Deep Space Atomic Clock, Cryogenic Propellant Storage and Transfer and the Materials on International Space Station Experiment-X projects.

- Elimination or de-scoping of annual solicitations for Space Technology Research Grants (STRG), NASA Innovative Advanced Concept (NIAC), and the Small Spacecraft Technology (SST) Program.

- Reduction in the number of Flight Opportunity program flights and payloads that could be flown in FY 2013 and beyond.

- Elimination of Centennial Challenges funding to perform new prizes.

Exploration (President's budget request: $3,932.8 million; -$332.2 million sequester impact to the FY 2013 budget request)[1]

Sequestration would reduce Commercial Space Flight funding by $441.6 million below the FY 2013 budget request. After sequestration, NASA would not be able to fund milestones planned to be allocated in the fourth quarter of FY 2013 for Commercial Crew Integrated Capability (CCiCap) such as the SpaceX Inflight Abort Test Review, the Boeing Orbital Maneuvering and Attitude Control Engine Development Test, and the Sierra Nevada Corporation Integrated System Safety Analysis Review #2. Overall availability of commercial crew transportation services would be significantly delayed, thereby extending our reliance on foreign providers for crew transportation to the International Space Station.

The sequester would also reduce Exploration Research and Development funding by $45.5 million below the FY 2013 budget request. For Advanced Exploration Systems, the sequester would delay procurement of critical capabilities required for the next phase of Human Space Exploration. In the Human Research Program (HRP), national research solicitations/selections would be canceled, with the largest impact likely being at the Johnson Space Center. Additionally, reduced resources for the HRP would likely result in reduced funding to the National Space Biomedical Research Institute and delay NASA Space Radiation Laboratory upgrades.

Construction and Environmental Compliance and Restoration (CECR) (President's budget request: $619.2 million; -$251.7 million sequester impact from FY 2013 budget request)[ii]

For the Construction of Facilities (CoF) program, the $227.8 million sequester impact would adversely impact the infrastructure needed for NASA's Space Launch System (SLS), Orion Multi-Purpose Crew Vehicle, Launch Services, Rocket Propulsion Test, 21st Century Launch Complex, Commercial Crew and Cargo, and Space Communications and Navigation (SCaN) programs.

- Sequestration would leave NASA with almost no funds for Programmatic CoF.
- Sequestration would cancel many institutional construction projects that would repair, refurbish, or replace critical infrastructure that supports NASA's mission. These projects are required to repair NASA's rapidly deteriorating infrastructure in order to protect NASA employees and meet Mission requirements. For Institutional CoF, projects are likely to be cancelled at the following locations:
  - Glenn Research Center
  - Goddard Space Flight Center/ Wallops Flight Facility
  - Jet Propulsion Laboratory
  - Johnson Space Center
  - Kennedy Space Center
  - Langley Research Center
  - Marshall Space Flight Center

For the Environmental Compliance and Restoration program, the $23.9 million sequester impact would result in numerous delays to projects requiring re-negotiation of agreed upon compliance dates, with the potential for the imposition of fines for non-compliance. The most pronounced impacts would likely occur at the Santa Susana Field Lab, Kennedy Space Center, and White Sands Test Facility.

Office of the Inspector General (President's budget request: $37.0 million; -$0.4 million sequester impact from FY 2013 budget request)

Sequestration would reduce the Office of Inspector General by $0.4 million, which would reduce future hiring and mean that some critical positions are not back-filled. These impacts would likely result in fewer audits and investigations.

---

[i] The Agency is currently operating under a Continuing Resolution operating plan under which $53 million was transferred from the Exploration account to the Space Operations account ($3 million) and the Construction and Environmental Compliance and Restoration account ($50 million). The effect of $53 million in transfers from Exploration to other accounts under the Agency's CR operating plan is not included in this description.

[ii] The effect of a $50 million transfer from Exploration to CECR Exploration CoF is not included in this description.

Minority Views of the Democratic Caucus of the Committee on Science, Space, and Technology For Submission to the Budget Committee

Eddie Bernice Johnson

Frederica S. Wilson

Daniel B. Maffei

Zoe Lofgren

[illegible]

Donna F. Edwards

Mark Takano

[illegible]

Elizabeth H. Esty

Eric Swalwell

[illegible]

Suzanne Bonamici

[illegible]

Dan Lipinski

[illegible]

Alan Grayson

Julia Brownley

Minority Views of the Democratic Caucus of the Committee on Science, Space, and Technology For Submission to the Budget Committee

Eddie Bernice Johnson
Frederica Wilson
Dan Maffei
Zoe Lofgren
Derek Kilmer
Donna F. Edwards
Mark Takano
Joe Kennedy III
Elizabeth Esty
Eric Swalwell
Marc Veasey
Suzanne Bonamici
Ami Bera
Dan Lipinski
Scott Peters
Alan Grayson
Julia Brownley

Congress of the United States
Washington, DC 20515

March 1, 2013

Rep. Eddie Bernice Johnson, Ranking Member
U.S. House Committee on Science, Space, and Technology
394 Ford House Office Building
Washington, DC 20515

Dear Ranking Member Johnson,

Thank you for the opportunity to submit additional views and estimates. We would like to submit an additional views and estimates submission for the Committee's Minority Views and Estimates to the Budget Committee:

Additional Views and Estimates
Representatives Zoe Lofgren and Eric Swalwell
House Committee on Science, Space and Technology

In addition to supporting the Minority Views and Estimates, which recognize the adverse effects that sequestration and short-sighted cuts will have on American research and development and education, I would like to draw particular attention to ongoing basic science and fusion research. This is critical science. Fusion research is necessary for national security through nuclear stockpile stewardship, it addresses fundamental questions in physics, and there is strong evidence that fusion can be a clean, safe, almost inexhaustible energy supply in the foreseeable future. However, this will not happen without concerted and consistent research. The Department of Energy funds several major fusion projects, which require consistent support for the success of the research being undertaken.

A National Research Council panel of experts just released the results of a two-year study on the prospects of Inertial Fusion Energy (IFE). They found "substantial scientific and technical progress" being made, and that "the potential benefits... provide a compelling rationale for establishing IFE R&D as a part of the long-term US energy R&D portfolio." In particular they cited the National Ignition Facility (NIF) at Lawrence Livermore National Lab as the critical facility for advancing IFE to the next level of research. The Budget Resolution being developed should recognize the importance of continuing strong support for fusion research and for NIF to maintain America's leadership over our global competitors in this important endeavor to speed the arrival of usable fusion energy.

Sincerely,

Zoe Lofgren
Member of Congress

Eric Swalwell
Member of Congress

SAM GRAVES, MISSOURI
CHAIRMAN

NYDIA M. VELAZQUEZ, NEW YORK
RANKING MEMBER

Congress of the United States

U.S. House of Representatives
Committee on Small Business

2361 Rayburn House Office Building
Washington, DC 20515-6315

March 1, 2013

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

Dear Chairman Ryan:

Pursuant to clause 4(f) of Rule X of the Rules of the House and § 301(d) of the Congressional Budget Act of 1974, 2 U.S.C. § 632(d), I am transmitting the "Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for Fiscal Year 2014."

The Committee approved the Views and Estimates contained herein on February 27, 2013 by voice vote. Dissenting views will be transmitted separately by Members of the Committee.

Should you or your staff have further questions regarding this document, please contact the Chief Counsel for the Committee, Barry Pineles, at x55821.

Sincerely,

Sam Graves
Chairman

Enclosure

Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for Fiscal Year 2014

Pursuant to clause 4(f) of Rule X of the Rules of the House and § 301(d) of the Congressional Budget Act of 1974, 2 U.S.C. § 632(d), the Committee on Small Business is transmitting herein: (1) its views and estimates on all matters within its jurisdiction or functions to be set forth in the concurrent resolution on the budget for Fiscal Year 2014; and (2) recommendations for improved governmental performance.

Unlike in previous years, the views and estimates set forth herein provide no comments on the President's budget since none has been submitted for consideration by the Committee; nor has the Committee received any testimony from the Administrator of the Small Business Administration (SBA) concerning its budget request for FY 2014. Given the paucity of information forthcoming from the President and the SBA, the views and estimates contained herein provide the Committee's recommendations on ways to improve performance of the SBA. These views and estimates also incorporate by reference the views and estimates provided by the Committee on Small Business during the 112th Congress.

The Administrator has noted on multiple occasions before the Committee that the SBA provides entrepreneurs with the three Cs – capital, contract assistance, and counseling. The views and estimates will consider these seriatim.

Capital Access Programs[1]

Unlike large enterprises that can seek out funds from commercial debt and equity markets, small businesses must rely on their own personal assets, retained earnings, and commercial bank funds for needed capital. For 60 years (since the 1953 creation of the SBA during the Eisenhower Administration), the SBA has sought to fill gaps in the commercial debt and equity markets.

Program Costs

The four major programs overseen by the SBA are the: 7(a) Guaranteed Loan Program (7(a)); Certified Development Company (CDC) Loan Program; Small Business Investment Company (SBIC) Program; and Microloan Program. In none of these programs does the SBA directly provide funds to small businesses; instead, the SBA

[1] The SBA disaster loan program provides funds to homeowners and small businesses after the President has declared a major disaster as that term is defined in the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. §§ 5121-5208. Funding for the Disaster Loan Program was addressed in the Disaster Relief Appropriations Act, 2013, Pub. L. No. 113-2. That legislation provides sufficient funds for the SBA to meet expected needs for disaster relief in the coming year. However, those funds will not be adequate if there is another major event such as Hurricane Katrina or Superstorm Sandy. In those instances, it is likely that the President would seek a supplemental appropriation.

provides funds by guaranteeing the repayment of issuance of credit and equity by private-sector partners.[2]

The SBA must operate these programs within the parameters established by the Federal Credit Reform Act, 2 U.S.C. §§ 661-61f (FCRA).[3] The statute requires that all federal agencies calculate the current cost[4] of their credit programs. *Id.* at §§ 661(a), 661a(5). The FCRA, in essence, requires that sufficient funds are deposited in those accounts to cover the cost of the loans made in any given year. Funds may be obtained from fees charged to borrowers, the private sector partners that provide the credit, monies appropriated by Congress, or some combination of the three. If the programs do not require any appropriated dollars, they are considered to be operating at zero-subsidy.

Two of the programs – 7(a) and CDC Loan Programs – were redesigned by Congress during the 1990s and the early 2000s to operate, to the extent possible, with a zero subsidy. However, recent economic conditions required Congress to appropriate funds for use by the 7(a) and CDC Loan Programs because the fees charged to borrowers and lenders did not cover the cost of the programs. To the extent that the President's budget reveals the need for appropriations to cover the costs of the loan programs as the term cost is defined in the FCRA, the Committee believes that the budget resolution should provide sufficient funds to do so.

When this issue has arisen in the past, the Committee has considered and rejected increasing the fees charged by borrowers and lenders. Given the economic data that small businesses generate most of the new jobs in the United States, it would be counterproductive at this time to increase the cost of credit to small businesses and thereby restrict their capacity to create new jobs.

The Microloan Program operates with a small subsidy due to the interest rate charged to microloan intermediaries (the entities that actually provide credit to small businesses). However, no microloan intermediary has ever defaulted on its loans and the minimal historic costs given the benefits of job creation strongly militate in favor of providing appropriated funds to cover the interest rate differential.

The primary issue related to the SBIC program is not whether it can still operate at zero-subsidy. Given historical data, the Committee would expect that the SBIC program will continue to operate without any need for appropriations to cover the cost of the program as that term is used in the FCRA. Rather, the issue with the SBIC program is whether the program level will be sufficient to enable it to meet the demand of small businesses

---

[2] The textual explanation constitutes an oversimplification of these four programs but suffices for the purposes of these views and estimates.

[3] Of course, the SBA is required to operate these lending programs according to the strictures established by Congress in the Small Business and Small Business Investment Acts.

[4] When stripped to its bare essentials, the definition of cost in the FCRA simply means the dollar value t of loans year made minus (the dollar value of the loans repaid plus the amount of monies recoverd from defaulted loans). A net present value of this calculation is made to obtain the amounts that must be set aside in a current account to cover the costs of each lending program.

seeking equity capital. The Committee believes that a program level of $4 billion will be sufficient to meet the needs of small businesses seeking capital.[5]

Recoveries on Defaults

As already noted, one of the key components of the FCRA cost calculation is the amount of monies obtained in recoveries on defaulted loans. In previous views and estimates, the Committee has noted that the SBA is ill-equipped to handle recoveries in its capital access programs. This is true whether the recoveries involve defaults in the 7(a) or CDC loan programs or through receiverships in the SBIC program.

The inability to manage the recoveries on defaults increases the costs of these programs on lenders, borrowers, and taxpayers. For example, the SBA frequently fails to sell portfolio companies of SBICs placed into receivership even when there are sound offers for such companies. In a more glaring example, the credit supplement to the FY 2013 budget revealed that returns on defaulted CDC loans were approximately 23 cents on the dollar (and only about half of what was received in the 7(a) loan program).[6] Simply put, SBA personnel do not have the industry expertise (in managing portfolio companies of SBICs in receivership) or, in the case of commercial real estate, sufficient local knowledge to effectively manage distressed properties and businesses. Simply appropriating more funds for the SBA will not solve an underlying management issue; the Committee will continue to assess legislative changes that ensure experts with solid local and industry knowledge are placed in charge of conducting recoveries and workouts in the SBA capital access programs. In turn, this will ensure that the subsidy costs (and the need for appropriated monies) will decrease.

Information Technology and Capital Access Programs

The information technology needed to manage the SBA guaranteed loan portfolio is outdated and poses a significant risk to the federal fisc. The loan accounting system, first developed by the SBA in the 1970s, utilizes COBOL in a mainframe environment. The efforts at modernizing this system (even a scaled-back version) are behind schedule, lack an overall enterprise technology management plan, and suffer from cost overruns. This is unacceptable because a modern loan accounting system would enable the SBA to manage its loan portfolio in a manner that protects the taxpayer, mainly by improving returns on recoveries of defaulted loans. Until the SBA completes the tasks already established for modernizing its loan management accounting system, no additional funds should be provided for the agency's information technology.

---

[5] This represents an increase in the program level from FY 2013 of $1 billion. Given the zero subsidy nature of the program, the increase will have no effect on the program cost or the deficit.

[6] Historically, recoveries in the CDC loan program have been between 20 and 25 cents on the dollar. The Committee is unaware of any reason that recoveries would be outside this range for FY 2014.

Lender Oversight and Credit Risk Management

The problems associated with the development of a modern loan management accounting system also undermine the ability of the SBA to perform proper lender oversight. If the SBA is unable to obtain timely and accurate data on the loans made by its private sector partners, the agency will not have the information needed to assess the credit risk of its loan portfolio or the underwriting standards of its lending partners. For a $90 billion loan portfolio, that is simply unacceptable, and the SBA must refocus its efforts to ensure its loan management accounting system can provide the needed data to perform credit risk assessment[7] and lender oversight.

Information technology is not the only problem facing the SBA in performing adequate lender oversight. The agency resources are not allocated properly to ensure such lender oversight or to take action against a risky lender. As an example, the SBA, for the first time in its existence, revoked the authority of a CDC to operate in December 2012.[8] That process took nearly two years and a not insignificant portion of that time involved the SBA arranging for services to take over the loan portfolio of the shuttered CDC. It remains an open question whether the SBA has allocated sufficient resources to undertake the necessary actions should it revoke the authority of other lending partners.

Federal Contracting Programs[9]

One of the primary missions of the SBA is to ensure that small businesses receive a "fair proportion of the total purchases and contracts for property and services for the Government in each industry category...." 15 U.S.C. § 644(a). To achieve this objective, Congress created a number of programs designed to increase opportunities for small businesses in a federal market for goods and services that reaches $515,697,897,218.85.[10] SBA utilizes personnel to expand opportunities for small businesses; other resources are devoted to managing the contracting programs targeted at specific subsets of small businesses.

Budget allocations for the operation of the SBA's government contracting programs are subsumed within the agency's overall request for salaries and expenses. With respect to

[7] Although the SBA has a separate credit risk database, the accuracy of that system is based, in part, on the data obtained from the loan management accounting system. Therefore, absent an accurate and modern loan management accounting system, the SBA's credit risk database remains flawed.

[8] The Committee is unaware of any instance in which the SBA has revoked the authority (for mismanagement or credit riskiness) of a lender in the 7(a) Program. Many lenders have lost their authority due to the failure to make sufficient loans but none have had their authority revoked for mismanagement even when their upper level managers committed fraud.

[9] An adjunct to the government contracting programs is the SBA Surety Bond program that enables small businesses access to surety bonds when they otherwise would be unable to obtain such bonds. The program operates as zero-subsidy and the Committee expects that it will operate without the need for appropriations in FY 2014.

[10] The statistic was derived from the Federal Procurement Data System on February 19, 2013 at 4:30 pm. While some may quibble with the accuracy of this figure, it is certainly more accurate than is available on the SBA's loan management accounting system.

the contracting programs, it is not the overall allocation amount of salaries and expenses that is the problem; rather it is how the SBA allocates those resources to the government contracting programs that inhibit its ability to carry out the various mandates set forth in the Small Business Act.

A key type of personnel at the SBA is the Procurement Center Representatives or PCRs. These individuals are located at contracting activities (i.e., other federal agencies) and constitute the SBA's front line in promoting the use of small businesses and first line of defense against contract bundling. Despite their importance in achieving the objectives Congress set out in § 15(a) of the Small Business Act, less than 3 percent of the personnel at the agency are PCRs. Funds should be reallocated so that the SBA actually dedicates the necessary personnel so that PCRs can perform their jobs in an effective manner, rather than the current situation in which the approximately 60 PCRs must each review about $8.6 billion dollars in government contracts.

The SBA oversees the operations of a number of contracting programs targeted at specific segments of the small business community. These contracting programs present a number of vulnerabilities: (1) small businesses might misrepresent their size (and not actually be small); (2) small businesses may misrepresent their status for purposes of eligibility, such as not being a woman-owned and controlled business; or (3) small businesses do not perform the necessary quantum of work on the contract. Given these vulnerabilities, there are key defenses – adequate personnel to check the small businesses and updated databases for use by contractors and federal contracting officers. While the SBA has made strides in correcting these vulnerabilities, greater resources need to be allocated to ensure that only eligible businesses obtain contracts in programs established pursuant to the Small Business Act.

Counseling Programs[11]

While the SBA underallocates resources in critical areas, such as lender oversight and government contracting programs, the agency overallocates funds and personnel to provide counseling for small business owners. No one should question the value of training for small business owners and those whose wish to start small businesses. However, in times of budgetary restrictions, hard choices must be made. This is particularly true when the counseling programs at the SBA overlap each other and often duplicate the educational services provided by other agencies.

The Government Accountability Office (GAO) identified 54 programs at the SBA and the Departments of Commerce, Agriculture, and Housing and Urban Development that provide counseling services to small businesses.[12] Other studies have found similar

[11] The SBA denominates these programs as entrepreneurial development but all provide counseling to small business owners and those individuals wishing to embark on entrepreneurship. Given the overall theme of these views and estimates, the Committee will utilize the term "counseling" rather than the SBA programmatic designation.

[12] GAO, ECONOMIC DEVELOPMENT, EFFICIENCY AND EFFECTIVENESS OF FRAGMENTED PROGRAMS ARE UNCLEAR 3-4 (2011) (GAO-11-651T).

duplication in outreach efforts for veterans.[13] Presumably other areas of entrepreneurial outreach and duplication exist between the SBA and other federal agencies. In addition to overseeing counseling programs authorized by Congress, the SBA exacerbates this overallocation of resources to entrepreneurial outreach by creating its own programs unauthorized by Congress, such as the development of regional clusters and establishment of an Emerging Leaders Program; programs which utilize scarce federal resources and have no proven track record of success.

Given tight budgetary constraints and the need for the SBA to reallocate resources in other critical areas, entrepreneurial outreach at the SBA should be limited to one program with a broad mission, the access points needed to provide assistance in the most locations, and capable of obtaining non-federal funds to help defray costs. Only one counseling program overseen by the SBA meets this standard – the Small Business Development Center (SBDC) Program. All other entrepreneurial outreach efforts at the SBA either overlap with the SBDC Program or duplicate efforts at other federal agencies. As a result, they either should be folded into the mission of the SBDC Program or their responsibilities should be taken over by other agencies.[14] This consolidation should include the cessation of any entrepreneurial outreach efforts created by the SBA without the express authorization of Congress. Once that action has been taken, the SBA should work with these other agencies and the SBDCs to coordinate the delivery of counseling services for entrepreneurs.

Pilot Programs, Lack of Transparency and Ad Hoc Decisionmaking

The SBA also establishes its own initiatives in the capital access programs (colloquially denominated as "pilot programs"). In some instances the agency does so under broad legislative mandate;[15] at other times it does so without any express authorization from Congress. Frequently, these initiatives are established while programs specifically authorized by Congress have yet to be implemented.[16]

Generally, these capital access pilot programs are created through the issuance of standard operating procedures (SOPs). These SOPs are never issued pursuant to the notice and comment process set forth in the Administrative Procedure Act (APA).[17]

---

[13] INSTITUTE FOR VETERANS AND MILITARY FAMILIES, SYRACUSE UNIVERSITY, A NATIONAL VETERANS STRATEGY: THE ECONOMIC, SOCIAL AND SECURITY IMPERATIVE 5 (2013), *available at* http://vets.syr.edu/wp-content/uploads/2013/02/National-Strategy-PublicationFINAL.pdf.

[14] For example, the Department of Agriculture has greater resources to provide training and outreach to small businesses located in rural areas than the SBA. Thus, the functions and mission of the Office of Rural Affairs at the SBA can be transferred to the Department of Agriculture.

[15] Congress ceded to the agency limited authority to create pilot programs in the 7(a) loan Program. 15 U.S.C. § 636(a)(25).

[16] For example, the SBA has yet to promulgate regulations for the establishment of the renewable fuels investment companies under the SBIC program that Congress authorized in 2007. Despite this failure, the SBA created two other initiatives within the SBIC program during the past two years – the Impact Investment and Early-Stage Innovation Funds. Such derogation of Congressional mandates is inexcusable.

[17] To be sure, the loan programs are specifically excluded from the requirements of notice and comment in the APA, 5 U.S.C. § 553(a)(2). However, the SBA codified a regulation that requires the agency to conduct rulemaking pursuant to the notice and comment requirements of the APA even though the

Absent input from the public, the SBA has no way to assess whether these pilot programs will meet the equity and debt needs of small businesses or be used by its lending partners. In certain instances, these initiatives place the federal taxpayer at risk.[18] SBA must be more transparent in promulgating regulations and guidance to ensure that changes in their capital access programs provide necessary assistance to small businesses.

The lack of transparency in the operation of the capital access programs goes beyond the failure to obtain public input. In some instances, the SBA creates new procedures, such as for licensing of SBICs, without the concomitant changes in the SBA regulations or even the SOPs. For example, the extant SOP for licensing of SBICs was issued in 1984, has not been updated, and has not been followed by the agency for years. In other cases, the SBA will cite its authority to waive any of its regulations, 13 C.F.R. § 120.3, to operate the capital access programs in any manner that the agency believes is appropriate.

This makes it quite possible for the SBA to create ad hoc unwritten determinations that treat similarly situated individuals differently – agency action that has been prohibited since the enactment of the APA in 1946.[19] This lack of transparency does not represent good agency management, will not ensure that proper assistance is provided to small businesses, and may place the federal taxpayer at increased risk from faulty operation of the capital access programs. The Committee will consider legislative action to foreclose the ad hoc decisionmaking by the agency.

SBA Management and Administration

The views and estimates already established the case for the reallocation of resources within the SBA. One potential avenue for finding the needed resources is the current structure of the agency.

Personnel in the 10 Federal Regions

The SBA provides most of its services to small businesses through 84 district offices that are staffed with personnel who are knowledgeable on a variety of small business related topics. When a small business owner or entrepreneur has contact with an agency official, it is typically at a district office.[20] Those district offices are overseen by an Office of Field Operations at SBA headquarters in Washington, DC.

---

rulemaking otherwise would be exempt. 13 C.F.R. § 101.108. It is an abecedarian tenet of administrative law that an agency must comply with its own regulations. *Accardi v. Shaughnessy*, 347 U.S. 260, 265-67 (1954); *Brock v. Cathedral Bluffs Shale Oil Co.*, 796 F.2d 533, 536 (D.C. Cir. 1986). Some of the SOPs create obligations on both the agency and small businesses, including pilot programs. As a result, these SOPs must be issued pursuant to notice and comment. *Cf. Appalachian Power Co. v. EPA*, 208 F.3d 1015, 1028 (D.C. Cir. 2000) (imposition of monitoring guidance for power plants must be issued through notice and comment); *National Ski Areas Ass'n v. United States Forest Serv.*, 2012 Lexis 197335, at *24-27 (D. Colo.) (directives placed in Forest Service Manual constitute rules requiring notice and comment).

[18] One pilot program, a liquidation pilot in the CDC program, cost the agency about $8 million dollars, which it is trying to recoup.

[19] *Morton v. Ruiz*, 415 U.S. 199, 232 (1974).

[20] The primary exception to this would be when an individual is applying for a disaster loan. In those cases, the applicant will be dealing with on-site field personnel and disaster loan call centers.

Despite this agency structure, the SBA also has ten regional administrators, regional communication officials and support staff. It remains unclear what management function or responsibility these regional administrators or regional offices have. Given that, the Committee believes that the position of regional administrator should be eliminated. Without regional administrators, there would be no reason to have regional offices and the Committee recommends that those offices be shuttered.

Another office at the SBA with ten regional representatives is the Office of the Chief Counsel for Advocacy. The primary responsibility of that office is to monitor agency compliance with the Regulatory Flexibility Act, a statute mandating agencies examine the impact of their proposed and final rules on small businesses. While input from small businesses is quite useful in performing that role, the office does not need regional representatives to obtain that input. As a result, the Committee believes that the Office of the Chief Counsel's regional personnel should be eliminated. However, rather than simply eliminate all ten positions from the Office of the Chief Counsel for Advocacy, the Committee recommends that five additional positions be created to review federal agency compliance with the Regulatory Flexibility Act. This would result in a net savings of five individuals in the office while boosting its capability to fight burdensome regulations inhibiting the ability of small businesses to create jobs.

District Personnel

As already noted, the SBA's primary contact with small businesses is through its district offices. The district offices are, logically enough, headed by a district director. However, in about 75 percent of the offices, there also is a deputy district director. The Committee is of the opinion that district offices do not need a separate, dedicated individual to be the deputy. If the district director is unavailable (due to vacation or illness), that person simply can appoint someone to act temporarily as the district director. The Committee strongly recommends that no monies be allocated to pay for individuals whose sole job is to act as a deputy district director. Instead, deputy district directors should be reassigned to other functions at the agencies that provide direct assistance to small businesses.

Headquarters Structure

According to the agency, there about 600 people at SBA headquarters leaving approximately 1,600 people to interact with small businesses in their field operations.[21] Given the fact that there are about 28 million small businesses in the United States, the Committee finds that the agency structure is too concentrated at headquarters in Washington, DC. This would include an Office of Policy with an apparently amorphous mission and a personal office of the Administrator that is the same size as that of the

[21] Not all field personnel are located at district offices. The SBA also has major employment centers to process loans (thereby speeding credit to small businesses) and a disaster loan call center (to help those seeking to rebuild after a disaster).

Secretaries of Defense or Agriculture.[22] This is unacceptable to the Committee and it recommends a 10 percent reduction in funds for the Office of the Administrator and that no funds should be provided to fund the Office of Policy.

[22] Secretary Vilsack and Secretary Panetta are able to manage much larger agencies (the Departments of Agriculture and Defense, respectively) with only 13 individuals in each of their personal offices.

SAM GRAVES, MISSOURI
CHAIRMAN

NYDIA M. VELAZQUEZ, NEW YORK
RANKING MEMBER

Congress of the United States
U.S. House of Representatives
Committee on Small Business

2361 Rayburn House Office Building
Washington, DC 20515-6315

March 1, 2013

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

Dear Chairman Ryan:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), I am writing to advise you of the dissenting views and estimates of the Committee on Small Business with regard to the fiscal year (FY) 2014 budget for the Small Business Administration (SBA). These views and estimates are in addition to those that will be submitted by the committee's Majority.

Undertaking this exercise at the present moment, as we have been asked to do by your committee, is at the same time curious and counterproductive. It is curious because the committee's views and estimates are traditionally meant to provide reaction to a budget submission. As you know, the administration has not yet transmitted in FY 2014 budget to Congress, making it impossible to provide insight into the SBA's spending proposal for next year. And it is counterproductive because of the looming sequestration, which will reduce spending levels, change agency operations in ways that we cannot predict, and alter budgetary baselines. In addition, due to Congress' inability to pass appropriations legislation last year, the government is operating under a Continuing Resolution through March 27. With all of this uncertainty, providing views and estimates at this time is a pointless exercise. While we would rather provide such comments *after* a budget for the SBA is submitted to Congress, we are providing the below views and estimates reluctantly and only to comply with the long-standing tradition of our committee to file dissenting views.

ACCESS TO CAPITAL

The main component of the SBA's access to capital budget submission is the cost of operating its core 7(a) and 504 lending programs. The 7(a) and 504 programs provide federally-guaranteed loans to small businesses to fund operations, buy equipment, and purchase real estate. Since 2010, the SBA has made over 176,000 loans supporting $87 billion in lending. In that time, however, the costs of SBA lending programs have nearly doubled every year. At this rate, the cost of administering these programs could increase to as much as three-quarters of a billion dollars in FY 2014. This would exceed the funding provided for SBA lending under the stimulus legislation from FY 2009 to FY 2011.

7(a) Loan Program

The 7(a) loan program is the SBA's premier guaranteed lending program. These loans can be used as working capital, to buy inventory or purchase equipment and real estate. An analysis of SBA's current lending volume through January 2013 projects that the SBA will exceed its lending authority of $16 billion. In addition, estimates show that sequestration will reduce the SBA's 7(a) lending capacity by $800 million which could cost the economy over 10,000 jobs. If demand for SBA loans exceeds the lending authority, access to capital will be shut off for hundreds of promising small businesses. With many economic indicators showing a strengthening recovery and anticipated growth of 3.4 percent next year, it is recommended that the program level for 7(a) be returned to $17.5 billion in FY 2014, the FY 2012 level, and that appropriations as necessary be provided to accomplish this.

Furthermore, it is recommended that the maximum size of 7(a) loans be reduced to levels that existed prior to the passage of the Small Business Jobs Act (P.L. 111-240). Since passage of the Jobs Act, the average SBA loan has increased nearly 60 percent. Reducing maximum loans size will restore the program's historical focus to providing credit for small-dollar loans, which continue to be underserved by the conventional credit markets. It will also reduce the subsidy amount going to the growing segment of the market that is demanding multi-million dollar loans that do not foster job creation or economic growth.

504 Certified Development Company Program

The 504 program provides permanent, fixed rate financing for businesses to acquire industrial or commercial buildings or heavy equipment and machinery. In FY 2013, the SBA requested $121.2 million in loan subsidies for the purpose of operating the 504 program. This is a 100 percent change over the amount requested in FY 2012. If the costs of the program continue to double each year, it can be expected to exceed half a billion dollars in FY 2014. It must also be noted that as recently as FY 2010, the 504 program did not require a subsidy. This dramatic increase in cost is unsustainable. In FY 2014, the administration must prioritize lender oversight within the 504 program and emphasize the program's historical purpose of lending for the purpose of economic development. The administration should immediately implement a meaningful lender oversight and portfolio risk management program.

Pilot Lending Initiatives

In FY 2011, the SBA started several pilot lending programs, including, the Small Loan Advantage Initiative, and the Community Advantage Initiative. These programs have had little impact on increasing the number of small-dollar loans or the amount of credit for small businesses located in underserved communities. As stated earlier, average 7(a) loan sizes have increased dramatically while the number of small dollar loans[1] has steadily decreased. Furthermore, 11 states do not have an approved community advantage lender, and 22 more only have one which severely limits the SBA's ability to reach underserved communities. The increased lending and administrative costs demanded by these initiatives divert resources from more meaningful uses. In this regard, these programs should be discontinued for FY 2014 and no appropriations made available for their operation.

7(m) Microloan Program

The Microloan program focuses on providing small-dollar loans (up to $50,000) to entrepreneurs that have been underserved by conventional lenders. In FY 2013, the SBA reduced lending through the Microloan program by a total of $7 million. It is inappropriate to reduce the availability of microloans as lenders in the 7(a) program have shifted toward larger loans. As such, it is recommended that in FY 2014, this program be funded at levels that are consistent with FY 2012 to support $25 million in lending authority.

[1] Defined as 7(a) loans less than $150,000.

Small Business Investment Company Program

The Small Business Investment Company (SBIC) program was created by Congress to help small U.S. businesses meet their requirements for growth and operating capital not available through banks or other private capital sources. In FY 2013, the SBA did not request funds for the purpose of implementing the SBIC program and is unlikely to request funding in FY 2014. The agency will, however, continue implementation of the Impact Investing Initiative and Early Stage Investing Fund pilot programs introduced in 2011. These programs remain premised on the SBIC debenture program, which is very ill-suited for meeting the needs of early-stage or startup firms. This is because these businesses often lack positive cash flow that can be used to make regular payments on debt. As a result, the gap for investment in early stage and capital intensive small businesses will likely not be conducive to either the "Impact Investing" or "Innovation Fund" programs. As such, it is recommended that no appropriations be made to carry out either pilot program.

New Markets Venture Capital Program

Since FY 2005, the SBA has not requested any funding for the New Markets Venture Capital program. Given the cost-effective nature of the program, funding for SBA's untested and unauthorized programs should be reallocated to funding new leverage and operation assistance for this program.

Disaster Assistance Program

The Disaster Assistance program provides direct loans to homeowners and businesses to recover from natural disasters. In January 2013, the SBA received $520 million in emergency appropriations for the cost or direct loans under the Disaster Assistance program. At current subsidy rates, this funding will support $4.8 billion in disaster lending. This significant increase in funding was due, in part, to Superstorm Sandy which caused an estimated $60 billion in damage across the Northeastern United States. The SBA also received an additional $260 million for administrative costs associated with the Disaster program. In light of the critical need for funding to help home-owners and small businesses following devastating natural disasters, the committee supports appropriating any amounts necessary for FY 2014 to support the SBA disaster loan-making functions.

ENTREPRENEURIAL DEVELOPMENT PROGRAMS

SBA's entrepreneurial development programs provide the foundation for the agency's small business development efforts. Unfortunately, in the past, the SBA has repeatedly funded unauthorized and unproven pilot programs at the expense of proven core programs. Doing so is an inappropriate use of taxpayer funds and, given the insufficient oversight of many of these pilots, may lead to further fraud and abuse within the agency. Further, while the pilot programs have made up at a minimum 10 percent of the agencies entrepreneurial program budget, no objective measures have been provided for Congress to evaluate their performance. Until these pilot programs are evaluated and authorized by Congress, these programs should not receive any funding. Instead, the agency should focus on strengthening its existing network of entrepreneurial development service providers.

Regional Innovation Clusters

This unauthorized program has already cost more than $25 million since its inception four years ago; however, there has been no objective full-scale evaluation of its impact on job creation by GAO or the SBA's Inspector General. In addition, the empirical evidence provided in the FY 2013 budget submission is not sourced in any manner, suggesting that the data is internal and could therefore be defective, as other SBA-collected performance data has been in the past. The goal of clusters is to increase collaboration among entities involved in a particular industry and no evidence has been presented to the committee that a government initiative can drive such cooperation. Until the SBA provides an evaluation of the cost-benefit of this initiative and the program is authorized by Congress, the agency's funding request should be denied. Therefore no funds should be expended on this initiative.

Business USA

Last year, the White House announced the creation of a Business USA web portal, which is supposed to serve as an on-line one-stop shop for all of the federal government's business programs. This is a laudable goal, given that the government's business-related websites are a confusing potpourri of useless resources and outdated information. This techno-jumble should be improved, but the Business USA website has not accomplished goal. The website provides a crude search engine that links to agencies existing webpages, which is basically just a really expensive Google search. Given the virtually non-existent justification for this initiative and its poor implementation, the committee has a difficult time understanding why any funding would be devoted to this project.

Emerging Leaders Initiative

The Emerging Leaders Initiative is a pilot training program that is duplicative of existing SBA programs. The SBA already operates three training programs, including SBDCs, WBCs, and SCORE chapters. Entrepreneurial development infrastructure is located in all urban areas as well as in many Native American communities, which are currently responsible for providing services to the businesses also targeted by the initiative. In addition, this imitative has no performance measures and, as a result, its ability to fulfill any policy goal is unascertainable. Therefore, this program should not be funded.

Distance Learning Portal

SBA's Distance Learning Portal (formerly named the Small Business Training Network) is another unauthorized SBA program that is relying on scarce taxpayer funds. Due to the lack of any justification of the program's value, the agency's request for funding this initiative should be denied.

Veterans Programs

Historical funding levels for the SBA's Office of Veterans Business Development (OVBD) have not been sufficient to meet the needs of veterans. Prior year's proposal to fund an unauthorized National Veterans Entrepreneurship Training (VET) program at $7 million made little sense, given that the number of Veterans Business Outreach Centers (VBOCs) stands at an insufficient level of 16. The committee hopes that this same mistake will not be duplicated this year and that any additional funding in this area be directed to increasing the number and breath of services provided by VBOCs.

Small Business Development Centers (SBDCs)

The SBDC program is the agency's largest and most successful entrepreneurial development initiative. At a time when the economy is attempting to regain its full strength, the SBDCs program should be funded at a level that will not result in the program reducing their permanent training staff, which would hamper small businesses' ability to receive assistance. Any proposal to reduce spending would exacerbate the already stressed conditions of the SBDC network and could lead to lower startup rates and job creation. As a result, the SBDC program should be funded at $117 million in FY 2014, a 4 percent increase over FY 2012 enacted levels.

Women's Business Centers

The Women's Business Centers (WBC) funding level should remain at 2012 levels. In allocating funding in FY 2014, the agency should give priority to both new and existing centers located in areas of high unemployment. In addition, the agency should ensure that all centers receiving funding in FY 2014 can demonstrate success in creating and maintaining jobs in their local communities.

GOVERNMENT CONTRACTING PROGRAMS

SBA has continually failed to effectively operate and oversee its government contracting programs. As a result, the programs have become a prime target for fraud and abuse that deprive legitimate small businesses from contracting opportunities. Furthermore, the lapses in operation of these programs have contributed to the inability of the federal government to reach the small business contracting goals as the necessary funding has not been apportioned so as to provide these businesses with the necessary tools and resources to compete in the federal marketplace. Thus, it is the opinion of the committee that SBA is failing in its obligation to ensure that a fair proportion of federal contracting be placed with small businesses.

Procurement Center Representatives (PCRs)

Small businesses continue to complain about the consequences that the bundling and consolidation of contracts has on their ability to receive federal contracts. Yet, while the cost of government procurement has more than doubled between 2001 and 2012, from $223 to $515 billion, SBA has reduced their number of PCRs to 55, with many of these employees having to split their time between other duties and overseeing multiple contracting offices. In FY 2012, there were 161 bundled and consolidated contracts worth over $268 billion. If the 23 percent small business goal were enforced on these contracts, $61 billion would go towards these firms; additional contracting dollars could have been diverted to small businesses if the requirements were broken down into amounts that were within the capacity of smaller firms. The lack of oversight on these bundled contracts deprived hundreds of small businesses the ability to receive federal contracting opportunities. The committee expects that this deficiency in oversight will only continue as the SBA employees who act as PCRs will be terminated or furloughed as a result of the impending sequestration cuts.

With 5 percent cuts expected at all civilian agencies it is likely that PCRs will see a decrease of 3 employees only furthering the inability of SBA to oversee billions in federal contracting. Therefore, the committee recommends additional funds to combat the effects of sequestration and provide adequate supervision.

Commercial Marketing Representative (CMRs)

There are currently 33 employees at SBA that perform CMR duties, however, only 4 of these staffers spend 100 percent of their time on overseeing subcontracting plans of large prime contractors. Reports from GAO and SBA's Inspector General have indicated that CMRs are reviewing only a fraction of the contracts that they should be reviewing and when done, reviews occur from the desk of the CMR rather than with an on-site review. With many of these subcontracting plans not being properly monitored, large contractors are performing the work themselves and denying small businesses the ability to grow their capabilities to one day compete for a prime contract.

Sequestration will further reduce these numbers by at least 2 employees, possibly more as the vast majority of these staffers do not work on CMR duties exclusively. The committee recommends that funding be adjusted to maintain the level of staff currently employed.

8(a) Program

The committee recommends increasing the 8(a) budget allocation to meet the growing number of new participants that the program has experienced in the last two years. In FY 2011 alone, the 8(a) program accepted almost 1,000 new businesses. With a 5 percent decrease likely to the program as a result of sequestration, this number will be reduced by $400 per business. However, if the program continues to grow at the rate that it has in previous years, the amount spent on each business could be reduced by as much as $1,179.

Furthermore, with new systems of review for certifications for new applicants to the program as well as existing program participants' annual reviews, it is taking businesses even longer to receive their certification. Any further reduction in the program's budget would only further exacerbate this backlog. Therefore, the committee recommends that the budget for this program be increased to enable an increase in staff to reduce the certification backlog and ensure that this program has the funds necessary to aid new and existing participants as they navigate the federal marketplace.

7(j) Program

Any decrease in funding to the 7(j) Technical Assistance program is inappropriate as it provides essential services to 8(a) participants. From 2008 to 2011, the number of small businesses seeking assistance through this program increased from 2,021 to 3,550. With this upward trend only likely to continue, it is vital that the level of services does not decrease. This program has been proven to help create jobs throughout small businesses and at a time of high unemployment, job creation is vital.

HUBZone Program

The HUBZone program continues to be plagued with fraud and abuse. In numerous reports GAO has found that ineligible businesses easily "qualified" to win contracts under the program and received one hundred million dollars of contracts at the expense of other qualified small businesses. In its last investigation GAO was able to certify three bogus firms in the program. While the required information was requested to support the applications, SBA failed to verify that the firms had legitimate principle places of business in HUBZones. For example, one bogus firm certified by GAO was located in a HUBZone but the address given was for the Alamo. Although SBA has stated they have undertaken a re-engineering of the program that requires thorough document examinations, announced and unannounced on-site visits, and continued monitoring of program participants, ineligible businesses are still certified.

Additionally, GAO has previously reported that SBA had not yet developed outcome measures that directly link to the mission of its HUBZone program, nor had the agency implemented its plans to conduct an evaluation of the program based on variables tied to its goals. Furthermore, when GAO inquired about the effectiveness of the program, SBA provided a copy of an Office of Advocacy report from May 2008, which stated that the program has had limited effect. Thus, until this program can show progress in the elimination of fraud and develop metrics to show that it is effective in accomplishing its mission, the committee continues to believe that the program should be terminated.

Service-Disabled Veteran-Owned Small Business Program

In 2009, GAO found that tens of millions of dollars had been awarded to ineligible businesses in this program as a result of fraud and misrepresentation of the businesses' eligibility. The committee has pushed for SBA to work in collaboration with the Department of Veterans Affairs to develop a verification method to ensure that veteran contracts are awarded to veterans. However, despite a pledge from the agency to do so, SBA has taken no affirmative steps towards this measure. As a result, the committee recommends that SBA specifically set aside funds to improve oversight of this program.

Women's Procurement Program

After ten years of delays, SBA released its final rule for the Women's Procurement program in February 2011. The administration had previously requested $1 million for the development and maintenance of a data repository, eligibility examinations, and four employees processing protests. Despite the fact that these tasks are still performed, subsequent budgets have not made direct allocations to this program. Without dedicated funding to the program it is unclear how the administration plans on paying for the maintenance of the repository and the protests it must process. Therefore, the committee recommends that additional funds be allocated to increase the number of staff to ensure that this program does not succumb to the fraud and abuse present in other programs.

Size Standards

SBA is currently undertaking a complete review of all size standards that are used to determine eligibility in the various small business programs. The Small Business Jobs Act of 2010 required that every 18 months one-third of the size standards be updated to reflect the new market conditions in the industry with reviews occurring five years thereafter. As the process continues, the committee recommends that the FY 2014 budget include a specific line item for this task so as to ensure that funds are not diverted from other programs.

CONCLUSION

While this year's views and estimates are peculiar in that they are not based on any budget submission, it is clear that SBA's FY 2014 budget will be considered in a tight fiscal environment. This means defunding unauthorized pilot programs that have not been objectively evaluated and preventing the agency from using scarce funds on such initiatives in the future. Going forward, the SBA should refocus its priorities on its core statutory mission, rather than expanding its bureaucratic footprint through opportunistic land-grabs or the development of the latest flavor-of-the-day pilot programs. Doing so would help ensure that taxpayer dollars are being well spent, while small businesses have the resources that they need to grow stronger. Thank you for your consideration of our views on this matter.

With respect,

Nydia M. Velázquez
Ranking Member

Committee on Transportation and Infrastructure
U.S. House of Representatives

Bill Shuster
Chairman

Washington, DC 20515

Nick J. Rahall, II
Ranking Member

Christopher P. Bertram, Staff Director

James H. Zoia, Democrat Staff Director

February 28, 2013

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

Dear Mr. Chairman:

As required by section 301(d) of the Congressional Budget Act and clause 4(f) of Rule X of the Rules of the House, the Committee on Transportation and Infrastructure transmits its views and estimates for the fiscal year (FY) 2014 Budget Resolution. On February 28, 2013, the Committee on Transportation and Infrastructure met in open session and adopted the enclosed FY 2014 Budget Views and Estimates by voice vote with a quorum present.

Thank you for the opportunity to present these views and estimates.

Sincerely,

Bill Shuster
Chairman

Enclosure

cc: The Honorable Chris Van Hollen, Ranking Member, Committee on the Budget
The Honorable Nick J. Rahall, II, Ranking Member, Committee on Transportation and Infrastructure

VIEWS AND ESTIMATES
OF THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
FOR FISCAL YEAR 2014

Overview:

Under current law and House rules, standing committees are required to submit to the Committee on the Budget views and estimates. The Budget Act sets April 15th as the date for the completion of the congressional budget resolution. To assist the Budget Committee with meeting this deadline, we are submitting the views and estimates of the Committee on Transportation and Infrastructure.

The Committee believes that properly targeted investment in transportation and infrastructure investment is necessary to ensure the safe and efficient movement of people and goods, increase economic growth, and maintain our global economic competitiveness.

The detailed views and estimates presented below identify priorities within the Committee's jurisdiction. This year, the Committee will continue to perform oversight on programs within our jurisdiction as well as focus on authorizing some key programs.

The Committee's legislative priorities this year include development of a Water Resources Development Act, finding more cost-effective and innovative approaches to delivering modern and efficient passenger rail service, reauthorizing and reforming the Federal Emergency Management Agency (FEMA) and reauthorizing the Federal Aviation Administration's aviation insurance program.

Transportation and the Economy:

Infrastructure provides a strong physical platform that facilitates economic growth, ensures global competitiveness, and supports national security. Providing the Nation with this platform has long been recognized as a Federal responsibility that is shared with States and local governments. From the Transcontinental Railroad to the Panama Canal to the Interstate Highway System, Congress has played a critical role in ensuring the connectedness of the Nation and to supporting the needs of the American people. Throughout our Nation's history, economic growth, prosperity, and opportunity have followed investments in the Nation's infrastructure.

Today, the Nation's transportation system is an extensive network of highways, airports, railroads, public transit systems, waterways, ports, and pipelines that provide a means for taxpayers to travel to and from work and to conduct business. The United States transportation system not only provides the backbone of our economy by moving people and goods, it also employs millions of workers and generates a significant share of total economic output. In 2011, transportation-related goods and services contributed $1.6 trillion, or 10.2 percent, to the total U.S. Gross Domestic Product of $15.6 trillion. Economic growth and vitality are also dependent upon high quality water and wastewater infrastructure systems, and upon resilient infrastructure designed to protect lives and properties from storms and flooding.

In addition to facilitating economic growth and global competitiveness, our transportation system has a direct and significant impact on the daily lives of nearly all Americans. To the average American, properly targeted investment in transportation infrastructure will mean shorter commutes that save time, reduce fuel consumption, and decrease pollution; lives saved; safer systems to accommodate the transportation of hazardous materials; and fewer delays for the more than 700 million passengers who travel by air each year.

Transportation Trust Funds:

To help construct and maintain our Nation's infrastructure, Congress established a series of trust funds to collect user fees. These funds include the Highway Trust Fund, the Airport and Airway Trust Fund, the Inland Waterways Trust Fund, and the Harbor Maintenance Trust Fund. Each of these trust funds dedicates user fee revenues in infrastructure programs to finance long-range construction and maintenance activities.

One of this Committee's highest priorities is to ensure that the user fees deposited into these trust funds are in fact used for their intended purposes – to build and maintain our Nation's infrastructure. These trust funds represent a contract between the government and the user. This contract specified that certain user fees would be levied on the users of highways, airports, inland waterways, and ports. In return, the government pledged to use the receipts to build transportation infrastructure for the taxpayers' use.

The Committee intends to review the financial status of the Inland Waterways and Harbor Maintenance Trust Funds. The Inland Waterways Trust Fund balance by the end of fiscal year (FY) 2012 was approximately $46 million and is not sufficient to meet the demands of the 21st Century economy. The Harbor Maintenance Trust Fund balance at the end of FY 2012 was approximately $7 billion. These user fees should be made available for their intended purposes.

Status of Authorizations:

The 112th Congress approved and the President signed into law, authorization bills for surface transportation, pipelines, hazardous materials transportation, aviation, and the U.S. Coast Guard. The Committee supports the funding levels authorized in these Acts.

MAP-21, the Moving Ahead for Progress in the 21st Century Act (P.L. 112-141), was signed into law by President Obama on July 6, 2012. MAP-21 – the first multi-year highway authorization enacted since 2005 – funds surface transportation programs at over $105 billion for FY 2013 and FY 2014.

MAP-21 is a milestone for the U.S. economy and the Nation's surface transportation system. MAP-21 consolidated or eliminated nearly 70 DOT programs, streamlined the project delivery process and incorporated performance measures into the highway, transit, and highway safety programs. In addition, MAP-21 also focused on the safe transportation of hazardous materials by all modes of transportation and provided resources to the Pipeline and Hazardous Materials Safety Administration to continue to carry out its safety mission.

On December 20, 2012, the Coast Guard and Maritime Transportation Act of 2012 was signed into law. The measure institutes reforms for the U.S. Coast Guard, reduces regulatory burdens on small business, and upholds the Coast Guard's ability to carry out its important and diverse missions. The two-year authorization act enhances operations while reducing costs by reforming and improving Coast Guard administration and eliminating obsolete authorities. The act recognizes the current budget environment and saves taxpayer dollars without impacting the service's critical missions.

Furthermore, the act encourages job growth in the maritime sector by reducing regulatory burdens on small businesses. The regulatory relief provided by this bill includes eliminating the Transportation Security Administration (TSA) requirement for maritime workers to make multiple trips to a Transportation Worker Identification Credential (TWIC) enrollment center to receive the TWIC ID card; extending deadlines for compliance with new Coast Guard regulations on fishing vessels to ensure the service can enforce them fairly and properly; and extending the duration of medical certificates so mariners can continue to work while the Coast Guard reduces its backlog of applications.

The measure also extends for an additional year the current moratorium for fishing vessels and small commercial vessels' compliance with the National Pollutant Discharge Elimination System requirements of the Clean Water Act governing vessel incidental discharges.

On February 14, 2012, the FAA Modernization and Reform Act of 2012 was signed into law. This act was approved after nearly 5 years and 23 short-term operating extensions. The act provides a 4-year, $63.4 billion package to continue operating the air traffic control (ATC) system, advance the development of the "NextGen" ATC system as well as provide funding for airport infrastructure improvements.

The reauthorization act puts in place sound multi-year policies that reform Federal Aviation Administration programs, modernize our air traffic control system, improve airport infrastructure, and reduce air traffic delays. This critical effort to shift from our antiquated air traffic control technology to a GPS-based system will improve air traffic efficiency and safety, reduce fuel burn and pollution from aircraft, and bring costs down for consumers.

Water Resources Development Act:

Water Resources Development Acts (WRDA) and their predecessors have been authorized by Congress since the 1800's. Later WRDAs established the Inland Waterways Trust Fund and the Harbor Maintenance Trust Fund to help pay for the modernization of locks and dams on America's inland navigation system and maintenance of waterways and ports.

Revenues in the Inland Waterways Trust Fund are derived from a 20-cent-per-gallon user fee on diesel fuel used by commercial vessels engaged in inland waterway transportation, plus investment income. The Trust Fund is used to pay one-half of the costs associated with the construction, replacement, expansion, and major rehabilitation of Federal inland waterways projects, the other half coming from the General Fund in the U.S. Treasury. Currently, the Corps of Engineers is using the money at the same rate that it is collected and that is insufficient to maintain an efficient construction schedule for existing projects or to begin any significant new investments. The Inland Waterways Trust Fund collects approximately $80 million to $90 million per year while the balance in the fund is approximately $50 million.

The infrastructure along the inland waterway system is old and in need of repair, replacement, and rehabilitation. Of the 257 locks in operation in 2009, more than one-tenth were built in the 19th Century; the average age of Federal locks is 60 years, and they were built with an expected lifespan of 50 years. By 2020 more than 80 percent of America's locks will be functionally obsolete.

The Harbor Maintenance Trust Fund is meant to pay for harbor maintenance needs. Funds are collected through a 0.125 percent tax imposed on the value of cargo loaded or unloaded at U.S. ports. Appropriations from the trust fund have been approximately $800 million per year. The balance in the fund is approximately $7 billion. The trust fund pays for the Federal share of the maintenance of Federal channels at ports.

America's businesses and consumers depend on these ports as 70 percent of America's imports and 75 percent of its exports go through its ports. The number of ships calling at American ports is rising and with the upcoming expansion of the Panama Canal, the size of ships will grow. With an expanded Panama Canal, very large container ships will become the norm but the number of American container ports that can receive such ships is limited. The American Society of Civil Engineers (ASCE) estimates that underinvestment in America's inland waterways cost American businesses $33 billion in 2010 and that without significantly increased investment those costs could rise to $49 billion by 2020.

The Committee is aware that the current rate of revenue collection and investments in both trust funds is not sustainable in the long term if we are to keep inland waterways and ports as a viable part of a multimodal transportation system.

The Committee intends to develop a WRDA bill to address the needs of ports, inland waterways and programs of the Corps. Recent devastation caused by Hurricane Sandy has highlighted the need to ensure that communities have critical flood protection, which is also a significant goal of the WRDA bill.

In addition, the Corps of Engineers is challenged with aging infrastructure, increased demands, reduced budgets, and severe weather and water conditions. Ensuring that the Corps has the capability and direction necessary to meet the expectations of the Nation requires a thorough review and understanding of its priorities and its ability to manage its portfolio of assets in the context of Federal budget constraints. The Committee intends to provide the technical and budget oversight of Corps funding, backlog, and future needs.

Passenger Rail Reform Legislation:

The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) reauthorized the National Railroad Passenger Corporation, better known as Amtrak, and strengthens the U.S. passenger rail network by tasking Amtrak, the U.S. Department of Transportation, Federal Railroad Administration, States, and other stakeholders in improving service, operations, and facilities. PRIIA was a 5-year reauthorization bill covering FY 2009 through FY 2013, and the Committee intends to enact a reauthorization bill in the 113th Congress.

PRIIA focused on intercity passenger rail, including Amtrak's long-distance routes and the Northeast Corridor (NEC), state-supported corridors throughout the Nation, and the development of high-speed rail corridors. To address the challenges facing Amtrak and to promote more efficient and improved intercity passenger rail service, PRIIA authorized stable and predictable funding for long-term investments and improvements to intercity passenger rail service and set forth strict guidelines for improvements to Amtrak's long distance and corridor routes to reduce Amtrak's operating subsidy. Since PRIIA was enacted, Amtrak's operating subsidies have declined over 15 percent ($84 million in reductions). Further, Amtrak is expected to reduce its operating need by another $150 million in FY 2014 due in part to implementation of section 209 of PRIIA.

The Committee intends to review Amtrak's performance since PRIIA.

Federal Emergency Management Agency:

The Federal Emergency Management Agency (FEMA) manages and coordinates the Federal response to and recovery from major domestic disasters and emergencies of all types, in accordance with the Robert T. Stafford Disaster Relief and Emergency Assistance Act (P.L. 93-288), as amended. The Agency coordinates programs to improve the effectiveness of emergency response providers at all levels of government to respond to terrorist attacks, major disasters, and other emergencies.

FEMA assists State and local partners by coordinating the core Federal response capabilities needed to save and sustain lives and protect property in communities overwhelmed by the impact of a disaster. In 2012, FEMA supported 47 major disaster declarations, 16 emergency declarations, and 49 fire management assistance declarations. These included the response to Hurricane Sandy and Irene, and major fires in the West. In 2013, FEMA has supported 3 major disasters and 1 emergency declaration.

In the 113th Congress, the Committee intends to reauthorize FEMA and provide FEMA with the tools it needs to streamline its mitigation, disaster response, and recovery efforts in order to act quickly and effectively in the face of disaster.

Federal Aviation Administration's Aviation Insurance Program:

The FAA Aviation Insurance Program provides products that address the insurance needs of the U.S. domestic airline industry not adequately met by the commercial insurance market. Currently, the FAA is providing war risk hull loss and passenger, crew, and third-party liability insurance. The current authority to provide aviation insurance expires on December 31, 2013. The Committee intends to review and reauthorize the aviation insurance program.

General Services Administration - Federal Real Property and Public Buildings:

Given the vast real estate holdings of the Federal Government, poor asset management and missed market opportunities cost taxpayers significant sums of money. For this reason, in 2003, the Government Accountability Office (GAO) placed real property management on its list of "high risk" government activities, where it remains today. GAO conducts biennial reviews on high-risk areas within the Federal government to bring focus to specific areas needing added attention and oversight. Areas are identified as "high" risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement, or a need for broad-based transformation to address major economy, efficiency, or effectiveness challenges.

The high-risk activities of Federal real property are significant. Considerable amounts of vacant or underperforming assets can translate into significant costs associated with their operation, maintenance, and security. The proper management of Federal assets will continue to be a major focus of the Committee's oversight activities during the 113th Congress.

In the area of public buildings, the Committee intends to address a number of issues concerning the Public Buildings Service of the General Services Administration (GSA). These issues include the improvement of building utilization rates, the continued viability of the Federal Buildings Fund (FBF), excessive administrative costs, GSA's courthouse construction program, redeveloping or disposing of vacant or under-utilized space, realigning federal properties to maximize usage, and reigning in the dispersal of independent authorities.

The FBF, the primary source of funding for GSA's capital investment program, is barely maintaining its present position to take advantage of the market and create a balanced portfolio of properties through construction or purchase of new Federal buildings and the repair of existing buildings. The FBF is supported by rental payments charged to Federal agencies occupying space in GSA facilities. GSA is increasingly relying on the use of privately leased space. The Committee recommends that the Administration carefully review the need for any new space and base determinations of whether to lease or own on what would provide the greatest return on investment to the taxpayer. The Administration should address issues related to the high number of old buildings in the Federal inventory that drain resources from the FBF and are no longer efficient for modern office space. The Committee will continue take steps to ensure agencies decrease office space, improve space utilization, and lower costs.

In addition, GSA's repair and alteration program in previous years has failed to meet projected demand for the modernization of GSA's aging inventory of Federal buildings that are retained. While GSA outlines criteria it uses to develop its priorities for repairs and alteration, the Committee often receives proposals for modernization of buildings that are barely used. GSA must work to ensure that its repair and alteration funds are consistent and in line with other property initiatives – such as improving space utilization and the disposal of under-used assets.

Wastewater Infrastructure Financing:

Since 1972, the Federal Government has provided almost $90 billion for wastewater infrastructure and other assistance, which has dramatically increased the number of Americans enjoying better water quality, and improved the health of the environment and the economic health of communities and the Nation. Yet, according to a recent state survey, States report a need of close to $300 billion in wastewater treatment, pipe replacement and repair, and stormwater management projects over the next 20 years. This need is especially pressing in many cities and communities which are facing a critical juncture in the age and reliability of their water infrastructure, with pipes and sewage treatment facilities reaching the end of their useful lives or exceeding their design or treatment capacity, and in need of repair, replacement, or upgrading.

The Committee intends to conduct oversight of wastewater treatment and water pollution control funding issues, including levels and sources of funding, management of grant and loan programs, and an assessment of infrastructure needs.

Maritime Infrastructure:

MAP-21 reduces the cargo preference requirement for U.S.-flag vessels transporting foreign food aid shipments. The Committee intends to conduct oversight on ways to reinvigorate the U.S. maritime industry, including the impact of the MAP-21 provision on the economic competitiveness of the U.S.-flag fleet.

Conclusion:

As Congress currently debates funding levels for the remainder of fiscal year 2013 and the outcome of the sequester, the views and estimates for the Committee on Transportation and Infrastructure does not provide specific comment on funding levels, other than authorized funding levels provided in enacted legislation. In addition, the FY 2014 President's Budget submission has been delayed, so without a specific proposal from the Administration, the Committee is unable to provide comment or analysis on the proposal.

This report was circulated to all Members of the Committee on Transportation and Infrastructure for their review and comment, and was approved in a Full Committee meeting on February 28, 2013. Accordingly, the Committee reserves its flexibility to determine program needs and recognizes the potential for funding changes as the Committee and Congress work their will through the legislative process.

U.S. House of Representatives
COMMITTEE ON VETERANS' AFFAIRS
ONE HUNDRED THIRTEENTH CONGRESS
335 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
http://veterans.house.gov

March 1, 2013

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

Dear Chairman Ryan and Ranking Member Van Hollen:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), and with the approval of the undersigned Members of the Committee on Veterans' Affairs, we write to provide our Views and Estimates with regard to programs and matters within the jurisdiction of the Committee to be set forth in the concurrent resolution on the budget for fiscal year (FY) 2014, including the Department of Veterans Affairs (VA) request for medical care advance appropriations for FY 2015.

As you know, we have yet to receive the Administration's FY 2014 budget request, which would include a request for VA medical care advance appropriations for FY 2015. In the absence of relevant data which is annually contained in the budget submission, we are limited in our ability to make precise resource recommendations. Once the budget is available we reserve the right to update this letter with additional views. Until then, we will comment generally on several areas related to the funding for veterans' programs and services.

General Comments

Despite the dire fiscal climate our Nation is in, it is readily apparent that funding for programs administered by VA will remain among the highest of priorities. Although the threat of possible sequestration hangs over nearly every agency in government, VA programs (and the administrative expenses associated with those programs) have been determined, after more than a year of analysis by the Office of Management and Budget, to be completely exempt. We hope to work with you to clarify existing law so that this understanding as it pertains to VA is carried forward. Veterans who rely on VA programs for essential services should receive assurance that, once and for all, their programs are protected from such an indiscriminate cost-saving tool.

That said, we are acutely aware that other government agencies and programs which serve veterans, such as the Court of Appeals for Veterans Claims, the American Battle Monuments

Commission, Arlington National Cemetery, the Department of Defense Transition Assistance Program, and the Veterans Employment and Training Service, are not exempt. The Committee has received an assessment of sequestration's potential impact in all these areas and will monitor the effect on services should it occur. Nevertheless, the best course of action would be to make the tough choices necessary to replace the sequester altogether. We know you agree, and stand ready to assist in any way we can.

Another measure of funding preference afforded to veterans is in the provision of advance appropriations for VA medical care, which represents close to ninety percent of VA's total discretionary budget authority. Advance appropriations was designed to provide veterans and VA medical system administrators with a measure of assurance of what the budget for VA medical care would be in advance of the fiscal year when those resources would actually be needed. The concept was borne out of frustration that VA funding was all too often caught up in annual continuing resolutions, with full-year funding not provided until well into the fiscal year. Indeed, we are operating under yet another continuing resolution through March 27, one that did not contain advance funding in FY 2014 for VA medical care and that has held non-medical care programs veterans rely on at FY 2012 levels, with full-year funding in limbo. Thus, not only is delayed action on appropriations bills threatening full year funding of the remainder of VA's discretionary accounts, it is threatening action on the medical care advance itself.

The simplest solution is for us to get our work done on time. However, if Congress and the President cannot get annual appropriations bills enacted in a reasonable time period, and recent history is against us on this point, we believe serious consideration should be given to providing an advance appropriation for additional or all VA discretionary accounts. Such an approach would encourage multi-year planning and oversight of VA's resource needs as now happens with VA medical care. Most importantly, it would remove funding of veterans' programs entirely from any scenario involving a threatened government shutdown or flat-level funding under continuing resolutions. In addition, in order to better align resources to the VA's mission and desired outcomes for veterans, we are going to explore having the VA provide detailed five-year spending plans or other suitable mechanisms in order to better ensure effective and appropriate resource allocation through programmatic alignments and better use scarce resources to improve the benefits and services provided to veterans. We hope to work with you in the coming weeks about this idea but believe it is entirely consistent with the strong, bipartisan support that the Budget Committee and the Congress have afforded funding for veterans.

With the special status accorded to VA funding comes a heightened obligation to ensure that those resources are not wasted and are put, to the maximum extent possible, to use on direct services provided to veterans. The Committee has been and will remain engaged in oversight efforts towards that end, to include oversight of wasteful VA spending on extravagant destination conferences; unjustifiable bonuses for senior executives; and growth in administration accounts not directly related to veterans services. Further, the Committee will continue its investigations into VA contracting practices, the timely and on-budget completion of construction projects, and an analysis of investments made in information technology tools relative to the benefit obtained through their use. In order for VA to better track its spending and be held accountable for its near $140 billion budget, we believe that bringing a viable financial management system online is an absolute necessity. The Committee also plans on working closely with the Government

Accountability Office to more comprehensively explore individual VA accounts with a view toward ensuring that estimates are analytical and closely adhere to budgetary needs.

Finally, we affirm that veterans have earned their benefits by virtue of honorable military service and that any cost-saving measures imposed on those benefits must be sobered by that reality. Accordingly, and similar to the message delivered to you from the Committee's 112th Congress Views and Estimates letters, should the Budget Committee choose to look to VA mandatory spending programs for budgetary savings in a reconciliation instruction, we ask that you limit the instruction to savings proposals that have advanced out of the Committee on a bipartisan basis in past times of severe fiscal restraint.

Conclusion

Again, we reserve the right to update these views following the formal submission of the President's budget and the Committee's opportunity to conduct oversight hearings on it. Thank you for your commitment to our Nation's veterans.

Sincerely,

JEFF MILLER
Chairman

MICHAEL MICHAUD
Ranking Member

Dan Benishek

Mark V. Amodei

Tim Huelskamp

Doug Lamborn

Mike Coffman

[illegible]

David P. Roe

Beto O'Rourke

Julia Brownley

Tim J. Walz

Corrine Brown

[illegible]

Gloria Negrete McLeod

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

February 26, 2013

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

Dear Mr. Chairman:

As required by Section 301(d) of the Congressional Budget Act of 1974 (P.L. 93-344) and in response to your letter of February 8, 2013 , this letter transmits the Views and Estimates of the Committee on Ways and Means on those aspects of the Federal budget for the Fiscal Year 2014 that fall within the Committee's jurisdiction.

The current pace of the economic recovery is insufficient and far too many Americans remain unemployed. As such, the Committee will continue to focus on promoting policies that spur private sector job creation and economic growth. These policies include reforming the tax code to make American employers and workers more competitive, expanding trade especially through providing new opportunities to grow exports of American made goods and services and by reducing the burden placed on American employers by the recent rapid growth in budget deficits, reducing the national debt, and eliminating inefficient and counter-productive government regulation.

I. Legislative Issues with Budgetary Impact

A. Human Resources – The Committee will work to help more unemployed Americans find jobs by reviewing the operation of current State and Federal unemployment benefits and programs, including the implementation of reforms contained in Public Law 112-96, *The Middle Class Tax Relief and Job Creation Act of 2012*, and develop improvements as needed. The Committee will continue its effort to improve the exchange of program data to improve administrative efficiency and reduce waste, fraud, and abuse. The Committee will also review the effectiveness of the Temporary Assistance for Needy Families, Child Support Enforcement, and Child Care and Development Block Grant programs to ensure they target those most in need and promote economic mobility through employment. The Committee will also continue its general oversight over the Human Resources programs under its jurisdiction, including reviewing program interactions and eligibility standards. The Committee will also review and act, as appropriate, on proposals in the President's Fiscal Year 2014 Budget upon its release.

B. Medicare and Other Health Care Issues – The Committee will closely oversee the implementation of the health care overhaul and its impact on federal spending, the economy, those who already have insurance, employers, Medicare beneficiaries, and health care providers. In addition, the Committee will look for ways to reform the Medicare program to ensure its sustainability for current and future beneficiaries. The Committee will also examine policies that reduce the cost of health insurance, increase health care quality and improve outcomes, protect access to care, encourage transparency, and eliminate waste, fraud, and abuse.

C. Social Security –The Committee will work to strengthen Social Security programs though examining the financing challenges facing Social Security's retirement, survivors and disability programs, with particular focus on the role of Social Security benefits for today's and future beneficiaries, the cost of delay to taxpayers and beneficiaries in addressing those challenges, and proposed solutions. With the disability program also experiencing ongoing management challenges, the Committee will examine the process for both determining eligibility for benefits and the appeals process. In addition, the Committee will examine the agency's deployment of tight resources to serve the public and taxpayers and provide oversight of the management, performance, program stewardship and long-range strategic planning related to Social Security programs. The Committee will also continue to pursue options to better protect individuals, including children, from identity theft related to the proliferation of use and misuse of Social Security numbers.

D. Tax – The Committee recognizes that a complex, burdensome, anti-growth tax code remains a significant obstacle to economic recovery and job creation. Accordingly, the Committee anticipates continuing its extensive efforts to simplify and reform the tax code for individuals, families, and employers, in order to spur the robust job creation and economic growth necessary to reduce the Nation's persistently high unemployment rate. In so doing, the Committee will build on its record from the 112^{th} Congress, which featured not only more than twenty hearings devoted to tax reform at the Full Committee, the Select Revenue Measures Subcommittee, and the Oversight Subcommittee – including three joint hearings with the Senate Finance Committee – but also the formal release of a discussion draft on international tax reform in October of 2011 (with the release of a second discussion draft, on financial products, earlier this year). In addition, the Committee will continue to review other tax matters and will closely scrutinize the revenue recommendations contained in the President's Fiscal Year 2014 Budget upon its release.

E. Trade – The Committee seeks to increase economic opportunities for American workers and businesses through the expansion of trade opportunities, adherence to trade agreements and rules by our trading partners and by the United States, and the elimination of foreign trade barriers to our goods and services by opening new markets and by enforcing U.S. rights. The Committee intends to consider legislation to grant authority to the President to negotiate and conclude trade agreements, in consultation with Congress, and to provide a clear framework for Congressional consideration and implementation. The Committee intends to continue work begun in the 112th Congress to pass the Miscellaneous Tariff Bill, a package of noncontroversial bills to eliminate or reduce duties on products not made in the United States, in accordance with bipartisan transparency guidelines. The Committee will continue work it began in the 112th Congress to consider legislation concerning the budgets and activities of agencies within its jurisdiction, particularly authorization of Customs and Border Protection, together with improvements to streamline and facilitate legitimate and compliant trade at the border, automate CBP processes, and improve enforcement. The Committee will continue its oversight of systemic problems in U.S.-China trade relations, including issues related to China's consistent lack of protection and enforcement of U.S. intellectual property rights, indigenous innovation requirements, use of industrial subsides, export restraints on key products such as rare earth minerals, and currency misalignment. The Committee will continue its oversight over the Trans-Pacific Partnership negotiations and work with the Administration to develop an action plan for new bilateral, regional, plurilateral, and multilateral trade and investment negotiations, including the International Services Agreement, a U.S./EU free trade agreement, and bilateral investment treaty negotiations. The Committee will continue its oversight responsibilities with respect to the WTO, including U.S. goals, dispute settlement, the prospect for a trade facilitation agreement and expansion of the information technology agreement, and WTO accessions. The Committee expects to address the expiration of key aspects of U.S. trade preference programs and will continue its oversight over the operation of these programs and the Trade Adjustment Assistance programs.

II. The Fiscal Year 2014 Budget

The Committee will review the President's Fiscal Year 2014 Budget upon its release. This review will provide the Committee the opportunity to assess the effectiveness of the President's budget in promoting job creation and economic growth, reducing budget deficits and debt, and ensuring the long term sustainability of programs within the Committee's jurisdiction.

III. Public Debt Limit

The current statutory public debt limit already is now greater than the gross domestic product of the United States. While the Committee recognizes its responsibility to ensure that the United States meets all its obligations, the current growth of the national debt is not sustainable. Current debt levels are already a threat to economic growth and unless action is taken, the projected increase in the national debt will threaten the economic foundation of the country. Thus the Committee intends to pursue policies to slow and ultimately reverse the growth in the national debt and prevent the need for future increases in the statutory debt limit

The Committee on Ways and Means looks forward to working with the Committee on the Budget as we promote prosperity, opportunity, security, and fiscal prudence.

Sincerely,

DAVE CAMP
Chairman

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

February 26, 2013

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

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

Dear Chairman Ryan and Ranking Member Van Hollen:

Today Ways and Means Committee Republicans forwarded to you and your colleagues a letter transmitting the "views and estimates" of the Committee on Ways and Means as required by Section 301(d) of the Congressional Budget Act of 1974. Because the letter failed to mention a number of key priorities for our Committee and included some statements we do not fully agree with, we are writing to provide our additional perspectives on budget priorities within our committee's jurisdiction.

Our top budget priority is to invest in our economic recovery, creating jobs and opportunities for Americans across the country. As we know from the 1990s, a growing economy is a powerful deficit-reduction tool. The Congressional Budget Office recently estimated making arbitrary sequestration cuts in 2013 will reduce GDP growth by 30 percent, costing Americans jobs and opportunities and making our fiscal challenges harder, not easier. Americans deserve a responsible budget, one that will stabilize our debt in a balanced way while keeping our promises and growing our economy, not an ideological statement that puts their well-being at risk.

Although our challenges are significant, we have a good foundation to build on. Since 2011, we have enacted legislation to reduce our budget deficit by $2.4 trillion. The Affordable Care Act is already bringing health costs down, reducing federal spending and making Medicare more secure for the future. After shedding jobs for 10 years, our manufacturers have added about 500,000 jobs over the last three years. We believe our Committee has a number of opportunities to build on that record within a responsible budget.

Tax

The Republican letter cites the "anti-growth" tax code as an obstacle to economic recovery and calls for reform and simplification. The desire to simplify and reform the tax code is shared by both parties. The Republican letter makes reference to the over twenty hearings the Committee has held on reforming the individual and corporate tax systems, but the Committee Republicans have yet to engage in any meaningful debate on a realistic proposal. To date, Committee Republicans have simply presented individual and corporate tax cut "targets" without any discussion of how those rates would be achieved. Additionally, the work products that have been released by the Committee to date do not adequately provide a framework for how these tax cuts would be achieved.

Notably absent from the Republican discussion of taxes is any mention of the role the tax code will need to play in raising revenue to address long-term deficits. Passage of the "American Taxpayer Relief Act of 2012" has, for the first time in over a decade, provided certainty to millions of taxpayers with respect to many of the provisions of the tax code, and finally demonstrated the Congress' commitment to raising revenue as part of the solution to our budgetary situation. The President has indicated that the solution to our budgetary problems requires a balanced approach, involving both revenue increases and spending cuts, and any tax reform must consider that important obligation of the Congress while ensuring our tax code promotes economic growth and does not harm hardworking Americans. Creating jobs and promoting growth by providing targeted tax cuts for businesses and tax incentives for infrastructure construction and the development of green technologies are among the principal policy objectives of both Congressional Democrats and the President.

Trade

The Democratic Members of the Committee are working to ensure that U.S. trade policy serves the following key objectives, among others: addressing global trade imbalances and insisting upon greater reciprocity in trade; spreading the benefits of trade more broadly (instead of contributing to growing economic inequality); and maintaining U.S. leadership and reasserting market principles as a counterpoint to the disturbing trend toward greater state control over trade flows.

While we agree with many of the views expressed in the Republican letter, we wish to clarify our views on three important issues. First, the Republican letter states that the Committee intends to consider legislation to provide a framework for Congressional consideration and implementation of trade agreements. In our view, and consistent with the Committee's past practice (see, for example, the Omnibus Trade and Competitiveness Act of 1988), trade negotiating authority should be considered as part of a comprehensive discussion of how to make the United States more competitive in the global market, and any legislation should serve that broader purpose, as well as the core objectives described above. While we should begin those discussions soon, it is important to recognize that the expiration of trade negotiating authority has not handicapped the United States in ongoing trade negotiations.

The Republican letter also states that the Committee will consider the budgets and activities of agencies within the Committee's jurisdiction. Committee Democrats have long supported additional funding for the trade agencies, including the Office of the U.S. Trade Representative, to strengthen the enforcement of U.S. trade agreements and laws. Funding for enforcement is particularly important today, as countries such as China become more assertive in pursuing "forced localization" and other mercantilist policies. The executive order establishing an Interagency Trade Enforcement Center is a promising step toward improved enforcement, but Congress needs to fully fund that important initiative. In considering agency authorization legislation, we also need to insist that Customs and Border Protection fully enforce laws against unfairly traded imports. We urge our Republican colleagues to work with us on these important trade enforcement initiatives.

Finally, we were disappointed that the Republican letter ignored the fact that the Trade Adjustment Assistance (TAA) program expires at the end of this year. For decades, that program enjoyed broad bipartisan support, as well as the support of business and labor leaders. In fact, just a few years ago, Chairman Camp described TAA as providing "a coherent, rational, accountable, and cost-effective system for training trade-affected workers and putting them back to work quickly and at better jobs." We urge our Republican counterparts to once again support this important job program.

Health

Committee Democrats will continue to protect the Affordable Care Act and its implementation. This law stands as major entitlement reform for Medicare. It lowers cost-sharing, extends Medicare solvency, improves benefits, slows program expenditures, and modernizes the health care delivery system. The law also slows growth in national health expenditures and shrinks the deficit by $109 billion in the first ten years. It extends coverage and protects individuals from insurance company abuses and denials of care. The Republican letter sets forth a plan to monitor ACA implementation. The Republican oversight plan should be expanded to include the uninsured, as absent the Affordable Care Act, their ranks will grow by 27 million.

The Republican letter describes the work the Committee plans with regard to Medicare, stating it will "look for ways to reform the Medicare program to ensure its sustainability for current and future beneficiaries." We fear that this suggests various efforts to shrink the Medicare benefit and increase beneficiary cost-sharing under the rubric of redesigning the fee-for-service benefit or Budget Chairman Ryan's plan to convert Medicare to a voucher program. We note that the Affordable Care Act strengthens the Medicare program's financial future for beneficiaries and taxpayers, improves benefits, advances program innovations to better reward high quality and coordinated care, and authorizes new fraud-fighting tools. Committee Democrats will defend the Medicare program against any attacks that attempt to dismantle it, cut benefits or shift costs onto beneficiaries.

The Committee must also pursue a fix to the Medicare physician payment system, which faces a cut in payment rates of -25 percent in 2014. Legislation passed in the House of Representatives in the 111th Congress offered a comprehensive solution to this perennial problem. Unfortunately, only one Republican joined us in voting for that bill. In the 112th Congress, Republicans wasted an opportunity to repeal the sustainable growth rate formula once and for all when they refused to use savings from the diminished war effort to pay for a permanent fix to the physician payment system. We now have another opportunity to repeal SGR given historically low cost estimates to do so. We hope to work with the Republican majority to develop a real solution to this problem that encourages efficient delivery of care, recognizes the importance of primary care, and does so without burdening beneficiaries with higher costs. Additional efforts of the Committee must focus on ongoing oversight of programs within our jurisdiction as well as efforts to combat fraud, waste and abuse. We look forward to continued review of the President's anti-fraud proposals.

Human Resources

The U.S. labor market has shown substantial improvement over the last few years, as our economy recovers from the worst recession since the Great Depression. Nevertheless, there are still over 12 million Americans looking for work, over two million of whom depend on federally-funded Emergency Unemployment Compensation. To help jobless workers, Democratic Members of the Committee support both a strong unemployment insurance (UI) system and job placement and training services. This means maintaining the Federal role in providing assistance to laid-off workers as the economy continues to recover, rejecting devastating cuts to job training programs included in past Republican budget plans, and evaluating proposals to address solvency issues within the UI system.

Democrats on the Committee also recognize the need to reauthorize the Temporary Assistance for Needy Families (TANF) program to better enable it to support struggling families and promote work. Democratic Members oppose efforts to cut this program, including the decision by the Republican majority during the last Congress to allow the TANF Supplemental Grants to expire for 17 States. Finally, Democrats on the Committee will continue to oppose slashing assistance for our most vulnerable elderly and most at-risk children, including past Republican proposals to completely eliminate the Social Services Block Grant.

Social Security

Protecting Social Security is a top priority for Democrats, as it is for the 160 million American workers who are paying into Social Security and the 57 million seniors, widows, disabled workers, and children who depend on Social Security's earned benefits now. We consider keeping Social Security's promise to Americans one of our highest obligations as elected officials.

Social Security currently has a Trust Fund surplus of $2.7 trillion. We take seriously our responsibility to safeguard taxpayer contributions to Social Security, and were deeply concerned last year when House Republicans refused to provide previously agreed-to funding for proven strategies to fight waste, fraud, and abuse, despite clear evidence that taxpayers save more than $6 for every dollar invested.

We look forward to continuing our bipartisan efforts to oversee the Treasury Departments effort to transition to electronic payment of Social Security benefits and protect Americans' Social Security numbers from identity theft. We are, however, very concerned by our Committee's failure to hold hearings on the impact of multi-year operating budget cuts at SSA, which have led to office closings, reductions in office hours, fewer staff to serve the public when offices are open, longer telephone wait times, and delays in providing earned benefits, particularly for disabled workers. After several years of bipartisan efforts to provide SSA the necessary funds to reduce disability backlogs and waiting times – resulting in a drop in waiting times for a disability appeals hearing from 532 days in August 2008 to 340 days in October 2011 – the cutbacks in agency funding have now begun to erode this improvement, and wait times are again on the rise.

The Public Debt Limit

The public debt limit does not prevent us from taking on new obligations. Rather, it controls the Treasury's ability to issue debt to pay for spending Congress has already authorized and services we have already received. Our experience in the summer of 2011 made it very clear that even threatening to default on the full faith and credit of the United States has really consequences for our economy. The 2011 brinksmanship by some Republicans in Congress led to a historic downgrade of our credit rating and the worst job creation month in three years. Economists continue to warn us that the ongoing uncertainty about default is delaying private sector investment and suppressing job growth. We appreciate that the Majority agreed not to default in February, and we hope they will now work with us to provide the certainty needed to spur investment and job creation.

Sincerely,

Sander M. Levin
Ranking Member

Congress of the United States

JOINT ECONOMIC COMMITTEE
(CREATED PURSUANT TO SEC. 5(a) OF PUBLIC LAW 304, 79TH CONGRESS)

Washington, DC 20510-6602

March 1, 2013

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

Dear Chairman Ryan:

Thank you for inviting me to submit my views on the budget resolution for fiscal year 2014 to the Committee on the Budget. As you know, the Joint Economic Committee is charged with reviewing and responding to the *Economic Report of the President together with the Annual Report of the Council of Economic Advisers* (ERP). The Committee is also charged by the *Full Employment and Balanced Growth Act of 1978* (15 U.S.C. 3101 *et seq.*) to provide the Budget Committee with views, recommendations, and appropriate analyses of the goals set forth in the ERP.

Once again the Obama Administration has failed to submit both the *Budget of the U.S. Government for Fiscal Year 2014* and the *Economic Report of the President* on time. It would be far easier to analyze, offer views, and make recommendations and suggestions if the President had submitted his Budget and the ERP in a timely manner. However, I expect these documents, when submitted, will again make clear that the President believes that the federal government, not the free enterprise system, should lead the way in creating more jobs. I know you share my view that the President's beliefs are misguided.

A fiscal crisis is at the doorstep of the United States. Continued inaction by Congress and the Administration threaten to turn a difficult challenge into an impossible obstacle. The causes of our current imbalances are rooted in a number of factors. From a fiscal policy perspective, two contributing factors are: (1) it is easier to agree to special interest demands for higher federal spending than to stand up for the general interest for spending restraint; and (2) there is no comprehensive federal spending cap to force spending choices among competing programs. In recent fiscal years, these public choice problems of "concentrated benefits and widely dispersed costs" and a "lack of transparency of opportunity costs" have been exacerbated as federal spending as a percentage of gross domestic product (GDP) has increased far above its post-World War II average.

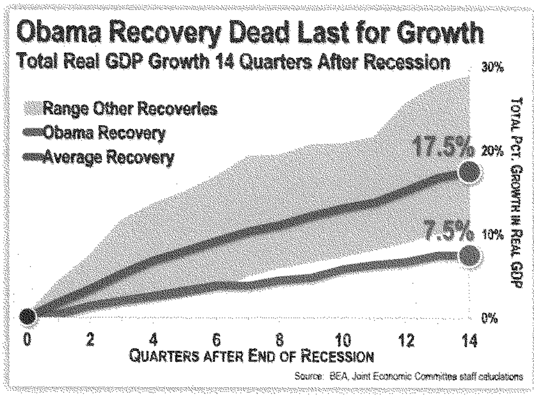
Since submitting my views last March, the anemic nature of the current economic recovery has become increasingly apparent. The American people continue to suffer from substandard economic growth and lackluster private sector job creation. Strong economic growth can play a significant role in addressing the nation's fiscal challenges. Continued inadequate growth will only make the challenge larger.

It is important that members of both the House and Senate have a clear understanding of what this economy has failed to deliver in terms of jobs, growth, family incomes, and economic opportunity.

Including the current recovery, there have been nine other recoveries lasting longer than one year since the end of World War II. I will review briefly this recovery's performance from a historical perspective.

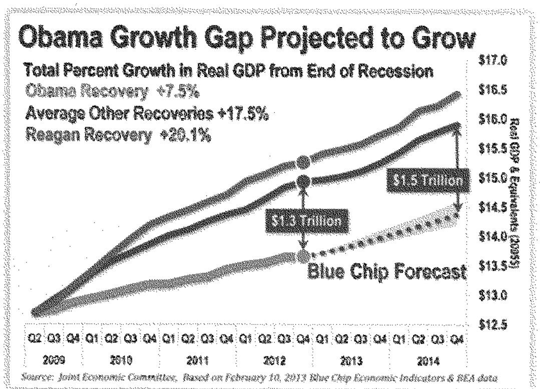
Economic Growth

It doesn't matter what you choose as the starting point for comparison with prior recoveries. The current recovery ranks dead last on economic growth. Three graphs help to illustrate just how anemic economic growth has been during the current recovery.



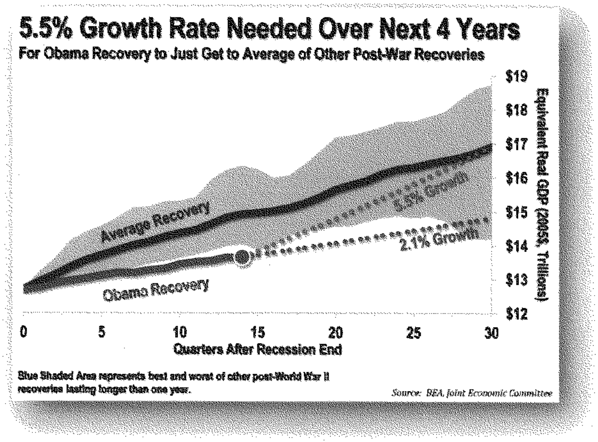
Since the recession ended in the 2nd-quarter 2009, the economy, as measured by real GDP, has expanded by a total of 7.5% over 14 quarters – or at an annualized rate of 2.1%.

The average expansion of the other nine post-World War II recoveries lasting longer than one year was 17.5% over a comparable period – or at an annualized rate of 4.7%.



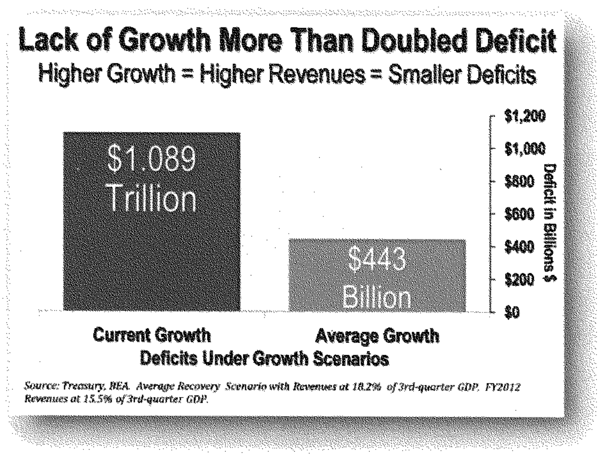
Private forecasters do not see significant improvement in the real GDP growth over the coming two years. Presently, the Obama recovery has a real GDP growth gap of $1.3 trillion (2005$) compared to the average performance of other post-World War II recoveries.

If the estimates for real GDP growth provided by forecasters participating in the *Blue Chip Economic Indicators (Blue Chip)* survey are correct the gap will widen further to $1.5 trillion (2005$) over the next two years.



The final of the three graphs shows just how "deep of a hole" the current recovery finds itself in. In order simply to return to the trend of the average of the other post-World War II recoveries, real GDP growth would have to rise to 5.5% over the next four years.

As Chairman of the House Committee on the Budget, you know better than most the negative effect lack luster growth has on the nation's fiscal position.



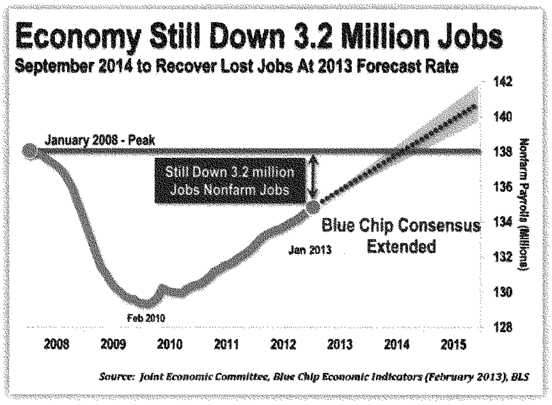
The staff at the Joint Economic Committee recently estimated that if the current recovery had proceeded at the pace of the average post-World War II recovery that our fiscal year 2012 budget deficit would likely have been less than half of the reported $1.1 trillion dollars.

The JEC staff estimated that if the economy had grown at a real annual rate of 4.7% and revenues had returned to their fiscal year 2007 level of 18.2% of 3rd-quarter GDP the reported deficit would have been under $450 billion.

The Missing Jobs

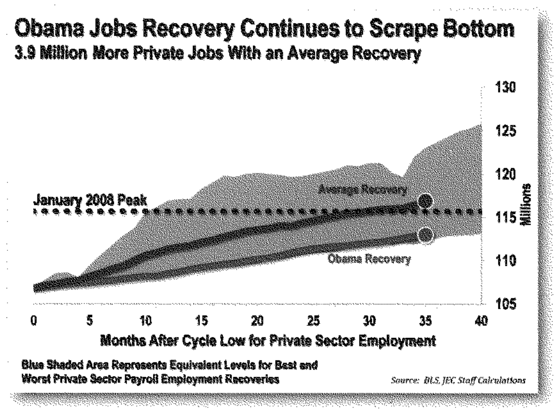
It should come as no surprise that below trend economic growth during this recovery has also produced anemic job growth. At the present time, there are 2.7 million fewer private sector payroll jobs than at the January 2008 peak. Nonfarm payrolls are 3.2 million below their January 2008 peak.

As you know, private sector payroll employment reached its nadir in February 2010. Since that time, private sector payrolls have expanded for 35 consecutive months by 6.1 million or 5.7%. The fact that private sector employment continues to expand is welcome news for those hardworking Americans that are finding work. Unfortunately, the pace of job growth is woefully inadequate.



Blue Chip survey participants expect nonfarm payrolls to expand at the rate of approximately 170,000 per month during 2013. If that forecast is correct and you extend the projection forward, it will be September 2014 before nonfarm payrolls return to their prior peak.

As the White House renews its calls for more "investment" or spending as a means of stimulating the economy, it is worth noting that in January 2013, there were 2.7 million fewer nonfarm payroll jobs than the Administration promised we would have <u>by the end of 2010</u> if Congress passed the $800 billion-plus stimulus package in February 2009. I would urge the Budget Committee to proceed with extreme caution when responding to any new calls for "investments" by this Administration.

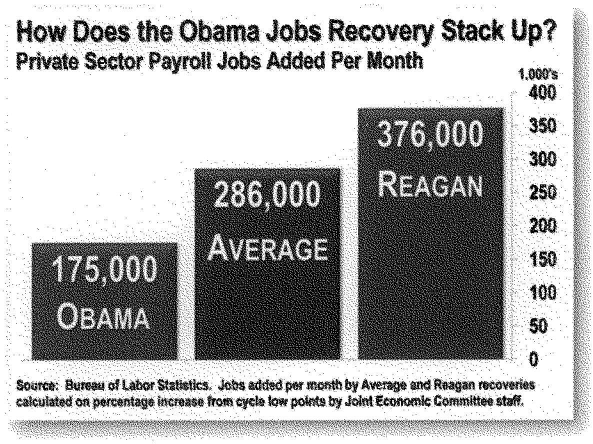


From a private sector perspective, the Obama jobs recovery continues to scrape bottom. The addition of 6.1 million private sector jobs over 35 months is progress and sounds significant. When taken in the context of other recoveries, however, it is substandard by any measure.

In a comparable 35 months, an average recovery would have produced a gain of 9.4% in private sector employment – equivalent to a gain of 10.0 million vs. 6.1 million private sector jobs. In other words, if this recovery had merely been average there would be 3.9 million more private sector payroll jobs. The economy would have surpassed the prior peak for private sector payroll employment by 1.2 million jobs.

A really strong recovery, like the Reagan recovery of the 1980s, would have generated a private sector payroll gain of 12.3% or 13.2 million private payroll jobs.

It has become commonplace among commentators and others to cheer a monthly private sector payroll gain of 200,000 or fewer jobs as meaningful progress. If 200,000 new private sector jobs per month is the best the economy can do then our nation is in serious trouble.

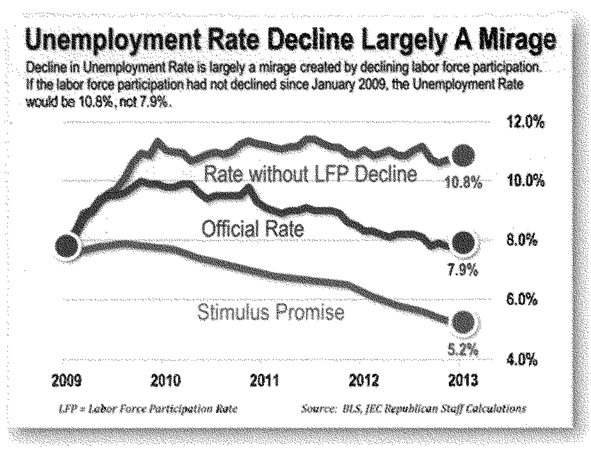


Since private sector payrolls bottomed in February 2010, the average monthly private payroll gain has been 175,000. After adjusting for the size of the employment base, the average of other recoveries was a gain of 286,000 and the Reagan recovery posted an equivalent average monthly gain of 376,000 private sector jobs.

Unemployment

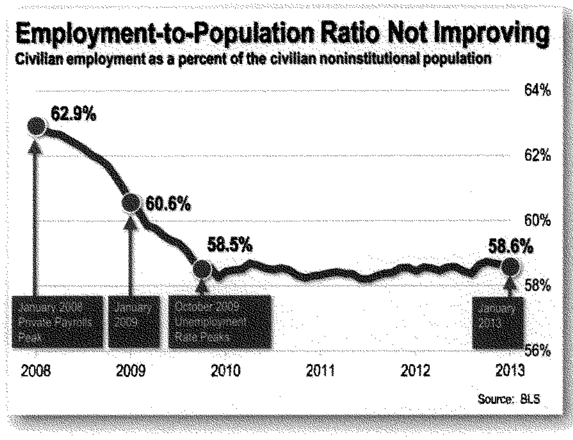
With anemic job creation it should come as no surprise that the unemployment rate has been slow to decline. With the unemployment rate at 7.9% in January 2013 it is essentially unchanged from the 7.8% rate when President Obama took office in January 2009.

As you know the unemployment rate rose to a peak of 10.0% in October 2009 and has declined slowly since then. Not only has the unemployment rate not declined to the 5.2% promised by the Administration if stimulus was passed, at 7.9% the decline from the October 2009 level is largely a mirage driven by declining labor force participation.



The accompanying graph illustrates the lack of progress that has been made on the unemployment rate. If labor force participation had not declined from 65.7% in January 2009 to 63.6% in January 2013, the unemployment rate would be 10.8% -- more than double the promised 5.2%.

This lack of progress on unemployment can also be illustrated by looking at a graph of the nation's employment-to-population ratio. This ratio measures the percentage of the adult civilian population that is employed in a particular month.

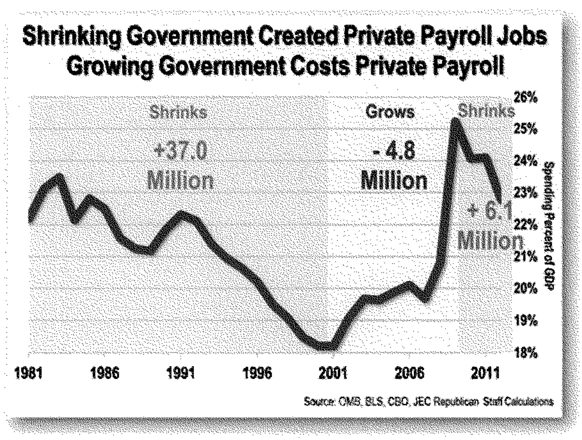


At 58.6%, the share of the adult civilian population that is employed is a full two percentage points below the January 2009 level and more than four full percentage points below the January 2008 level of 62.9%.

With more than 12 million Americans classified as unemployed, we cannot continue to tolerate the lethargic levels of economic and job growth any longer. Attention must be given to insure that policies – fiscal and regulatory – foster rather than inhibit economic growth and job creation in the private sector.

Fiscal Policy Decisions

As the Budget Committee prepares the FY2014 Budget Resolution, I would encourage you to rebut aggressively suggestions that spending restraint poses a threat to economic recovery and job creation. In doing so, it is important to focus on the right measurement of fiscal discipline. In general, spending levels should be viewed in relation to the size of the U.S. economy.



Bringing down federal spending as a share of GDP will not inhibit job growth.

From 1981 to 2001, total federal spending declined from 22.2% of GDP to 18.2% of GDP. Over that 20-year period, private sector payrolls grew by an astonishing 50%, or 37 million private sector jobs.

The simple fact is that one of the best possible ways to reduce the size of government is by growing the size of the private sector at significantly higher rates than we have experienced in the current recovery. Not only will this reduce spending relative to the size of the economy, but growing the private sector will have the ancillary effect of increasing significantly the revenues collected by the federal government without increasing tax rates.

In addressing the nation's fiscal imbalances, there has also been a tendency to focus on symptoms—federal budget deficits and federal debt—instead of the root cause of our fiscal problems. Excessive federal spending is the disease. Large, persistent federal budget deficits and an increasing federal debt as a percentage of GDP are merely symptoms of the disease.

To treat the disease, Congress should impose a comprehensive cap on federal spending expressed as a percentage of national income. The 10-year cap on discretionary spending enacted in the *Budget Control Act of 2011*, while a small step forward, is inadequate to put the federal government on a sound fiscal course because the discretionary cap excludes mandatory spending, which will account for almost all of the growth in non-interest spending over next 10 years and beyond.

But how should Congress design a comprehensive cap on federal spending? Based on research conducted by JEC staff, I propose a new formula in which non-interest spending is the numerator and potential GDP, which is the estimate of what GDP would be under conditions of full employment and stable prices, is the denominator.

Non-interest spending (i.e., discretionary and mandatory spending) is a better numerator than total spending because:

1. The current Congress can directly control discretionary spending through appropriations laws and mandatory programs by amending their authorizing laws. In contrast, the current Congress has a very limited ability to affect interest outlays. The amount of federal debt is largely a function of the collective spending and tax decisions of previous Congresses. Interest rates are largely a function of the monetary policy pursued by the Federal Reserve and market forces.

2. In the face of large and persistent federal budget deficits and an increasing federal debt as a percentage of GDP, Congress and the President may press the Federal Reserve for an overly accommodative monetary policy to reduce federal interest outlays and make it easier to adhere to the spending cap, but this would have bad economic consequences. The inevitable result of such political pressure on the Federal Reserve would be higher price inflation. In fact, this happened during and after World War II until the Accord was reached in March 1951, granting the Federal Reserve independence in determining monetary policy from the Treasury. Using non-interest spending instead of total spending as the numerator helps to preserve the independence of the Federal Reserve to pursue a non-inflationary monetary policy.

Potential GDP is a much better denominator than reported GDP because:

1. Using actual GDP as the denominator for calculating the spending cap makes the spending cap "pro-cyclical." During a boom, the spending cap would increase rapidly, allowing a spending surge; and the spending cap would fall during a recession, forcing deep spending cuts at the worst time in the business cycle.

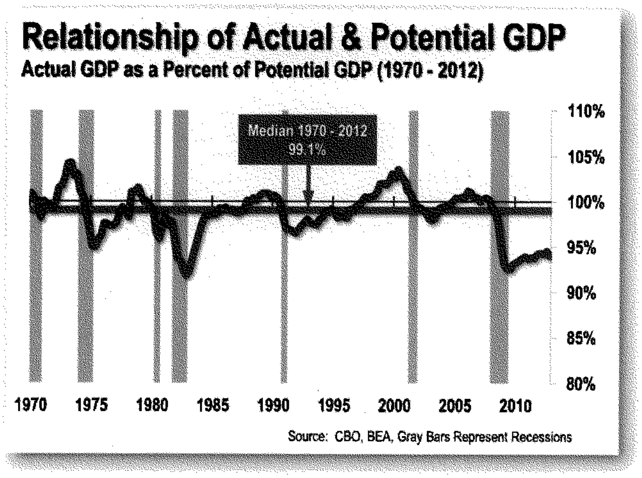
2. Forecasting what actual GDP will be is obviously difficult, especially 10 years into the future.

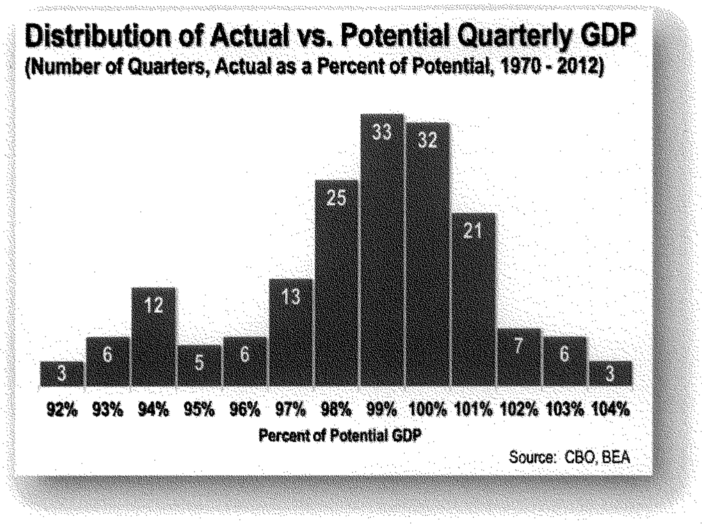
3. For each quarter, the Bureau of Economic Analysis issues three "initial" estimates of quarterly GDP. Each July, estimates of GDP during the last three years are subject to annual revisions. Consequently, using the most recent estimate of GDP or an average of recent estimates of GDP as the denominator for calculating the spending cap creates a disruptive "bouncing ball" effect because GDP revisions may cause the spending cap to gyrate during the budget and appropriations process.

4. However, using potential GDP as the denominator for calculating the spending cap resolves these problems. Estimates of potential GDP are fairly stable and may be easily projected 10 years into the future. By definition, potential GDP is an estimate of what economic output would be at full employment without price inflation. Therefore, potential GDP is unaffected by the business cycle. This eliminates the problems of a spending surge during a boom followed by a large spending decline during the subsequent recession. While potential GDP is subject to annual revisions, the magnitude of revisions to potential GDP is much smaller than revisions to actual GDP.

5. And significantly, potential GDP is what the Congressional Budget Office (CBO) forecasts GDP during the back end of the 10-year budget window.

Actual GDP has maintained a close relationship to potential GDP over time. The following two charts show (a) the relationship of actual GDP to potential GDP over the 1970, and (b) the distribution of that relationship. Except during recessions and the end of expansions, the range is rather tight.





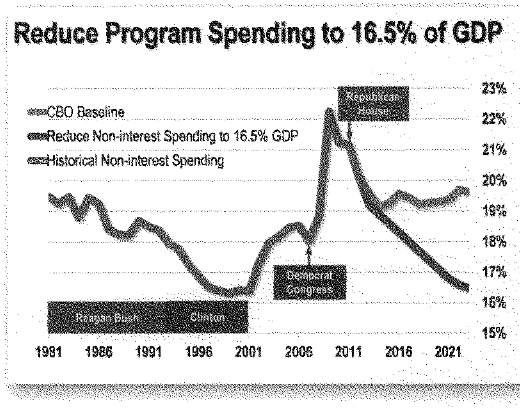
The Budget has become a political statement for the President rather than a management tool that both the President and Congress use to control spending. For the budget and appropriations processes to work, the President should be required to present a fiscally responsibly Budget that complies with the spending caps. At the same time, each House of Congress should be required to consider a Budget Resolution that complies with the spending caps.

In the Budget, the President should be required to prioritize all non-interest spending that he proposed into five categories from most essential to least essential, with at least 12% of non-interest spending in each category. Moreover, if either Social Security or Medicare are not "sustainably solvent" over the next 75 years, the President should be required to submit a plan in the Budget to make these programs "sustainably solvent."

Under these reforms, both Congress and the President would have to "lay their cards on the table." Neither Congress nor the President would be able to avoid the tough choices necessary to reduce federal spending.

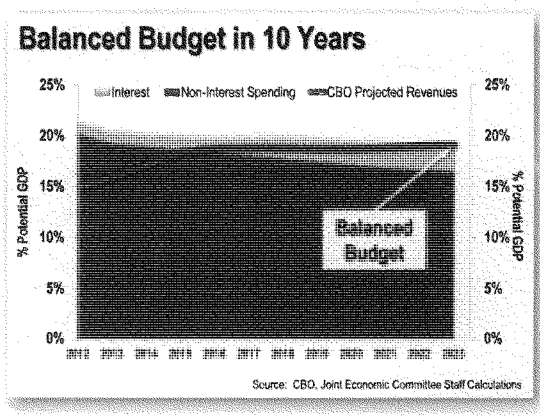
Another failure of the current budget and appropriations process is the threat of a government shutdown if Congress and the President cannot agree on appropriations bills. Instead, Congress should enact a permanent continuing resolution for discretionary spending at a reduced percentage of spending (e.g., 95%) in the previous fiscal year for programs that would otherwise be threatened by a government shutdown if Congress fails to enact the required appropriations bills. A permanent continuing resolution strengthens the advocates of spending restraint by ending the threat of a government shutdown and setting lower spending as the default position on discretionary spending, while sparing federal contractors and workers the agony of not knowing whether they would be paid.

Despite President Obama's unwillingness to embrace smaller government as a policy objective, Congress should also enact an enhanced rescission authority designed to mimic the item-reduction veto authority possessed by several governors.



If we are willing to take these steps, we can balance the budget over the coming decade. And we can do so without higher tax rates.

If we steadily reduce non-interest spending to 16.5% of potential GDP in 2023 (near the level of the late 1990s) and revenues rise to 19.1% of GDP as projected by the CBO, we can balance the budget. The following two graphs illustrate the history of non-interest spending as a percentage of potential GDP and how a steady reduction in non-interest spending could result in a balanced budget.



As you know, delay in addressing the solvency of our entitlement programs like Social Security and Medicare has only served to magnify the challenge and shave years off our window of opportunity to take meaningful action. I stand ready to work with you and the other members of the Budget Committee to restore prosperity to our nation and to put the federal government on a sustainable fiscal path.

Please let me know if there is any way that I can be of further assistance to you or the Committee.

Sincerely,

Kevin Brady
Chairman
Joint Economic Committee
United States Congress